

# Comparative Connections

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## China-Southeast Asia Relations: Summitry at Home and Abroad

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Top Chinese leaders engaged Southeast Asian counterparts during a meeting in China celebrating 15 years of China-ASEAN ties, and during the APEC leaders gathering in Hanoi. The implications of China's rising prominence for the changing regional order were reviewed in detail during a meeting in the United States of Chinese and international specialists, and in assessments by prominent scholars that went beyond headline-driven media accounts.

### China-ASEAN Summit

Chinese Premier Wen Jiabao hosted a gathering of ASEAN leaders in the southern Chinese city of Nanning Oct. 30 that celebrated 15 years of Chinese dialogue with the Southeast Asian organization. It was the first time that an ASEAN-China summit was held in China. The last time ASEAN held a summit with a dialogue partner outside the region was in 2003 when it marked 30 years of dialogue relations with Japan at a meeting in Tokyo.

The joint statement and other pronouncements stressed trade cooperation. The parties reaffirmed determination to establish a China-ASEAN Free Trade Area (CAFTA) by 2010 as scheduled, with trade in goods to be liberalized by 2010 for China and the six traditional ASEAN members, and by 2015 with four newer ASEAN members, Cambodia, Laos, Myanmar, and Vietnam. They also pledged to liberalize trade in services in various sectors and to promote mutual investment. Ten priority areas identified for further cooperation over the next five years included agriculture, information industry, Mekong River Basin development, transportation, energy, culture, tourism, and public health.

Premier Wen urged pressing ahead with plans for the construction of a Kunming-Singapore Railway and an Asia highway system linking China more closely with the region. China pledged to train 8,000 ASEAN professionals in the next five years and invited 1,000 young people from the region to visit China. It agreed to small donations: \$2 million to support ASEAN community building and \$1 million each to ASEAN projects concerned with development.

The summit occasioned Chinese bilateral meetings with Southeast Asian leaders and was followed by the Third China-ASEAN Expo and the Third China-ASEAN Business and Investment Summit, both in Nanning. Prior to attending the China-ASEAN meeting, Indonesia's President Susilo Bambang Yudhoyono attended the second Sino-Indonesia energy forum in Shanghai where a large deal to ship Indonesian liquefied natural gas (LNG) to China's Fujian Province was finalized. The agreement marks Indonesia's first long-term LNG supply project for China. Malaysia's Prime Minister Abdullah Badawi used his meeting with Premier Wen at the Nanning summit to announce an agreement involving Malaysia supplying 3 million tons of LNG annually to China for 25 years.

Official Chinese media commentary and various summit pronouncements by Southeast Asian officials highlighted the positive in Chinese economic and other relations with the region. Bilateral trade reached \$130 billion in 2005, and was \$116.3 billion during January-September 2006, a 23.1 percent increase on a year-to-year basis. The two sides estimate that trade will reach \$200 billion by 2008, making China ASEAN's largest overall trading partner.

Imbalances and shortcomings were dealt with in passing. Official Chinese media marking the Nanning summit reported ASEAN Secretary General Ong Keng Yong noted that ASEAN imports from China outweighed exports, leading to an overall trade deficit of \$9.6 billion in 2005. (This figure contrasted with other Southeast Asian and Chinese official sources that reported an ASEAN trade surplus with China of about \$20 billion in recent years.) He also noted that recent Chinese investment in Southeast Asia was "modest," averaging \$210 million annually between 2003 and 2004, in comparison to global FDI in ASEAN of \$31.5 billion, and ASEAN investment in China averaging \$300 million annually during the same period. Other Southeast Asian sources said the China-ASEAN investment gap was larger, with cumulative ASEAN investment in China over the last 15 years amounting to \$38.5 billion and Chinese investment in ASEAN amounting to \$1 billion, and with respective figures for 2005 being \$3.1 billion ASEAN investment in China and \$158 million Chinese investment in ASEAN. China may narrow the gap, especially with investment in infrastructure and resource extraction projects. Premier Wen pledged that by the end of the year China would provide \$5 billion in preferential loans to Chinese companies setting up businesses in Southeast Asia.

Premier Wen also called for China and ASEAN to expand military dialogue and exchanges and to conduct institutionalized defense cooperation. He suggested greater China-ASEAN cooperation in areas of counterterrorism, maritime security, humanitarian and disaster relief, transnational crime, and the spread of infectious diseases. At the Nanning summit, ASEAN and China agreed to coordinate customs and quarantine measures, establish data-sharing networks on epidemics, and share related technology and training. Premier Wen also reiterated China's support for ASEAN's 1995 Treaty on the Southeast Asian Nuclear Weapons Free Zone. On territorial disputes in the South China Sea, the Chinese and ASEAN leaders pledged to continue to implement the 2002 "Declaration on the Conduct of Parties in the South China Sea," and to promote joint economic development in the South China Sea.

Western and Southeast Asia media commentaries focused on the implications of China's growing Southeast Asian relationships for the United States and other powers in the region – topics that were not dealt with in official Chinese media coverage. *The New York Times* published in September a long assessment about Chinese aid and loan practices among poorer Southeast Asian countries and how they undermined U.S. and Western efforts to condition assistance in order to curb corruption and promote good governance.

At the time of the Nanning summit, Singapore's *Strait Times* highlighted what it saw as China's interest in building close relations with Southeast Asian neighbors in order "to play a growing role in the international arena," and to make it more "difficult for the United States to seek to contain China by drawing the region's countries to its side." The *Straits Times* also published an assessment by Institute for Southeast Asia Fellow Sheng Lijun arguing that China's gains in Southeast Asia "remain far from transforming the regional strategic balance." Among salient reasons, Sheng cited very low Chinese investment and aid to Southeast Asia when compared to U.S. and other foreign investors and donors; the fact that most Chinese trade with ASEAN is conducted not by Chinese-owned companies but by foreign companies in China and Southeast Asia, resulting in large processing trade that along with an active China-Singapore entrepot trade leads to serious double counting and exaggerations in Chinese-ASEAN trade figures; and the fact that China and ASEAN enterprises continue to compete head-to-head for the U.S. and other export markets.

### **Hu Jintao visits Vietnam, Laos, and Hanoi**

Chinese President Hu Jintao began a four-nation trip to Southeast and South Asia with a stop in the Vietnamese city Danang on Nov. 15. Hu met with top Vietnamese party and state leaders in Hanoi Nov. 16 and signed a dozen agreements on issues ranging from economic development to joint exploration in the Beibu Bay that borders both countries. The visit supported a pattern of frequent top-level Sino-Vietnamese leaders meetings which included most recently a visit by the Vietnamese Party leader to China in August 2006 and a visit by Hu to Hanoi in October 2005.

The Chinese president urged efforts to elevate the Sino-Vietnamese economic relationship to a higher level as Vietnam joins the World Trade Organization. He proposed speeding up negotiations facilitating trade in goods and services and investment in the China-ASEAN Free Trade Agreement. Official Chinese media said trade between the two countries amounted to more than \$8 billion in January-September 2006, making China Vietnam's second largest trading partner after the European Union, and the largest exporter to the country. The media predicted that trade would reach \$10 billion in 2006, reaching a goal set by the two governments four years ahead of schedule.

President Hu and Vietnamese leaders also called for good planning and execution of the strategy known as "the two corridors and one circle." This refers to the economic belts stretching from China's Yunnan Province to Hanoi, and from China's Guangxi Province to Hanoi, while the circle refers to the economic area involved with the Beibu Bay. The

two countries signed a memorandum of understanding on cooperation over this strategy during Hu's visit.

On border issues, Hu urged speeding up the land demarcation process. The two sides recently agreed to accelerate the installation of border markers under an agreement signed last year on completing the demarcation of the land boundary by 2008. Regarding territorial disputes in the South China Sea, Hu urged adherence to the principle of "being fair and rational, and making mutual accommodation," while the Vietnamese Party leader said the two countries should resolve border and territorial disputes through friendly consultation.

President Hu visited Laos on Nov. 19-20 where he consulted top Laotian party and government leaders. In November 2000, President Jiang Zemin made a state visit to Laos, the first by a Chinese head of state. The Laotian president visited China in June 2006. A joint statement issued on Nov. 20 said that the two sides agreed to push their good neighborly relations to a new phase. Based on common views of regional and international developments and their mutual interests, the leaders of the two countries agreed to expand high-level visits and cooperation in many areas including national security, education, health, sports, and tourism. They agreed to advance economic and trade cooperation. Sino-Laotian trade was valued at \$129 million in 2005 and amounted to \$89 million in the period January-May 2006.

#### *Asia Pacific Economic Cooperation*

President Hu participated actively in the 14<sup>th</sup> Leaders Meeting of the Asia-Pacific Economic Cooperation (APEC) in Hanoi Nov. 18-19. The meeting focused on a broad agenda including the North Korean nuclear issue, support for the Doha round of global trade talks, Asia-Pacific regional economic integration, energy security, terrorism, and infectious diseases. Hu met for over an hour with President Bush and also met with many of the other senior leaders attending the gathering.

A highlight of official Chinese media coverage of Hu's activities related to the APEC gathering was an account of remarks the Chinese president made to the APEC CEO summit Nov. 17. Stressing China's overall emphasis on building a "harmonious world of enduring peace and common prosperity," Hu urged business leaders to give more attention to exploring business opportunities and expanding market share in developing countries left behind in global economic development. He highlighted a need for more official development assistance "with no strings attached" to developing countries, noting that some of these countries have not gained their "fair share of the benefits from economic globalization." He also stressed China's strong interest in closer economic integration with the Asia-Pacific countries and with international markets more broadly.

Hu went on to explain "pressing issues" in China's economic development, highlighting a variety of "structural imbalances and inefficient modes of production." Addressing these issues by pursuing a "scientific outlook on development that puts people first and

aims at comprehensive development,” Hu enumerated four goals of his administration for China’s development:

- Speeding up economic restructuring and transforming the pattern of economic growth.
- Building new socialist villages to break down barriers between urban and rural areas.
- Promoting balanced regional development, notably by giving more support to poorer regions.
- Building a harmonious society that Hu saw as consistent with a “defining value of Chinese civilization.”

### **China’s military developments**

At the China-ASEAN summit, Premier Wen Jiabao’s call for China and ASEAN to expand military dialogue and exchanges and conduct institutionalized defense cooperation was widely publicized abroad. It prompted a cautionary reaction from the U.S. State Department spokesman Oct. 30 that Chinese engagement on security issues “can be a positive step, so long as it is done in an open and nonexclusionary manner.”

This quarter saw frequent meetings between middle to senior ranking officials from the Chinese People’s Liberation Army (PLA) with counterparts from the Philippines, Cambodia, Laos, Myanmar, Thailand, and Vietnam. Most of the discussions emphasized the need to enhance military relations between China and Southeast Asia in the following functional areas: training of military personnel, coordinating emergency response mechanisms to natural disasters and public health-related issues, and combating cross-border crime.

There was no official reaction to a report in the PRC-controlled newspaper in Hong Kong *Wen Wei Po* Oct. 28 that cited a responsible official affirming that China will gradually “possess capabilities” for manufacturing aircraft carriers. The report went on to recall an interview the paper had in March with Lt. Gen. Wang Zhiyuan (*Comparative Connections*, Vol. 8, No. 1, April 2006, p. 75) who disclosed China’s determination to build an aircraft carrier fleet, and that “China has already manufactured, or has been manufacturing, its-deck-landing aircraft and affiliated naval vessels,” according to *Wen Wei Po*. The October report seemed to add to the authoritativeness of Lt. Gen. Wang by disclosing that he is the son of Wang Daohan, a recently deceased prominent party leader from Shanghai who was known as a mentor to former President Jiang Zemin and served as China’s leading envoy on Taiwan affairs. Meanwhile, there was no evident reaction by the U.S. or other regional powers to Russian, Taiwan, and Japanese media reports in October and November that China was purchasing and was seeking rights to produce in China Russian *SU-33* carrier-launched aircraft.

## Assessing the implications of China's rise

Specialists and commentators this quarter continued to go beyond the headlines and press releases of the numerous Chinese-Southeast Asian meetings and probe data on China's growing relationships with Southeast Asia and what they mean for regional dynamics and the positions of the U.S. and other powers concerned with Southeast Asian developments. A three-day international meeting of 60 regional specialists sponsored by the Stanley Foundation outside Washington, D.C. in October focused on "Shifting Dynamics of Power in Southeast Asia: Implications for U.S. Policy" and arrived at a number of findings relevant to China's role and its regional implications. Scholarly assessments by regional specialists John Ravenhill and Marvin Ott added important insights to ongoing assessments of China-Southeast Asia relations, while Donald Weatherbee's article in the annual *Strategic Asia* volume produced by the National Bureau of Asian Research provided what appears to be, up to this point, the most comprehensive assessment of the importance of China's rise for the U.S. position and broader regional dynamics in Southeast Asia.

### *Stanley Foundation findings*

The four workshops and plenary meetings of the Stanley Foundation gathering were followed by a public briefing of the findings in Washington and publication of policy memos and reports. The specialists saw competition between and among China, the U.S., and other powers for advantage and influence in the region. They advised that the U.S. economic importance for the region appeared to be diminished somewhat as China's trade with Southeast Asia grew rapidly, but they saw little substantive fallout for the U.S. and its interests in the region from China's growing interaction with Southeast Asia.

U.S. core interests were seen to center on protection of sea lanes and economic access, promoting U.S. trade and investment, and combating terrorism; these were not seen as adversely affected by China's rise. While Southeast Asian states increasingly saw China as a constructive and responsible actor, they also were concerned about possible future Chinese assertive behavior. Thus, most of these governments were seen as hedging and as welcoming U.S. engagement in the region. Japan, Australia, and India provided additional hedging options. As in the recent past, no Southeast Asian state wanted to be drawn into an attempt to contain China; the Southeast Asian states were seen to avoid being put in a position where they have to choose between China and the U.S.

China's recent approach to ASEAN and the Southeast Asian governments seemed to fit well with ASEAN supported principles emphasizing dialogue, inclusiveness, and patience, with decisions resting on a gradual process that is comfortable for all concerned parties and that respected the primacy of noninterference in internal affairs and agreement by consensus. These priorities fit well with China's emphasis on the Five Principles of Peaceful Coexistence, support for greater democracy in international decision making, and respect for diversity of civilizations in world politics.

According to China experts at the gathering, there was debate in Beijing regarding how active China should be in promoting its values and priorities that seemed generally in line with the so-called ASEAN way. Part of the problem was said to be pressures the Chinese leadership was feeling from the U.S., Japan, Western powers, and international financial institutions to do more to abide by international norms they support regarding good governance, and sustainable and environmentally less damaging economic development. The Chinese leaders wanted to be seen as a responsible actor in world affairs while China pursued its growing economic and other interests in Southeast Asia.

Some of the China experts averred that Beijing sought closer cooperation and partnership with the U.S. in dealing with Southeast Asian development. Japan seemed to be placed in a different category, as the specialists at the Stanley Foundation gathering assessed that China's rise in Southeast Asia was undermining Japan's position in the region and that the two powers were showing signs of rivalry in trying to influence in the East Asia Summit and other forums. Some of the China specialists were frank in acknowledging that China was more interested in ASEAN Plus Three than the East Asia Summit as a main venue for Chinese regional policy. They averred that ASEAN "was not equipped to deal with North Korea" and they judged that the ASEAN Regional Forum was not appropriate for dealing with the North Korean nuclear issue, which should be handled by the major powers in the Six-Party Talks and a Northeast Asia security framework that China hopes will evolve from those talks.

#### *Scholars' assessments*

John Ravenhill's detailed analysis in *Asian Survey* (46:5) shows that conventional assessments of the negative implications of Chinese economic competition with ASEAN countries are overstated in two important ways. In the area of foreign direct investment (FDI), Ravenhill calculates a consistent overvaluation of FDI into China in available data, while ASEAN's performance on FDI is actually better than it appears on account of large stocks of investment already there. On trade, Ravenhill shows that ASEAN manufacturers have adjusted to competition with China for exports of finished goods to the U.S. and Japanese markets by increasing their exports of components to assembly plants in China for export to these markets.

Marvin Ott in the U.S. National Defense University's *Strategic Forum* (No. 222, October 2006) warns U.S. defense and foreign policy planners that history, realism, and Chinese practices show that despite declarations to the contrary, China will seek dominance in Southeast Asia that marginalizes the U.S. and neutralizes Japan. The challenge for U.S. policy is to come up with a comprehensive security strategy that deals with two main challenges in the region, the terrorist threat and China's challenge. Ott argues for a carefully nuanced U.S. approach on China that continues cooperation while broadening a variety of hedging initiatives to preserve and strengthen the U.S. position in Southeast Asia in the face of China's rise.

Donald Weatherbee's detailed analysis in *Strategic Asia 2006-2007* strongly contradicts prevailing assessments that China's rise in Southeast Asia reflects the emergence of a China-centric order and the decline of U.S. influence. While acknowledging the advances in Chinese economic and diplomatic relations with the region, Weatherbee makes clear that what he calls the China "dazzle" in no way undermines the fact that ASEAN's economic ties to the United States, Japan, and the European Union in sum "far outweigh" those of China. China's rapidly growing trade will soon surpass that of the U.S., ASEAN's leading trading partner, but Chinese investment and aid in the region are very small in comparison to that of developed countries, with the U.S. in the top position in both categories. The U.S., Japan, and other powers are seen as playing catch up in response to recent Chinese diplomatic and economic initiatives in Southeast Asia. Weatherbee shows these powers' efforts are encouraged by regional governments that seek to create a "hub and spoke" system of multiple ASEAN Plus One connections in which both Washington and Beijing are important in a regional distribution of power that can promote the interests of China, the U.S., and ASEAN.

The assessment goes on to show the variety of U.S. government and nongovernment connections and initiatives with ASEAN and its major members to conclude that the U.S. economic position in the region "is stronger than ever before," and that "even as China has risen, the U.S. has advanced as well." Weatherbee highlights a wide range of U.S. government economic and political initiatives under the rubric of the ASEAN-U.S. Enhanced Partnership that are strongly reinforced by even more active security ties between the U.S. and the major ASEAN states, concluding that China's rise "has had no perceptible negative impact" on the predominant U.S. security role in the region. Judging that U.S. economic and security relations with the region are strong and stable in the face of China's rise, the author recommends greater U.S. flexibility in dealing with human rights issues, Myanmar, and ASEAN's Treaty on Amity and Cooperation in order to improve the U.S. political profile in Southeast Asia.

## **Outlook**

The winter quarter generally sees a decline in visits to Beijing on account of weather and Chinese New Year celebrations. The National People's Congress session in March may provide further clarification of what the Hu Jintao administration's emphasis on a "harmonious" world order actually means for Southeast Asia. Chinese trade and foreign investment figures issued in January should provide concrete markers of China's increasing economic role in the region.



## **Chronology of China-Southeast Asian Relations October-December 2006**

**Oct. 2, 2006:** Representatives from the National Defense and the Health Ministry of China, Vietnam, and the Philippines attend a two-day workshop in Ho Chi Minh City to assess the region's emergency management information systems (EMIS). Organized by the World Health Organization, the workshop helps coordinate monitoring and sharing of public health-related data, steps that are critical for dealing with health emergencies.

**Oct. 5, 2006:** Chinese Ambassador to Thailand Zhang Jiuhan meets Acting Thai Foreign Minister Krit Garnjana-Goonchorn, extending Beijing's formal congratulatory message to the new, provisional government in Bangkok. Both sides reaffirm the 31-year long Sino-Thai relationship and seek to strengthen political and economic ties.

**Oct. 7, 2006:** Chinese Minister of Commerce Bo Xilai attends the eighth meeting of the Joint Commission on Economic, Trade, and Technical Cooperation in Bali, Indonesia. Bo and his Indonesian counterpart sign several economic and trade cooperation agreements. Bilateral trade surged to nearly \$17 billion in 2005 and could reach the target of \$30 billion by 2010 with more balanced two-way investment.

**Oct. 10, 2006:** Chinese Vice FM Wu Dawei meets counterparts from Vietnam and Laos to sign an agreement defining the intersection point of the three countries' borders. The border demarcation process began in 1991.

**Oct. 10, 2006:** Chinese Defense Minister Cao Gangchuan meets visiting Philippine Undersecretary of the Department of National Defense Antonio Santos. They agree to foster closer strategic relations, including closer exchanges between the two militaries.

**Oct. 12, 2006:** Chinese Minister of Public Security Zhou Yongkang holds talks with Vietnamese Minister of Public Security Le Hong Anh in Beijing. The two ministries will step up bilateral cooperation to combat illegal immigration and cross-border crimes.

**Oct. 16, 2006:** China and Cambodia pledge closer relations between the two militaries during a meeting between visiting Chief of the General Staff of the Chinese People's Liberation Army Gen. Liang Guanglie and Cambodian Deputy Prime Minister and Co-Minister of Defense Tea Banh. Banh acknowledges China's long-standing support for Cambodia's military forces and seeks continued assistance from the PLA in terms of staff training, military trade, and logistics donation.

**Oct. 18, 2006:** Continuing his Southeast Asian tour, Gen. Liang visits Vientiane and meets Laotian Prime Minister Bouason Boupphavan. Both sides agree to further enhance exchanges and cooperation between the PLA and the Lao People's Army.

**Oct. 19, 2006:** More than 1,000 guests representing over 300 businesses from Vietnam and China attend the sixth China-Vietnam Border Trade Conference in He Khou, China's Yunnan Province. The conference theme addresses the issue of closer border trade, investment, and joint economic development along the border.

**Oct. 23, 2006:** Gen. Liang visits Myanmar's new capital city Nay Pyi Taw as his final stop on his Southeast Asian tour, and meets Myanmar's top leader, Gen. Than Shwe and discusses military ties between the two countries. China is one of Myanmar's closest allies and has helped with the construction of naval bases in the Bay of Bengal and the Adaman Sea.

**Oct. 24, 2006:** China announces that it will provide nearly \$200 million in preferential loans to help develop and improve Cambodia's transportation infrastructures, including national roads and bridges across the Mekong River and the Tonle Sap River. The agreement will be carried out in two phases with construction oversight managed by the Cambodian Ministry of Public Works and Transportation.

**Oct. 27, 2006:** China and Singapore hold their first bilateral talks on the establishment of a free trade area (FTA). The two sides discuss the mechanism, range, and timetable of the FTA talks. Singapore is China's biggest trading partner in ASEAN, and the establishment of the FTA will further promote bilateral trade and economic ties.

**Oct. 28, 2006:** Visiting Indonesian President Susilo Bambang Yudhoyono meets Chinese Vice Premier Huang Ju for the second Sino-Indonesian Energy Forum in Shanghai. China and Indonesia sign a MOU on energy cooperation and the two countries agree that, beginning in 2009, Indonesia's Tangguh gas field will provide 2.6 million tons of liquefied natural gas (LNG) annually to China's Fujian Province for 25 years.

**Oct. 30, 2006:** Chinese Premier Wen Jiabao hosts the 15<sup>th</sup> China-ASEAN Commemorative Summit in Nanning. The discussions focus on the progress made on the China-ASEAN Free Trade Area, which will come into full effect by 2010 between China and six ASEAN member countries. The parties also pledge to work closely on an array of issues including agriculture, Mekong River Basin development, energy cooperation, tourism, and public health. The third China-ASEAN Expo and the China-ASEAN Business and Investment Summit are also being held on the sidelines.

**Nov. 10, 2006:** Singapore's Permanent Secretary of the Ministry of National Development Tan Tee How leads a Singaporean delegation to China and meets the head of the Organization Department of the Communist Party He Guoqiang. The visit is part of an effort to increase collaboration on personnel training and to better understand the development models in Chinese cities such as Beijing, Shanghai, and Tianjin.

**Nov. 17-19, 2006:** Chinese President Hu Jintao attends 14<sup>th</sup> Asian Pacific Economic Cooperation (APEC) Summit in Hanoi, Vietnam.

**Nov. 20, 2006:** President Hu visits Laos and meets Lao President Choummaly Sayasone. They agree to expand bilateral trade and deepen cooperation. According to Chinese sources, 2005 bilateral trade volume reached \$129 million, a 14 percent increase from 2004. From January to May 2006, trade volume stood at \$89 million, a year-on-year growth of 106.3 percent. China agrees to provide Laos with economic assistance, jointly develop Laos' infrastructure and communications system, and broaden commercial ties through China's southern Yunnan Province and northern Laos.

**Nov. 22, 2006:** China's Assistant Minister of Commerce Chen Jian visits Myanmar and signs several agreements on economic and technical cooperation. Both sides agree to step up cooperation in trade, timber, and mining. China also agrees to grant partial debt relief of \$30 million and provide an additional \$38 million of low-interest loans to Myanmar.

**Nov. 24, 2006:** China and Vietnam ink deals to jointly develop oil and natural gas in the Gulf of Tonkin. The Chinese National Offshore Oil Company agrees to conduct geological surveys in early 2007 in a designated area that covered both Chinese and Vietnamese waters. The China Southern Power Grid Corporation signs a memorandum of understanding earlier with Vietnam's Ministry of Industry to construct a thermal power project with two 600-megawatt generation units.

**Nov. 29, 2006:** China and the Philippines agree to strengthen bilateral press exchanges following a meeting between Liu Yunshan, head of the Publicity Department of the Communist Party of China Central Committee, and a press delegation from the Philippines led by Ignacio Bunye, the country's Secretary of Press.

**Dec. 5, 2006:** The Chinese Ministry of Foreign Affairs announces that it will provide \$200,000 in aid to typhoon-ravaged Philippines. Typhoon Durian has caused widespread damage, including 1,000 people dead or missing, in the north-central province of Albay.

**Dec. 7, 2006:** China agrees to provide Myanmar with satellite images to help monitor opium fields in the Kachin and Shan States, both bordering China's Yunnan Province. The cooperation comes under an agreement concluded in May 2006 between China's National Drug Abuse Control Commission and Myanmar's Home Affairs Ministry.

**Dec. 9, 2006:** Chinese Minister of Commerce Bo Xilai and economic and trade ministers from ASEAN sign two protocols to further economic cooperation between China and ASEAN. The protocols will help to smooth the implementation of the China-ASEAN agreement on trade in goods of the free trade area that will be launched in 2010.

**Dec. 14, 2006:** At the invitation of the Malaysian Parliament, Vice Chairman of the National Committee of the Chinese People's Political Consultative Conference Li Guixian meets Malaysian Senate President Abdul Hamid bin Pawanteh and Malaysian Deputy Senate President Wong Foon Meng.

**Dec. 16, 2006:** China participates in a regional conference held at the sidelines of the “Better Air Quality 2006 Workshop” in Yogyakarta province, Indonesia. The representatives of 20 Asian governments attending agree to support initiatives to improve air quality.

**Dec. 19, 2006:** A Myanmar-China annual border trade exhibition opens at Myanmar’s largest border trade zone of Muse. The joint committee meeting for Myanmar-China border trade, signing ceremony on bilateral trade, and a talk on rules and regulations of investment at the Muse trade zone will also be held over the trade exhibition. The Chinese Customs Department indicates that China-Myanmar bilateral trade in the first half of 2006 amounted to \$662 million, a 10.8 percent increase from 2005.

**Dec. 22, 2006:** The *Straits Times* reports that China cut foreign aid for Vietnam because Vietnam did not follow China’s advice to downgrade Taiwan’s presence at the Nov. 2006 APEC leaders meeting.

**Dec. 24, 2006:** UN General Assembly adopts a resolution denouncing human rights violations in Myanmar. It calls on Myanmar’s regime to “end the systematic violations of human rights and fundamental freedoms,” particularly against the Karen ethnic minority. China, Russia, and several other Southeast Asian countries vote against the non-binding resolution.

**Dec. 26, 2006:** Chinese and Philippine anti-drug cooperation achieve a major breakthrough with the crackdown of a large international drug producing and trafficking ring. Some 15 suspects in China and five in the Philippines have been captured smuggling one ton of ephedrine and 350 kilograms of crystallized methamphetamine. The two countries’ police forces established a joint detective unit in July 2006.

**Dec. 27, 2006:** Charge d’Affaires of the Chinese Embassy Duan Jinzhu signs agreement with Cambodian Minister of Economy and Finance Keat Chhun indicating that the Chinese government will provide an interest-free loan of \$12.5 million to Cambodia in the next five years to implement the projects agreed upon by both sides. Details of the projects have yet to be disclosed. Beijing maintains that it will continue to provide assistance to Cambodia without preconditions.