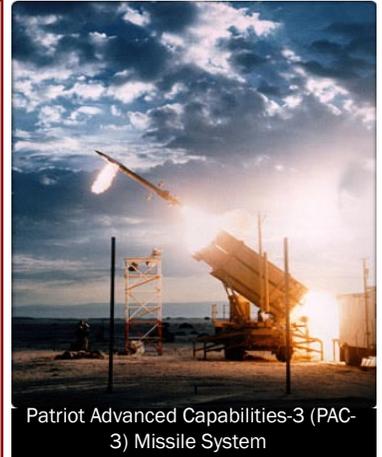




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Patriot Advanced Capabilities-3 (PAC-3) Missile System

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In a Fortnight

By L.C. Russell Hsiao

CHINA'S STRATEGIC ENGAGEMENT WITH LATIN AMERICA

Ten days before Chinese President Hu Jintao left Beijing to attend the G20 Summit hosted by President George W. Bush in Washington on November 15 (*China Brief*, November 7), *Zhongnanhai* released its first policy white paper on Latin America and the Caribbean. The release of the white paper, preceding President Hu's third trip to Latin America, has been heralded in the Chinese state media as marking a "new chapter" in Sino-Latin American and Caribbean relations (People's Daily Online, November 17). The white paper identifies political, economic, cultural/social, and security/judicial cooperation as the four major cornerstones of China's efforts to bolster relations with Latin America. After the G20 Summit, President Hu is making state visits to Costa Rica, Cuba, and then Peru to attend the 16th Asia-Pacific Economic Cooperation (APEC) Leaders Summit, which was hosted in Lima on November 22-23.

During an interview on November 5, Chinese Foreign Minister Yang Jiechi emphasized that the current global financial crisis requires the attention and cooperation of Chinese and Latin American leaders. Yang added that it is in the common interest of China and Latin American countries to work together in responding to the global financial crisis and stave off its impact on the real economy. While cooperating to reform the global financial system, Yang called on Latin American countries to strengthen exchanges, communication channels and cooperation with China, as well as solidarity among middle powers (am765.com, November 5).

At the press launch for the policy white paper, Yang Wanming, the Ministry's

Latin America Bureau chief, stated that the white paper was formulated over a long period of time after informal consultations with Latin American countries. Rebutting Western concerns over its growing military ties with the region, Yang asserted that Sino-Latin American military exchanges are transparent and not directed at any third party. He added that China and Latin American countries also share a common interest in combating terrorism and other non-traditional security issues (World.people.cn, November 5).

In response to questions about those Latin American countries that still maintain diplomatic relations with Taiwan, Yang said that most countries in Latin America adhere to the “One China policy.” He added that while China actively pursues peaceful development in cross-Strait relations, Beijing will continue to develop normal relations with those countries that it does not yet have diplomatic relations; however, it will not object to countries having non-governmental cultural and economic relations with Taiwan (World.people.cn, November 5). Eleven of the remaining 23 countries that still recognize Taiwan are found in Central America and the Caribbean. In spite of repeated calls by Taiwanese President Ma Ying-jeou for a ceasefire in diplomatic wrangling between the two sides—an initiative that has been controversial domestically in Taiwan because its sharp reversal from the previous Taiwanese administration’s oft-stated foreign policy goal of safeguarding Taiwanese sovereignty first—China’s diplomatic blitz into Latin America comes as a slap in the face to President Ma’s administration, whose approval rating has been tumbling since assuming office in May (*China Brief*, August 1).

Chinese analysts believe that the timing of the white paper’s release serves both a tactical purpose and marks an important milestone in Sino-Latin American relations. First, it sets the stage for Hu’s participation at the 16th APEC Leaders Summit hosted by Peru, which will include discussions on an APEC response to the financial crisis. Second, it demonstrates the significant progress made in the rapid development of Sino-Latin American relations in recent years (Xinhua News Agency, November 6).

Chiang Shixue, the vice president of the Association for China-Latin American Studies, a non-governmental association that promotes research and people-to-people exchanges between the two sides, said in an interview with Xinhua News that the white paper embodies the Hu Jintao-Wen Jiabao administration’s comprehensive policy for strengthening China-Latin America relations (Xinhua News Agency, November 6).

According to Chiang, there have been five important

developments in Sino-Latin American relations since Hu first visited Latin America in 2004 as president of China: one, there has been rapid economic development, as evidenced by bilateral trade that reached \$102.6 billion in 2007 and exceeded even Hu’s original benchmark of \$100 billion by 2010; two, cooperation has extended to other areas demonstrated by continuous reciprocal visits by high level delegations on issues such as technology transfer and cultural, medical, environmental cooperation; three, rapid economic development has also created some contradictions and friction in Sino-Latin American relations, particularly in the rise of countries raising anti-dumping cases against China; four, Latin American exports’ reliance on primary goods has transformed to attracting Chinese investments; and five, mutual understanding and communications have strengthened significantly (Xinhua News Agency, November 6).

Xu Shicheng, a researcher with the Institute of Latin American Studies at the Chinese Academy of Social Sciences, said that the white paper illustrates that Beijing views its relationship with Latin America at the strategic level. *Zhongnanhai* issued similar policy white papers on Europe and Africa in 2003 and 2006, respectively. Since becoming president Hu visited Brazil, Argentina, Chile, and Cuba in November 2004, and Mexico in September 2005. This trip marks the first visits to Costa Rica—which had diplomatic relations with Taiwan up until June 2007—and Peru by a Chinese head of state. According to Xu, bilateral trade between China and Costa Rica was \$2.9 billion in 2007, which is a 33.3 percent year over year (YOY) increase, while bilateral trade between China and Peru stood at \$6 billion in 2007, which is a 53.6 percent YOY increase; and bilateral trade between China and Cuba was \$2.3 billion in 2007, which is a 27 percent YOY increase (Huanqiu.com). Xu added that relations between China and Cuba are strategically important because China and Cuba are both socialist countries and are both governed by a communist political party, which is why President Hu characterized Sino-Cuban relations as being one between “Good comrades, good friends, and good brothers” (Huanqiu.com; *China Daily*, November 19).

An expert cited in a Xinhua news report on November 5 said that China and Latin America complement one another very well on the economic front: Latin America is rich in natural resources and can fulfill China’s increasing demand for primary goods, and China’s fast economic growth can translate to stronger economic growth in Latin American countries, since as trade conditions improve Latin American countries will be able to attract more foreign direct investments (Xinhua News Agency, November 5).

Furthermore, “There is no fundamental conflict of interests

between China and Latin America” argues Wang Zhen, the director for the Foundation for International Studies and Academic Exchanges’ Center for Latin American Research and vice president of the Chinese People’s Institute for Foreign Affairs. Wang believes that along with the growing synergy developing between China and Latin America, both sides need a bigger stage, and therefore strengthened cooperation between China and Latin America is both a “natural course” (*shui dao qu cheng*) and has strategic significance. Wang concluded that the principle of “mutual respect and mutual trust and expand common ground” outlined in the white paper will guide Sino-Latin American strategic cooperation (Xinhua News Agency, November 5).

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Beijing’s Stimulus Plan: Preemptive Crisis Management

By Willy Lam

China’s \$586 billion (4 trillion yuan) stimulus package, which was announced before last weekend’s G20 Summit in Washington, has been hailed as indicative of Beijing’s commitment to stave off further bleeding from the global recession. World Bank Vice-President Justin Lin noted that the resuscitation effort would not only “make major contributions to China’s economic growth ... but also become a catalyst for the export industries of other countries and help the world shake off recession earlier” (Xinhua News Agency, November 13). While most pump-priming measures require several months to take effect, there seems little doubt that hefty outlays in infrastructure and other areas will boost domestic demand and provide temporary relief by creating more jobs to accommodate China’s growing workforce. To convince their countrymen—and the global community—that China’s largest –ever save-the-market game plan will produce optimal results, however, the Chinese Communist Party (CCP) leadership has to answer questions ranging from whether the plan is affordable to whether the money will be well spent. There are also indications that given the unexpectedly sudden downturn in the domestic economy (industrial growth for October grew by 8.2 percent—the lowest rate in seven years), the Hu Jintao-Wen Jiabao administration is taking draconian steps to pre-empt social instability that’s being engendered by worsening unemployment (*China Daily*, November 13; AFP, November 13).

The main goal of this Keynesian new deal is to *bao-ba*

(literal translation: save eight)—or maintain an 8 percent GDP growth rate in 2009 and 2010—by generating sufficient domestic demand to make up for dwindling exports to regions such as the United States and Europe. About \$146.5 billion (1 trillion yuan) will be ploughed into infrastructure and energy-related projects—new highways, railways, electricity grids and nuclear plants—in both 2009 and 2010. Some \$14.7 billion (100 billion yuan) has already been earmarked for the rest of 2008: \$3.7 billion (25 billion yuan) will go into roads, railways and airports; \$5 billion (34 billion yuan) for rural infrastructure; \$1.5 billion (10 billion yuan) for subsidized housing, and \$1.9 billion (13 billion yuan) for medical and educational facilities. Moreover, tax rebates will be made available for thousands of export items even as corporate taxes are being slashed across the board. The Ministry of Finance clarified on November 14 that central coffers would only dole out \$173.3 billion (1.18 trillion yuan), with the rest of the package, or \$412.7 billion (2.82 trillion yuan), coming from local governments and enterprises (Xinhua News Agency, November 14; *Ming Pao* [Hong Kong], November 15). This has at least temporarily laid to rest fears that the central government will be saddled with excessive debt. While China enjoyed a small budgetary surplus last year, Western economists estimate the country’s total public debt at more than 60 percent of GDP. Due to the ongoing downturn, especially from the lackadaisical housing and stock markets, tax and other revenues for the central government in 2008 are expected to fall far short of the record \$761.8 billion (5.2 trillion yuan) last year. Moreover, another part of the rescue plan—cutting profits taxes—will mean that the government will be collecting some \$44.1 billion (300 billion yuan) less revenue in the coming couple of years (*South China Morning Post*, November 12).

Of more immediate concern for economists and policy specialists is whether the new deal has been crafted to ensure that investments will go to areas and sectors that are most in need, or whether the injection of capital will produce the biggest multiplier effects. Even the traditionally docile official media are full of stories of hundreds of cadres from dozens of ministries and provinces knocking on the doors of the National Development and Reform Commission (NDRC)—the “super-ministry” charged with divvying up the stimulus pie—looking for a handout. “It’s not easy to implement investment plans of 100 billion yuan in 110 days,” said Xinhua Website commentator Wang Qing. “The stiffer the requirements, the more cool-headed central ministries and regional governments must be.” Wang added that officials must “avoid scrambling for the funds irrespective of objective conditions”—and that Beijing’s largesse should be not be showered on “vested interest groups.” Analysts have noted that previous

resuscitation programs—such as the \$95.6 million (650 billion yuan) campaign to revive the economies of the 11 western provinces that began in the late 1990s—have created large numbers of under-used highways, bridges, airports and railways in these outback regions. While such infrastructure building certainly created employment opportunities, it will take the government decades to recover the initial investment (Xinhua News Agency, November 13; *New Beijing Post*, November 13; *China Youth Daily*, November 14).

To prevent corruption and other irregularities associated with the new deal, the party's highest-level anti-corruption agency, the CCP Central Commission for Disciplinary Inspection (CCDI), as well as the Supervision Ministry have set up a special task force to monitor how the \$586 billion is being spent. The NDRC, CCDI and other departments have reiterated that none of the funds should be used by regional governments to build “luxurious office buildings, halls and hotels” and other “prestige projects” that are found in abundance in both the nouveau riche east coast and the impoverished heartland. Moreover, regulations are being drawn up to prevent senior cadres from giving out contracts and businesses to companies run by relatives and cronies (Xinhua News Agency, November 14; Sohu.com, November 15).

For the longer term, it remains doubtful whether the stimulus package provides enough incentives for China's famously thrifty consumers to spend more. In October, retail sales rose year on year by 22 percent; but this was down from the September figure of 23.2 percent. Moreover, given that unemployment will continue to rise until the rescue plan takes effect some time next year, urban as well as rural residents will likely remain frugal. Moreover, the preemptive rescue plan does not address a key reason why the Chinese citizens' savings rate of 46 percent is one of the highest in the world, which is the paucity of social security benefits. It was only after the Hu-Wen team had taken office in late 2002 that the central government began putting together a nation-wide health insurance and pensions program. As worker Tian Jiali wrote in the chat-room of official China News Service: “It's not that Chinese consumers don't want to spend. We just don't have money because we need to pay school fees for our kids and foot our relatives' medical bills.” Currently, the central government's health budget is a measly 1 percent of GDP. And while a small proportion of the 4 trillion yuan package will be earmarked for new clinics and hospitals, it is unlikely that the medical burden of the masses will be significantly relieved in the foreseeable future (The Associated Press, November 14; China News Service, November 13).

More significantly, there are legitimate concerns that reforms

may be put on hold as the leadership's focus has shifted from restructuring institutions and liberalizing economic policies to the *bao-ba* imperative. Take, for example, the long-term goal of Beijing providing “national treatment” to small- and medium-sized enterprises (SMEs), many of which are private firms. Despite accelerated reforms since China's accession to the World Trade Organization in 2001, SMEs remain veritable second-class corporate citizens that are still barred from sectors monopolized by state-held conglomerates in capital generating industries like energy, mining, transportation and finance. Moreover, most private companies still find it difficult to raise loans from the nation's four main commercial banks. The State Council pledged as part of the new deal that more funds would be earmarked for SMEs, particularly those in the hard-hit Pearl River Delta. And Premier Wen pointed out while touring Guangdong last week that “all levels of government must in good time adjust and perfect their relevant policies toward SMEs so that their difficulties can be resolved” (Xinhua News Agency, November 15). Yet while SMEs will in the near term benefit from an easing of credit, Wen and other senior ministers have yet to come up with policies that will ensure a level playing field for the country's disparate groups of economic players.

Meanwhile, the CCP leadership is pulling out all the stops to prevent the worsening economy from engendering protests, riots and other instances of massive instability. While the Ministry of Public Security has since 2006 stopped publishing statistics for the number of “mass incidents” (a euphemism for demonstrations and “anti-state” activities), State Councilor Meng Jianzhu, who is also Minister of Public Security, recently acknowledged that the state should “be fully aware of the challenge brought by the global financial crisis and try their best to maintain social stability” (Xinhua News Agency, November 19). The Chongqing taxi driver strike earlier this month and the riot in rural Gansu illustrate the converging realities that disaffection and restiveness among both city workers and farmers have increased in urban as well as rural areas. (AFP, November 7; *Ming Pao*, October 20, Xinhua News Agency, November 19). The Hu-Wen leadership's nervousness is demonstrated by its latest instructions given by the CCP Organization Department to local-level cadres. Li Yuanchao, Politburo member and organization chief, indicated last week that apart from sustaining economic growth, regional leaders must do all they can to safeguard social stability. It is understood that the tight security regime that the police and People's Armed Police slapped on the nation in the several months before the Olympics will continue into next year. Thus, security departments throughout Guangdong Province will by the end of 2010 have set up one million surveillance cameras—called “celestial eyes” by local cadres—in places ranging from

government and office buildings to bus and railway stations (*People's Daily*, November 16; *Ming Pao*, October 19).

At the G20 meeting, the American hosts gave bundles of face to China by sitting President Hu right next to President George W. Bush. Most mainstream American newspapers have credited China with playing an assertive role as a leader of developing economies, especially in seeking a larger say in the International Monetary Fund and in drafting tighter regulations over the operations of multinational financial corporations and rating agencies (*New York Times*, November 14; *USA Today*, November 16). However, as Hu and Wen have indicated, the best contribution that China will make to the world economy is “managing our own affairs well.” Not only the future of China’s economy but also the global clout of the fast-emerging quasi-superpower will hinge on whether the country’s stupendous stimulus strategy will work in accordance with what Hu calls the “scientific theory of development.”

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Arms Sales and the Future of U.S.-Taiwan-China Relations

By Jau-shieh Joseph Wu

The outgoing Bush Administration made an 11th hour decision to notify the U.S. Congress on October 3—a day before Congress went into recess ahead of the groundbreaking November presidential election in the United States—that a raft of arms and weapons systems, which have been effectively frozen since December 2007, will be released for Taiwan. The passage of the arms package provided a temporary reprieve for Taiwanese President Ma Ying-jeou, whose approval rating since assuming office in May has plummeted to 23.6 percent in October (*Global View*, November 2008). The items released by the U.S. Defense Security Cooperation Agency, at the value of \$6.4 billion, includes: 182 Javelin anti-tank missile; 30 Apache helicopters; four PAC-3 anti-missile batteries; 32 submarine-launched Harpoon missiles; and four E-2T radar plane upgrades. But more noticeable than

the items released is the absence of the first phase of 8 diesel-powered submarines, Black Hawk helicopters, and two additional PAC-3 batteries that had been originally sought (*United Daily News* [Taiwan], October 5, 2008; *Defense News*, October 6). Taipei also requested 66 F-16 C/D jet fighters to add to its current inventory, but the Bush Administration has not received the letter of request for the reason that it would only process the above-mentioned package at the current stage.

The passage of the arms package was received with a sigh of relief in Taipei, which is concerned about the island’s strained relations with the United States, and, had a decision lapsed to the next U.S. president, weary that the package would be approved at all. As expected, Beijing complained bitterly and suspended unspecified military exchange programs with the United States (*United Daily News*, October 8, 2008), but overall the sale did not upset Sino-U.S. relations, nor did it interrupt the momentum of reconciliatory gestures between the Kuomintang (KMT), the ruling party on Taiwan, and the Chinese Communist Party (CCP). However, the scaling-down of the arms package signifies subtle changes in the geopolitical landscape in East Asia, where the shifting center of gravity may affect the long-term interests of the United States and its relations with the nations in the region.

ARMS SALE AND TAIWAN’S DEFENSE

Although the items approved only represent a fraction of Taiwan’s request and the value is half of what was originally sought, the package nonetheless improves Taiwan’s defense capability and reduces Taiwan’s widening military disparity vis-à-vis China. However, China’s military is rapidly modernizing, with its military defense budget has increased by double digit for more than 15 years while Taiwan’s defense budget has remained low. Therefore, the arms package will be unable to offset the strategic changes in the depth projection of China’s military in the region and encirclement of Taiwan’s sovereignty. Among Taiwan’s most cited threats is the People’s Liberation Army’s (PLA) deployment of more than 1,000-1,400 short-ranged ballistic missiles (SRBM), which have increased at the rate of 100 per year since 2001. These missiles have been aimed at Taiwan from six missile bases in Lepin, Santow, Fuzhou, Longtien, Huian, and Zhangzhou, spanning three southeastern coastal provinces of Jiangxi, Zhejiang, and Fujian [1] (*Liberty Times* [Taiwan], March 30, 2008). In addition, China has also acquired an estimated 50 advanced submarines, which is more than what military analysts state the PLA needs to blockade the Taiwan Strait. The PLA has also engaged in military exercises and deployments designed to sharpen its defensive capabilities so that even with limited offensive capabilities, China would be able

to subdue Taiwan's defenses in a limited amount of time by denying the access of other maritime powers that may come to Taiwan's defense [2]. Furthermore, China has—in recent years—ratcheted up its computer-hacking activities against the Taiwanese government's national security-related agencies and has stolen countless sensitive materials (*United Daily News*, April 8, 2007), so much so that some Taiwanese security officials describe that a “silent war” has already begun.

Friction between the Democratic Progressive Party (DPP) and the CCP in the Taiwan Strait was to be expected for two parties whose visions for Taiwan and its relationship with China are diametrically opposed. That the result of Taiwan's presidential election on March 22 was embraced by the embattled U.S. leadership came as no surprise. The KMT's Ma Ying-jeou appears more conciliatory toward China than his predecessor, Chen Shui-bian of the DPP. Chen stoked tensions in cross-Strait relations prior to the election by advocating that Taiwan join the United Nations as a new member, promoted a national referendum on the issue during the recent presidential election. These tensions have since eased following President Ma's inauguration. Bush Administration officials—in public and in private—conveyed satisfaction to see Taiwan's KMT government and the CCP re-engaged in cross-Strait dialogue, particularly the resumption of the Strait Exchange Foundation (SEF) – Association for the Relations Across the Taiwan Strait (ARATS) channel, severed by the CCP after former President Lee Teng-hui stated in a major policy speech in 1999 that Taiwan-China relations are “special state-to-state relations.”

CROSS-STRAIT POLITICS AND CHINA'S LEGAL WARFARE AGAINST TAIWAN

From November 3 to 7, the head of ARATS, Chen Yunlin, serving as China's special envoy to Taiwan, participated in an unprecedented visit to Taiwan to negotiate cross-Strait aviation, shipping, and food safety agreements. Chen Yunlin's visit has attracted international attention on the warming relations between a democratic Taiwan and an authoritarian China, and also on a deepening divide in Taiwanese society.

A closer examination of ongoing cross-Strait shuttle diplomacy between the KMT and CCP, and public announcements made by President Ma raises legitimate questions about whether the current trend is in Taiwan's national interest or for that matter U.S. long-term security interest.

The issue of Taiwan's sovereignty has always been the focal point of cross-Strait tension, since the PRC claims

that Taiwan is a part of China under its interpretation of the “one-China principle.” The Chinese government has engaged in what some analysts call a diplomatic “full-court press,” using a carrot and stick strategy in the form of financial and monetary incentives, to legalize the “one-China principle” in major international organizations and thereby legitimize its claim of sovereignty over Taiwan (Javno, November 16, 2007).

The first such step came in May 2005, when the Chinese government signed a memorandum of understanding (MoU) with the World Health Organization (WHO) Secretariat requiring the WHO to seek Chinese approval before Taiwan, under the name “Taiwan, China,” could participate in any WHO-related activities. The second came in the United Nations, which in March 28, 2007, issued a letter from the Secretariat to Nauru stating that, in compliance with the 1972 UN General Assembly Resolution 2758, “the United Nations considers Taiwan for all purposes to be an integral part of the People's Republic of China.” The third incident was with the OIE (World Organization of Animal Health). In May 2007, Beijing attempted to pass a resolution “recognizing that there is only one China in the world and the government of the People's Republic of China is the sole legal government representing the whole of China which includes Taiwan,” changing Taiwan's membership into “non-sovereign regional member,” and using “Taiwan, China” or “Taipei, China” as Taiwan's official title in this organization.

As these three examples demonstrate, the “one-China principle” has been used by the PRC as a means of waging its “legal warfare” to incorporate Taiwan and to accomplish its bottom-line goal of *de jure* unification, as explicitly stated by its declared intent to use military force if necessary under the “anti-secession law” of 2005 to “reunify” Taiwan. The examples also illustrate how, if Taipei agrees to the “one-China principle,” it may be interpreted as accepting China's claim of sovereignty over Taiwan. Under such pretexts, the government under the DPP had to avoid and even repel the “one-China principle” as the precondition for the resumption of cross-Strait talks. The DPP did this by seeking international support for its counter-position, which led to the standoff in cross-Strait negotiations and showed the world that the “one-China principle” effectively became a non-starter.

These efforts notwithstanding, Ma Ying-jeou in his inaugural address reversed the previous administration's position and accepted the so-called “1992 consensus” as the foundation for cross-Strait reconciliation in spite of the fact that the PRC officially stated that the “1992 consensus” was a consensus realizing (ti-xien) the “one-China principle.” In several private meetings with foreign visitors, Ma even

went on to say that he accepted the one-China principle with or without any elaboration on what he meant by it. In addition, Ma stated in September during an interview with a Mexican journal that the relations between Taiwan and China are “non-state to state special relations,” and his spokesperson Wang Yuchi further qualified that statement of policy by saying that relations should be characterized as “region to region” (*diqu dui diqu*) relations (September 3, 2008, news release, www.president.gov.tw). In the effort to participate in international organizations, Ma announced that there is no better title for Taiwan other than “Chinese Taipei” (*United Daily News*, April 5, 2008). During the August/September effort to participate in the United Nations, the KMT government gave up on the membership drive and pursued only “meaningful participation” in UN-affiliated organizations. Even so, the Chinese Ambassador to the UN, Wang Guang-yia, stated that Taiwan was not qualified to participate in major international organizations, and Taiwan’s participation in the WHO had to follow the MOU signed between the Chinese government and the WHO Secretariat (*Liberty Times*, August 28, 2008). The Ma administration made no attempt to repudiate the Chinese claim, and Ma’s spokesperson stated that it was not a “non-goodwill” (*Liberty Times*, August 29, 2008). In addition, when in the negotiations for cross-Strait chartered flights the Ma administration decided to open up six domestic airports in addition to two international airports, the decision apparently fell into the Chinese claim that the cross-Strait flights are domestic flights. In short, the official statements and policy actions by the KMT government on relations between the two sides of the Strait thus put Taiwan within the description of the “one-China principle,” with Taiwan being part of China.

INNER POLITICS AND ARMS SALES

In another interview by India and Global Affairs, Ma stated that he wanted to pursue full economic normalization with China, and that he also wanted to reach a peace agreement within his term (*Liberty Times*, October 18, 2008). If Ma’s concept on the relations between Taiwan and China falls within the description of the “one-China principle,” a full economic normalization will mean an arrangement similar to the Closer Economic Partnership Agreement (CEPA) between Hong Kong and China. A peace agreement between Taiwan and China within the timetable of his four-year term may necessitate that the United States prepare for an eventual termination of arms sales to and security cooperation with Taiwan. Ma’s statements may be welcomed by the international community as gestures toward peace, but it is actually putting Taiwan’s security in jeopardy. If Taiwan were to sign a peace agreement under the KMT where the conditions are defined by the KMT

and CCP, the resulting equation, influenced by a much more powerful China at the other end of the negotiating table, may forfeit Taiwan’s freedom to repudiate China’s claim over Taiwan. Taiwan may be moving dangerously too close to the PRC and may not be able to maintain its current *de facto* independent status any longer.

The United States has for decades held a policy of refuting the PRC’s claim of sovereignty over Taiwan, as stated in the “six assurances” provided by President Ronald Reagan in 1982 and other private communications with Taiwan (Fredrick Chien Memoir, vol. 2, 2005, 215-6). When China manipulated the UN Secretariat to issue a letter in March 2007, which stated that Taiwan is considered by the UN an integral part of the PRC, the United States protested to the UN Secretariat, arguing that such a declaration is against U.S. policy (*Liberty Times*, September 6, 2007). But if Taiwan itself accepts one-China principle, the foundation for this U.S. policy may be jeopardized. In other words, Ma’s effort of reconciliation is a short-term relief for the United States at a time when it is not capable of addressing simultaneous international conflicts. However, such efforts may prove to be against U.S. long-term interests, especially if the United States continues to view China’s rapid military modernization with suspicion.

Taiwan’s domestic politics are severely divided over the course of the government’s ongoing rapprochement with China. President Ma has not made any efforts to seek domestic reconciliation or attempt to communicate with the opposition over his intentions on cross-Strait policy. In fact, Ma’s statements and actions angered many people who believe that Taiwan should keep China at arm’s length. Taiwan appears to be more divided than before in the months since Ma’s inauguration, as evidenced by several large-scale, anti-government/anti-China demonstrations. Consequently, Taiwan’s status has been relatively weakened in facing the subtle and not so subtle threats from authoritarian China. A divided and weakened Taiwan severely threatens Taiwan’s national security, and is, by extension, not in the interests of the United States or Japan, its key ally in East Asia. All interested parties should therefore encourage the KMT to engage the opposition DPP in formulating its policy across the Taiwan Strait.

CONCLUSION

The changes occurring within the strategic landscape of East Asia are quite subtle indeed. U.S. arms sales to Taiwan are one of the most important means for the United States to demonstrate its security commitment to its key allies and ensure peace and stability in the Taiwan Strait. In order for the United States to continue to maintain peace and stability in the region, the United States has long held the

position, as prescribed by the Taiwan Relations Act, that arms sales to Taiwan are evaluated on the merit of Taiwan's defense needs, not political judgments or as a result of consultations with the PRC. However, the U.S. decision to scale down the volume of weapons that had already been promised may make Taiwan feel uncomfortable about the U.S. commitment at a time when Taiwan needs a strong defense in order to ward off China's possible aggression. A continued U.S. commitment is also integral in permitting Taiwan to resist China's political pressure, however remote it may seem, and most importantly enable Taiwan to negotiate with China from a position of strength. The unfinished issue of arms sales to Taiwan thus becomes another pressing matter for the new U.S. administration to address in order to safeguard American interests in reinforcing peace and stability in East Asia.

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NOTES

1. Tseng Shiang-yin, "The Enhancement of Taiwan's missile defense," *Taiwan Defense Affairs* (Vol. 5, No. 3, Spring 2005) pp. 88-117, www.itdss.org.tw/pub/05_3/05_3_p088_177.pdf.
2. Ling Chang-sheng, "Research, Development and Deployment of China's Cruise Missiles," *Defence International Issue* 213 (Taiwan: April 12, 2003), www.diic.com.tw/comment/06/06930412.htm.

PLAs Mechanization and Informationization Come of Age: Sharpening and Vanguard-2008

By Martin Andrew

The People's Liberation Army (PLA) is developing a force that resembles the efforts of the Soviet Army in East Germany in 1986, which was creating an Operational 'Shock Division' of three regiments with each regiment containing two tank and two mechanized infantry battalions. Armored divisions being too unwieldy in complex terrains and an armored battle group (battalion sized) being easier to control and execute its mission [1]. Following on the PLA's experience with earlier corps/brigade structures, it can currently deploy at least three mechanized infantry

battle groups and three armored battle groups under the new brigade structure. These forces are designed to be deployed on the periphery of China's borders and provide a means of penetrating an adversary's border defenses if required. Furthermore, the PLA has developed and tested one composite cavalry brigade for use in complex terrain and to provide reconnaissance, air mobile support and flank protection for a deployed force [2].

Utilizing the Soviet military doctrine of "deep operations", the PLA can now employ an air mechanized and/or fast wheeled force as a 'lance' followed up by the tank heavy mobile force to exploit the breach in an enemy's defenses that is followed by a heavy mechanized holding force [3].

The mechanized infantry brigade has four mechanized infantry battalions, one armored battalion, one fire support (artillery) battalion, one engineer battalion and one communication battalion. Each mechanized infantry battalion has three mechanized infantry companies, each of three platoons with each company having 13 infantry fighting vehicles; four in each platoon and one headquarters vehicle [4].

Each armored brigade has three armored battalions for a total of 99 main battle tanks, one mechanized infantry battalion, one artillery battalion with 18 self-propelled guns and one air defense battalion of 18 AAA guns. Each armored battalion has three armored companies, each company includes three platoons, and each platoon is composed of 3 battle tanks. Altogether a company will be composed of 11 main battle tanks; three in each platoon and two headquarters vehicles. A complete brigade contains 2,200 soldiers (Xinhua News Agency, October 28).

PEACE MISSION-2007

Peace Mission-2007 was the first major exercise utilizing the *Pei Shu* concept. The PLA created a composite cavalry brigade combining ground and heliborne units, giving the commander six company level maneuver elements, two airmobile and four in infantry fighting and armored personnel carriers with integral fire support. A cavalry brigade such as this can act as the corps reconnaissance and screening force, provide flank protection and act as an assault force to seize high value targets as part of the PLA's new heavy corps (*China Brief*, February 29).

In the tracked units, the Type 03 amphibious reconnaissance vehicle will replace the Type 62 light tank and the Type 63 amphibious tank as the main vehicle utilized in the provision of medium reconnaissance. Its wheeled units, medium reconnaissance will be provided by the Type 02 100mm assault guns. They will operate ahead of the

main forces and provide a flanking screen of up to four kilometers on the flanks. Too large for scouting and close-in reconnaissance, this role can be performed by the ZBD05 airborne vehicle, which carries a 30mm automatic gun for self-protection and for destroying light armor, and can also carry a scout section under armor. The medium/close reconnaissance mix could have been trialed in the Peace Mission-2007, and would explain the large number of Type 02 100mm assault guns compared to the number of armored personnel carriers and infantry fighting vehicles.

Following Peace Mission 2007, the PLA had two major exercises in 2008 that tested the newly restructured brigades in battle group tactics. These exercises were code named “Sharpening-2008” and “Vanguard-2008”, and they were also the first major PLA exercises to test joint operations at the tactical level.

SHARPENING-2008

Sharpening-2008 was conducted by the Jinan Military Area Command at the Zhurihe Training Base deep in the Inner Mongolia grasslands (*PLA Daily*, September 28). The deployment phase started on August 26, 2008 finishing with the confrontation exercise, “Warrior-2008,” on September 25. The exercise saw a light (wheeled) mechanized infantry brigade forming battle groups to defend against an armored (tank) regiment (*PLA Daily*, September 19). It exercised joint operations from the strategic down to the tactical levels. The light mechanized infantry brigade was the first brigade to incorporate the new four armored fighting vehicles per platoon, and it was defending against an armored regiment that has been ‘a forerunner of informationization drive of the PLA’. Both the light infantry brigade and the armored regiment utilize the new Command, Control, Communications, Computers and Intelligence (C4I) structure with armored command vehicles down to the company level (*PLA Daily*, August 27).

Tactical joint operations were a first for the PLA as joint training had previously only been conducted at the strategic level. Battle groups comprised infantry, artillery, anti-aircraft artillery, engineering and anti-chemical sub-units (*PLA Daily*, September 16). Another first was the incorporation of a J2 at the brigade level to coordinate the intelligence gathered from various sub-units. This intelligence had previously not been shared and the J2 is now also responsible for the rapid exploitation and dissemination of this newly acquired information (*PLA Daily*, September 16).

VANGUARD-2008

Vanguard-2008 was conducted from October 17 to October 28 in Henan Province in Central China. As a firepower exercise, it focused on battlefield joint operations and C4I utilizing the new Outline of Military Training and Evaluation publication (*PLA Daily*, October 22). The PLA deployed armor and mechanized heavy battle groups utilizing the Pei Shu doctrine. Equipped with Type 96 main battle tanks, the brigade was supported by its heavy mechanized infantry in their Type 86 infantry fighting vehicles, and PZL89 122mm self-propelled guns providing direct support (*PLA Daily*, October 17). Mi-17 transport, Z-9W helicopters and reconnaissance vehicles were also included to trial the battle group and brigade joint operations centers in coordinated fire missions (Xinhua News Agency, October 28). Among the observers for the final day of the exercise, which consisted of a firepower demonstration, were 179 foreign military students, representing 67 different countries. Most of the students were from the University of National Defense and the Nanjing Army Command College (*PLA Daily*, October 29). This group was the largest contingent of foreign military students to ever observe a PLA military exercise.

A recent amphibious joint fire support exercise revealed how the joint operations fire support system was developed (*PLA Daily*, November 3). The PLA mechanized amphibious exercise developed a joint operations fire support command and control net integrating field, tactical and satellite communication networks. To test the system, the PLA ran an exercise that involved removing obstacles in the path of an amphibious landing (an amphibious assault is generally accepted as the most complicated of all military operations). A Nanjing based mechanized division was tasked with developing a near (wc) real time fire support and control system from the platoon through company, battalion, battle group and corps levels, while incorporating reconnaissance, armored, artillery, air defense and army aviation units. With the assistance of military-defense, the Nanjing division was able to develop an army-wide service system and then transform this system into a joint structure that enable real time naval gunfire support during strike missions by the People’s Liberation Army-Air Force (PLAAF) aircraft.

The first stage of the structure was just within the battle group, it was then expanded to the various corps level operation centers in the field regional communication network and to the command and control network at the theater level. Voice and data were sent along this system by the three services under the operational control of the army-led joint operations cell tasked with breaching the obstacles prior to an amphibious landing. This cell called in

13 strike missions involving naval gunfire support, PLAAF strike aircraft and a PLA engineer unit using some type of rocket minefield clearing counter obstacle vehicles, most likely Type 84 rocket minefield breaching system towed by GJT11A armored bulldozers [5].

THEATER AND BATTLEFIELD COMMAND SYSTEM

The PLA is in the final stages of the development of informationization and mechanization of its weaponry and equipment, a process that has been the cornerstone of PLA modernization since 2000. It is trialing a prototype battlefield awareness system that, if successful, will enable commanders to execute battle operations, including fire missions, with near real time control (*PLA Daily*, November 4).

At the tactical level, the mature system would be deployed on armored command vehicles, major warships and aircraft, thus utilizing data links to distribute information throughout the system. Air defense and airspace control will be part of the system to ensure that army aviation and PLAAF aircraft are not engaged by PLA air defense units. The People's Liberation Army Navy's (PLAN) new 14,000 ton Landing Platform Dock (LPD) amphibious ships will be equipped with the full system to enable them to serve as flagships during amphibious operations such as disaster relief [6].

Essential to the new battle groups are long range reconnaissance and strike assets including aerial fire support. The new WZ-10 attack helicopter can be expected to act as an armed reconnaissance helicopter, utilizing data links to provide real time imagery for the commander through its advanced all-weather avionics and targeting systems, as well as providing close air support to PLA forces with anti-tank guided missiles, rockets and its 30mm automatic cannon [7]. The PLA has invested heavily in unmanned aerial vehicles (UAVs). The W-50 UAV has a reported ability to loiter over four hours (depending on the payload) and an operational range of over 100 kilometers [8]. Their Z-3 remotely piloted helicopter, which utilizes a GPS navigation system, has a takeoff weight of 130 kilograms including a 30 kilogram payload [9]. In the recent Sichuan Earthquake, at least one Chinese-developed small UAV was deployed to survey the damage [10]. Only 2.1 meters long with a wingspan of 2.6 meters, it weighs 20 kilograms and is of pusher configuration with twin booms connecting a 'V' shaped rear fin. It can travel at 110 kilometers per hour, reach an altitude of 3,500m, and has GPS assisted guidance.

The two large scale military exercises Sharpening and Vanguard-2008 revealed that the PLA is in now equipping

its forces with weapons systems that are equivalent to Western standard and with command and control systems that act as force multipliers, thus enabling PLA commanders to have information superiority over its regional land neighbors. This capability will enable the PLA to disrupt an adversary's decision command cycle, thereby allowing the Chinese to dictate the battle on their own terms. When a target is located, modular arms battle groups will be able to maneuver into the best position to engage the enemy or engage them with long range strike assets. Similarly, a joint operations cell could utilize UAVs to independently locate the enemy while knowing the location of all the friendly units, thereby avoiding friendly casualties.

The People's Liberation Army is consolidating the gains made by its modernization drive toward mechanization and Informationization. The PLA has now demonstrated that it has versatile forces able to fight in any climate, weather or time of day. These forces, currently small but expanding, have technological parity with any forces in Asia or Eurasia. Within the next few years the PLA will have two mechanized and networked army corps able to give Chinese Defense planners military options they did not previously have. The three exercises examined above show that the PLA is now a modernized military power—no longer the foot based infantry force of days past. In recent years China has become increasingly dependent on Central Asia as its main energy supplier. As such, instability beyond Chinese borders will have a more direct impact on Chinese security. These newly formed forces provide the PRC with military options for rapidly deploying and executing a battle to defend its growing sphere of interests.

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NOTES

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Transformations in China's Soft Power toward ASEAN

By H.H. Michael Hsiao and Alan Yang

A mong U.S.-led like-minded alliances, a nascent China policy position has been formulated based on the idea of "international socialization" [1]. The idea is to enmesh states in a compound network structured by international organizations, conventions and norms. Accordingly, the process of socialization will push China to comply with the normative values of the international society. For countries like the United States, an "internationally socialized" China has become a necessity for at least two reasons. First, international norms constraining any potential irrational behavior of this rising power will ease the threat perceptions emanating from its rise. Second, engaging China—rather than isolating it—in the near term may be more constructive and plausible to ensure greater transparency of a regional hegemony. The propositions reflect, undeniably, the universal anxieties over China's emerging threats and the uncertainty that its rise poses to regional and international regimes.

This "taming China's rise" strategy, however, overlooks the People's Republic of China's (PRC) "agency" of influencing world politics. Even though China evinces its appreciation

of multilateralism, what really concerns China is not the matter of its "internationalization" to the status quo but ways to improve Beijing's international reputation while securing its national interests. Beijing has been more practical in making strategic arrangements with partners and more flexible in attracting international supporters [2]. New policy initiatives such as "smile diplomacy" (*weisiao waijiaou*), "public diplomacy" (*gonggong waijiaou*), and "good neighbor diplomacy" (*mulin waijiaou*) have been instrumental in Beijing's pursuit of a benign hegemony. These initiatives have one thing in common: a sophisticated use of soft power resources.

Take China-ASEAN (Association of Southeast Asian Nations) relations for instance: China and ASEAN established official links since 1991. For China, ASEAN is a close neighbor and encompass a strategically important region for China's national security. ASEAN also serves as an ideal platform for China's participation in East Asian international politics, while China provides ASEAN states' an option to hedge its dependence on the United States and Japan [3]. This relationship had all the trappings of a win-win partnership. Although ASEAN has been long aware of the possibility for China's potential dominance over regional issues, most of its members believe that a regional socialization process is capable of regulating this rising power [4]. Following the 1997 Asian financial crisis, however, it has become increasingly difficult for ASEAN states to resist China's overwhelming influence in economic assistance and soft power. Moreover, in recent years, most ASEAN states have been assuaged by Beijing's assertion of "peaceful ascendancy" and its image as an amiable supporter [5].

BEIJING'S SOFT POWER STRATEGIES TOWARD SOUTHEAST ASIA

Soft power is an art of persuasion—and Chinese wielding of soft power has expanded its Western definition as well as extended its scope. Since the 1990s, China had advanced its relations with ASEAN states in fields of foreign aid, trade, finance, infrastructure, business, labor, environment, development as well as tourism. China's strategies for soft power diplomacy are intricate and comprehensive. Beijing's soft power diplomacy can be broken up in three levels: first, establish solid political and fiscal connections with Southeast Asian governments via increasing foreign aid; second, explore comprehensive cooperative framework through FTA-plus plans; third, enhance cultural attractiveness and promote pro-China understanding among ASEAN states through quasi-governmental projects. Foreign aid, comprehensive economic networking and cultural transmission form the core of its soft power resources.

A RELIABLE PARTNER OR LAISSEZ-FAIRE POLITICS?

China's transformation from a development aid recipient to a bilateral donor is a recent development and a significant mark of accomplishment for a nation of 1.3 billion. According to Chinese official statistics, its annual aid figure is \$970 million, but the real number is probably more [6]. In Southeast Asia, the sum of Chinese foreign aid has surpassed the amount of the United States. For example, in 2002, China's aid to Indonesia was double that of the United States. In 2006, China's aid to the Philippines was four times that of the United States, while the amount to Laos was three times the U.S. aid [7]. Most of this financial assistance contributes to local infrastructure and capacity-building programs. More recently, Beijing provided over \$10 million to the government of Burma to assist regional reconstruction in areas that were devastated by Cyclone Nargis in 2008 [8]. Through foreign aid, China has set itself up as a reliable partner of its Southeast Asian neighbors. On the other hand, this government aid has facilitated Chinese state-owned-enterprises (SOEs) in commercial navigation within Southeast Asia, such as the exploration of Indonesian natural gas reserves, the investing in infrastructure in the Philippines, and the establishment of transportation links through Cambodia, Thailand to Singapore [9]. Ostensibly, these projects, based on Beijing's guideline of "going out," seem to align with local economic and developmental needs, but the lack of transparency casts a cloud over China's underlying motives as its geo-political and geo-economic interests expands.

OPPORTUNITIES FOR CO-PROSPERITY AND CO-DEVELOPMENT OR ECONOMIC MERCANTILISM?

A comprehensive economic network is another soft power resource of China since the substance of China-ASEAN relations is mainly based on trade. For ASEAN states, China is regarded not only as the center of economic gravity but a potential market with business opportunities as well. Therefore, China leverages its comparative advantage by employing economic diplomacy with soft power resources to formulate a multilateral framework based on free-trade agreements. Beijing attempts to chart a win-win partnership based on China-ASEAN Free Trade Area (CAFTA) for the purpose of easing regional anxieties about the intensified competition in the export market (i.e. high-valued manufacturing goods) [10], and foreign direct investments (FDI). In 2007, the GDP of China-ASEAN FTA has exceeded \$2 trillion while its total trade figure was more than \$200 billion. According to China's official statistics, from January to September 2008, bilateral trade between China and ASEAN has reached \$180 billion, an increase of 23 percent compared to last year (Xinhua News Agency, October 22). These large numbers are used by Beijing to demonstrate China's crucial role in regional integration.

China's economic diplomacy toward ASEAN is highly sophisticated. It straddles business investment, tourism and new development initiatives. Within the business realm, expanding China's business network is correspondent to Beijing's economic and strategic interests in Southeast Asia. In October 2008, China held the 5th China-ASEAN Expo and China-ASEAN Business & Investment Summit, fruitfully inviting 1,154 ASEAN-based companies to participate in the exhibition, signing 1,372 investment agreements, and attracting a turnover of \$1.6 billion. Meanwhile, people-to-people interactions among young leaders and business elites from ASEAN and China are conducted through 16 different forums and meetings (Xinhua News Agency, October 25). Strategically, this annual China-ASEAN Expo promotes various business links with the goal of helping Chinese SOEs and small and medium enterprises (SMEs) invest in and cooperate with the Southeast Asian business community. This expo, as along with other PRC government backed initiatives, is very important for Beijing's soft power diplomacy. That is, by linking with local business in Southeast Asia, these bottom-up efforts have successfully drawn more attention from ASEAN states, promoted China as a window of commercial opportunities and expanded Beijing's sphere of economic influence in the ASEAN markets.

Besides business and investment, promoting tourism is another way to bolster Chinese soft power. In the 1980s, there were only tens of thousands of Chinese (per year) traveling to Southeast Asia. However, China's rapid economic growth has resulted in more than 15 million arrivals/per year in ASEAN region (especially in Thailand, Singapore and Malaysia) during the 2000s. Over the last decade this figure has experienced an annual growth of 30 percent. In 2007, there were 3.4 million Chinese tourists visiting the ASEAN region, a number that, for the first time, has surpassed the amount of Japanese tourists [11]. Although such a rapid influx of Chinese tourists has created problems, for ASEAN, increasing amount of voyagers represent flowing capitals which have become important income sources of the region (*International Herald Tribune*, October 21, 2005). Moreover, a flourishing tourist industry will provide a sound basis for ongoing projects such as the Open Sky Initiative, ASEAN Common Area, and ASEAN Cruise Tourism. For China, its activism in tourism cooperation seems to create a win-win situation of co-development.

Currently, several China-ASEAN cooperative programs are proceeding. For example, the ASEAN-China Center for trade, investment and tourism promotion (the MoU) is currently being negotiated and will be established in the near future [12]. This Center is expected to work within the current ASEAN+3 track in order to upgrade the quality

and collaboration of tourism. Otherwise, initiatives of cultural and eco-tourism are emerging domains of further cooperation. In the region of Mekong River basin, for instance, China publicizes to comply with ASEAN states in the project of ADB-GMS-Xishuangbanna Biodiversity Conservation Corridors. This corridor project will connect 9 ecological zones scattered in the Indochina Peninsula to ensure economic, cultural and environmental development in a sustainable manner. Beijing, having abundant economic and political resources in hand, keeps reminding Indochinese states of its importance in shaping the network of the eco-tour complex.

As bilateral relations progress and recession in the advanced economies elongates, ASEAN states will need more Chinese participation in its economic development. Take Singapore for instance, Singapore has worked upon an “eco-city” project with China since 2007. This ongoing project aims to build a modern town in Tianjin based on the idea of ecological sustainability. This new initiative represents an integral plan of economic, environmental and investment collaboration for both sides. For Singapore, this joint project will both gain considerable profits and consolidate political partnership with China. For Beijing, the Singaporean experience in economic advancement is of particular interest to its enthusiastic investment in sub-regional economic zones. The increasing amount of similar proposals not only accounts for a closer relationship between China and the ASEAN region, but also illustrates China’s practice of “economic first” approach which integrates geo-economic strategy and domestic needs.

In 2008, the global financial crisis caused, in part, by the U.S. subprime mortgage crisis has resulted in financial and market turmoil in Asia. Leaders from ASEAN states such as Cambodia, Laos, and Philippine have called upon China to invest more in ASEAN so as to stabilize the economic growth of the region. Such appeals from ASEAN states signify that a rising China has been regarded as a promising land of many economic opportunities. Whether Beijing can guide this regional bloc through the global financial tsunami is still in question, the demand from ASEAN, nevertheless, delineate that one cannot overlook the growing influence of China’s soft power in Southeast Asia.

A NEW CULTURAL CENTER OR CULTURAL IMPERIALISM?

For China, in particular, the core of soft power is the promotion of Chinese culture and language. Since 2004, China has built more than 295 “Confucius Institutes” in 78 countries. A total of 500 will be established before 2010. Just in Southeast Asia there are 21 Confucius Institutes providing language courses. Thirteen of these institutes are located in Thailand, with others scattered

throughout Indonesia, Malaysia, Burma, Philippines, and Singapore [13]. These Institutes perform as sites for cultural transmission, intercultural exchange, and Chinese learning, thereby enhancing China’s soft power capabilities.

Specifically, the overseas Confucius Institutes have at least two purposes. For educational ones, the Institute has a function similar to that of Alliance Française, Goethe-Institute, British Council, and Insituto Cervante, which mainly deal with language and culture learning affairs. Although Beijing carefully heralds that the Institute operates as a non-profit and non-governmental organization, its principle and budget are guided and sponsored by “the Office of Chinese Language Council International” (*Hanban*) affiliated with the PRC’s Ministry of Education. Such an orientation would naturally draw the association with the underlying strategic implication of Confucius Institutes, that is, an attempt to promote Chinese culture and thereby increase China’s soft power influence. Some thinkers have referred to such a policy as “cultural imperialism” [14].

In terms of cultural imperialism, a great power will both employ its cultural commodity to exploit an economic market, and aim to reconstruct a popular culture in pursuit of ideological hegemony. Undoubtedly, the statement reminds us of the U.S. foreign policy since the 1950s. The U.S. government advocated public diplomacy by the United States Information Agency (USIA). The USIA exerted influence on information sharing and made efforts in broadening dialogues between the United States and the rest of the world. Moreover, it has sponsored exchange programs such as the Fulbright Scholarship to nurture overseas grantees with American cultures and values.

Thus, public diplomacy and cultural promotion is another mission of the Confucian Institutes. There are at least three kinds of soft power resources employed. First, the very notion of Confucius Institute is to nurture a worldwide cordial atmosphere which favors Chinese learning. Second, this instrumental appeal for language learning will shape a popular culture characterized by Chinese art, cinema, cuisine, fashion, and lifestyle. The pop culture itself may forge a sensational pro-China ambiance (i.e. the fervor with Chinese language learning, with supporting 2008 Beijing Olympic Games, and etc.), and reinforce the influence of Chinese soft power. Second, the Institute also provides “Chinese Bridge Fund,” sponsoring college student exchange program and supporting the research and development of overseas Chinese education. These funding programs and activities will intensify Beijing’s international cultural attractiveness and magnify its influence of soft power at the grassroots level. Third, since 2004, China has dispatched more than 2000 volunteers

and teachers in 35 countries to work on Chinese education abroad, inclusive of ASEAN states such as Indonesia, Lao, Philippines, Singapore, Thailand and Vietnam [15]. These “civil diplomats” become vital human resources in wielding cultural and social influence in the region.

Beijing has continually reiterated the politically neutral standing of the Confucius Institutes. However, political and ideological strings continue to remain evident in organizational governance, and relevant activities and publications. For example, the grantees of “Chinese Bridge Fund” determined by the *Hanban* may reflect Beijing’s strategic consideration based on national interests. In addition, the disposition of 21 Confucius Institutes and hundreds of volunteers in Southeast Asia are also decided in accordance with cultural intimacy and political amity. China has made great efforts to project cultural transmission to its neighbors in Southeast Asia in order to increase China’s centrality in this region. It is plausible that the “China Fervor” intensified by Confucius Institutes and relevant projects will continue to lay the solid foundation for the perception of a “benign China” and foster an even closer relationship between China and ASEAN states.

CONCLUSION

The discussion above unveils China’s sophisticated soft power diplomacy toward Southeast Asia. Beijing’s non-military inducement to ASEAN states, encompassing comprehensive cooperation and collaboration between different sectors and policy areas, seems efficacious. By providing foreign aid, Chinese government has maintained its indispensable leadership in cooperating with Indonesia, Philippines, and Laos. In addition to assistance aid, China’s economic foreign policy with the help of the Chinese business community has triggered a large scale economic and market integration with ASEAN strengthening China’s importance in this region. More critically, Confucius Institutes and thousands of language teachers demonstrate Beijing’s flexible cultural diplomacy of promoting Chinese social and cultural values to its southeast neighbors. Carefully employing these soft power resources, China will obtain more policy choices to engage with ASEAN and its members, develop more channels of communication with Southeast Asian people, and assiduously participate in various issue-areas of regional affairs without sacrificing its economic and political interests, China is no longer a “clumsy elephant” to its southeast neighbors, but an “agile dragon” in the quest for restoring its regional hegemony.

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