

THE ASEAN-CHINA REGIONAL AND SUB-REGIONAL COOPERATION WORKSHOP



**S. RAJARATNAM SCHOOL
OF INTERNATIONAL STUDIES**
A Graduate School of Nanyang Technological University



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S. Rajaratnam School Of International Studies, Nanyang Technological University,
Block S4, Level B4, Nanyang Avenue, Singapore 639798

TEL 65-6790-6982 | FAX 65-6793-2991 | EMAIL wwwrsis@ntu.edu.sg | WEBSITE www.rsis.edu.sg



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CONFERENCE REPORT

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This report summarizes the proceedings of the conference as interpreted by the assigned rapporteurs and editors of the S. Rajaratnam School of International Studies. Participants neither reviewed nor approved this report.

This conference adheres to a variation of the Chatham House Rule. Accordingly, beyond the speakers and paper presenters cited, no other attributions have been included in this report.

Executive Summary

The relationships between ASEAN countries and China have entered a new era of dynamic engagement and comprehensive cooperation. Now the cooperation between the two sides is truly multi-dimensional, involving economic integration, political dialogues, security consultations and social interactions. ASEAN countries develop their relations with China at the individual state level, at the bilateral level with ASEAN as a collectivity (ASEAN+China), and at the multilateral level (e.g. ASEAN+3 and the East Asian Summit).

With the rapid development of bilateral relations, some new initiatives have been proposed and new areas of cooperation have emerged. These mainly include the new developments in the Greater Mekong Sub-regional (GMS) cooperation, the Pan-Beibu (Tonkin) Gulf regional cooperation, the Nanning (Kunming)–Singapore economic corridor, the East-West Economic Corridor on the Indochinese peninsula, ASEAN-China cooperation in maritime affairs and non-traditional security issues. Many of these issues also concern other East Asian countries and external powers. These new initiatives and proposals come from a variety of sources, central governments,

local governments, and the scholarly community. To many government officials and observers of regional affairs, it is unclear whether and how these various policy proposals would overlap, conflict, or reinforce each other. It is therefore worthwhile and timely to further explore how ASEAN countries and China could prioritize and better coordinate their regional and sub-regional cooperation.

It is in this context that we hosted an international workshop among scholars and researchers from ASEAN countries and China to discuss these new developments, new ideas, and new initiatives in order to push forward ASEAN-China cooperation in a more orderly and more efficient manner. This workshop was part of the China-ASEAN Think Tank Forum that was initiated by Professor Zhang Yunning (the Chinese Academy of Social Sciences) and Professor Jusuf Wanandi (Centre for Strategic and International Studies, Indonesia) in October 2008 in Nanning. Professor Zhang and Wanandi have kindly endorsed this workshop. A report based on the discussions and findings of the workshop was submitted to the China-ASEAN Think Tank Forum in mid-October, 2009.

Opening Remarks

The “ASEAN-China Regional and Sub-Regional Cooperation Workshop” was opened by **Mr. Kwa Chong Guan**, Head of External Programmes for the S. Rajaratnam School of International Studies, who introduced keynote speaker **Mr. Jusuf Wanandi**, Vice Chair of the Board of Trustees of Centre for Strategic and International Studies Foundation.

Jusuf Wanandi welcomed the attendees to the workshop by noting that the relationship between ASEAN and China is healthy and positive today for three underlying reasons. First, China is a status quo power, not a revisionist power. It will abide by the rules now and in the future. Second, China in the last twenty years has shown support and willingness to become a member of regional efforts to institutionalize cooperation in the region, like the Asia-Pacific Economic Cooperation (APEC), the ASEAN Regional Forum (ARF), the East Asia Summit (EAS) and ASEAN+3. Third, there is a stable relationship between China and the United States, and this allows East Asia to cooperate with China.

However, Wanandi noted that there were other factors that could improve the relationship. One was working towards a code of conduct that dealt with the overlapping claims in the South China Sea. While ASEAN and China have agreed to the principles of a code of conduct, a working code of conduct has not been reached.

A second point was the need to immediately deal with two institutions, ASEAN+3 and ASEAN+6, which he felt had similar goals and proposals and were redundant. If

both institutions were to remain, perhaps they needed two separate functions.

A third factor that could improve ASEAN-China relations is more cooperation on the Greater Mekong Subregion (GMS). This is a critical issue for the developing nations of ASEAN in the region, and China needs to participate more. The fourth issue, which is crucial for furthering trust, is the nature of China’s defence posture and budget. China’s defence white papers are a step in the right direction towards more transparency and are the kind of confidence building measure that we should have going forward.

On the political side, what is greatly needed is much more dialogue. ASEAN and China do not understand each other as well as they should. Deng Xiaoping noted this on his first visit to Singapore. It was hoped that this workshop was such an opportunity to improve dialogue.



Mr. Jusuf Wanandi

SESSION I

ASEAN-China Cooperation: An Overview

A Comprehensive Chinese View

Wang Yuzhu’s presentation covered the basic factors that have led to the development of relations between China and ASEAN, and possible scenarios for the future of relations. He began by briefly outlining the historical development of relations in the modern era spanning from confrontation to contact, and then to cooperation today.

Wang outlined four possible scenarios for the future of China-ASEAN relations. First, it was possible that the United States could become hostile towards China, at least economically, given its rapid rise. Such action would leave little room for ASEAN to remain neutral. This would lead to difficulties in the relationship between China and ASEAN.

A second scenario involved ASEAN pulling more countries into the “ASEAN+” arrangement in a “hub and spoke” structure to balance the growing influence of China in the ASEAN+3 framework. Here, he cited the current struggle between ASEAN+3, ASEAN+6 and the East Asia Summit. When the South China Sea issue was included, such a scenario would present challenges for the relationship between ASEAN and China.

A third scenario was that China would improve its relationships with other regional neighbours, leaving ASEAN to feel ignored or abandoned. This would worsen issues concerning the South China Sea.

The fourth scenario, which Wang felt most likely to occur, was that China’s economic growth would gradually lead to greater internal domestic consumption, thus helping East Asia to evolve into a new production network. With a Chinese internal demand expansion, relations with ASEAN would only grow deeper.

Wang’s recommendations for future cooperation included (i) increasing mutual trust in order to avoid security dilemmas; (ii) dealing with sensitive issues, such as the South China Sea, in a cautious fashion, making a hospitable atmosphere for bilateral cooperation; (iii) greater institutionalizing relations to provide a stable situation for bilateral relations; and, (iv) for China to have greater involvement in ASEAN community building, in particular providing assistance and helping the CLMV countries (Cambodia, Laos, Myanmar, and Vietnam) to enhance capacity building and narrow the development gap.

A Comprehensive ASEAN View

As with Wang’s previous presentation, **Rodolfo Severino** also saw relations developing in stages. Before 1967, Southeast Asian states saw China as a threat. This was due, in part, to China’s support for North Korea in the Korean War as well as communist insurgencies in Southeast Asia. After the founding of ASEAN, member states began to come to terms with China.

ASEAN and China worked together against the Vietnamese invasion of Cambodia. ASEAN's and China's foreign ministers regularly met to coordinate on the Vietnam conflict. The famous "nine broken line" and clashes between China and Vietnam in 1974 and 1988 in the South China Sea were then a step backward in relations. In 1991 and 1992, China accepted invitations to attend the ASEAN Ministerial Meetings, which eventually led to the ASEAN+3 dialogues.

China was among the founding members of the ARF. China was weary of discussing the South China Sea in this regional context, but was willing to talk with ASEAN alone outside of the ARF. However, after the ARF was founded, the Mischief Reef incident led to damaged relations with the Philippines.

The Asian financial crisis of 1997 brought ASEAN and China closer together as China resisted devaluing its currency, which was much appreciated by ASEAN. The first ASEAN+3 meeting occurred just after the Asian financial crisis. Zhu Rongji proposed the ASEAN-China FTA in 2000.

As for the growing closeness of relations, ASEAN is placing much hope of economic recovery on China. At the same time, there are continuous perceptions for mutual threat. China fears that Southeast Asia might be used to contain its rise. China feels that it has a strategic interest to have a foothold in the South China Sea for this reason. For

ASEAN, the South China Sea might be perceived as a place where China can exert undue influence on the policies of Southeast Asia.

There is also the impact of the Mekong development on downstream countries. There is a feeling that the presence of China in mainland Southeast Asia is an encroachment of its power in the region. There is a sense that countries in the Mekong region complain privately, but do not raise their concerns to China. Therefore, there is a need for transparency. At least, a publication could be used in the event that a large change occurs from what China says it plans. In general, there is a need to make sure that China and ASEAN do not make any provocative moves that threaten each other.



Rodolfo Severino

SESSION II ASEAN-China Cooperation: New Ideas, New Initiatives and New Projects

China's Participation in GMS Cooperation



Li Chenyang

Li Chenyang noted that the GMS development project was the first Southeast Asian regional cooperative mechanism in which China participated. Before the 2001 ASEAN-China Free Trade Agreement, GMS was the most important cooperative initiative in China-ASEAN relations, and to this day holds an important place in the development of relations.

Yunnan Province has engaged in a number of bilateral and multilateral cooperative mechanisms with countries in the sub-region under the GMS programme. After more than 10 years of cooperation and construction, transportation infrastructure connecting Yunnan and Southeast Asia has substantially improved. An integrated complex of roadways, railways, waterways and telecommunications is taking shape, which will facilitate the exchange of trade and information. Highways have been constructed linking Kunming with Bangkok, and soon will link to Myanmar, Laos and Vietnam.

Furthermore, the eastern part of the Pan-Asian Railway from Yuxi to Mengzi is currently under construction. The Lancang-Mekong waterway channel, which opened in 2001, has also allowed an increase in ship tonnage on the Mekong, as well as a decrease shipping time. These are but a few examples.

Li then outlined the challenges facing GMS cooperation from the Chinese perspective. Chief among these challenges was the involvement of outside powers. Lower Mekong countries are increasingly seen as the objects of diplomatic competition between Japan, India, the United States and China. Involvement from other powers can bring more economic and technical assistance, but can be a double-edged sword, bringing competing interests and confused agendas. It also limits China's role as a key player in GMS cooperation.

Li felt that GMS risked being marginalized by other China-ASEAN cooperative frameworks. Other pressures, stemming from concerns over environmental degradation, trans-national crime and other non-traditional security (NTS) issues plagued GMS. And while much investment has been made in physical infrastructure, "soft aspects", such as health, education, labour and social development needed more attention.

As for ways China could strengthen its involvement in GMS, China should first promote sustainable development in the region. Second, China should play a more central and leading role in multilateral development. Third, because China is a Mekong region country, it should actively respond to challenges from outside powers interested in the region. Fourth, it should strengthen coordination between the Chinese central government and local Yunnan and Guangxi governments. Lastly, China should increase investment in GMS cooperation and strengthen the construction of the North-South economic corridors.

Pan-Beibu Economic Zone: Vision, Policy and Prospect

Gu Xiaosong opened the session by providing some background on the Pan-Beibu Gulf Economic Cooperation (PBG Cooperation). PBG Cooperation was proposed on 20 – 21 July 2006 during the Forum on Economic Cooperation

of Beebe Gulf Rim to co-develop a new growth port of ASEAN and China.

At present, the parties have concerted opinions but face numerous challenges and difficulties in the process of consensus to real and practical cooperation. The challenges are (i) a large area of coverage; (ii) unbalanced economic development; (iii) big political and cultural differences; and, (iv) diplomacy and security.

The real breakthrough for PBG Cooperation relies on the promotion of the cooperative projects that will benefit all parties concerned. The Nanning-Singapore Economic Corridor (NSEC) is the best of the priorities. There are many projects that we can select for PBG as China is investing and participating in BIMP-EAGA. PBG should focus on both the sea and coastal areas. The coastal area is easier to carry out as relevant projects can connect most parties.

NSEC is located in the western coast of Pacific Ocean running southwards through China, Vietnam, Laos, Cambodia, Thailand, Malaysia and Singapore. It is important in connecting the economies of ASEAN and China, as well as being one component of PBG Cooperation. The construction of NSEC can promote cooperation and accelerate the development and openness of the PBG Economic Cooperation Zone.

NSEC will rely on the big cities of Nanning, Hanoi, Vientiane, Bangkok, Kuala Lumpur and Singapore to use the medium and small cities as links. The railways and roads will be the carrier and bonds, and the flow of people, logistics, information and funds as the foundation. Along NSEC, cooperation in industry, agriculture, tourism, transportation and service will construct advantageous industry clusters, the city clusters and port clusters.

Under the 10+1 framework, GMS and PBG Cooperation will both propel the comprehensive regional economic cooperation between China and ASEAN. The PBG Cooperation covers a big area with great potential, but it is also facing big difficulties and challenges.

It can make real breakthroughs only by selecting the projects that are conducive to all parties according to its situation. In the context of the global financial crisis, China's proposed establishment of the US\$10-billion China-ASEAN Cooperation Fund provides the PBG Cooperation with a historic opportunity and a bright future.



Gu Xiaosong

Sub-regional Economic Zones in China and Implications for ASEAN

Li Wannan opened her speech by noting that the Chinese national economy has made great progress since implementing the reform and opening-up policy in 1978. In 2007, it was 15 times larger than in 1978 with an average growth rate of 9.8 per cent. The regional economy has also changed and some important sub-regions have been formed. The target of the intra-provincial cooperation is to promote local economic growth, upgrade industrial structure and improve living conditions. And most sub-regional cooperative initiatives will benefit from the enactment of the China-ASEAN FTA (CAFTA).

With the development of globalization, the Chinese government began implementing a strategy of developing western regions in order to reduce disparities between eastern and western China. In January 2008, the plan to reform and develop the Pearl River Delta (PRD) was announced, set to take effect in December 2008.

In general, China's sub-regional economic cooperation can be divided into four areas: Eastern Chinese development, Western China exploitation, Central China rising and Northeast China revitalization. In Eastern China, there are three relatively successful sub-regions in the Yangtze River delta, PRD and Circum-Bohai-Sea region. In 2007, GDP in the three economic zones totalled RMB 10,470 trillion, which represented 42 per cent of China's total GDP.

A number of challenges confront PRD. Among them are the need for industrial transfer and upgrading, environmental pollution and controlling, a shortage of skilled workers because of wages, and the need for harmonization of different cities.

It was developed as a strategic position and as an experimental region for exploiting the patterns of scientific developments. It is hoped that PRD will become an important international gateway, and a world-class basis for advanced manufacturing industry, as well as a modern service centre.

Hong Kong and Macau also play a role by having close economic ties in PRD. The relationship between these actors has changed from spontaneous economic ties to one of a regional cooperation mechanism.

The PRD initiative has some implications for China-ASEAN Cooperation. While most of the Chinese provinces are involved in intra-province cooperation and form a different kind of sub-regional cooperative structure, they also focus on cooperating closer with ASEAN. Working under this framework of China-ASEAN Cooperation will further expand China-ASEAN relations.

ASEAN Economic Growth Triangles and Implications for China

Sarah Tong began by noting that Regional Trade Agreements (RTAs) have proliferated around the world in the past two decades. Over 200 RTAs are currently in force

around the world. This has been in response to the need to enhance economic cooperation and difficulties observed or experienced in advancing multilateral trade agreement like WTO.

As the region depends strongly on trade and cross-border investment, Southeast Asia has been active in pursuing intra—and inter—regional economic integration. In addition to RTAs, there have been a number of sub-regional efforts to promote economic growth, or growth triangles.

Tong briefly described a number of growth triangles, including the IMS (Indonesia, Malaysia, Singapore) Triangle, the IMT (Indonesia, Malaysia and Thailand) Triangle, the BIMP-EAGA (Brunei, Indonesia, Malaysia, Philippines- East ASEAN Growth Area), the ACMECS (Ayeyawady, Chao Phraya, Mekong Economic Cooperation Strategy), BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical & Economic Cooperation) and the GMS project.

There is large variation among these initiatives in various aspects. Different countries are involved at different stages of economic development. Some involve only ASEAN members and other reach beyond ASEAN for partners. Some rely on private initiatives while others emphasize the role of governments. They also differ in their strategies. Consequently, these growth triangles have been met with differing challenges and achieved different degrees of success.

In principle, the success of growth triangles depends on several key factors, including economic complementarities among the regions, geographic and cultural proximity, political commitment and effective policy coordination, as well as sufficient infrastructure. Efforts like IMS and GMS have met with more success for these reasons. In contrast, sub-regions with weak complementarities, inadequate infrastructure and ineffective government coordination have tended to attain less success, as in the case of BIMP-EAGA.

China's experience with growth triangles has been diverse with respect to resource endowment, the degree of industrialization and the development of infrastructure. But unlike ASEAN efforts, China is a unified country with one centralized government. Some have been highly successful, such as the PRD region and the Yangtze River Delta region.

For ASEAN-China economic integration and cooperation in the future, there are perhaps three lessons to keep in mind. First, as a rising regional power, China needs to be accommodating in inviting and welcoming wider participation from different parties. Second, efforts to promote regional cooperation should also be consistent with the WTO principles aiming at building a freer global trading system and an open non-exclusive approach. Third, China's efforts to build regional growth triangles should also be consistent with its long-term objective of a more balanced and sustainable growth.



Sarah Tong

Discussion

An ASEAN participant commented that China has been very actively pushing the Pan-Beibu Gulf project, and most ASEAN countries have responded positively, but this project will be challenged by differences because of concerns regarding the South China Sea. Therefore, it is important to realize that in this cooperation, we need to select what areas are possible and avoid sensitive areas. Some ideas about

cooperation on counterterrorism, ports and fisheries could be positive. In the absence of a Code of Conduct, we can find some areas of cooperation. Sub-regional cooperation is complementary to larger cooperative arrangements like the ASEAN-China FTA.

Another ASEAN participant voiced concern about the dams in the Mekong region. Energy possibilities are attractive, but there are some local concerns for environmental effects, floods, etc. China may be able to live without the Mekong, but countries downstream cannot. There is a need for consultations and cooperation on this issue.

One ASEAN participant noted that on sub-regional development between China and Vietnam, Vietnam was appreciative of China's role. This included cooperation on GMS, North-South Corridor and Pan-Beibu Gulf. On GMS, there were differences with cooperation, such as the selection of projects to carry out. Another issue was money, because even if China invested a large amount, infrastructure required a lot of funding. There was also a perception, in CLMV, that these development projects negatively affected the Mekong region. This kind of cooperation was seen by some as benefiting China, but negatively impacting CLMV countries. More consultation to settle problems and concerns was needed.

A Chinese participant remarked that investment was always a big challenge, and most of the investment in the region was from ADB. Investment has increased and China will try its best to invest more money in this area, like large state-owned companies. Some enterprises from Yunnan, and perhaps the Chinese government can invest more in the GMS countries. Outside powers such as the United States, the European Union and South Korea can also participate in this. And the Chinese government should pay more attention to GMS countries. The impact of energy plant construction in the Mekong should be studied. How serious is the impact of hydropower construction? If these problems can be solved, we can improve trust between ASEAN and China.

SESSION III

Country Report on ASEAN-China Cooperation: Issues of Concern and Action Proposals

Indonesia



Djisman Simandjuntak

Djisman Simandjuntak highlighted the importance of clearly identifying the objectives and challenges of relations between ASEAN and China. Positive dynamics must be maintained at the speed of development. The task at hand is not going to be easy as some countries have to rebalance their economic growth and shift away from external demand in favour of domestic demand.

In the process, protectionism must be avoided. To enjoy similar growth in the future, momentum needs to be kept alive and policy changes must be made on a continuous basis. In the process, new and difficult issues need to be addressed, such as "behind-border" issues.

Functional cooperation can generate new sources of growth, such as shifting towards science-based industries and services. Unless East Asia catches up on this score, it is going to become increasingly difficult to maintain growth momentum.

Simandjuntak saw regional cooperation as being in a difficult stage. ASEAN has proven to be helpless in dealing with the choice between the China-championed East Asia FTA (EAFTA) and the Japan-championed Comprehensive

Economic Partnership in East Asia (CEPEA). But perhaps an ASEAN+3-based mechanism that is opened to other members of the East Asia Summit could provide the way forward. Sub-regional cooperation can address the existence of policy distortions that are impossible to remove across the board, such as trade and investment barriers.

Looking towards the future, China will need to undergo a rebalancing in growth. Faced with widespread concerns of climate change, it will be forced to search for renewable energy. It may also suffer symptoms of food insecurity, along with an ageing population.

ASEAN-China relations must be placed in this context. Relations can focus on scientific R&D and cooperation between universities. ASEAN and China can advance research on natural resources available in Southeast Asia. There is already some capacity in R&D cooperation in areas such as agriculture, fisheries and tourism. Issues such as intellectual property rights will need to be addressed.

As knowledge becomes more distributed, even people in remote areas are aware of the obligations of government. East Asian authoritarianism is likely to be increasingly opposed. In anticipation of these frictions, confidence-building measures should be put in place. In the absence of such measures, East Asia will become tangled in internal and external friction that is toxic to development. Therefore, existing arrangements need reinforcement. Perhaps, therein lays the frontier of ASEAN-China cooperation.

Vietnam

In his presentation, **Pham Quoc Tru** noted that with the end of the Cold War, ASEAN's relations with China had begun a new page, characterized by a very fast and comprehensive development of relations.

In political relations, doubt has decreased and trust has increased. In economic relations, there have been a number of outstanding developments, including the ASEAN-China Free Trade Agreement (ACFTA).

Pham noted that these positive developments corresponded with a mutual need for peace, stability and security in the region, which allowed the maintenance and expansion of trade and investment. A favourable international environment coupled with positive domestic conditions also contributed to positive ASEAN-China relations.

Despite this overall positive trend, certain factors were inhibiting stronger cooperative relations between ASEAN and China. First, the two sides do not have enough confidence to fully cooperate, as evidenced by remaining territorial disputes. These disputes have led to occasional heightened tensions, for example, when China announced its "nine bars" claim in the South China Sea. Such action could resurrect fears of a "China threat".

Second, ASEAN and China have become economic competitors rather than partners. ASEAN needs China to play a positive role and further open its market to promote development in the region. Third, the differences among ASEAN members make it difficult for them to reach a consensus in dealing with China, and ASEAN is also slow in responding or implementing joint programmes with China.

While the volume of trade between the two countries has increased rapidly, Vietnam's trade deficit with China has also increased. In 2008, this deficit was US\$11.1 billion. China's direct investment into Vietnam has increased rapidly in recent years. By the first half of 2009, Chinese companies invested more than US\$2.67 billion in over 600 projects in Vietnam.

Exchanges and cooperation in education, culture, sports and tourism are also important aspects of bilateral relations. China provides hundreds of scholarships for Vietnamese students to study in Chinese universities each year. More than 120,000 Vietnamese are currently studying in China, and more than 2,000 Chinese students in Vietnam.

In closing, Pham recommended that ASEAN and China work to find solutions to territorial disputes in the South China Sea, actively implement the ACFTA and enhance cooperation in technology, education and training, and tourism. Lastly, ASEAN members should strengthen their solidarity and better coordinate with each other in their relations with China, so as to avoid division and unilateralism.



Pham Quoc Tru

Lao Peoples' Democratic Republic

Khamphao Ernthavanh opened the session by noting the speed, depth and breadth of cooperation between ASEAN and China since 1991. Continued cooperation would be mutually beneficial, provide additional sources of economic growth, and bring about significant geo-political and geo-economic transformation in the region.

Annual visits between leaders of Lao PDR and China have occurred since 1989 and the normalization of relations. In addition to these high level visits, hundreds of exchanges have taken place among national and local government agencies to boost bilateral ties. Laos and China have also resolved their border disputes in a relatively short amount of time, serving as an example for other states.

Laos and China have experienced sound economic relations over the past 10 years, and cooperated in trade, investment, tourism and transport. China contributes to Laos' socio-economic development by acting as a huge source of foreign direct investment, second only to Thailand. In 2008, total trade between the two accounted for US\$420 million and is forecasted to reach US\$530 million in 2009. Laos also receives considerable foreign aid from China, second only to Japan. And cross-border trade, in sectors like agriculture, provides a source of income for many people living along the border.

Enhancing economic cooperation between ASEAN and China under GMS has greatly contributed to mutual interests for both sides. However, economic deficiencies in regional countries, inadequate infrastructure, lack of qualified human resources, and modest volume of trade and investment have not lived up to the potential of the cooperative effort. In addition, the quality of trade goods remains low and the supply unstable, which undermines efforts to expand trade among the countries in the region.

ACFTA marks one of the most important breakthroughs in ASEAN-China relations. But there will be challenges, such as intensified competition in domestic markets given the similarity of industrial structures, and the potential for trade diversion in the shift from low-cost non-FTA members to high-cost FTA members.

China's dynamic economic growth has produced both positive and negative effects for East Asian economies. Japan and the NIEs have been able to benefit from China's Open Door Policy by exporting more capital and technology to China. On the other hand, China's economy tends to be more competitive rather than complementary to the economies of ASEAN countries. And China's growth has exerted strong competitive pressure on ASEAN countries competing for FDI with China.

Overall, China has played a key role in Southeast Asian countries over the last decade in terms of the development of political and economic relations in the region. While relations between ASEAN and China have progressively developed, there are challenges for individual Southeast Asian countries and ASEAN as a whole. ASEAN needs to enhance its coherence through partnerships, which will be more conducive to the implementation of cooperative schemes and hasten regional integration and community building.



Khamphao Ernthavanh

Cambodia

His Highness **Norodom Sirivudh** began by asking, "Who is China?" Different pictures of the country exist. The picture of China most commonly held by Cambodians is that of a country whose economy has grown miraculously since its modern founding. China weathered the Asian financial crisis, and in the current global financial crisis, it has maintained economic growth. Given the low prospects of a return of U.S. and European markets, regional leaders need to think about new sources of growth.

This can be done through the development of both hard and soft infrastructure to connect all countries in the region. It is realistic to create a regional production network and consumption base. ACFTA is the backbone of intraregional trade and investment promotion. The ASEAN-China Investment Agreement, signed recently by economic ministers from ASEAN and China, forms the final substantive pillar of ACFTA.

The role of ethnic Chinese community in Southeast Asia should also not be ignored. They act as a connector between Southeast Asia and China, and through trust and business culture Chinese investors and traders find it faster to invest in trade with Southeast Asia.

As for Cambodia-China relations, there is a long history of diplomatic relations running back to 1958. From the 1960s, small countries like Cambodia helped China to enter the United Nations. This could help explain how close relations between Cambodia and China are, and why cooperation has been maintained for so many years.

The most important investors in Cambodia today are Chinese. Cooperation between the two countries amounts to US\$27 billion: US\$1.4 billion for infrastructure, US\$4 billion for tourism and US\$30 billion for agriculture. This shows how important Cambodian-Chinese cooperation is.

To prove adherence to a One-China policy, the Cambodian government ordered the closure of Taiwan's economic and cultural office in 1997, banned Cambodian officials from making official visit to Taiwan, have refused to grant a visa to the Dalai Lama and have suppressed Falun Gong activities in the country.

In terms of military cooperation, Cambodia is supportive of China's insistence on the principle of peaceful coexistence. We can see how important China is in the international arena. Cambodia feels very comfortable with China's role in the world. However, its civil society cannot compare to that in the United States, and China may need to address this. In conclusion, stronger regional economic integration must take place through the promotion of a regional production base and market. China is an engine of growth for the region and ASEAN is fortunate to live with a promising neighbour like China.



Norodom Sirivudh

Thailand

Sompap Manarungsan's presentation focused specifically on ASEAN-China and Thailand-China trade and investment cooperation. Trade between Thailand and China goes back hundreds of years. The first modern trade agreement between the two countries was signed in 1978, and trade has increased considerably since that time.

Between 1991 and 2002, total trade between the two countries increased overall about 31 per cent, with some fluctuation during this period, especially around the Asian financial crisis in the late-1990s. In 1991, trade with China accounted for only 2.2 per cent of Thailand's total trade volume. This had increased to almost 10 per cent by 2008. Thailand's trade deficit with China has significantly increased recently, however.

Technology has become an important part of trade between Thailand and China. Since 2001, computers and computer components has become, and remainstoday, the number one export item to China. Likewise, the number one product imported from China in 2008 was also computers and computer components.

The fastest growing product area, in recent years, however, has not been technology. From 2007 to 2008 the export of finished oil products to China had a growth rate of almost 78 per cent. Export of rubber to China also had a high growth rate of around 39 per cent. In the same period, the fastest growing products imported from China were fertilizers and pesticides, chemical products and clothes, 61 per cent, 43 per cent and 38 per cent respectively.

Thailand's direct investment in China has ebbed and flowed since the first phases in the late-1970s. The 1997 financial crisis caused severe problems to Thai businesses and forced investment to slow. Despite this, in 2002, Thailand ranked 18th among all foreign direct investors in China. Some major constraints on Thai investment, however, are

language skills, business network barriers, gaps in business culture between China and Thailand.

China's investment in Thailand has grown steadily since the mid-1980s. Before 2005, agricultural, chemical products, textiles and garments were popular areas of Chinese investment. Since 2005, popular areas of China have been in agro-industries, particularly in bio-fuels or alternative energy production.

As for the prospects of greater ASEAN-China economic cooperation, there are reasons to be optimistic. Several countries in the region have strong technological bases and experience with research and development. The majority of countries in the region still have more room for development and the capital absorption capacity in East Asia is relatively stronger than in some other regions. And some countries in the region have ample foreign capital at their disposal.

There are, however, some barriers to overcome, such as economic disparities between countries, different economic systems, historical distrust and competition within the region. ASEAN and China should seek ways to turn their disparities and differences into economic complementarity. If economic integration in the region is achieved, East Asia will become one of the world's most influential economic zones, similar to the European Union and NAFTA.



Sompap Manarungsan

Myanmar

Moe Thuzar began by reminding the audience of Lord Palmerston's assertion that states have no permanent friends, no permanent enemies, only permanent interests. Despite this, ASEAN-China relations have become an example of how countries can work together to build a framework of mutually beneficial understanding and trust. Although it is still too early to determine the effects of the growing interaction and partnership between ASEAN and China on the wider East Asian community, the expansion of ASEAN-China cooperation will have interesting implications on the conduct of ASEAN's relations with other dialogue partners, and certainly its engagement with Myanmar.

While China has emerged as a key player in regional economic development, it has also moved in the direction of cooperation with ASEAN on security issues. In 2002, the Joint Declaration of ASEAN and China on Cooperation in the Field of Non-Traditional Security Issues was signed at the sixth ASEAN-China Summit in Phnom Penh. Despite unresolved issues in the South China Sea, China has sought to reassure ASEAN of its commitment to confidence building in the region for greater regional stability.

Myanmar naturally welcomes the ongoing constructive relations between ASEAN and China, and Myanmar's statements at regional and bilateral levels indicate this positive attitude. This supportive position is based on the stated view that ASEAN-China cooperation could enhance existing ties between Myanmar and China at the bilateral level as well as between Myanmar and ASEAN countries through collaborative programmes and projects.

Because the Myanmar government has been largely inward looking, it has been more of a passive participant in ASEAN-China cooperation. Instead, the government has focused more on domestic policy, with its attention now focused on preparing for the 2010 elections.

ASEAN-China cooperation offers a framework for building partnerships of trust, and China and the other ASEAN countries could work together to offer strategic and technical advice to Myanmar, and to promote internal dialogue towards national reconciliation. Myanmar has consistently emphasized the internal nature of the issue of national reconciliation, but in some instances it has shown acceptance of advice and assistance from ASEAN and China. The response to Cyclone Nargis is one example.

Following this example, ASEAN could work with China to integrate cooperative projects into a programme that helps Myanmar build the capacity for change. ASEAN and China could help Myanmar see the long-term benefits of strategically integrating into the global community rather than seeing the recommendations as an imposition or interference in its internal affairs. Sub-regional cooperative projects also offer another opportunity.

Myanmar has, to date, been unable to fall in step with the pace of regional cooperative development projects. Still, there are genuine prospects for obtaining the objectives ASEAN envisions in establishing an integrated ASEAN community that maintains an interdependent partnership with countries in East Asia and the broader global community.

Malaysia



Kuik Cheng-Chwee

Kuik Cheng-Chwee opened his presentation by contemplating how best to conceptualize ASEAN-China cooperation. Kuik saw it as a form of "asymmetrical multilateralism". It is asymmetrical because of the obvious power gap between the small—and middle—sized ASEAN states and China, which allows China to possess additional resources, greater leverage and greater capacity to participate in cooperation.

These institutional features have important implications for the processes and functions of ASEAN-China cooperation. The long-term direction of cooperation is more likely to be influenced—albeit not necessarily dominated—by the initiatives of China. But, Kuik argued, this is likely to be strategically instrumental for cultivating and maintaining regional order in East Asia. States like Malaysia will be able to pursue their economic and security interests while simultaneously mitigating political risks arising from developing relations too close with China.

Economic cooperation between the two countries has always been central to relations. Even at the height of hostilities in the 1950s and 1960s, bilateral trade took place, albeit through interlocutors in Hong Kong and Singapore. China is now Malaysia's fourth largest trading partner. In 2002 and 2003, Malaysia overtook Singapore

as China's largest trading partner in ASEAN. Investment between the two is still relatively low, compared with Sino-Singapore investment, and Malaysia invests more in China than vice-versa. ACFTA is expected to further bilateral trade and investment cross-flows.

Political dialogue and consultation between Malaysia and China is an often-overlooked aspect of bilateral cooperation. One of the first steps Malaysia made was to invite Qian Qichen to attend the opening session of the 24th ASEAN Ministerial Meeting in 1991. Since then, ASEAN and China have extensively engaged one another.

Socio-cultural exchanges and functional collaboration have increased significantly between the two countries since Malaysia lifted restrictions on social visits to China in the late 1980s. Chinese tourism to Malaysia has steadily increased. A number of educational exchanges for students and teachers, as well as scholarship programmes now exist between the two countries.

Defence and security cooperation is the least developed area in Malaysia-China relations, especially when compared to bilateral cooperation in the above sectors. Cooperation has increased in recent years, but has been limited to military exchanges and port calls. This pales in comparison to Malaysia's defence links with Western powers, such as the United States.

Malaysia is clearly supportive of, and committed to, the development of ASEAN-China cooperation. Malaysia sees it as valuable in serving political, economic and strategic functions that cannot be performed in bilateral channels alone. Politically, Malaysia seeks to enmesh China in a growing web of regularized cooperative activities, to ensure continuous stable and productive relations. Economically, it seeks to increase its access to markets and foreign investment. Strategically, cooperation with China serves as a key building block in the still evolving regional order in East Asia.

Singapore

Yang Mu's presentation focused primarily on economic relations between Singapore and China, in addition to ASEAN-China economic integration. Although Singapore was one of the later ASEAN countries to establish official ties with China, there has been a marked change in the pattern of trade and investment between the two countries since 1990. Singapore's total trade volume with China increased from US\$2.9 billion in 1990 to over US\$60 billion in 2007. Singapore's direct investment in China also registered a considerable growth.

As a country with a small economy and no natural resources, Singapore is faced with severe economic and geopolitical vulnerabilities. To ensure its survival, Singapore has to adhere to a foreign policy of economic rationality. This means it establishes diplomatic relations with any state regardless of their ideology and political system, as long as it serves the national interest. It was this economic rationality that allowed Singapore's economic relations with China to burgeon to the extent we see today.

Singapore investment in China began in earnest after 1990. Between 1990 and 1994, Singapore invested in over 3,900 projects in China, amounting to US\$6.8 billion. By the end of 1997, Singapore's actual investment in China had reached US\$8.8 billion. Part of this investment went into projects such as the Dalian Container Terminal, the Wuxi Industrial Park and most notably the Suzhou Industrial Park.

Singapore continues to push for deeper engagement with China. In 2008, the two sides signed an FTA abolishing tariffs on all imported products from China by 2009, and eliminating 97 per cent of the tariffs on goods imported from Singapore by 2012.

While ASEAN-China relations have improved considerably over the last decade, there have been some concerns from ASEAN. The outbreak of the Asian financial crisis saw the

transfer of foreign investment from the ASEAN region to China, increasing fear about China's economic rise. The reaction from Singapore to this was rather negative.

To remain competitive amid China's economic rise, ASEAN must adopt such a policy of economic rationality towards China. This means putting aside differences with China, especially on territorial disputes, and integrating economic interests. So far, ASEAN is following this path. Yet, ASEAN needs to be more proactive, reinventing and upgrading its economy. Singapore companies are now investing in areas where China is still having problems, such as water management and green solutions. Other ASEAN countries should follow suit.

The global financial crisis and ACFTA should present an opportunity for ASEAN to restructure its economic engagement with China. It is important for ASEAN and China to work out a new strategy of economic growth that is based on regional consumption. The question is whether this can be done while synchronizing national interests.



Yang Mu

Philippines

Noel Morada's presentation highlighted important areas of progress in ASEAN-China cooperation and Philippines-China relations, as well as areas of concern. In economic relations, ASEAN-China trade and investments have grown tremendously over the last 13 years, with ASEAN becoming the fourth largest trading partner of China. Likewise, in 2008, China had become the third largest external trading partner of ASEAN.

Political relations between ASEAN and China have also improved significantly, following the establishment of the ASEAN+3 dialogue framework. The Declaration on the Conduct of Parties in the South China Sea and other initiatives play a key role in maintaining the process of dialogue on a number of mutual security concerns. However, China remains reluctant in moving the ARF towards the preventive diplomacy stage due to concerns about protecting its sovereignty and wariness of interference in its domestic affairs.

On sub-regional cooperative initiatives, such as the Pan-Beibu Gulf Region and GMS, Morado noted a number of concerns. How might these initiatives and their construction projects impact traditional sources of livelihood in these areas? What are the implications for political and cultural diversity in the region? How will domestic politics impact further cooperation? China's reaction to the Philippines baselines law clearly indicated that sovereignty issues matter. Will China follow through on its commitment in the Kyoto Protocol in the context of the PBG Cooperation framework? These issues need to be taken seriously if a more sound and holistic ASEAN-China sub-regional framework were to endure in the long term.

On relations between the Philippines and China, ties have improved dramatically over the last decade due to enhanced economic and trade relations, as well as greater political and security cooperation. China is the third largest

trading partner of the Philippines. High level visits between the countries' leaders and a number of MOUs on defence cooperation and trans-national crime have been signed. Apart from dialogue with the Armed Forces, China is apparently attempting to become a leading supplier of arms to the Philippines army.

Other areas of cooperation between the Philippines and China include energy and maritime surveys, police and extradition treaties, consular cooperation, air services and infrastructure development.

In general, Filipinos have a positive attitude towards China's rise, and expect it to behave responsibly as a major power. But despite this overall positive view, a number of political controversies in the Philippines have overshadowed this progress. Much of this springs from allegations of corruption involving Philippines government officials and Chinese companies, such as those related to the ZTE broadband and the North Rail rehabilitation projects. The negative publicity generated by the ZTE controversy forced the government to cancel the deal. Chinese ambassador to the Philippines Liu Jian-chao admitted that the ZTE controversy was a "negative, divisive issue" and that China henceforth is prepared to learn to "do the right thing" within the legal framework of the Philippines. Such an admission is a positive step and should lead to a rebound in China's image in the Philippines in the long run.



Noel Morada

Brunei

Ahmad Nasri Abdul Latif opened his presentation by noting that while there is an extensive list of cooperation between Brunei and China, cooperation primarily rests on three pillars: exchanges of visits, energy and ASEAN.

Pillar I: High levels of exchanges between officials from the two countries is significant given that Brunei and China do not have significant levels of cooperation compared with China's relations with other ASEAN countries. Since 1993, His Majesty the Sultan and Yang Di Pertuan of Brunei Darussalam have made a total of eight official visits to China. From the Chinese side, then President Jiang Zemin, NPC Chairman Li Peng and Premier Zhu Rongji all visited Brunei between 2000 and 2001, followed by President HuJintao's visit in 2005. These visits have been central to the continued good relations.

Pillar II: Energy cooperation between Brunei and China has expanded significantly since 2000. The sale of crude oil to China through Brunei Shell Petroleum has been the main component of bilateral trade over the past decade. Oil exports to China in 2007 accounted over 50 per cent of Brunei's total trade with China, and 99.5 per cent of Brunei's exports to China. China has expressed interest in oil exploration in Brunei and in 2006, several Chinese companies in joint ventures with local Brunei companies won exploration rights to two blocs in Brunei. China is also interested in importing liquefied natural gas from Brunei.

Pillar III: ASEAN is regarded as the cornerstone of Brunei's foreign policy related to the region and China. Brunei's security and diplomacy are best served working through organizations such as ASEAN. The increase in inter—and intra—ASEAN cooperation in the form of FTAs as well as strategic partnerships serves Brunei's interests as they bind Brunei to the regional and international architecture, making it more difficult for any power to isolate Brunei.

Economic relations could perhaps be a fourth pillar. With oil reserves expected to dry up within the next 20 years, the Brunei Government has placed economic diversification as a top priority. In 2004, His Majesty and President Hu agreed to a bilateral trade target of US\$1 billion by 2010, which would go beyond the sphere of energy. It seems, however, based on current trends that this goal will not be met.

Nevertheless, this is not likely to hinder long-term development of Brunei-China economic relations, and the countries' leaders have expressed keen interest in further cooperation in the areas of transport, communications, energy, agriculture and tourism. Three MOUs on agriculture were signed this year. On education, China provides four scholarships to Brunei nationals who wish to study in China, while Brunei provides two. Tourism from Chinese has also seen huge growth since 2006.

Brunei's relations with China and Brunei's relations within the ASEAN-China context are closely interrelated. As Brunei approaches 2011, it should continue with its multi-level and multi-linked approach to its cooperation with China as the interests of all parties continue to converge into the same political, economic and socio-cultural space.



Ahmad Nasri Abdul Latif

Peoples' Republic of China

In response to the above presentations from all 10 ASEAN member countries, **Wang Yuzhu** offered some comments. The question of how China-ASEAN cooperation might undermine regional cooperation was raised, and this is an old question. The sub-regional arrangement should be able to help countries to deepen their cooperation. We do not yet know whether it will affect sub-regional groupings or not.

We are just months away from the fulfilment of ACFTA. As for how to deal with post-FTA economic issues, we should be cooperating on this now, rather than waiting. Strategic and practical thinking is necessary.

The rise of China is another commonly discussed topic. China is rising, but the way in which it is rising is something entirely new in history, without any other examples with which to compare. Someone noted that when two elephants dance, it can destroy the grass. But it depends on how Southeast Asia defines itself. Maybe Southeast Asia does not have to be the grass, but an antelope that can get along just fine with elephants. We should build mutual trust between younger generations and initiate more exchanges. Stable relations between ASEAN and China should be augmented with stable relations between people, not just states.

Discussion

One participant noted that the South China Sea seemed to be the most important issue for ASEAN-China relations. It seemed that China was pushing construction to strengthen their claims. Vietnam was also doing the same. Vietnam also has the intention to build Russian submarines, so this kind of competition could bring a very sensitive issue to a head. It was hoped that the ARF could address the issue.

In response to Moe Thuzar's presentation, it was noted that we tended to forget that states not only had permanent interests, but also common interests, like environmental issues.

Another participant remarked that over the course of the workshop, different views of ASEAN-China relations were apparent. Relations between the two could still be described as diversified. There were positive views from Myanmar, Cambodia, Laos, and more difficulties perhaps from Philippines and Malaysia. China has come a long way in a short time, but it needed to make more effort. Sub-regional arrangements offered an opportunity to deepen ties in different sectors.

A participant noted that governments could not really control the people-to-people relations between the trans-border regions. In Batam and Bintan, the officials in Singapore and Jakarta were not really aware of what was happening and how this might be shaping state-to-state relations.

One participant suggested there were possibilities for tourism cooperation in continental Southeast Asia and China. There are many popular tourist spots that can support the development of a tourist corridor. Much could be learned from what APEC did to facilitate trans-national tourism. They suggested a special visa allowing one to go to Vietnam, Thailand, Guangxi, Laos, Malaysia, etc. Another participant agreed that tourism had great potential and perhaps even a railway between Singapore and Kunming.

Potential Areas of Deepening ASEAN-China Cooperation

ASEAN-China Defence and Security Ties: Improvements and Barriers



Ian Storey

Ian Storey provided an overview of defence and security ties between ASEAN and China. He began by noting that despite remarkable improvement in ASEAN-China diplomatic and economic relations since the end of the Cold War, defence and security cooperation has not increased at the same pace.

This was due to an absence of high levels of trust regarding China's long-term intentions in Southeast Asia. Another limitation is in defence relationships some countries have with the United States, which prevent them from getting too close to China in defence and security cooperation. Practical issues of interoperability, language barriers and lack of framework agreements also hinder development of cooperation. But this situation has begun to change.

The primary venue for China and ASEAN countries to explore security cooperation has been the ARF. China's participation in the ARF has been very encouraging, but 15 years into the process, the forum has yet to tackle any of the region's "hard" security issues, such as territorial disputes, partly due to China's objections.

Outside of the ARF, China and ASEAN have reached a number of agreements pertaining to security cooperation, such as the 2002 Declaration on the Conduct of Parties in the South China Sea (DOC). This was not a binding

agreement, however, and since then, all claimants have built up their facilities—both civil and military—in the Spratly Islands. And there has been no progress towards a binding regional code of conduct.

In terms of arms sales, it is unlikely China will become a key supplier anytime soon, as it cannot compete with the United States, Russia or Europe in terms of quality.

At the bilateral level, China has offered capacity building support to several Southeast Asian countries, but its action has not matched its rhetoric. Since 2006, aid from China on maritime security issues has been dwarfed by that from the United States, which amounts to tens of millions of dollars.

In closing, Storey recommended ASEAN push China to be more transparent on military modernization and its future intentions. There is absolutely no information available on China's aircraft carrier programme, for example. The lack of transparency leads to worst-case scenario thinking. On the South China Sea issue, tensions are on the rise, and both sides need to conclude a binding code of conduct before tensions get worse. Future defence cooperation can focus on maritime security and humanitarian and disaster response. China could do much more in this area with financial support and action. Recently the importance of disaster response has been clear, and it should be the focus going forward for China and ASEAN.

ASEAN-China Non-Traditional Security Cooperation

Mely Anthony Caballero and **Roderick Chia** discussed a range of NTS topics and the great potential for ASEAN and China to cooperate in response. They explained that many NTS issues, such as climate change and disease, are trans-border in nature, and thus require multilateral responses. They also warned that precisely because these are trans-border issues, there is the potential for problems related to inter-state cooperation.

Asia is a breeding ground for infectious disease. Pathogens are becoming more severe and severity multiplies with globalization and increased travel. Poor sanitation, lack of water and antibiotic resistance have also aggravated the problem. The SARS crisis of 2003 generated unprecedented coordination, as ASEAN members reached out to China to work together. Exchange of information, agency coordination and harmonization of travel procedures helped to address the continued spread of the disease. And when H5N1 began to spread in 2005, China showed support for ASEAN's establishment of a task force to share information on the avian flu.

Steps have also been taken to address trans-national crime, such as drug trafficking money laundering, piracy, arms smuggling, cyber-crime and financial fraud. Trans-national crime in the region presents a significant threat because it not only violates national borders, but erodes the rule of law, local economies, social values and cohesion. In 2000, China signed a bilateral agreement with ASEAN to combat drug trafficking. A 2002 joint declaration on cooperation in the field of NTS was the first time any of the ASEAN+3 members had cooperated on such issues. China's membership in ReCAPP along with ASEAN is a step in the right direction on maritime security cooperation, although China has only contributed three per cent of the operating costs for the project.

Poverty also presents a security threat to the region. It affects the health and education of individuals, as well as domestic instability. It can also contribute to other NTS issues such as trans-national crime and human trafficking. ACFTA is perhaps the most important framework to date, which it is hoped, can address the problem of poverty in the region. Under ASEAN+3, a number of other relevant plans seek to increase micro-financing, narrow the development gap and address rising food prices. Regional and sub-regional development projects such as GMS can also contribute to alleviating poverty.

If regional cooperation in confronting NTS issues is to be successful, certain problems related to cooperation must be addressed. One such issue is transparency. There has been considerable sensitivity to information sharing between countries. But there is an urgency for countries to work

more closely to address these trans-border issues. It is important for a rising major power, like China, to be seen not only as a responsible stakeholder, but also as a power setting an example in addressing these issues.



Mely Caballero-Anthony

ASEAN and China Facing the Financial Crisis

Yang Mu opened his presentation noting that with the onset of the global financial crisis, a new world order seems to have emerged. In the previous economic crisis, the United States played a major role. In the current global financial crisis, however, China's stimulus package was more than twice what the United States spent.

For China to pursue sustainable growth in the post-financial crisis world, there is no doubt that it has to restructure its economy to one more driven by domestic consumption. However, this does not mean that China should not also increase its economic engagement with external markets, especially with regional markets like ASEAN. CAFTA will be the world's largest free trade area, and will accelerate growth in the region.

The realization of CAFTA will bolster China-ASEAN trade and increase investment flow between the two sides. The growth of the middle and upper-middle class in East Asia will continue to drive consumption in the region.

The success of the China-centric regional production network thus far has been due to a number of factors. China was fortunate to have limited exposure from the Asian financial crisis of the late 1990s. Its ability to attract

foreign direct investment away from the rest of the region and its large pool of cheap labour also contributed to its success. ASEAN economies leveraged on China's new role by aligning themselves more closely to the processing phase of China's production. This economic arrangement between China and ASEAN complemented the export-oriented strategy of both sides.

The global financial crisis, however, has created serious challenges to the effectiveness of the China-centric regional production network in generating sustainable growth for the region. Global demand, especially from Western countries, will likely remain weak despite improvement in the global economy in recent months.

To avoid instability brought about by the U.S. dollar fluctuations, China has recently conducted currency swaps with countries such as Malaysia and Indonesia. China has also played a major role in setting up the East Asian Foreign Reserve (EAFR) to provide loans to ASEAN member states in liquidity difficulty. Besides the EAFR, China unveiled an aid package to ASEAN countries to boost their ailing economies in 2009.

For the more developed ASEAN countries, China needs to go a step further. While aid packages can provide some stimulus, something more sustainable is needed. China must step up its consumption. Currently there are signs of such development in China, but it is going to be a long process.

Discussion

In response to Ian Storey's presentation, one participant felt more positive about military relations between China and ASEAN in recent years. China had understood the need to engage ASEAN countries in cooperative activity, and work in the Malacca Straits was a good example. Storey saw very little cooperation from China on the Malacca Straits besides China helping to pay for some equipment. One participant noted that there was not enough cooperation between ASEAN countries, let alone with China. More transparency from China was needed in order for ASEAN not to see it as a threat in the future. Other participants agreed that ASEAN did not have a common position on the issue of the South China Sea and that it was a pressing issue that needed to be resolved. One participant offered that perhaps the more joint projects in the South China Sea would help,

such as in exploration for resources, managing fish stocks and protecting sea life. This could lead to a more positive view of the sea.

One participant asked Mely Anthony Caballero about trends in trans-national crimes, such as drugs and human trafficking. Was Asia the destination, rather than just the transit site for drugs and what monitoring was in place? On disease, the participant asked about ASEAN-China cooperation on cancer. Mely Anthony Caballero explained that on a number of NTS issues in ASEAN, such as money laundering and drug trafficking, no databases existed to collect, track and share information among countries. Another problem was a lack of common definitions for crimes. Extradition arrangements do not even exist between some ASEAN countries. As for disease, Caballero noted that there had been a lot of movement on influenza, because it could spread so quickly. Cancer is not communicable, so there is less attention on it. She added that when you talk about inter-state and intra-state cooperation, you have to be realistic and seek opportunities for deeper cooperation. You can cooperate on some areas like building roads, but not others. China experiences floods and earthquakes every year, and can help a lot in the area of natural disasters. If the United States and Australia can respond, then why not ASEAN countries' armed forces? There are of course sensitivities and local governments want to be able to claim that their own militaries can do it.

Responding to Yang Mu's presentation, a participant asked if the Chinese government would support a hedge fund under the management of the government, such as in Singapore. They also noted that China re-pegged its currency to the U.S. dollar. Could this liberalize foreign trade in the near future? Yang Mu responded, noting that China was the biggest foreign reserve country in world. There is a risk in this, and it could suffer more depression. The east of China is very prosperous, but the internal areas are poor. When China uses some money to help the economy recovery, some Chinese (netizens in particular) become angry. Singapore's Temasek also suffered losses, but the response and pressure from the Singapore people was not as severe. Another participant noted that ASEAN had done nothing to address the financial crisis. One participant felt that enlarging the domestic market between ASEAN and China was a good idea, but would not be easy because of product similarity. Yang said that perhaps ASEAN countries and China could build more concrete inner markets through the fulfilment of the FTA.

ASEAN-China Regional and Sub-regional Cooperation Workshop

30 September:	Overseas Participants Arrival	Gu Xiaosong Pan-Beibu Economic Zone: Vision, Policy, and Prospect
DAY 1:1 October		
9:00am – 9:10am:	Opening Remarks by Mr. Kwa Chong Guan	Li Wannan Sub-regional Economic Zones in China and Implications for ASEAN
9:10am – 9:40am:	Keynote Speech by Prof. Jusuf Wanandi	Sarah Tong ASEAN Economic Growth Triangles and Implications for China
9:40am – 10:20am:	Session I ASEAN-China Cooperation: An Overview	
	Chair: Li Mingjiang (Presentation 20 minutes each)	12:30pm – 2:00pm: Lunch
	Wang Yuzhu China-ASEAN Relations: A Comprehensive Chinese View	2:00pm – 5:30pm: Session III Country Report on ASEAN-China Cooperation: Issues of Concern and Action Proposals
	Rodolfo Severino ASEAN-China Relations: A Comprehensive ASEAN View	Chair: Kwa Chong Guan (Participants will respond to the presentations of the previous two sessions; presentation 15 minutes each; open discussion 40 minutes)
10:20am – 10:40am:	Tea Break	Djisman Simandjuntak, Indonesia Pham Quoc Tru, Vietnam Khamphao Ernthavanh, Laos Samdech Norodom Sirivudh, Cambodia Sompop Manarungsan, Thailand Moe Thuzar, Myanmar Kuik Cheng Chwee, Malaysia Yang Mu, Singapore Noel Morada, Philippines Ahmad Nasri Abdul Latif, Brunei Wang Yuzhu, China
10:40am – 12:30pm:	Session II ASEAN-China Cooperation: New Ideas, New Initiatives, and New Projects	
	Chair: Sompop Manarungsan (Presentation 25 minutes each; Q&A 10 minutes for factual clarifications)	
	Li Chenyang GMS Cooperation: Progress and Issues	5:30pm: End of Day 1

DAY 2: 2 October

9:00am – 10:30am: **Session IV**
Potential Areas of Deepening
ASEAN-China Cooperation

Chair:
Noel Morada
(Presentation 20 minutes each;
open discussion 30 minutes)

Ian Storey
ASEAN-China Defense and
Security Ties: Improvements
and Barriers

Mely Anthony
ASEAN-China Non-Traditional
Security Cooperation

Yang Mu
ASEAN and China Facing the
Financial Crisis

10:30am – 10:50am: **Tea Break**

10:50am – 12:00pm: **Session V**
Conference Discussion and
Wrap-up

This session will discuss policy
recommendations. Symposium
chair will summarize major points
that are raised in the
presentations and discussions in
previous sessions and solicit
additional comments on those
issues. Workshop participants
will discuss the main content of
the policy paper. The symposium
chair will then round up all the
discussions and propose the
rough structure of the policy
paper that will be finessed by the
workshop organizers and be
circulated to all participants for
feedback at a later date.

12:00pm: **End of Conference**

12:00pm – 1:30pm: **Lunch**

Participants**Chairpersons/Presenters/Discussant**

- 1. Mr Ahmad Nasri Abdul Latif**
Deputy Director
Ministry of Foreign Affairs and Trade
Jalan Subok, Badar Seri Begawan
Tel: 67-38736313
Fax: 67-32262078
Email: nasri.latif@mfa.gov.bn
- 2. Mr Cheng-Chwee Kuik**
Lecturer
Strategic Studies and International
Relations Program
National University of Malaysia
PPSPS, FSSK, Universiti Kebangsaan Malaysia (UKM),
43600 Bangi, Malaysia.
Tel: 60-3-89213265
Fax: 60-3-89253290
Email: cckuik@gmail.com
kuik@ukm.my
- 3. Prof Chenyang Li**
Professor and Director
Institute of Southeast Asian Studies
Yunnan University
No. 2, Cuihubei Road, Kunming,
Yunnan Province, China, 650091
Tel: 86-871-8133410
Fax: 86-871-5033776
Email: chenyanglicn@yahoo.com.cn
- 4. Mr Chong Guan Kwa**
Head, External Programmes
S. Rajaratnam School of International Studies
Nanyang Technological University
Singapore 639798
Tel: 65-67906975
Fax: 65-67940617
PA: Ms Josephine Ng
Email: islyng@ntu.edu.sg
iscgkwa@ntu.edu.sg

- 5. Prof. Dr Djisman Simandjuntak**
Executive Director
Prasetiya Mulya Business School
Jl. R.A. Kartini, Cilandak Barat,
Jakarta 12430, Indonesia
Tel: (62)21-7511126
Fax: (62)21-7511125
PA: Ms Widia Suratmas
Email: stanis@csis.or.id
widya@pmbs.ac.id
djimans@pmbs.ac.id
- 6. Dr Ian Storey**
Fellow
Institute of Southeast Asian Studies
30 Heng Mui Keng Terrace,
Pasir Panjang,
Singapore 119614
Tel: 65-68704507
Email: ijstorey@iseas.edu.sg
- 7. Mr Jusuf Wanandi**
Vice Chair, Board of Trustees, CSIS Foundation
Centre for Strategic and International Studies, CSIS
The Jakarta Post Building,
3rd Floor, Jl. Palmerah Barat 142-143
Jakarta 10270, Indonesia
Tel: 62-21-5365-4601
Fax: 62-21-5365-4607
Email: stanis@csis.or.id
csis@csis.or.id
- 8. Mrs Khamphao Ernthavanh**
Director of Administration and International
Cooperation Division
Institute of Foreign Affairs, MOFA
Sibounheuang Road, Vientiane
LAO PDR
Tel: 856-21-252496
Fax: 856-21-252495
Email: ifa_Laos@hotmail.com

9. Associate Prof. Mely Caballero-Anthony

Head, RSIS Centre for Non-Traditional Security (NTS) Studies
S. Rajaratnam School of International Studies
Nanyang Technological University
Singapore 639798
Tel: 65-6790 5886
Fax: 65-67932991
Email: ismcanthony@ntu.edu.sg

10. Dr Mingjiang Li

Conference Convener
Assistant Professor
S. Rajaratnam School of International Studies
Nanyang Technological University
Singapore 639798
Tel: 65-6790 5850
Fax: 65-67932991
Email: ismjli@ntu.edu.sg

11. Ms Moe Thuzar

Visiting Research Fellow
Lead Researcher, ASEAN Socio-Cultural Affairs
ASEAN Studies Centre,
Institute of Southeast Asian Studies
30 Heng Mui Keng Terrace,
Pasir Panjang,
Singapore 119614
Tel: 65-68704512
Fax: 65-67756264
Email: moe@iseas.edu.sg

12. Prof. Dr Noel M. Morada

Professor of Political Science
University of the Philippines Diliman
Room 3163 Faculty Center Building, Rizal Hall,
Quezon City,
1101 The Philippines
Tel: 632-920-7246
Fax: 632-920-7246
Email: nmorada@gmail.com

13. Dr Quoc Tru Pham

Deputy Director General
Institute for Strategic and Diplomatic Studies
69 Chua Lang Street, Hanoi,
Vietnam
Tel: 0084-4-38344540
Fax: 0084-4-38343543
Email: dav@mofa.gov.vn

14. Mr Rodolfo Severino

Head, ASEAN Studies Centre
Institute of Southeast Asian Studies
30 Heng Mui Keng Terrace,
Pasir Panjang,
Singapore 119614
Tel: 65-6778 0955
Email: severino@iseas.edu.sg

15. Dr Sarah Y Tong

Assistant Professor and Research Fellow
Department of Economics,
East Asian Institute, NUS
469A Bukit Timah Road,
Tower Block #06-01
Singapore 259770
Tel: 65-65163718
Fax: 65-67793409
Email: ecstyt@nus.edu.sg

16. H.R.H. Sirivudh Norodom

Supreme Privy Counselor to
His Majesty the King of Cambodia and
Founder and Chairman, Board of Directors
Cambodian Institute for Cooperation and Peace
P.O Box 1007, Phnom Penh
Kingdom of Cambodia
Tel: (855) 12 679200
Fax: (855) 23 215528
PA: Ms. Neth Chantha
Email: cicp@everyday.com.kh

17. Dr Sompop Manarungsan

Associate Professor
Faculty of Economics
Chulalongkorn University
Phyathai Road, Bangkok 10330
Thailand
Tel: (66)8-1615-2454
Fax: (66)2-218-6201
Email: sompop.m@chula.ac.th

18. Mr Tin Seng Lim

East Asian Institute
469A Tower Block Bukit Timah Road
Singapore 259770
Tel: 65-91466193
Email: limtinseng@gmail.com

19. Dr/Mrs Wannan Li

Lecture
Institute of Southeast Asia Studies
Jinan University
Guangzhou,
China 510632
Tel: 86-13826073966
Fax: 86-20-85226122
Email: liwannan@yahoo.com.cn

20. Prof. Xiaosong Gu

Vice-President
Guangxi Academy of Social Sciences
No:5 XinZhu Road, Nanning city,
Guangxi, China
Tel: 86-771-5858760
Fax: 86-771-5865753
Email: gxs5@163.com

21. Dr Yang Mu

Senior Research Fellow, Coordinator, China
Cooperation Programme
East Asia Institute, NUS
469A Bukit Timah Road, Tower Block #06-01,
Singapore 259770
Tel: 65-65162934
Fax: 65-67793409
Email: eaiym@nus.edu.sg

22. Dr Yongchun Wang

Second Secretary
Department of Asian Affairs
Ministry of Foreign Affairs, China
No. 2 Chao Yang Men Nan Da Jie,
Beijing, China
Tel: (86)10-65964183
Fax: (86)10-65964177
Email: wang_yong5@mfa.gov.cn

23. Dr Yuzhu Wang

Head, Department of Regional Cooperation Studies
Institute of Asia-Pacific studies,
Chinese Academy of Social Sciences
No. 3 Zhang Zizhong Road,
Beijing, China
Tel: 8610-64063922
Fax: 8610-64063041
Email: yzwang@cass.org.cn

General participants

24. Mr Abhilash Pillai

Graduate Student
S. Rajaratnam School of International Studies
Nanyang Technological University
Singapore 639798
Tel: 65-94456089
Email: abhipillai80@gmail.com

25. Mr Ajaya Das

Graduate Student
S. Rajaratnam School of International Studies
Nanyang Technological University
Singapore 639798
Tel: 65-83752887
Fax: 65-67940617
Email: ajay0006@ntu.edu.sg

26. Ms Catherine Siew Keng Chong

Research Assistant
East Asian Institute (NUS)
469A, Bukit Timah Road, Tower Block, #06-01
Singapore 259770
Tel: 65-65166005
Fax: 65-67793409
Email: eaicskc@nus.edu.sg

27. Mr Christopher Len

Visiting Associate (ISEAS)
Centre for Energy,
Petroleum and Mineral Law and Policy,
University of Dundee (UK)/
Institute for Security and Development Policy
(Sweden)
Tel: 65-90619902
Email: len.christopher@gmail.com

28. Mr Collin Swee Lean Koh

Research Analyst
S. Rajaratnam School of International Studies
Nanyang Technological University
Tel: 65-98204735
Email: iscollinkoh@ntu.edu.sg
kohs0062@ntu.edu.sg

29. Mr Daljit Singh

Visiting Senior Research Fellow
Institute of Southeast Asian Studies (ISEAS)
30 Heng Mui Keng Terrace
Singapore 119614
Tel: 65-68704501
Fax: 65-67756264
Email: Daljit@iseas.edu.sg

30. Dr David Koh

Senior Fellow
Institute of Southeast Asian Studies (ISEAS)
30 Heng Mui Keng Terrace
Singapore 119614
Tel: 65-68704529
Fax: 65-67756264
Email: davidkoh@iseas.edu.sg

31. Ms Di Wang

Research Assistant
S. Rajaratnam School of International Studies
Nanyang Technological University
Singapore 639798
Tel: 65-67904752
Email: isdwang@ntu.edu.sg

32. Mr Dino Tan

Assistant Head
Economic Development Board
250 North Bridge Road
#28-00 Raffles City Tower
Singapore 179101
Tel: 65-68326690
Fax: 65-68326562
Email: dino_tan@edb.gov.sg

33. Ms Eva Amprimo Pejsova

PhD Student
S. Rajaratnam School of International Studies
Nanyang Technological University
Singapore 639798
Tel: 65-84207441
Email: eva_pejsa@yahoo.com

34. Dr Geoff Wade

Visiting Senior Research Fellow
Institute of Southeast Asian Studies (ISEAS)
30 Heng Mui Keng Terrace
Singapore 119614
Tel: 65-92704612
Fax: 65-67781735
Email: gwade@iseas.edu.sg

35. Ms Hengyan Tian

MSC in IPE
S. Rajaratnam School of International Studies
Nanyang Technological University
Singapore 639798
Tel: 65-98861656
Email: TI0001AN@ntu.edu.sg

36. Ms Hongsheng Chen

Researcher
Guangxi Academy of Social Sciences
No:5 XinZhu Road, Nanning city,
Guangxi, China

37. Mr Hongzhou Zhang

Research Analyst
S. Rajaratnam School of International Studies
Nanyang Technological University
Singapore 639798
Tel: 65-96548604
Email: ishzzhang@ntu.edu.sg

38. Ms Jane Hui Mei Wong

Senior Officer
Ministry of Defence
Blk 303, #01-52, Gombak Drive
Singapore 669645
Tel: 65-64241643
Fax: 65-64715038
Email: Chia_Buay_Hea@starnet.gov.sg

39. Mr Jonathan Liew

Desk Officer
Ministry of Foreign Affairs
Tanglin
Singapore 248163
Tel: 65-63798283
Fax: 65-63798288
Email: jonathan_liew@mfa.gov.sg

40. Mr Joseph Koh

Director
Lenovo (Singapore) Pte Ltd
151 Lorong Chuan #02-01,
New Tech Park
Singapore 556741
Tel: 65-6871033
Fax: 65-68271102
Email: josephko@lenovo.com

41. Ms June Ee Foo

Senior Officer
Ministry of Defence
Blk 303, #01-52, Gombak Drive
Singapore 669645
Tel: 65-64241643
Fax: 65-64715038
Email: Chia_Buay_Hea@starnet.gov.sg

42. Mr Kalyan M. Kemburi

Research Analyst
S. Rajaratnam School of International Studies
Nanyang Technological University
Singapore 639798
Tel: 65-65927576
Email: iskalyan@ntu.edu.sg

43. Mr Keith Flick

PhD Student & RA in the China Program
S. Rajaratnam School of International Studies
Nanyang Technological University
Singapore 639798
Email: KEIT0003@ntu.edu.sg

44. Mr Keng Jin Tan

Head, Public Affairs
 Institute of Southeast Asian Studies (ISEAS)
 30 Heng Mui Keng Terrace
 Singapore 119614
 Tel: 65-68704527
 Email: kjtan@iseas.edu.sg

45. LTC Kian Huat Ng

Deputy Director Policy 4
 Ministry of Defence
 303 Gombak Drive, #05-05
 Singapore 669645
 Tel: 65-67684519
 Fax: 65-67682325
 Email: Roland_Ng@mindef.gov.sg

46. Mr Kian Woon Ng

Student, Msc (Asian Studies)
 S. Rajaratnam School of International Studies
 Nanyang Technological University
 Tel: 65-90990226
 Email: lighthouse467@yahoo.com.sg

47. Dr Kin Wah Chin

Deputy Director
 Institute of Southeast Asian Studies (ISEAS)
 30 Heng Mui Keng Terrace
 Singapore 119614
 Tel: 65-68702433
 Fax: 65-67756264
 Email: chinkw@iseas.edu.sg

48. Col. Kok Siong Lim

Director Nexus
 Ministry of Defence
 5 Depot Road #10-01,
 Defence Technology Tower B,
 Singapore 109681
 Tel: 65-63732000
 Fax: 65-63731882
 Email: lim_kok_siong@mindef.gov.sg

49. Ms Li Shan Teo

Section Head
 MINDEF
 AFPN 4001
 521 Airport Road, #01-03
 Singapore 534396
 Tel: 65-63817298
 Email: AFPN4001p@starnet.gov.sg

50. Ms Melissa Xiu Yan Deng

Senior Officer
 MINDEF
 Blk 303 #01-52
 Gombak Drive
 Singapore 669645
 Tel: 65-64241648
 Fax: 65-64715038

51. Dr Pavin Chachavalpongpun

Visiting Research Fellow
 Institute of Southeast Asian Studies (ISEAS)
 30 Heng Mui Keng Terrace
 Singapore 119614
 Email: pavin@iseas.edu.sg

52. Ms Pei Pei Phua

Student, Msc (Asian Studies)
 S. Rajaratnam School of International Studies
 Nanyang Technological University
 Singapore 639798
 Tel: 65-98009738
 Email: R090018@ntu.edu.sg

53. Mr Prasenjit Chowdhury

Post Graduate Student
 S. Rajaratnam School of International Studies
 Nanyang Technological University
 Singapore 639798
 Tel: 65-98061548
 Email: pras0020@ntu.edu.sg

54. Mr Raja Segaran A

Senior Fellow
 S. Rajaratnam School of International Studies
 Nanyang Technological University
 Singapore 639798
 Tel: 65-65137609
 Email: isrsegaran@ntu.edu.sg

55. Ms Rong Ye

RSIS Alumni
 S. Rajaratnam School of International Studies
 Tel: 65-81361890
 Email: xueguo7@hotmail.com

56. Mr Seng Chye Tan

Senior fellow
 S. Rajaratnam School of International Studies
 Nanyang Technological University
 Tel: 65-67904009
 Email: issctan@ntu.edu.sg

57. Mr Sothirak Pou

Visiting Senior Research Fellow
 Institute of Southeast Asian Studies (ISEAS)
 30 Heng Mui Keng Terrace
 Singapore 119614
 Tel: 65-68704531
 Fax: 65-67756264
 Email: sothirak@iseas.edu.sg

58. Ms Subathra Rishi Periyaswamy

Student MSC International Relations
 S. Rajaratnam School of International Studies
 Nanyang Technological University
 Tel: 65-91918007
 Email: suba0003@ntu.edu.sg

59. Dr Tin Maung Maung Than

Senior Fellow
 Institute of Southeast Asian Studies (ISEAS)
 30 Heng Mui Keng Terrace
 Singapore 119614
 Tel: 65-68704504
 Fax: 65-67756264
 Email: tin@iseas.edu.sg

60. Mr Tiong Beng Tay

Consultant
 Defence Science & Technology Agency
 1 Depot Road Road, #18 floor
 Singapore 109679
 Tel: 65-63732060
 Fax: 65-62718095
 Email: ttiongbe@dsta.gov.sg
 khaiyong@dsta.gov.sg

61. Mr Wenxuan Li

Student, Msc (Asian Studies)
 S. Rajaratnam School of International Studies
 Nanyang Technological University
 Tel: 65-91289303
 Email: wenxuan.lee@gmail.com

62. Mr Wey Lin Tang

Engineer, DMSA
 DSTA
 71 Science Park Drive
 #02-05
 Singapore 118253
 Email: tweylin@dsta.gov.sg

63. Mr William Kucera

Research Analyst
S. Rajaratnam School of International Studies
Nanyang Technological University
Tel: 65-98607215
Email: iswkucera@ntu.edu.sg

64. Mr Yang Razali Kassim

Senior Fellow
S. Rajaratnam School of International Studies
Nanyang Technological University
Tel: 65-67906817
Email: isyangrazali@ntu.edu.sg

65. Ms Ya-Yi Ong

Graduate Student
S. Rajaratnam School of International Studies
Nanyang Technological University
Tel: 65-90120351
Email: ongy0073@ntu.edu.sg

66. Mr Yee Lun Gwee

MINDEF
AFPN 4001
521 Airport Road, #01-03
Singapore 534396
Tel: 65-63817298
Email: AFPN4001p@starnet.gov.sg

67. Mr Yifan Liu

Graduate Student
S. Rajaratnam School of International Studies
Nanyang Technological University
Singapore 639798
Tel: 65-83195233
Email: liuy0063@ntu.edu.sg

68. Ms Zhaohui Wei

Researcher
Guangxi Academy of Social Sciences
No:5 XinZhu Road, Nanning city,
Guangxi, China

About the S. Rajaratnam School of International Studies (RSIS)

The **S. Rajaratnam School of International Studies (RSIS)** was officially inaugurated on 1 January 2007. Before that, it was known as the Institute of Defence and Strategic Studies (IDSS), which was established ten years earlier on 30 July 1996. Like its predecessor, RSIS was established as an autonomous entity within Nanyang Technological University (NTU). RSIS' mission is to be a leading research and graduate teaching institution in strategic and international affairs in the Asia-Pacific. To accomplish this mission, RSIS will:

- Provide a rigorous professional graduate education in international affairs with a strong practical and area emphasis
- Conduct policy-relevant research in national security, defence and strategic studies, diplomacy and international relations
- Collaborate with like-minded schools of international affairs to form a global network of excellence

Graduate Education in International Affairs

RSIS offers an exacting graduate education in international affairs, taught by an international faculty of leading thinkers and practitioners. The teaching programme consists of the Master of Science (M.Sc.) degrees in Strategic Studies, International Relations, International Political Economy and Asian Studies. Through partnerships with the University of Warwick and NTU's Nanyang Business School, RSIS also offers the NTU-Warwick Double Masters Programme as well as The Nanyang MBA (International Studies). The graduate teaching is distinguished by their focus on the Asia-Pacific region, the professional practice of international affairs and the cultivation of academic depth. Over 180 students, the majority from abroad, are enrolled with the School. A small and select Ph.D.

programme caters to students whose interests match those of specific faculty members.

Research

Research at RSIS is conducted by five constituent Institutes and Centres: the Institute of Defence and Strategic Studies (IDSS), the International Centre for Political Violence and Terrorism Research (ICPVTR), the Centre of Excellence for National Security (CENS), the Centre for Non-Traditional Security (NTS) Studies, and the Temasek Foundation Centre for Trade & Negotiations (TFCTN). The focus of research is on issues relating to the security and stability of the Asia-Pacific region and their implications for Singapore and other countries in the region. The School has three endowed professorships that bring distinguished scholars and practitioners to teach and do research at the School. They are the S. Rajaratnam Professorship in Strategic Studies, the Ngee Ann Kongsi Professorship in International Relations, and the NTUC Professorship in International Economic Relations.

International Collaboration

Collaboration with other professional schools of international affairs to form a global network of excellence is an RSIS priority. RSIS maintains links with other like-minded schools so as to enrich its research and teaching activities as well as adopt the best practices of successful schools.

For more information on the School, visit www.rsis.edu.sg