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碩士論文

中國與東南亞國協經貿關係：對菲律賓的影響

China-ASEAN Economic Relations: Its Implications to the
Philippines

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**China-ASEAN Economic Relations: Its Implications to the
Philippines**

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ENDORSEMENT

In partial fulfillment of the requirements for Masters in Mainland China Studies, this thesis entitled “**China-ASEAN Economic Relations: Its Implications to the Philippines**” has been prepared and submitted for final oral defense by **Krista Gem J. Mercado**, acceptance of which is hereby endorsed.

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摘要

東南亞國家國內的事態發展在個別國家帶來了新的政治、經濟和社會挑戰，對整個地區的穩定有著一定影響。一般而言，東南亞還是籠罩在日益擴大的經濟和社會不平等現象，尚未解決的政治衝突，緊張的種族關係和恐怖主義和其他跨國犯罪。雖然如此，在同一時間，東南亞國家已經在東盟協議下更廣泛的合作。作者承擔這項研究課題的動機，是基於中國—東盟經濟關係之課題非常廣泛，但仍然了解甚少，所以這項研究計劃對她來說非常恰當。身為菲律賓—東盟的成員國之一的公民，她清楚也可以更仔細研究不斷演變的關係與對菲律賓的影響。該研究針對中國與東盟的合作和其對影響到菲律賓。該文件的假設，即“中國與東盟會員國的關係越好，菲律賓和中國越能夠在經濟上如雙邊貿易和投資加強關係，而且在也較受爭議的課題上，如南中國海卡拉揚群島組島嶼或南沙有利”。

作者使用了描述和分析方法進行此項研究。研究數據來源有文件分析，關鍵人物面試和小組討論。

中國—東盟關係的特點是經濟上的合作。此合作關係一直在發展，而且橫跨別的領域。中國和東盟成員國聯合協議增加貿易和解決政治問題和糾紛。菲律賓，作為成員國之一，能夠在此合作關係上獲益，所以深入的參與和增加雙邊貿易有利於該國

ABSTRACT

“...commerce and manufactures gradually introduced order and good government and with them, the liberty and security of individuals, among the inhabitants of the country, who had before lived in a continual state of war with their neighbors, and of servile dependency upon their superiors. This though the least observe is by far the most important of all their effects.”

Adam Smith in his classic “Wealth of Nations” amply sets the tone of this paper on China-ASEAN relations.

Significant domestic developments in individual Southeast Asian states have brought about new political, economic and social challenges that necessarily impact on the stability of the entire region. In general, Southeast Asia remains beset with widening economic and social inequities, unresolved political conflicts as well as growing ethnic tensions, compounded by threats of terrorism and other transnational crimes. At the same time, however, Southeast Asian nations have moved toward greater cooperation under the ASEAN. The researcher’s motivation for undertaking this research topic is due to the fact that China-ASEAN economic relations is an area of considerable yet remains poorly understood, it was very fitting for her to embark into a study that will take a closer look of the evolving relations and implications to the Philippines since the researcher is a citizen of the country which is an original charter member of the ASEAN. The study was an assessment of the China-ASEAN

cooperation and its implications to the Philippines. The paper is preceded by a hypothesis that—“The better the level of relationship is between China and the ASEAN as a regional block, the better the chances for China and the Philippines to enhance not only its traditional relationship in bilateral trade and investments, but also the more contentious issue of amicably resolving the South China Sea conflict, more specifically, the Kalayaan Group of Islands or Spratlys.”

The researcher used both descriptive and analytical approach for the study. The three data sources of the study were document analyses, interview of key informants and focused group discussions. The inputs were taken from the results of the document analyses and the interview of key informants.

The China-ASEAN relations are characterized as economic cooperation at first hand. Such relationship has evolved through the years from economic to other non-traditional areas of cooperation like security and conflict resolutions. Joint agreements are signed between ASEAN member states and China with regard to increased trade and settlement of political issues and disputes. The Philippines as a member state was able to optimize its gains in the China-ASEAN relations with the increase in bilateral trade and investments. Undoubtedly the subsequent deepening of engagement between China and the Philippines is mutually beneficial to the two countries national interests.

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For each new morning with its light,
For rest and shelter of the night,
For health and food, for love and friends,
For everything Thy goodness sends.

~Ralph Waldo Emerson

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LIST OF ACRONYMS

ACJCC	-	ASEAN-China Joint Cooperation Committee
AFTA	-	ASEAN Free Trade Area
AMM	-	ASEAN Ministerial Meeting
APEC	-	Asia-Pacific Economic Cooperation
ARF	-	ASEAN Regional Forum
ASA	-	Association for Southeast Asia
ASEAN	-	Association of South East Asian Nations
ASEAN-PMC	-	ASEAN Post-Ministerial Conference
ASEM	-	The Asia Europe Meeting
ASPAC	-	Asia Pacific Network of Science & Technology Centers
BIMP-EAGA	-	Brunei, Indonesia, Malaysia and Philippines-East Asia Growth Area
CAFTA	-	China-ASEAN Free Trade Area
CEPT	-	Common Effective Preferential Tariff
CLMV	-	Cambodia, Laos, Myanmar and Vietnam
EAS	-	East Asia Summit
ECC	-	Economic Cooperation Committee
EPG	-	Eminent Persons Group
EU	-	European Union
FDI	-	Foreign Direct Investment
FSA	-	Feasibility; Suitability; and Acceptability
FTA	-	Free Trade Area
GDP	-	Gross Domestic Product
IMF	-	International Monetary Fund
MAPHILINDO	-	Grouping of Malaysia, the Philippines and Indonesia
MILF	-	Moro Islamic Liberation Front
NAFTA	-	North American Free Trade Agreement
OPEC	-	Organization of Petroleum Exporting Countries
PRC	-	People's Republic of China
IPE	-	International Political Economy
SMEs	-	Small and Medium Enterprises
SEATO	-	Southeast Asia Treaty Organization
TAC	-	Treaty of Amity and Cooperation
UN	-	United Nations
US	-	United States
WTO	-	World Trade Organization

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CHAPTER I INTRODUCTION

This chapter presents a brief background of the ASEAN as a regional bloc and its relationship with China. The research motivation and statement of the research problems are laid down to ascertain the significance of the paper to the current developments in the region.

A. Background

Globalization which became a buzzword in the 1990s as interdependence did in the 1970s refers to real changes that are of fundamental importance and which have profound implications for politics, economics, military and environment.¹ International relations conducted by governments have been supplemented by relations among private individuals, groups, and societies that can and do have important consequences for the course of events.²

Workings among nations towards regional cooperation in development and security are not limited to intergovernmental organizations, but also amongst groups outside of the sphere of formal instrumentalities. The Association of South East Asian Nations (ASEAN) members include the most vital economies in the region, if not the world. Transportation hubs, manufacturing zones, size of foreign investments, source of vital raw materials, markets, and other essentialities to the world economy comes from the region. Asian tigers and tiger cubs holds much of the world's attention as proven by the 1997 Asian

¹ Robert O. Keohane and Joseph H. Nye, eds., *Governance in a Globalizing World* (Washington D.C.: Brookings Institution Press, 2000), p. 1

² James N. Rosenau. *Study of Global Interdependence: Essays on Transnationalization of World Affairs* (New York: Nichols Publishing Company, 1980), p. 1

Financial Crisis, the Asian economic flu that caused stagnation and, in some parts of the world, recession.³ **Figure 1** below shows the physical location of the member countries and the strategic aggrupration of ASEAN vis-à-vis vital points with the rest of the world like China, South China Seas, Taiwan, Australia and Korea.



Figure 1: ASEAN MAP (Source: BIMP-EAGA, 2004)⁴

Initially a loose association^L composed of Malaysia, Philippines and Indonesia called MAPHILINDO, it evolved into ASEAN in 8 August 1967 when five leaders—the Foreign Ministers of Indonesia, Malaysia, the Philippines, Singapore and Thailand—sat down together in the main hall of the Department of Foreign Affairs building in Bangkok, Thailand and signed a document. By virtue of that document, the Association of

³ Cheng Bifan and Chia-Siow Yue. *ASEAN-CHINA Economic Relations: Developments in ASEAN and China* (Singapore: Institute of Southeast Asian Studies, 1989)

⁴ <http://upload.wikimedia.org/wikipedia/ms/b/b7/BIMP-EAGA.jpg>

Southeast Asian Nations (ASEAN) was born.⁵ It was a short, simply-worded document containing just five articles. It declared the establishment of an Association for Regional Cooperation among the Countries of Southeast Asia to be known as the Association of Southeast Asian Nations (ASEAN) and spelled out the aims and purposes of that Association.

These aims and purposes were about cooperation in the economic, social, cultural, technical, educational and other fields, and in the promotion of regional peace and stability through abiding respect for justice and the rule of law and adherence to the principles of the United Nations Charter. It stipulated that the Association would be open for participation by all States in the Southeast Asian region subscribing to its aims, principles and purposes. It proclaimed ASEAN as representing "the collective will of the nations of Southeast Asia to bind themselves together in friendship and cooperation and, through joint efforts and sacrifices, secure for their peoples and for posterity the blessings of peace, freedom and prosperity."⁶

China is fast emerging as a regional juggernaut in East Asia. Its influence has grown tremendously to a point that it would be considered as absurd to not even mention relations between China and the other nations in the region. Globalization has taken a backseat in the regionalization that is fast engulfing the world economies; the Americas has the Organization of American States and North America has the North American Free Trade Agreement (NAFTA), Europe has the European Union (EU) and the European

⁵ Thanat Khoman. "ASEAN Conception and Evolution" in the *ASEAN Reader*. (Singapore: Institute of Southeast Asian Studies, 1992)

⁶ S. Rajaratnam. "ASEAN: The Way Ahead" in the *ASEAN Reader*. (Singapore: Institute of Southeast Asian Studies, 1992)

Common Market both are fast moving towards an expanded membership with the former Soviet bloc states. Various other organizations have moved far more progressive than the World Trade Organization. The WTO, having been stalled by the break down of the Cancun round of negotiations, has been superseded by economic regionalism. The once oft quoted solution for the World's economy to be integrated and interdependent has been beaten by more favored regionalization by individual economies of the world.⁷



Figure 2: MAP OF CHINA (Source: ATLAS 2005)⁸

The extent of China's role in the region has complex implications not only for the region but for the entire world. The world's fastest growing economy tying up in cooperation with the world's fastest growing economic bloc can spell greater economic growth and development in the region. As history has pointed out, only two possible

⁷ Richard Stubbs. *ASEAN Plus Three: Emerging East Asian Regionalism*. (Berkeley: University of California, 2002)

⁸ http://www.chinacircle.biz/files/images/Map_of_china.thumbnail.jpg

outcomes can come out from events like these, either it is envied and feared or it is inspiring and greatly emulated.

Before the 1990s, there was no official relationship between the ASEAN as a grouping and China, although China had official relations with certain individual ASEAN member states on a bilateral basis. From the late 1980s, China intensified its efforts to establish diplomatic relationship with all the remaining ASEAN states as the final step, leading to its eventual official relationship with the ASEAN grouping.⁹ In his visit to Thailand in November 1988, Chinese Premier Li Peng announced four principles in establishing, restoring and developing relations with all the ASEAN states. After establishing diplomatic relations with the last ASEAN country—Singapore—in the late 1990, China pushed for official ties with the ASEAN grouping.¹⁰

On 19 July 1991, Chinese Foreign Minister Qian Qichen attended the opening session of the 24th ASEAN Ministerial Meeting (AMM) in Kuala Lumpur as a guest of the Malaysian Government, where he expressed China's interest in cooperating with ASEAN, particularly in the field of science and technology. The latter responded positively. In September 1993, ASEAN Secretary-General Dato' Ajit Singh visited Beijing and agreed to establish two joint committees, one on co-operation in science and technology, and the other on economic and trade co-operation. An exchange of letters between the ASEAN secretary-general and the Chinese Foreign Minister on 23 July 1994 in Bangkok formalized the establishment of the two committees. At the same time, ASEAN and China agreed to engage in consultations on political and security issues at

⁹ Ali Alatas. *ASEAN Plus Three Equals Peace Plus Prosperity*. (Singapore: Institute of Southeast Asian Studies, 2001)

¹⁰ Sheng Lijun. *China-ASEAN Free Trade Area: Origins, Developments and Strategic Motivations*. (ISEAS Working Paper: International Politics & Security Issues Series No. 1, 2003), p. 1

senior official level. In July 1996, ASEAN accorded China full Dialogue Partner status at the 29th AMM in Jakarta, moving China from a Consultative Partner, which it had been since 1991.¹¹

By early 1997, there were already five parallel frameworks for dialogue between China and ASEAN. China participated in a series of consultative meetings with ASEAN. In December 1997, Chinese President Jiang Zemin and all the ASEAN leaders had their first informal summit (ASEAN Plus One) and issued a joint statement to establish a partnership of good neighborliness and mutual trust oriented towards the 21st century. ASEAN-China trade has expanded rapidly, at an annual growth rate of about 15 per cent since 1995, and it jumped by 31.7 per cent in 2002 to US\$54.77 billion. ASEAN is now the fifth largest trade partner of China while China is the sixth of ASEAN.¹²

China's open push for the formation of a Free Trade Area (FTA) embracing China and all the ten ASEAN members came at the ASEAN Plus Three Summit in November 2000, where Chinese Premier Zhu Rongji proposed: "In the long term, China and the ASEAN countries can also further explore the establishment of a free trade relationship." He also proposed the creation of an expert group under the framework of the China-ASEAN Joint Committee of Economic and Trade Co-operation to study the feasibility of the FTA.¹³

At a meeting of senior ASEAN and Chinese economic officials in Brunei in mid-August 2001, China made a strong push, proposing tariff reduction and other measures to be phased in over seven years from 2003-2009. ASEAN responded cautiously, proposing a 10-year phase-in period without specifying a starting date. At the ASEAN-China

¹¹ Ibid, p. 2

¹² Ibid

¹³ Ibid, p. 3

summit in November 2001, Premier Zhu formally made the proposal for the formation of a China-ASEAN FTA (CAFTA) in ten years. China offered to open its own market in some key sectors to the ASEAN countries five years before they reciprocate. It would also grant special preferential tariff treatment for some goods from those less developed ASEAN states, i.e., Cambodia, Laos and Myanmar.¹⁴

ASEAN accepted this proposal and held several rounds of consultations with China on the CAFTA before they jointly announced, at the ASEAN-China Summit in Cambodia in November 2002, the Framework Agreement on ASEAN-China Comprehensive Economic Co-Operation as a legal instrument to govern future ASEAN-China economic cooperation. This Agreement covers cooperation in goods, services and investment and other relevant areas. It lists guidelines, principles, scope and modalities for the FTA, including early harvest and special and differential treatment of new ASEAN members, Laos, Cambodia, Myanmar and Vietnam, allowing them five more years to join the FTA. China accorded 3 non-WTO ASEAN members—Vietnam, Laos and Cambodia—the most-favored-nation status.¹⁵

Formal talks on the CAFTA began in 2004, with the inception year 2010 set for China and the six original ASEAN states—Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand—and 2015 for the less developed ASEAN members of Cambodia, Laos, Myanmar and Vietnam. But an “early harvest” program of tariff cuts on 600 agricultural products would be launched immediately. This includes live animals, meat, fish, dairy produce, live trees, vegetables, fruit and nuts.¹⁶

¹⁴ Ibid, p. 4

¹⁵ Jing-Dong Yuan. *China-ASEAN Relations: Perspectives, Prospects and Implications for U.S. Interests*, (October 2006), pp. 4-6

¹⁶ Sheng Lijun, p. 4

In all these expanded regional thrusts, the Philippines has taken an active role being a major convener of ASEAN initiatives from the time it was officially constituted up to the present. In the context of geopolitics, the Republic of the Philippines stands at the crossroads of the developed western world and the orient. It lies in the heart of Southeast Asia, stretching more than 1,840 kilometers from north to south. An archipelago composed of 7,107 islands with a coastline length of 17,460 km, the Philippines is accessible to the different capitals of the world.¹⁷ It is part of the East Indies, a vast island group laying south and east of Mainland Asia, with Taiwan as its northeastern coast along with Hong Kong, China and Borneo on the south as shown in **Figure 3**. On its westward lie other Southeast Asian countries such as Singapore, Malaysia and Thailand. It is about 100 miles south of Taiwan and 300 miles south of Mainland China.¹⁸

Its unique location has made the Philippines an ideal commercial, intellectual and cultural hub of Asia from the dawn of history. Its three main islands are Luzon, Visayas and Mindanao covering a total land area of 300,000 square kilometer with prominent bodies of water—the Pacific Ocean on the east, the South China Sea on the west and north, and the Celebes Sea on the south¹⁹ The current population is pegged at 82.7 million (2005) with an average growth rate of 2.31%, a labor force participation of 68.9% and employment rate of 86.3%.

¹⁷ Aileen S.P Baviera. “Maritime Security in Southeast Asia and the South China Sea: A View from the Philippines” in *Strategic Issues in Philippine-China Relations: Comprehensive Engagement*. (Manila: Philippine-China Development Resource Center, 2000), p. 62.

¹⁸ Aresenio A. Averilla. “*RP-China Relations and Their Implications to National Security*”. (National Defense College of the Philippines: Masters in National Security Administration Thesis, 1988), p. 17.

¹⁹ *Ibid*, p.28



Figure 3: THE PHILIPPINE MAP (Source: OP HOME, 2004)²⁰

B. Research Motivation

The history of China and its Southeast Asian neighbors during the Cold War years was one of both amity and animosity. Indonesia (April 1950) and Burma (June 1950) were among the first few countries to recognize the People's Republic of China (PRC). From the early 1950s until the mid-1960s, Beijing enjoyed an especially warm relationship with Jakarta, most prominently displayed in the 1955 Bandung Conference of Asian-African Countries and continued during much of President Sukarno's reign. Beijing also maintained a close relationship with the fellow communist regime in North Vietnam and rendered significant support to its causes against France and the United

²⁰ <http://www.gov.ph/aboutphil/images/bigmap.gif>

States from the 1950s to the 1970s, including sizable material and human assistance.²¹

But China's relationships with many Southeast Asia's non-communist states were decidedly estranged. Concerns over potential threats from communism led some of them to participate in and form alliance like regional organizations with external powers—the United States in particular—to protect their interests. There were deep suspicions over China's motives and activities, especially as they related to the large number of overseas Chinese residing in these countries. Beijing's public support of the communist insurgents in the region only reinforced their perceptions and heightened their fears. Not surprisingly, many of them did not establish diplomatic relations with Beijing until the mid-1970s (Thailand, Malaysia, and the Philippines). Others only normalized ties with China in the 1990s (Singapore and Indonesia).²²

The Sino-U.S. rapprochement in the early 1970s led to the establishment of diplomatic ties between China and a number of ASEAN states. The emerging Chinese-ASEAN cooperation in the late 1970s ironically was prompted largely by their shared concerns over Vietnam's growing assertiveness and its attempt to establish hegemony in Indochina, in particular in the aftermath of its invasion of neighboring Cambodia. Being on the frontline of the Cambodian conflict, Thailand sought to develop security ties with China. China also coordinated with ASEAN in seeking a political settlement of the Cambodian issue and supported the latter's position that the Cambodian coalition government headed by Prince Sihanouk, not the Hanoi-backed Heng Samrin regime, should represent Phnom Penh in the United Nations (UN).²³

²¹ Jing-Dong Yuan. *China-ASEAN Relations: Perspectives, Prospects and Implications for U.S. Interests*. (October 2006), p. 3 (www.StrategicStudiesInstitute.army.mil)

²² *Ibid*, p. 4

²³ *Ibid*, p. 5

During the 1980s, Chinese policy toward Southeast Asia began to undergo important changes in two critical areas. Beijing started to place state-to-state relationships in precedence over ideological ties by halting its support to communist insurgence movements in the region. In 1989, it also passed laws on Chinese citizenship requiring overseas Chinese to adopt citizenship of their countries of residence. By taking these two important measures, major irritants effectively were removed from China's bilateral relationships with a number of Southeast Asian countries. Beijing now seemed more than ever eager to court better relationships with its Southern neighbors, and this has paved the way for improvement of political ties.²⁴

Beijing's official contact with ASEAN as a group began in July 1991 when Chinese Foreign Minister Qian Qichen was invited to attend the opening ceremony of the 24th ASEAN Foreign Ministers' Meeting. Since then China has attended each ASEAN Foreign Ministers' Meeting consecutively. In 1994, China participated in the ASEAN Regional Forum (ARF) and became a consultative dialogue partner of ASEAN. This status was elevated in 1996, when China became a full dialogue partner with ASEAN. In December 1997, Chinese President Jiang Zemin and ASEAN leaders held their first ever summit in Malaysia and issued a joint statement announcing their decision to establish a partnership of good neighborliness and mutual trust between China and ASEAN oriented toward the 21st century. In October 2003, China and ASEAN signed the "Joint Declaration of the PRC and ASEAN State Leaders—A Strategic Partnership for Peace and Prosperity."²⁵

²⁴ Ibid, p. 4

²⁵ Ibid, p. 5

The emerging China-ASEAN ties were influenced by a number of developments at the time. One was Beijing's efforts, in the wake of the Tiananmen incident, in particular in response to the sanctions imposed by the West, to break the isolation. Southeast Asian countries, given their relative reticence regarding the June 4 Incident, became targets of the Chinese diplomatic good neighborly policy. Beijing and Jakarta restored, and China and Singapore established, diplomatic relations in 1990. Chinese Premier Li Peng visited Indonesia, the Philippines, Malaysia, and Laos as part of that diplomatic endeavor. A second reason was to sustain the cooperation between the two in the wake of the Cambodian settlement, in which China played a constructive role in the resolution of the dispute and had been in close consultation with ASEAN in the 1980s. But most important of all was Beijing's changing perception of its security environment and the relative place of Southeast Asia in its post-Cold War security policy. This resulted in the successful management of the territorial disputes in the South China Sea, Beijing's reassurance to ASEAN of its benign intentions and its acceptance of multilateralism and cooperative security, and China's growing economic ties with ASEAN.²⁶

There are a number of ASEAN scholars who note that ASEAN and China are tapping the opportunities and complementarities offered by each other and acting as catalyst for one another to achieve higher development goals while maintaining peace, security and stability. Chinese foreign policy has undergone changes, giving way to more pragmatic and proactive strategies. The result is more focused, nimble and engaging policy on Asia involving enhanced diplomatic, economic, and military exchanges, and increased Chinese participation in regional and multilateral mechanisms and tactical

²⁶ Edited by Swee-Hock Saw, Sheng Lijun, and Chin Kin Wah. *ASEAN-China Relations: Realities and Prospects*. (Singapore: Institute of Southeast Asian Studies, 2005)

flexibility on bilateral disputes.²⁷

Some Chinese scholars also take an optimistic view and have high expectations of the development of ASEAN-China relations. They stress the common interests and multilateral cooperation and would like to see stability in Southeast Asia. They support ASEAN's enlargement and believe that it will help peace and stability in the region. But they also point out to other issues that may affect the smooth development of relations, such as the deep-rooted geopolitical perception of the "China threat", territorial disputes, economic barriers, similar exporting structures and markets, and competition for FDI.²⁸

ASEAN-China economic relation is an area of considerable significance. Yet this relationship remains poorly understood, particularly in terms of the overall issues involved and their implications for individual countries and the region as a whole.²⁹ The author is from the Philippines—an original charter member of the ASEAN. Generally, the Philippine Foreign Policy Framework is "ASEAN-CENTRIST". More specifically, it pursues three main foreign policy objectives: national security; development diplomacy; and, the promotion of the welfare of the Filipinos overseas³⁰, niche into the eight realities underlying the Administration's foreign policy as follows:

- (1) China, Japan and the United States and their relationships will be the determining influence in the security situation and economic evolution of East Asia;
- (2) More and more, Philippine foreign policy decisions have to be made in the context of the ASEAN;

²⁷ Ibid

²⁸ Edited by Swee-Hock Saw, Sheng Lijun, and Chin Kin Wah. *ASEAN-China Relations: Realities and Prospects*. (Singapore: Institute of Southeast Asian Studies, 2005)

²⁹ Joseph L.H. Tan and Luo Zhaohong. *ASEAN-China Economic Relations: Industrial Restructuring in ASEAN and China*. (Singapore: Institute of Southeast Asian Studies, 1994), p. xiii

³⁰ Medium Term Philippine Development Plan 2000-2005, p. 67.

- (3) The international Islamic community will continue to be important to the Philippines;
- (4) The country's economic growth will continue to be heavily dependent on foreign investments;
- (5) The coming years will see the growing importance of multilateral and inter-regional organizations to promote common interests;
- (6) The defense of the nation's sovereignty and the protection of its environment and natural resources lie in the heart of foreign policy;
- (7) A country like the Philippines can benefit from international tourism; and,
- (8) Overseas Filipinos will continue to play a critical role in the country's economic and social stability.³¹

It is therefore very fitting for the researcher to embark into a thesis study that will take a serious look at the China–ASEAN evolving relations and its implications to one of its original member countries—the Philippines. This will enable the Philippines to re-strategize and ensure that the country will optimize its gains in the China–ASEAN dynamics especially in the light of the Philippines official pronouncements for a deep engagement with China and the strengthening of cooperation among ASEAN member countries. This policy direction is reflective of the Arroyo Administration's purposive effort to deepen its involvement with China in development and security, as well as continue to take the lead in institutionalizing the ASEAN integration but with high consciousness for engagements with powerful countries like United States, China, Japan, Korea and European Union among others.

³¹ The 2005 Annual Philippine Foreign Policy Overview is an official working document of the Department of Foreign Affairs for the guidance on policy direction, redirection and implementation of the country's overseas mission.

C. Research Problem and Hypothesis

Hypothesis:

The better the level of relationship is between China and the ASEAN as a regional block, the better the chances for China and the Philippines to enhance not only its traditional relationship in bilateral trade and investments, but also the more contentious issue of amicably resolving the South China Sea conflict, more specifically, the Kalayaan Group of Islands or Spratlys.

This research study is therefore an assessment of the China–ASEAN cooperation and its implications to the Philippines an original member country of the ASEAN. The study will focus on trade as its working variable, but with a skew to its security implications.

Specifically, it sought answers to the following questions:

- 1. What is the nature and state of the current relationship between China and the ASEAN member states?**
- 2. What are the economic implications of the partnership between China and the ASEAN to its individual member countries like the Philippines?**
- 3. What policy and strategic thrusts can be drawn up to optimize the gains of the Philippines in the China-ASEAN relations?**

These research areas would bring to the fore the dynamics of the China-ASEAN relations at a system level of the ASEAN+3, and will be viewed only at a state level when the dynamics is viewed from the context of the Philippines vis-à-vis its domestic economy.

CHAPTER II THEORETICAL FRAMEWORK

This chapter is a comprehensive discussion of the various books, researches, and other professional writings, published or unpublished that have significant bearing on the various aspects of the relations of China and ASEAN, and the Philippines as a member state. All the materials reviewed and analyzed assisted the researcher in the conceptualization of the study and the formulation of the theoretical and conceptual framework.

A. Level of Analysis

There are three levels in analyzing the various facets of the relations between the ASEAN and China, as follows: individual; state and international system. For this particular study, the systems level is the main analytical framework but since there is a digression on the analysis to look at the implication of the China-ASEAN relations to a member state, the Philippines, the state level analysis is likewise used. Further, for purposes of elucidating a specific state policy or official actions, the individual level can also be occasionally utilized. The implication of this theoretical distinction is far reaching because of the explanations for a country's foreign policy may be placed in one of the several levels or theoretical categories.³² While scholars have disagreed about the number of such categories, the most important distinction is that of the systems and state level of analysis.³³

³² Joshua S. Goldstein. *International Relations*. (Washington: Harper Collins College Publishers, 1996), p. 12

³³ Guy Peters. *Comparative Politics: Theory and Methods*. (New York: New York University Press, 1998), p. 6

The levels of analysis helped us orient our problems and recommended the appropriate type of evidence that helped us avoid theoretical fallacies. In this research, the system and state analysis are considered significant. The systems-level approach suggests that the international system largely determines the behavior of states, regardless of their internal characteristics. The ASEAN dynamics with the considerations of major states such as the United States, China and Japan is where the approach lies. The state-level approach is considered appropriate in understanding the country's history, culture, leaders, political system, economic conditions, and military role since it relates to the nature of relations they establish with other countries.³⁴

System Level

The “system level” focuses on the international structure—the distribution and interactions of states as part of the group. Explanations that take a system-level approach presume that foreign policy is a reaction to the dangers and opportunities in the state's external environment. The cause of a particular state's actions, in other words, is to be found in the placement of activities of the other states around it.³⁵ Karen Mingst prefers to call it as international system because of the anarchic characteristic of the system or with international and regional organizations and their strengths and weaknesses. States therefore acts and interacts with each other and amongst them within the purview of their roles, protocols, and their commitments to the charter, covenants and agreements. Digressions are subject to agreed penalties or

³⁴Gloria J. Mercado. *Philippine-Taiwan Relations in a One-China Policy: An Analysis of the Changing Relational Pattern*. (Taiwan: National Sun Yat-sen University, 2007), p. 45

³⁵ Denny Roy. *China's Foreign Policy*. (Boston: Rowman and Littlefields Publishers, Inc., 1998), pp. 227-228

sanctions.³⁶

Historically, as Charles Fisher has observed, Southeast Asia has been characterized not by close associations between its very diverse peoples and political systems, but by political fragmentation and external interference and domination.³⁷ The ancient kingdoms of Southeast Asia developed largely in isolation from each other because the geographic characteristics of the area discouraged regular contact and communication. Furthermore, although the lands of Southeast Asia occupied a very important strategic position between the major civilizations of India and China, no indigenous power was ever able to dominate the region and the ready access provided to various lands by the sea left them open to the influence of external imperialist powers.³⁸ Moreover, the types of regional co-operation which were attempted in the first two decades of the post Second World War period were largely inspired by major external powers anxious to secure their own interests in the international environment of the Cold War.³⁹ The US-inspired Southeast Asia Treaty Organization was an attempt to establish an anti-communist regional association but it attracted only two members from within the region (Thailand and the Philippines) and thus did little to promote co-operation as a whole.⁴⁰

In the early 1960s, two further notable attempts at regional co-operation were initiated: the Association for Southeast Asia (ASA, established by Malaya, the

³⁶ Ibid., Roy, p.229.

³⁷ Charles A. Fisher. "Geographic Continuity and Political Change in Southeast Asia" in Zacher and Milne (ed.) *Conflict and Stability in Southeast Asia*. (New York: Anchor, 1974), p. 3

³⁸ Ibid, p. 4

³⁹ Alison Broinowski. *ASEAN into the 1990s*. (London: Macmillan, 1990), p. 3

⁴⁰ Michael Leifer. "Problems and Prospects of Regional Cooperation in Asia: The Political Dimension" in *Indonesia Quarterly* 4 (1976), pp. 92-104

Philippines and Thailand in 1961) and MAPHILINDO (a grouping of Malaysia, the Philippines and Indonesia which had a brief life in 1963). These groupings were significant because, in contrast to bodies like SEATO and ASPAC, their membership was purely regional, and while neither survived, they were both influential precursors of ASEAN.⁴¹ A new association was required after confrontations with the inter-states disputes. After preliminary discussions between Malaysia and Indonesia in 1996, a meeting was organized in Bangkok at which, on 8 August 1967, the Bangkok Declaration establishing the Association of Southeast Asian Nations was adopted by the foreign ministers of Indonesia, the Philippines, Singapore and Thailand and the deputy Prime Minister of Malaysia.⁴²

For the first eight years of its existence ASEAN made only the modest progress towards developing substantive co-operation. ASEAN took over the organizational style of ASA: an annual meeting of foreign ministers, held in rotation in the various capitals, a standing committee chaired by the foreign minister of the country that was next to host the foreign ministers' meeting and having as members the ambassadors of the other member states, a number of *ad hoc* and permanent committees of specialists and officials, and a national secretariat within each member's foreign ministry.⁴³ A large number of meetings were held but progress was slow partly because of the need to achieve a unanimous consensus of opinion. Such a pattern of cautious, tentative decision-making was clearly necessary given that most of the members of ASEAN had so recently been highly suspicious of each

⁴¹ Russel Fifield. "National and Regional Interests" in *ASEAN Occasional Paper No. 57*, (Singapore: Institute of Southeast Asia Studies, 1979), pp. 3-6

⁴² Frank Frost. "Introduction: ASEAN since 1967—Origins, Evolution and Recent Developments in *ASEAN into the 1990s* edited by Broinowski, (1990) p. 4

⁴³ *Ibid*, p. 5

other.⁴⁴ Another major reason for ASEAN's limited progress in this period was that there was no widespread agreement among the members as to exactly how the Bangkok Declaration's goal of ensuring the "stability and security from external interference" of the region should be achieved.⁴⁵ While the ASEAN states were divided on the problems seeking an acceptable regional order, they were in no doubt as to the type of political developments they wanted to discourage.

Although the Bangkok Declaration had specified that membership of ASEAN was open to all regional states, its basically anti-communist orientation was clear. At the time of its formation, four out of five of its members hosted foreign military bases. The Philippines and Thailand were members of SEATO and the US bases on their territories played a major role in the war in Indochina. Singapore and Malaysia were members of the Anglo-Malaysian Defence Arrangements and subsequently the Five Power Defence Arrangements.⁴⁶ Overall, at the time of its formation, ASEAN was perceived by the communist powers as an anti-communist organization closely associated with the United States and four out of five of its members unambiguously supported the US intervention in Vietnam.⁴⁷

The pattern of gradual and cautious development of ASEAN was replaced by a greater sense of urgency and greatly increased activity after the collapse of the non-communist regime in Cambodia and South Vietnam in April 1975. The leaders of the ASEAN states generally viewed this development as unfavorable to their interests and there was widespread concern that they would not only face a political

⁴⁴ Jorgensen A. Dahl. "ASEAN 1967-1976: Development or Stagnation?" in *Pacific Community* 7, (1976), p. 519

⁴⁵ Frost, p. 6

⁴⁶ Lau Teik Soon. "ASEAN and the Bali Summit" in the *Pacific Community*, 7. (1976), p. 536

⁴⁷ *Ibid*, p. 537

challenge from a united Vietnam, but that Vietnam would use some of its massive surplus of captured arms in support of the communist-led revolutionary movements in the ASEAN states, particularly in Thailand, the Philippines and Malaysia.⁴⁸

The response of the ASEAN members was to develop rapidly plans to increase the substance of the association's cooperation, with the major emphasis being placed on promoting economic development as the most reliable way of reducing internal support for revolutionary movements.⁴⁹ The agreements adopted at the Bali Summit in February 1976 gave a clear indication of the direction the members hoped to follow in regional co-operation. The meeting adopted two major agreements: the Declaration of ASEAN Concord and the Treaty of Amity and Co-operation in Southeast Asia.⁵⁰

The Declaration specified a number of areas of social and cultural co-operation but the longest and most detailed provisions related to economic co-operation. Four types of economic co-operation were mentioned: co-operation on basic commodities, particularly food and energy; co-operation in the establishment of large-scale ASEAN industrial projects; co-operation in intra-regional trade liberalization; and joint approaches to international commodity problems and other world economic problems.⁵¹ This more assertive political stance by ASEAN was followed up in the months after the Bali meeting by greatly increased efforts to achieve economic co-ordination and co-operation in two major directions. Firstly, efforts were made to promote intra-regional trade and liberalization and rationalization of production.

⁴⁸ Ibid, p.534

⁴⁹ Frost, p. 8

⁵⁰ Ibid

⁵¹ Ibid, p. 9

Secondly, increased attention was given to efforts to secure closer relations and better market access with association's major trading partners.⁵²

Along with its heightened political co-operation since 1979, several other important aspects of ASEAN since the Bali summit should also be noted. A central secretariat operates in Jakarta, but it has not so far played a very major role in ASEAN policy development or implementation. The ministerial meeting of foreign ministers and the standing committee continue to be the primary governing bodies and these consultative organs have been joined by additional meetings of ASEAN ministers. The annual foreign ministers' meeting has continued to be the most "high profile" regular ASEAN meeting. The ASEAN structure is complex and its decentralized style reflects a perceived need for decisions on key issues to be taken by national representatives at a high level through extensive consultation.⁵³

A second important feature of ASEAN's recent development is that it has not proceeded towards the establishment of a joint military arrangement or pact. In a general sense, ASEAN clearly is intended to increase the "security" of its members through its co-operative activities but the members have not wished to contribute to this security by a formal multilateral military association. The members are likely to continue to follow the prescription of the 1976 Declaration of Concord that military co-operation should be on a "non-ASEAN basis" but nonetheless "in accordance with their mutual needs and interests".⁵⁴

And another notable characteristic of ASEAN as an organization has been the relatively small size and stability of its membership. Although an increased in

⁵² Ibid, pp. 9-10

⁵³ Ibid, p. 19

⁵⁴ Ibid, p. 20

membership of ASEAN has been canvassed on a number of occasions, the association has been cautious and reserved when considering political new members.⁵⁵

There is a consensus that the survival of ASEAN as a cohesive working organization depends in large part on member countries' greater understanding of ASEAN ideals, a stronger sense of belonging and identifying with the goals and objectives of ASEAN, and wider participation of ASEAN nationals in ASEAN affairs. Complementary measures also include enhancing markets and promoting market openness.⁵⁶

In November 2007, the Association of Southeast Asian Nations (ASEAN) marked forty years of existence and its ten member states signed an ASEAN Charter⁵⁷ that would provide the legal institutional framework for the organization. The Charter, in its preamble, refers to their commitment to “intensifying community building through enhanced regional cooperation and integration, in particular by establishing an ASEAN Community comprising the ASEAN Security Community, the ASEAN Economic Community, and the ASEAN Socio-Cultural Community, as provided for in the Bali Declaration of ASEAN Concord II”.⁵⁸

Even while it has taken ASEAN forty years to institute a formal framework that would henceforth direct its efforts at building a Southeast Asian community, it has also been at the hub of parallel initiatives to involve other regional countries in

⁵⁵ Ibid

⁵⁶ ASEAN Secretariat. *ASEAN Economic Cooperation: Transition and Transformation*. (Singapore: ISEAS, 1997), p. 20

⁵⁷ A copy of the ASEAN Charter is attached in the Appendix A

⁵⁸ Aileen S.P. Baviera. *Regional Security in East Asia: Challenges to Cooperation and Community Building*. (Philippines: Asian Center of University of the Philippines, 2008) p. 1

multilateral cooperative arrangements, including the ASEAN Regional Forum (ARF), the ASEAN Plus Three, and most recently the East Asia Summit which is expected to pave the way for a putative East Asian Community.⁵⁹

State Level

The “state level” approach searches for explanations of a state’s policy within the state itself—type of economic system, interest groups within the country, or even the national interests. Since it is focused on the sovereign state as the primary player, the domestic factors such as characteristics whether it is democratic or authoritarian provides the explanation.⁶⁰ Each country is considered unique, and its external behavior is presumed to grow out of a complex interaction of internal factors. While the proliferation of international organizations has not altered the fundamental role of nation-states, there are seven postulates⁶¹ to look into:

- 1.) Global Politics are based exclusively on the interaction of nation states. States are viewed as both the actors and targets of action by another state;
- 2.) Although states vary considerably in size and power and these differences vary over time, each nation state is believed to be sovereign equal with other states;
- 3.) There is no concern for what Rosenau has termed “linkage politics”—the interrelationship between domestic and foreign policies is virtually ignored;
- 4.) Nation-states are independent and distinguishable from one another;
- 5.) The world is divided into formally recognized geographic compartment states;

⁵⁹ Ibid

⁶⁰ Karen Mingst. *Essentials of International Relations*. (New York: Norton and Company, Inc., 2003), pp. 61-62

⁶¹ Phillip Taylor. *Non-state Actors in International Politics: From Transregional to Substate Organizations*. (London: Westview Press, 1980), pp. 4-5

6.) Nation states are the secular repositories of the highest human loyalties.

Nationalism is the most important driving force in international events; and,

7.) Governments of nation states through their foreign policy agents are the only participants in world politics.

J. David Singer further identified five levels of analysis problem⁶², as follows:

1.) The interactions of nations are ultimately the results of the decisions and behaviour of individuals—such as Presidents and Foreign Ministers;

2.) The interactions of nations are ultimately the results of decisions and actions taken by small group—cabinets, and by larger groups such as bureaucracies, interest groups and elites, therefore, we must focus on behaviour within and among groups;

3.) International politics is dominated by the actions of nation-states, thus we must study the shaping of foreign policy and behaviour of nation-states as a whole.

4.) Nations do not act alone. International interactions fall into clumps or clusters of nations; and,

5.) International politics as a whole constitutes a system. This system and its changes over time do more to determine nation's behavior than anything else, so the best way to way to understand international politics is to study the behavior not the members.

The significance for ASEAN to make a timely move towards deeper economic integration is without any doubt. ASEAN members have realized that they have a much greater chance to maintain their international competitiveness if they work

⁶² J. David Singer. "The Level of Analysis Problem in International Relations" in Klaus Knorr and Sidney Verba, eds. *The International System*. (Princeton University, 1961), pp. 77-92

together towards the creation of an integrated market. This led to the historic decision in 1992 to form AFTA. More than a decade later, with the AFTA project already implemented by the older ASEAN members, it has become all the more important for the group to deepen and accelerate regional economic integration. Deepening and accelerating regional economic integration will significantly elevate ASEAN's attractiveness as a global production base.⁶³

Individual Level

Sometimes referred to as a “micro-level approach”⁶⁴, in the ‘individual level’, the focus of the analysis is the personality, perceptions, choices and activities of the individual decision makers and individual participants provide the explanation for a certain action in international relations. Since the important element is the individual, not the nature of the system, establishing the pattern of behavior of the actor is therefore important in the analysis because it is not enough to understand the behavior of the political system, but also the individuals within the system. It is like some scholars might prefer to study the clash of nation states, while another might prefer to concentrate on the unique factors in the personality, background, and decisional behavior of an individual state-leader that prompted him to opt for war or peace in a specific set of circumstances.⁶⁵

A significant aspect of the organizational character of the ASEAN is that it is very much the creation of its members’ elites. ASEAN exists primarily at the

⁶³ Hadi Soesastro. “ASEAN Economic Community: Concept, Costs and Benefits” in *Roadmap to ASEAN Economic Community* by Dennis Hew. (Singapore: Institute of Southeast Asian Studies, 2003)

⁶⁴ Peters, p. 126.

⁶⁵ James E. Dougherty and Robert Pfaltzgraff. *Contending Theories of International Relations: A Comprehensive Survey*. (New York: Addison Wesley Longman Inc, 1996), p. 180.

level of each member's political leadership, senior bureaucrats and business chiefs; ASEAN has had much less impact on the mass of the population in the member states.⁶⁶

B. Theoretical Assumptions

B.1 *Neo-Realism*

Neo-realism is the progeny of realism. For most academics, neo-realism refers to Kenneth Waltz's "Theory of International Politics". Waltz's theory emphasizes the importance of the structure of the international system and its roles as the primary determinant of state behavior. Neo-realist theory focuses on issues of military security and war. The core research question is how to survive in the international system. Waltz's theory of structural realism is only one version of neo-realism. A second group of neo-realists, represented by the scholarly contributions of Joseph Grieco, have integrated Waltz's ideas with the ideas of more traditional realists such as Hans Morgenthau, Raymond Aron, Stanley Hoffman, and Robert Gilpin to construct a contemporary or modern realist profile.⁶⁷

Waltz's neo-realism is distinctive from traditional or classical realism in a number of ways. Neo-realists like him believe that the effects of structure must be considered. According to him, structure is defined by the ordering principle of the international system which is anarchy, and the distribution of capabilities across units, which are states. Waltz also assumes that there is no differentiation of function

⁶⁶ Ibid

⁶⁷ Steven L. Lamy. "Contemporary Mainstream Approaches: neo-realism and neo-liberalism" in Baylis, John and Smith, Steve ed. *The Globalization of World Politics: An Introduction to International Relations*. (New York: Oxford University Press Inc., 2001), pp. 183-185

between different units. The structure of the international system shapes all foreign policy choices. For neo-realists, power is more than the accumulation of military resources and the ability to use this power to coerce and control other states in the system. Waltz and other neo-realists see power as the combined capabilities of a state. Power gives the state a place or position in the international system and that shapes the state's behavior. The distribution of power and any dramatic changes in that distribution of power help to explain the structure of the international system. Specifically, states will seek to maintain their position or placement in the system. Neo-realists suggest that anarchy defines the system. Furthermore, all states are functionally similar units, meaning that they all experience the same constraints presented by anarchy and strive to maintain their position in the system.⁶⁸

Neo-realism contends that international politics can be understood only if the effects of the structure are added to traditional realism's unit-level explanations. More generally, neo-realism preconceives the causal link between interacting units and international outcomes. Neo-realist theory shows that causes run not in one direction, from interacting units to outcomes produced, but rather in two directions.⁶⁹

Joseph Grieco is one of several realist/neo-realist scholars who focused on the concepts of relative and absolute gains. Grieco claims that states are interested in increasing their power and influence (absolute gains) and, thus, will co-operate with other states or actors in the system to increase their capabilities. However, Grieco also claims that states are also concerned with how much power and influence other states

⁶⁸ Ibid, p. 186

⁶⁹ Kenneth N. Waltz. "Realist Thought and Neorealist Theory" in *Controversies in International Relations Theory: Realism and the Neoliberal Challenge*. Edited by Charles W. Kegley, Jr. (New York: St. Martin Press, 1995), p. 78

might achieve (relative gains) in any co-operative endeavor. Neo-realists claim that there are two barriers to international co-operation: (1) cheating and (2) the relative gains of other actors.⁷⁰

Most neo-realists do not think that globalization changes the game of international politics much at all. States might require more resources and expertise to maintain their sovereignty, but neo-realists think most evidence suggests that states are increasing their expenditures and their jurisdictions over a wide variety of areas. Most neo-realists assume that conditions of anarchy and competition accentuate the concerns for absolute and relative gains. States remain the primary actors and the only actors with enough power to control or manage the processes of globalization.⁷¹

Neo-realism provides a convincing account of why the foreign policies of nation-states are so familiar, despite their very diverse internal natures. It also provides a more sophisticated explanation for the persistence of the international system. It implies that, in its present form, the nation-state is a seemingly perennial fixture in the international system and that the prospects for alternative expressions of political community are limited.⁷²

B.2 Key Theoretical Factors for Neo-Realism

According to Waltz, the most important unit to study is the international structure. The structure of a particular system is determined by the ordering principle, namely, the absence of overarching authority and the distribution of capabilities

⁷⁰ Ibid, p. 187

⁷¹ Ibid, p. 194

⁷² Scott Burchill. "Realism and Neo-realism" in *Theories of International Relations*, edited by Burchill, et al. (New York: Palgrave, 1996), p. 99

among states. Those capabilities define a state's position in the system.⁷³

Neo-realism maintains that while states maybe concerned with raising the population's standard of living and promoting national moral values international, these goals must ultimately remain subordinate to ensuring the state's survival, without which all aspirations are doomed anyway. To guard against the worst-case scenario of national enslavement or destruction, states tend to see each other as potential enemies. States may rely on powerful friends for help, but only at the risk of abandonment or exploitation. Friendly inter-state relationships, moreover, are often transitory. The few states powerful enough to dominate their environment do so, for this is the surest means of attaining security.⁷⁴

Along this line, Robert Gilpin avers that the states engage in cost-benefit calculations about the alternative courses of actions available to them. To the extent that the anticipated benefits exceed the costs, states are likely to attempt to make changes in the system. In the context of "rationality", the states will view the international system is in a condition of equilibrium to the extent that its major actors are with the territorial, political and economic status quo. It is acknowledge that every state or group could benefit for the change; thus, the distribution of power represents the principal means for controlling the behavior states. Dominant states maintain a network of relationships within the system for the purpose.⁷⁵

Neo-realists, as in classical realism, also believe that balance of power is the core principle of neo-realism, But unlike, earlier realists, neo-realists believe that the

⁷³ James N. Rosenau, and Mary Durfee. "The Realist Paradigm" in *Thinking Theory Thoroughly*. (Colorado: Westview Press, 2000), p. 33

⁷⁴ Denny Roy. *China's Foreign Policy*. (Boston: Rowman and Littlefields Publishers, Inc., 1998), p. 228

⁷⁵ Gilpin, Robert. *War and Change in the World Politics*. (New York: Cambridge University Press, 1981), pp. 9-11

balance of power among states is largely determined by the structure of the system. The international structure is a force in itself; it constrains behavior and the states may not be able to control it. The international structure, rather than the individual states determines the outcome. In this system, when states are faced by the possibility of cooperating for mutual gains, states that are insecure must ask how the gains will be divided. They are compelled to ask not “will both of us gain”, but “who will gain more”. Although the insecurity of each party in an anarchic international system impedes cooperation, interdependence among the parties may facilitate cooperation.⁷⁶

Denny Roy affirmed this observation. He avers that in the neo-realism view, international cooperation is restricted by two-phenomena—the first is every state’s fear of leaving itself vulnerable to the control of foreigners, and the second is the relative gains problem. Neo-realists also assume that states are rational, unitary actors in their external behavior because when it comes to international relations and foreign policy, all factions and organizations agree on the common goal of making states as secure as possible.⁷⁷

The effort to refine neo-realist theory encompasses the reformulation of power, as well as the development of greater understanding of the conditions under which cooperation rather than competition will be chosen as a preferred option. It therefore, also include an effort to bridge domestic and international politics, and more specifically, to relate domestic structures to international structures. Although, survival represents the ultimate goal of the states according to realists, the neo-

⁷⁶ Karen Mingst. *Essentials of International Relations*. (New York: Norton and Company, Inc., 2003), p. 70

⁷⁷ Denny Roy. *China’s Foreign Policy*. (Boston: Rowman and Littlefields Publishers, Inc., 1998), p. 229

realists believe that it depends on the ability of its leaders to meet and overcome the challenges and maintain support of societal groups and conditions.⁷⁸ States may therefore accumulate economic wealth and technological strength for both domestic and international benefits.⁷⁹ Buzan, Jones and Little, also suggest that there are units' capabilities, the nature of which affects the international system. Specifically, this includes technology and shared norms and organizations. Technology provides an important means by which units interact, just as norms and organizations shape the systemic setting within which interaction takes place.⁸⁰

Neo-realism does not totally depart from the important role of the state in domestic and international politics, but it has as a basic premise of the existence of an international system consisting of interactive elements. It proceeds from an assumption that a much higher degree of concrete and quasi-institutionalized crossed-disciplinary cooperation is required before essential progress can be made in our ability to analyze and if possible predict the political action processes of systems as complex as nation states and its structurally essential sub-system.⁸¹

Neo-realists have as its focus the international system as the structure that shapes the political relationships that take place among its members. International politics is more than the summation of the foreign policies of the states and the external balance of the actors in the system. He argues for a neo-realists approach based on a patterned relationship among actors in the system that is anarchical. Thus,

⁷⁸ Kenneth N. Waltz. "Realist Thought and Neo-realists Theory" in *Journal of International Affairs*, 44. (Spring/Summer, 1990), pp. 70-71

⁷⁹ Michael Mastanduno, David Lake and G. John Ikenberry,. "Towards a Realist Theory of State Actors" in *International Studies Quarterly* 33. (1989), pp. 434-464

⁸⁰ Barry Buzan, Charles Jones and Richard Little. *The Logic of Anarchy: Neo-realism to Structural Realism*. (New York: Columbia University Press, 1993), p. 36

⁸¹ James E. Dougherty and Robert Pfaltzgraff. *Contending Theories of International Relations: A Comprehensive Survey*. (New York: Addison Wesley Longman Inc, 1996), p.180

the focus of structural realism is the capacity of the states to align, retrofit its national interests based on its position in the arrangement of parts in the international system.⁸²

Neo-realism posits that politics not power is the key concept in both domestic and international politics. Waltz assertion of a structure connotes by which parts arranged. In domestic politics, there is said to be a hierarchical relationships by which units stand in formal differentiation from one another by reference to their degree of authority or function that they perform. By contrasts, the international system lacks comparable governmental institutions. Actors stand in a horizontal relationship with each other, with each state the formal equal (sovereignty) of the other.⁸³

B.3 Neo-Liberalism

In the academic world, neo-liberal generally refers to neo-liberal institutionalism or what is now called institutional theory by those writing in this theoretical domain. A neo-liberal foreign policy promotes free trade or open markets and western democratic values and institutions. In reality, neo-liberal foreign policies tend not to be as wedded to the ideals of democratic peace, free trade, and open borders. National interests take precedence over morality and universal ideals and much to the dismay of traditional realists, economic interests are given priority over geopolitical ones. Neo-liberal theorists focus on issues of co-operation, international political economy and, most recently, the environment. For neo-liberal

⁸² Ibid, pp. 82-83

⁸³ Kenneth Waltz. *Theory of International Politics*. (Massachusetts: Addison Wesley, 1979), pp. 93-94

institutionalists, the core question for research is how to promote and support co-operation in an anarchic and competitive international system.⁸⁴

David Baldwin identified four varieties of liberalism that influence contemporary international relations: (1) commercial, (2) republican, (3) sociological, and (4) liberal institutionalism.⁸⁵ The first, commercial liberalism, advocates free trade and a market or capitalist economy as the way towards peace and prosperity. Republican liberalism states that democratic states are more inclined to respect the rights of their citizens and are less likely to go to war with their democratic neighbors.

In sociological liberalism, the notion of community and the process of interdependence are important elements. As transnational activities increase, people in distant lands are linked and their governments become more interdependent. As a result, it becomes more difficult and more costly for states to act unilaterally and to avoid co-operation with neighbors. The cost of war or other deviant behavior increases for all states and, eventually, a peaceful international community is built.⁸⁶

Liberal institutionalism or neo-liberal institutionalism studies suggest that the way towards peace and prosperity is to have independent states pool their resources and even surrender some of their sovereignty to create integrated communities to promote economic growth or respond to regional problems.⁸⁷

The third generation of liberal institutional scholarship was the transnationalism and complex interdependence of the 1970s. Theorists in these camps presented arguments

⁸⁴ Steven L. Lamy. "Contemporary Mainstream Approaches: neo-realism and neo-liberalism" in Baylis, John and Smith, Steve ed. *The Globalization of World Politics: An Introduction to International Relations*. (New York: Oxford University Press Inc., 2001), pp. 184

⁸⁵ Ibid, pp. 188

⁸⁶ Ibid, p. 189

⁸⁷ Ibid, p. 190

that suggested that the world had become more pluralistic in terms of actors involved in international interactions and that these actors had become more interdependent on each other. Complex interdependence presented a world with four characteristics: (1) increasing linkages among states and non-state actors; (2) a new agenda of international issues with no distinction between low and high politics; (3) a recognition of multiple channels for interaction among actors across national boundaries; and (4) the decline of the efficacy of military force as a tool of statecraft. Complex interdependence scholars would suggest that globalization represents an increase in linkages and channels for interaction, as well as in the number of interconnections. Neo-liberal institutionalists see “institutions” as the mediator and the means to achieve co-operation among actors in the system.⁸⁸

The core assumptions of neo-liberal institutionalists include:

- States are key actors in international relations, but not the only significant actors. States are rational or instrumental actors, always seeking to maximize their interests in all issue areas.
- In this competitive environment, states seek to maximize absolute gains through co-operation. Rational behavior leads states to see value in co-operative behavior. States are less concerned with gains or advantages achieved by other states in co-operative arrangements.
- The greatest obstacle to successful co-operation is non-compliance or cheating by states.
- Co-operation is never without problems, but states will shift loyalty and resources to institutions if these are seen as mutually beneficial and if they provide states with

⁸⁸ Ibid, p. 191

increasing opportunities to secure their international interests.⁸⁹

For neo-liberal institutionalists, international relations is competitive, however, the opportunities for co-operation in areas of mutual interest may mitigate the effects of anarchy. They focus their scholarship in political economy, the environment and human rights issues. Neo-liberals work in what we once called politics arena, issues related to human security and the good life. For them, foreign policy is now about managing complex interdependence and the various process of globalization. The anodyne for neo-liberal institutionalists is to create institutions to manage issue areas where states have mutual interests. Ultimately, neo-liberal institutionalists claim that the significance of these institutions as players in the game of international politics will increase substantially.⁹⁰

Most discussion of globalization among neo-liberals falls into two categories: (1) a free market commercial neo-liberalism that dominates policy circles throughout the world and (2) academic neo-liberal institutionalism that promotes regimes and institutions as the most effective means of managing the globalization process.⁹¹

B.4 Key Theoretical Factors for Neo-liberalism

Trade policy is the core area of neo-liberal reform. Neo-liberals focus almost all of their attention upon policy differences among countries. Specifically, they argue that export success was a product of the trade-policy regime employed by the governments concerned. The following are the underlying assumptions of neo-liberals:

1. Systems of production in developing countries, taking account of capital stock,

⁸⁹ Ibid, p. 192

⁹⁰ Ibid, p. 195

⁹¹ Ibid, p. 195

skills and knowledge, resource endowments and market size—all of which may be small—are nevertheless more closely approximated by flexible than by fixed coefficients.

2. There are no structural reasons to suppose that the size and role of government should be different between developing and industrialized societies.

3. Government activity should be limited to the provision of public goods—definition of which, at the margin, vary—and to the correction of market distortions where justified by the balance of costs and benefits. Redistribution is a valid objective, but in practice it affects incentives and brings efficiency costs.

4. Continually reallocating sources in the short run in ways which maximize profits on the basis of freely determined market prices will maximize short-run efficiency and provides the single best means of maximizing long-run growth.

5. Failures of import substitution are primarily a result of “price blindness” by protecting states.

6. Protection in form of quantitative restrictions is always undesirable. Tariffs should be avoided. It is better to adjust domestic to international prices and to subsidize inputs if their market prices incorrectly reflect opportunity costs.

7. Declining terms of trade are an indication of the need to restructure into other export lines. They provide no justification for compensatory real resource transfers.⁹²

Neo-liberalism assumes market forces are not only efficient but also neutral or apolitical in their operation. Therefore, if the dominant class benefits from market

⁹² Christopher Colclough and James Manor. *States or Markets: Neo-liberalism and the Development Policy Debate*. (New York: Oxford University Press, 1993), pp. 7-21

reform, it is because they worked hard and are deserving of reward as they have contributed to the efficiency of the economy.⁹³ Neo-liberalism is characterized by:

1. A confidence in the market as an efficient mechanism for the allocation of scarce resources.
2. A belief in the desirability of a global regime of free trade and free capital mobility.
3. A conception of the state as a facilitator and custodian rather than a substitute for market mechanisms.
4. A defence of labour-market flexibility and the promotion and nurturing cost competitiveness.⁹⁴

C. Conceptual Framework for Neo-realism and Neo-liberalism

As shown in the preceding discussions, Neo-realism and Neo-liberalism are the more conventional track of building the theoretical framework of the study. Both proceeds from an assumption that states associate with each other within a common structure or system to promote prosperity and harmony amongst them. The traditional purview of anarchy of realism may persist in contemporary times, but states are aware that given the complexity of modern times, governance and development necessitates alliances, cooperation and being on command ground. This became more compelling in the aftermath of globalization and the new security threats in the offing like terrorism, nuclear build up, organized crimes, poverty, and other challenges. It would be expensive for individual states to put up with all of these, hence the need to institutionalize a mode

⁹³ Ravi Roy, Arthur T. Denzau and Thomas D. Willet. *Neoliberalism: National and Regional Experiments with Global Ideas*. (London: Routledge, 2007), p. 47

⁹⁴ *Ibid*, p. 54

of cooperation like the ASEAN for the purpose of economic and security cooperation. The back tracking to the ASEAN member countries cooperation reflect the workings and operative concept of the state in its pursuit for national interests, the power play and the eventual cooptation of interests when enmesh in trade. Despite the “anarchic” environment of the international system due to the absence of a governing structure, the basic rules in international relations, more importantly, free trade and comparative advantage, continue to overpower the military realignment or build up at state level, instead, collective security and economic regional groupings like ASEAN became more dynamic and synergetic.

As Rosenau pointed out that the transnationalization of world affairs are processes whereby international relations conducted by governments have been supplemented by relations among private individuals, groups, and societies that can and do have important consequences for the course of events. Dynamic change, initiated by technological innovation and sustained by continuing advances in communication and transportation, has brought new associations and organizations into the political arena, and efforts of these new entities to obtain external resources and otherwise interact with counterparts abroad have extended the range and intensified dynamics of world affairs.⁹⁵

Trade and investment policy is a core of the reform of the neo-liberal perspective, hence trade cooperation is the area of focus in the study since despite the undertones of the anarchical state in the international system, this theory believes that countries that are enmesh with trade will have no incentive to go to war or would tend to settle conflict amicably amongst them. The case of the ASEAN which evolved from its MAPHILINDO

⁹⁵James N. Rosenau, *The Study of Global Interdependence*, (New York: Nichols Publishing Company, 1980), pp. 1-2.

days actually proceeds from a neo-liberal and neo-realist perspective as shown in the aims and purposes of the ASEAN⁹⁶:

- (1) to accelerate economic growth, social progress and cultural development in the region; and,
- (2) to promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries in the region and adherence to the principles of the United Nations Charter.

This is further exemplified by the Fundamental Principles of ASEAN as contained in the Treaty of Amity and Cooperation in Southeast Asia (TAC)⁹⁷:

- mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations;
- the right of every State to lead its national existence free from external interference, subversion or coercion;
- non-interference in the internal affairs of one another;
- settlement of differences or disputes by peaceful manner;
- renunciation of the threat or use of force; and
- effective cooperation among themselves.

The ASEAN as a regional economic and security cooperation is likewise aware that despite of the unified strength of the 10 member countries there are power players within the bigger world that they have to contend with like the United States, Japan, China, Korea, and European Union among others. Thus, other than the institutionalization of the

⁹⁶ ASEAN Objectives (<http://www.aseansec.org/64.htm>)

⁹⁷ ASEAN Fundamental Principles (<http://www.aseansec.org/64.htm>)

ASEAN as a regional bloc, it has developed a mechanism for dialogue partnership like the “ASEAN + 3” which is geographically proximate power players—China, Japan and Korea. For the purposes of this study, China will be the focused country vis-à-vis the ASEAN given the impact of the fast China’s economic might since it opened its doors and underwent reforms in 1978. In Neorealism and Neoliberalism lenses, both the ASEAN and China has to be in a *modus vivendi* for China to access the ASEAN market and for the ASEAN countries to optimize its gain any trade and investment engagements with China.

The growing trade and investments cooperation network to the mutual development of both China and ASEAN. Asia is characterized by (1) Regional economic integration and interdependence, (2) Regional Development Complementarities, (3) Economic Pragmatism, (4) Liberalization and Free Trade, and (5) Prosperity Spheres. China-ASEAN relation is starting to get grounds especially with the strengthening of the ASEAN dialogue mechanisms like the ASEAN+3. This partnership is not only within the realm of economics, socio-cultural, techno-scientific, and political but also security cooperation especially in the fight against terrorism and other transnational crimes.⁹⁸

The first goal of this research would therefore revisit the nature of the relationship between the ASEAN as a regional bloc and China using the Neorealism and Neoliberalism framework. It will likewise view the contemporary ASEAN-China dynamics in the light of all the global developments in the offing, and to what extent such dialogue partnership mutually benefits the ASEAN and China.

Further, this study after assessing the state and nature of the evolving China-

⁹⁸ Gloria J. Mercado. *Philippine-Taiwan Relations in a One-China Policy: An Analysis of the Changing Relational Pattern*. (Taiwan: National Sun Yat-sen University, 2007), p. 89

ASEAN relations will bring the assessment to the shores of the Philippines—a pioneering member of the ASEAN and likewise assess the implications of the ASEAN-China relations to the Philippines, in order for the later to maximize its gains in the dynamics. Thus, this study will be fitting and appropriate input to the future foreign policy directions of the Philippines *vis-à-vis* its relationship with China and its active role in the ASEAN institutional building. **The second goal of this research will therefore be responded to by revisiting also Philippine-China economic dynamics not exclusively in bilateral terms but within the ambit of the ASEAN+3 framework.**

Given the preceding cursory, the analytical view of the ASEAN-China relationship within the purview of a Neo-realist and Neo-liberalist perspectives brought to the fore the nature and state of the relational dynamics. Further, the second level assessment of how the Philippines, an active and pioneering member of the ASEAN is enhancing its relationship with China within the ASEAN framework. The rigorous revisit this relational dynamics of ASEAN-China has definitely far reaching implications within the dimensions of the national interest and security of the Philippines, more specifically in: military, economics, socio-cultural, political, environmental and ethno-scientific instruments of power. **How the Philippines would optimize the gains vis-à-vis China, within the ASEAN framework is the third research problem which the researcher endeavored to achieve in this study.** The search for a new strategic thrusts and policy redirection to include probably domestic economic reforms becomes an imperative, in the light not only of the global order in the offing. For a country like the Philippines—a prime mover of most international covenants and the strengthening of regional blocks like the ASEAN, the necessity to rationalize the existing foreign policy

framework of the Philippines should take precedence among other concerns. **Figure 4** on below is a “catch all” view of the two theories used in this research study vis-à-vis the problem statement for easy perusal, using the Porter Diamond model from the “Competitive advantages of Nations”.

1. Analysis of the nature and state of ASEAN-China Relations.

2. Implications of ASEAN-China Partnership to Philippines.

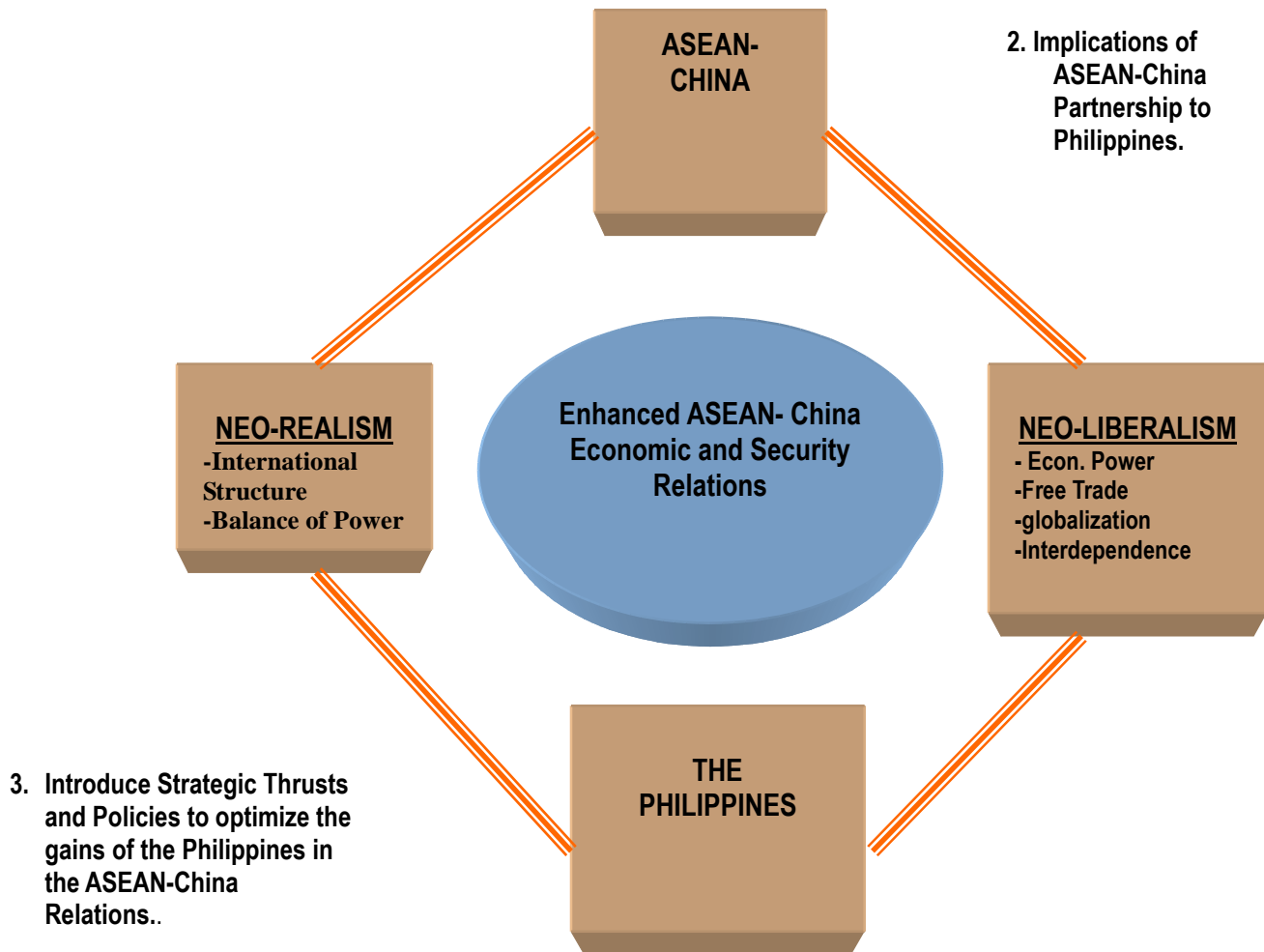


Figure 4: CONCEPTUAL FRAMEWORK OF CHINA-ASEAN ECONOMIC RELATIONS AND ITS IMPLICATIONS TO THE PHILIPPINES

(Adapted from the Porter Diamond Model⁹⁹)

⁹⁹ Michael E. Porter. *Competitive Advantage of Nations*. (Boston: Harvard Business School Press, 1990), p. 22

CHAPTER III RESEARCH METHOD

This chapter explains how the research study was carried out to achieve the research objectives and answer the problem statements. The discussions include the research design, the various instruments used in data collection, and the methods of analysis.

A. The Research Design

The research design provides the framework for the collection and analysis of data¹⁰⁰. The researcher used both descriptive and analytical approach¹⁰¹ to study the patterns of the ASEAN-China economic relations; identify the potentials for harnessing the relations between the ASEAN member states and China, more specifically, the Philippines and subsequently, come up with a set of recommendations both in terms of policy and strategic programs¹⁰² for the Philippines to enhance and optimize its gains in the partnership. The data for the document analyses were established from both the primary and secondary sources. The three data sources are document analyses, interview of key informants and focused group discussions.

B. The Research Instrument

B.1 Documents and Data Collection

Document content analysis¹⁰³ of all available and relevant information regarding

¹⁰⁰ Alan Bryman. *Social Research Methods*. (New York: Oxford University Press Inc., 2001), p. 29

¹⁰¹ Iluminada Espino. "Operations Research: An Introduction" in *Manual in Research Writing*, Elizabeth Ventura ed. (Quezon City: National Defense College of the Philippines, 2002), p. 37

¹⁰² Mercado, p. 119

¹⁰³ Hilario T. Andes. "*Reinventing Philippine-Taiwan Economic Cooperation on Trade and Investments*".

the relations of ASEAN and China and its implications to the Philippines, which included books and journals, as well as historical documents were exhaustively reviewed.

The data gathered were classified as either primary or secondary data. The primary data is from the interviews of key informants and focused group discussions that were conducted and the secondary data are from materials and other documents that were analyzed. The data analysis was guided by the theoretical considerations of the schools of thought that were discussed in the Theoretical Framework of this thesis (Chapter 2) such as Neo-realism, Neo-liberalism. The study tested the theories in order to find truths that can be generalized¹⁰⁴. It may appear to be constraining but putting the explicit modalities in the analytical framework would mean economy in terms of time frame, resources and comprehensiveness of findings¹⁰⁵.

B.2 Interview of Key Informants

An interview guide for key informants was formulated both from the results of the documents analyzed from the primary and secondary data. The personal interview is a face-to-face, interpersonal role situation in which an interviewer asks respondents questions designed to elicit answers pertinent to the research hypotheses¹⁰⁶ was conducted personally by the researcher. The researcher employed the schedule-structured, focused and the nondirective interview. In scheduled interviews, the

(National Defense College of the Philippines: Masters in National Security Administration Thesis, 1995), pp. 53-55

¹⁰⁴ Jerry W. Willis. *Foundations of Qualitative Research: Interpretive and Critical Approaches*. (USA: Sage Publications, 2007), pp. 288-289

¹⁰⁵ Nestor N. Pilar "Philippine Policy Structure" in *Manual in Research Writing*, Elizabeth Ventura ed. Quezon City: National Defense College of the Philippines, 2002), p. 62

¹⁰⁶ Chava Frankfort-Nachmias and David Nachmias. *Research Methods in the Social Sciences, 5th Ed.* (London: Arnold, 2004) p. 232

number of questions and the wording of the questions are identical for all of the respondents. In a structured interview the sequence in which the questions are asked are the same in every interview.¹⁰⁷ The Focused interview takes place with respondents known to have been involved in a particular experience; refers to situations that have been analyzed prior to the interview; proceeds on the basis of an interview guide specifying topics related to the research hypotheses; and focused on the subjects' experiences regarding the situations under study.¹⁰⁸ The Nondirective interview is the most flexible form of personal interviewing. Here, the researcher does not employ a schedule to ask a pre-specified set of questions, nor are the questions asked in a specified order.¹⁰⁹ The responses from the interviews were used to validate the secondary gathered. A copy of the interview guide of key informants is attached at the end (ANNEX B) of this thesis. The key informants are important officials and personalities from ASEAN member states particularly in the Philippines.

B.3 The Respondents

The key informants of the research came from government sectors of the society particularly in the Philippines—diplomats, officials of the Department of Foreign Affairs and ASEAN Secretariat, local government officials, congressmen, senators, academician and the highest executive official designated by the President to be its representative in all facets of international relations.

¹⁰⁷ Ibid, pp. 232-234

¹⁰⁸ Ibid, p. 234

¹⁰⁹ Ibid, p. 235

B.4 Focused Group Discussion

The focused group discussions¹¹⁰ were used to come up with the policy recommendation and strategic thrusts as to how the Philippines can optimize its gains in the ASEAN-China relations. The inputs were taken from the results of the document analyses and the interview of key informants. Five high level personalities (List attached as Annex D). The options generation flow is presented in **Figure 5** below.

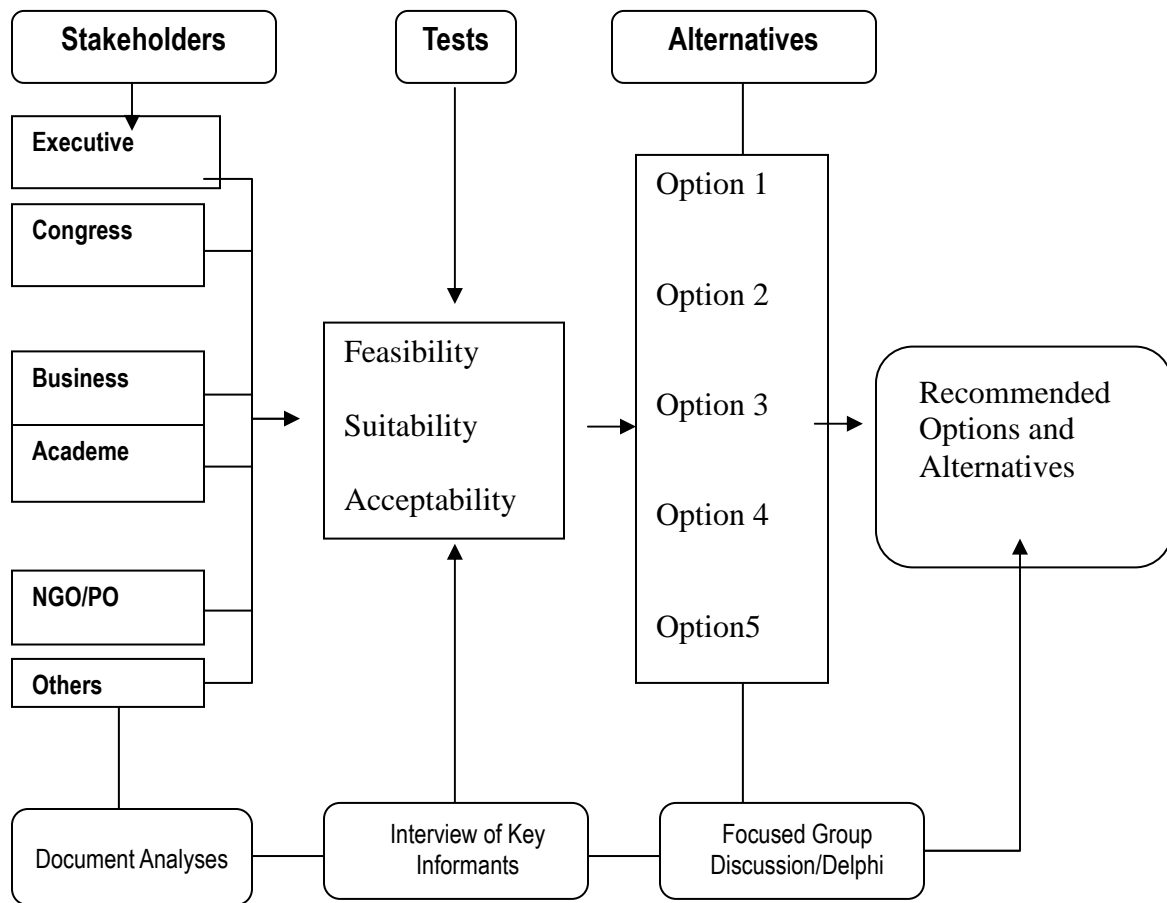


Figure 5: PREFERRED OPTION GENERATION FLOW¹¹¹

¹¹⁰ A copy of the FGD Questionnaire is attached as Annex C

¹¹¹ Saulito P. Aromin. "Local Government Units – Non-government Organization Partnership in the Delivery of Basic Services". (National Defense College of the Philippines: Masters in National Security Administration Thesis, 1998), p. 119.

A comparative assessment of the advantages and disadvantages of the 5 possible policy areas for prioritization required the use of criteria or measures of viability. The criteria as shown in Figure 5—Preferred Options Generation Flow are three pronged: *feasibility; suitability; and acceptability (FSA)*.¹¹²

The argument for “feasibility” meant that the selected option is generally the least costly in terms of monetary factors. If it is more expensive comparatively, an exception can be justified within the realms of “social benefits and even welfare effects”—when two or more competing choices would yield the same costs, but the benefit of the other is greater, the former becomes the preferred option.

The criteria for its “suitability” were analyzed within the context of “consistency or conformity with existing laws or norms, or established national policies. These principles are the guiding posts to ensure that “national interests” is the primordial considerations.

The criteria for “acceptability” were taken within the parameters of the diverse interest of its stakeholders. The preferred options can be operationalized within the capabilities and resources of its stakeholders and at the same time, equitably promoting the welfare of these stakeholders.

The quantitative measures of these criteria were in terms of a three-category response of “High, Medium, and Low” which were assigned the numerical values of “3, 2, and 1 respectively. The option that would generate the highest average score of “3” for “feasibility, suitability and adaptability” during the focused group discussion was the most preferred option, more specifically the one wherein there is no reinvention of will

¹¹² Dunne, p. 282.

and made use only of existing mechanisms and processes that were proven to be effective, thus doable. The “theory of second best” was likewise considered in the event that the first alternative was affected by unforeseeable circumstances.¹¹³

Table 1: OPTIONS GENERATION VALUES¹¹⁴

Policy	Feasibility			Suitability			Acceptability			Overall Rating		
	H 3	M 2	L 1	H 3	M 2	L 1	H 3	M 2	L 1	H 2.33 – 3.00	M 1.66 – 2.33	L 1.00 – 1.66
Option 1-												
Option 2 –												
Option 3 –												
Option 4 –												
Option 5 -												

¹¹³ Gloria J. Mercado. “*Integrated Development for Mindanao: Its Implications to National Security*”. (National Defense College of the Philippines: Masters in National Security Administration Thesis, 1993), p. 118.

¹¹⁴ Aromin, p.121.

C. Framework of Analysis

Qualitative analysis requires more effort by an individual researcher to read and reread data notes, reflect on what is read, and make comparisons based on logic and judgment.¹¹⁵ Secondary data analysis has a rich intellectual tradition in the social sciences. From a conceptual-substantive point of view, secondary data may be the only data available for the study of certain research problems.¹¹⁶ One of the methodological advantages to secondary data analysis is if it is reliable and accurate, it provides opportunities for replication. A research finding gains more credibility if it appears in a number of studies.¹¹⁷

The inputs from the interviews conducted were used as comparative bases in presenting the data along with the secondary data. **Putting them together, these became the basis in coming up with the answers to research questions 1 and 2 of the study,** this was further subjected to the FSA test and subsequently the Focused Group Discussions to **determine the answer to research question 3**—the best possible option in ensuring the gains of the Philippines in the ASEAN-China Relations. Please see **Figure 6** below for the detailed framework of analysis of this study.

All told, the **“Inputs”** included all historical data from existing policies, plans, and programs; reports; accomplishment reports and other legal documents of government and the private sector; survey instrument; and the interview of key informants guide.

¹¹⁵ Lawrence Neuman. *Social Research Methods: Qualitative and Quantitative Approaches*, 2nd ed. (Massachusetts: Allyn and Bacon, 1994), p. 424

¹¹⁶ Nachmias, p. 305

¹¹⁷ Ibid, p. 306

The “**Process**” included substantive document analyses, gap assessment, interview of key informants, and the focused group discussion using the feasibility, suitability and acceptability tests.

The “**Output**” included a package of policy and plans, which are newly formulated, redirected or retrofitted, geared towards optimizing the gains of the Philippines in the ASEAN-China relations.

The “**Outcome**” would be an enhanced relation between the ASEAN and China, thereby positively impacting into the promotion of the Philippine national interests in economic development and security.

A “**Feedback**” mechanism completes the system’s loop, the active part of the system that will ensure a continuous monitoring on the responsiveness of the existing policies.

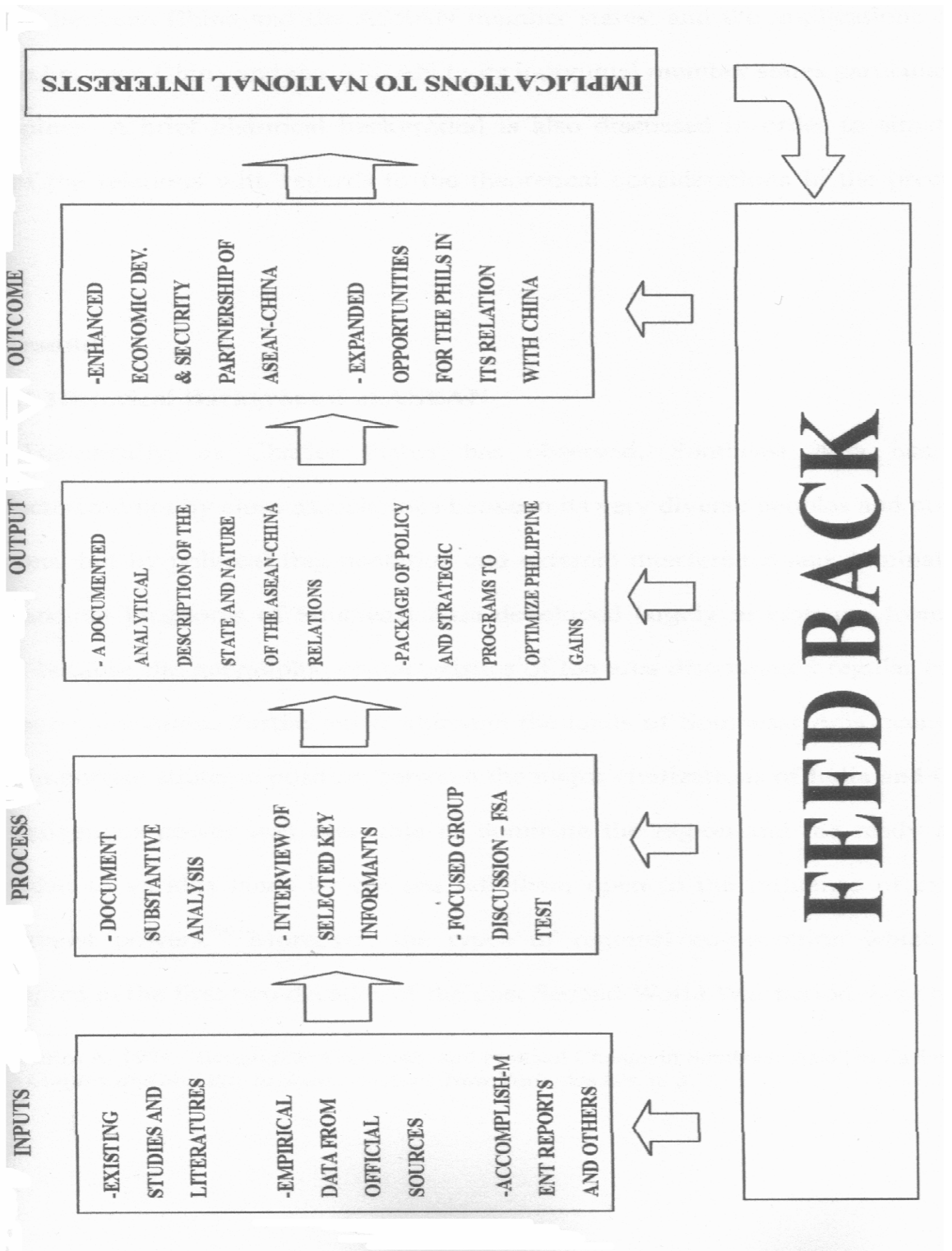


Figure 6: FRAMEWORK OF ANALYSIS

CHAPTER IV DISCUSSION ON THE CHINA-ASEAN RELATIONS AND ITS IMPLICATIONS TO THE PHILIPPINES

This chapter is a comprehensive discussion of the nature and state of the current relationship between China and the ASEAN member states, the implications of the partnership between China and the ASEAN to its individual member states particularly to the Philippines and the policy and strategic thrusts that were drawn up. A brief background is also discussed in order to situate the analysis of the relations with regards to the theoretical considerations in the preceding Chapters.

A. Background

A.1 Major Trends in Southeast Asia

Regional economic integration is not a new phenomenon. Viewed as the deepening of intra-regional economic interdependence in a given region, through intraregional trade, foreign direct investment (FDI) and harmonization of commercial regulations, standards, and practices, it probably predated the Westphalian international system.¹¹⁸ Scholars coined the phrase “regionalism” to characterize the political movement towards the creation or expansion of regional trade organizations or associations.¹¹⁹

The Asia-Pacific region has proved to be the most dynamic economic region in recent years although the process of industrialization had actually spread

¹¹⁸ Vincent Wang. The Logic of China-ASEAN Free Trade Agreement: Economic Statecraft of “Peaceful Rise”. (August 2007) website: <http://ics.um.edu.my/ICS-Aug07-Conf-paper-VincentWang.pdf>

¹¹⁹ May T. Yeung, Nicholas Perdikis and William A. Kerr. *Regional Trading Blocs in the Global Economy*. (Cheltenham, UK: Edward Elgar, 1999), p. 17.

through the region since the 50s and 60s.¹²⁰ The Association of Southeast Asian Nations is often considered to be the most successful of all regional co-operation groupings among developing countries¹²¹. In an interview with Dr. Consuelo Estepa, she said that as a region, Southeast Asia has moved toward greater integration through an envisioned regional community, comprising the three pillars of the ASEAN Economic Community, the ASEAN Security Community and the ASEAN Socio-Cultural Community by year 2020. Alongside the envisioned ASEAN community, the 10 Southeast Asian nations along with China, Japan, South Korea, India, Australia and New Zealand launched their inaugural East Asia Summit (EAS) in December last year in Kuala Lumpur.¹²²

According to Professor Clarita Carlos of the University of the Philippines, the ASEAN has also been at the forefront of facilitating relations between the larger Asian communities with other regions in the world. A number of Southeast Asian nations remained beset with residual border disputes that represent potential sources of conflict among countries in the region. The ASEAN and China in 2002 signed the “Declaration on the Conduct of Parties in the SCS” that enjoined claimants in the SCS to practice self-restraint in activities that could spark disputes, such as inhabiting the islands believed to be rich in oil deposits.¹²³

There has been significant progress in the trade liberalization efforts of ASEAN countries since AFTA was launched in 1992.¹²⁴ The National Security Adviser—

¹²⁰ Narongchai Akrasanee and Deunden Nikomborirak. “Trends in and Prospects for Pacific Economic Development: An Overview” in *ASEAN-China Economic Relations in the Context of Pacific Economic Development and Co-operation* by Bifan and Yue. (Singapore: ISEAS, 1992) p. 1

¹²¹ Imada, Pearl et al. 1991. *A Free Trade Area: Implications for ASEAN*. Singapore: ISEAS, p. 1

¹²² Interview conducted about the Major Trends in Southeast Asia with Dr. Estepa (January 2008)

¹²³ Interview conducted in UP Diliman Philippines with Prof. Carlos (February 2008)

¹²⁴ Siow-Yue Chia and Marcello Pacini. *ASEAN in the New Asia: Issues and Trends*. (Singapore: ISEAS,

Secretary Norberto Gonzales, MNSA said, the ASEAN Free Trade Area (AFTA) has practically been established, with most Southeast Asian states, particularly the original six ASEAN member states, successfully bringing down tariffs on products in the Common Effective Preferential Tariff (CEPT) scheme to a range of zero to five percent. ASEAN's four newer members, on the other hand, have not trailed far behind with 66 percent of products in the CEPT list on the same zero to five percent tariff band. The ASEAN is also close to finishing its work on the elimination of non-tariff barriers.¹²⁵

The researcher also found out in her interview with former Philippine Vice President and Foreign Affairs Secretary, Teofisto Guingona Jr. that the trend toward greater integration within Southeast Asia has led to a deepening of relations within the region and has renewed a sense of common purpose that has anchored the ASEAN since its inception in 1967. Despite divergent political orientations, ASEAN members have displayed collective competence in charting the bloc's course to meet emerging challenges and opportunities. Regional integration has also reinforced the stake of individual states to keep conflict and instability at bay.¹²⁶

Further, the Chairman of the Senate Committee on Economic Affairs at the Philippine Senate also said that for the regional economy, Southeast Asian countries have collectively moved toward liberalizing trade not only within the region, but with other economic heavyweights as well. Overall, Southeast Asian countries have moved to adjust to the region's fluid political, security and

1997), p. 72

¹²⁵ Interview conducted with Secretary Norberto Gonzales (February 2008)

¹²⁶ Interview with Former Vice-Pres Teofisto Guingona (March 2008)

economic realities. Senator Loren Legarda further added that the respective nations in the region have embarked on activities that encompass the whole gamut of political, strategic, security and economic goals aimed toward building regional resilience amid contemporary challenges and trends.¹²⁷ Both open regionalism and developmental regionalism were stimulated by the structural forces of globalization, and were ultimately about engaging with these forces.¹²⁸

Beijing increasingly has viewed ASEAN as an important power center in Asia. This is largely due to ASEAN's skillful diplomacy of balancing all the major powers, hence enhancing its own leverage. This is possible because major powers essentially have balanced out one another, with no one able to dominate. Finally, ASEAN itself since 1997 has sought to consolidate and achieve economic integration (ASEAN Economic Community) by 2015, with security and social community to follow. It hosted the first East Asia Summit in December 2005, and has over the years developed various ASEAN+1/3 meetings, with the ASEM playing a facilitating role in promoting regionalism.¹²⁹

¹²⁷ Interview with Chairman of the Senate Committee on Economic Affairs at the Philippine Senate (April 2008)

¹²⁸ Helen E.S. Nesadurai. *Globalisation, Domestic Politics and Regionalism: The ASEAN Free Trade Area*. (London: Routledge, 2003), p. 172

¹²⁹ Yuan, Jing-Dong. (<http://www.strategicstudiesinstitute.army.mil/pdf/PUB735.pdf>)

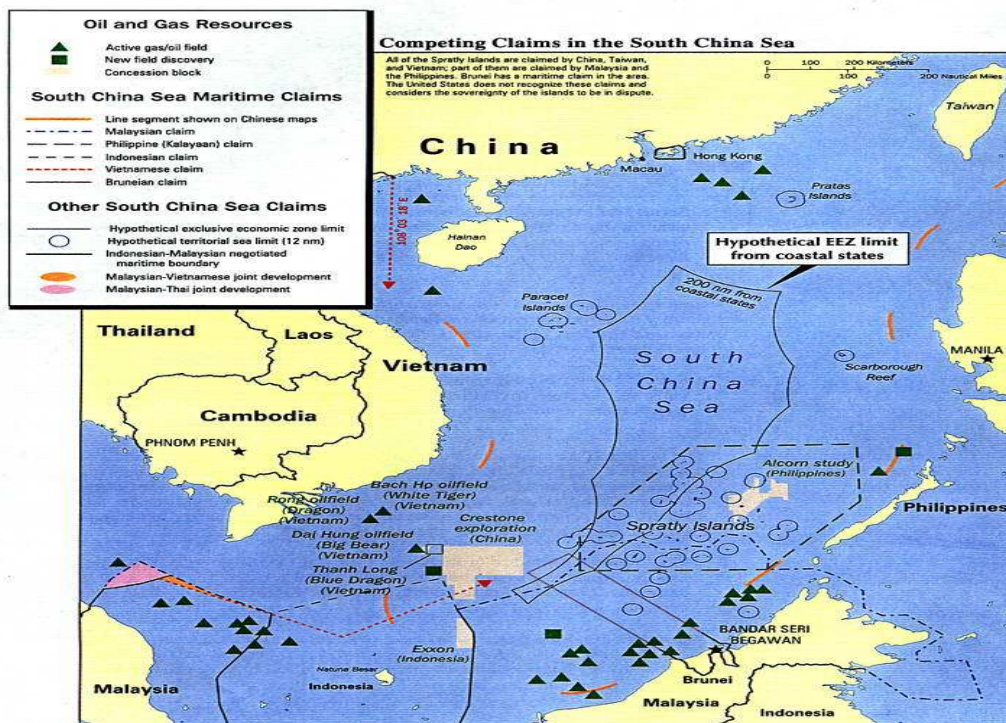


Figure 7: ASEAN PERSPECTIVE MAP (Source: NDCP Monogram No. 3)¹³⁰

B. China-ASEAN Economic Relations

B.1 Background

The ASEAN nations have always viewed China with both suspicion and some cautious optimism. Their threat perceptions are influenced by history, geography, and cultural factors. In the former sense, being small states vis-à-vis China; they have always harbored a suspicion of their giant northern neighbor for two reasons. One is historical precedent, in particular Beijing's past support of the insurgent movements in their countries; the other is uncertainty about how China will use its power in regional affairs. China's preponderance and its growing weight in the post-Cold War era create additional concerns.¹³¹

But ASEAN countries also recognize that, given their limited capabilities,

¹³⁰ Rommel Banlaoi. *The ASEAN Regional Forum, The South China Disputes and the Functionalist Approach*. (Quezon City, Philippines: NDCP Monogram No. 3, 2000), P. 47

¹³¹ Ibid

they need to live with China, and one way of ensuring that China will act responsibly is to encourage greater integration between China and the region, thus increasing the stakes. Indeed, ASEAN has been pragmatic enough to recognize the importance of engagement rather than confrontation and hence adopted a strategy that aims at integrating China gradually into a regional web of economic interdependence, political dialogue, and security dialogue processes.¹³²

The ASEAN constitutes the major part of the broadly defined geographical region “Southeast Asia”, which lies to the south of China, separated by a vast expanse of the South China Sea. Hence traditionally the Chinese referred to “Southeast Asia” as *Nanyang*, literally “south sea”.¹³³ On account of history, migration, and geo-politics, China’s relations with countries in Southeast Asia are naturally extensive and deep-rooted. China’s early contact with the individual ASEAN countries can be traced back to ancient times, through their significant relations in terms of more substantive trade and large-scale migration of China into the region occurred much later and only around the turn of this century.¹³⁴

Tributaries were often a convenient “cloak for trade” and much of the early Chinese commercial involvement with *Nanyang* stemmed directly and indirectly from the traditional tribute system. It should be stressed that the traditional tribute system was merely a diplomatic vehicle by which China operated, much in a defensive way, its inter-state relations with the non-Chinese societies under the concept of “Chinese world order”. Thus, it is no coincidence that historically none of

¹³² Ibid

¹³³ John Wong, “An Overview of ASEAN-China Economic Relations” in *ASEAN-China Economic Relations: Trends and Patterns*. (Singapore: ISEAS, 1987), p. 1

¹³⁴ Ibid

the present six ASEAN states had ever been under Chinese rule.¹³⁵

Since the establishment of diplomatic ties between China and the three ASEAN member countries—Malaysia in 1974, Thailand and the Philippines in 1975—bilateral trade between China and these three countries has gradually increased. But there were no formal economic relations between China and ASEAN as a group, in terms of holding regular dialogues similar to the ones which ASEAN has with the United States, Japan, Australia, and so forth. This is because of the absence of diplomatic relations between China and Indonesia, the ASEAN big brother.¹³⁶

Trade relations between China and the ASEAN are on bilateral basis, with trade being conducted directly between the countries concerned or indirectly through third countries. There is no common trade policy of ASEAN as a group towards China. Furthermore, trade relations between the ASEAN countries and the People's Republic of China are relatively young. Given the differences in political regimes, there are reservations among the ASEAN countries as to the real intention of China. Although there is no common trade policy towards China, all the ASEAN countries adopt a cautious policy in which national security and the protection of domestic industries are the major ingredients in the formulation of a foreign trade policy towards China.¹³⁷

Sino-ASEAN economic relations reached a turning point in 1979. Positive changes have been brought about with regard to some institutional factors affecting

¹³⁵ Ibid

¹³⁶ Ibid, p. 36

¹³⁷ Ibid, p. 39

bilateral economic relations, though some problems remain.¹³⁸ One of the key problems in Sino-ASEAN trade relations is the lack of complementarities in trade structures. For many years, China's exports to ASEAN comprised oil and oil products, coal, foodstuffs, textiles, Chinese traditional medicine, raw materials for the chemical industry, and agricultural machinery, with oil and oil products being the largest items. Its imports from ASEAN were largely primarily products like rubber, timber, cereals, sugar, coconut products, and copper. Although manufactured goods such as steel products, chemical fibre materials, and veneer boards have been added to the list, primary commodities remain predominant in Chinese imports from ASEAN. But the overall imports of both China and ASEAN are largely composed of machinery, raw materials, and semi-finished products, that is manufactured goods in the main.¹³⁹

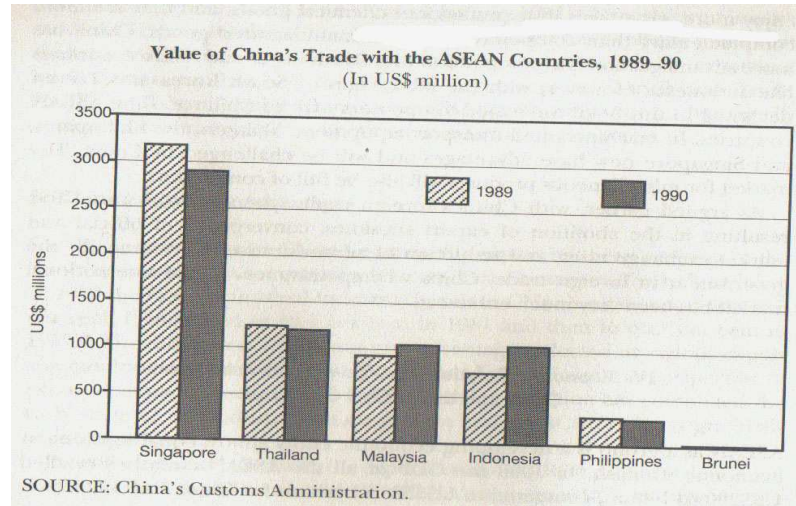
ASEAN as a group is a developing economic entity almost equal to China in economic strength. In 1990, the GDP of all the ASEAN countries totalled US\$ 290.63 billion, compared to US\$ 338.81 billion for China. Nonetheless, to both China and ASEAN, the share of their bilateral trade volume still seemed to be quite low and the pace of increase rather slow. In 1988, China's export to ASEAN accounted for 5.62 per cent of its total, whereas, ASEAN's export to China is merely 1.7 per cent of its total.¹⁴⁰ (See Table 3)

¹³⁸ Ibid, p. 24

¹³⁹ Pang Rongqian, et al. "Counter-Trade in China-ASEAN trade" in *ASEAN-China Economic Relations: Developments in ASEAN and China*, edited by Yue and Bifan. (Singapore: ISEAS, 1989), p. 245

¹⁴⁰ Zhang Tiegang and Feng Yushu. "China's Comparative Advantage and International Division of Labor in the Changing Asia-Pacific Community" in *ASEAN-Economic Relations: Industrial Restructuring in ASEAN and China* by Tan and Zhaohong. (Singapore: ISEAS, 1994), p. 66

Table 2: VALUE OF CHINA'S TRADE



Owing essentially to the effects of the December 26 tsunami, the first quarter of 2005 was relatively quiet from the perspective of China's relations with Southeast Asia. However, Beijing did use the period to address what it correctly assesses to be major regional concerns about the impact of China's rise on the economic and political patterns of Southeast Asia. In the economic sphere, concerns focus not only on Chinese willingness to compete fairly in the development of markets and the ability of regional economic players to keep pace with Chinese advances, but also on Beijing's policies affecting the value of its currency, the Yuan.¹⁴¹

B.2 Economic Perspective of China-ASEAN Relations

Today, all Southeast Asian countries have diplomatic relations with the People's Republic on the basis of one China. Despite the disagreements and differences, ASEAN and China have had occasion to work together on specific

¹⁴¹ Montaperto, Ronald N. April 27, 2005. "China shows its sensitivity to SE Asia" in *Asia Times* (http://www.atimes.com/atimes/Southeast_Asia/GD27Ae03.html)

problems in the past.¹⁴²

The China-ASEAN relations are characterized as economic cooperation at first hand. Such relationship has been developing from economic cooperation to other areas of cooperation. Since the economic reform and open-door policy in the late 1970s, China's economy has become more closely integrated with its neighboring economies, including ASEAN. As China continues its export-oriented economic development, there is competition between China and ASEAN countries in attracting foreign direct investment (FDI) and in exporting manufactured products to the same third-country markets. In order to avoid any disruption in China-ASEAN cooperation, China initiated the arrangement for a free trade area (FTA) agreement with ASEAN that was designed to turn competition into complementation for the benefits of both sides.¹⁴³

At the ASEAN-China Summit in November 2001, former Chinese Premier Zhu Rongji proposed the creation of a free trade area between China and ASEAN within ten years. Signed in 4 November 2002, this landmark FTA deal has exerted tremendous pressure on Japan and Korea to follow suit and to intensify their economic relations with ASEAN under the general regional cooperation umbrella of the "ASEAN + Three" (ASEAN with China, Japan and Korea) scheme. The formation of the China-ASEAN FTA signifies the creation of an economic region of 1.7 billion consumers with a combined GDP of US\$ 2 trillion. It offers an effective means for smaller ASEAN states to overcome their disadvantage of

¹⁴² Rodolfo Severino. *ASEAN-China Relations: Past, Present and Future*. Paper presented in Singapore. (17 April 2008) website: <http://www.iseas.edu.sg/asc/ascp5-08.pdf>

¹⁴³ John Wong, et al. *China-ASEAN Relations: Economic and Legal Dimensions*. (Singapore: World Scientific Publishing Co. Pte. Ltd., 2006), p. 4

smallness by pooling resources and combining markets.¹⁴⁴

Economic integration itself will help to build up political confidence. Both China and ASEAN realize the significance of political relations.¹⁴⁵ For four years, China has been putting up the ASEAN-China Expo in Nanning, the Chinese provincial capital that is the closest to ASEAN territory. China has also been organizing the China-ASEAN Business and Investment Summit on the occasion of the Expo. China has agreed to set up an ASEAN Centre to promote ASEAN exports to China and Chinese investments and tourism in ASEAN, similar to a long-established facility in Tokyo.¹⁴⁶

All ASEAN countries have continued to support the concept of one China, discouraging the Taiwan authorities from moving towards independence or a separate national identity for Taiwan.¹⁴⁷

B.3 Legal Framework of China-ASEAN Relations

Exchange of Letters 1994: Founding of Formal Cooperative Relationship

Generally speaking, the relationship between ASEAN and China started with China's normalization of diplomatic relationship with Indonesia and the founding of diplomatic relationship with Myanmar and Singapore.¹⁴⁸ The development of ASEAN-China relations is based on the establishment and resumption of diplomatic relationship with the member states of ASEAN. But

¹⁴⁴ Ibid, p. 29

¹⁴⁵ Zhang Yunling. China-ASEAN Relations: Opportunities and Challenges (http://www.mof.go.jp/jouhou/soken/kouryu/h14/chu14_07d.pdf)

¹⁴⁶ Severino, (<http://www.iseas.edu.sg/asc/ascp5-08.pdf>)

¹⁴⁷ Ibid

¹⁴⁸ Lee Laito. "China's Relations with ASEAN: Partners in the 21st Century?" *Pacific Review*, Vol. 13-1. (February 2001)

from a legal prospective, the formal cooperative relationship between ASEAN and China dated from 23 July 1994 when, in an exchange of letters, the ASEAN Secretary-General and the Chinese Foreign Minister agreed on the founding of the Joint Committee on Economic and Trade Cooperation and Joint Committee on Cooperation in Science and Technology in Bangkok.

The Exchange of Letters legally formalized the establishment of cooperative relationship between the two sides. At the same time, ASEAN and China began to engage in consultation on political and security issues of common concern. In July 1996, China was accorded full dialogue partner status at the 29th AMM.¹⁴⁹

Joint Statement 1997: Programmatic Document on Partnership of Good Neighbourliness and Mutual Trust

In December 1997, ASEAN and China held the informal 10 + 1 Summit for the first time and issued the Joint Statement of the Meeting of Heads of States of the Member States of ASEAN and the President of the People's Republic of China, known as the ASEAN-China Cooperation Partnership Towards the 21st Century. The Joint Statement 1997 serves as the political declaration and solemn commitment to the international society in legal form made by the leaders of both sides at the highest level, which is of vital and epic-making significance in the history ASEAN-China relations.¹⁵⁰

In the Joint Statement 1997, the two sides confirmed that they would

¹⁴⁹ Overview of ASEAN-PRC Relations (<http://www.aseansec.org/5874.htm>)

¹⁵⁰ Wong, p. 35

undertake to promote a good-neighborly and friendly relationship, increase high-level exchanges, and strengthen the mechanism of dialogue and cooperation in all areas, to enhance understanding and mutual benefits.¹⁵¹

Framework Agreement on Comprehensive Economic Cooperation 2002: Symbol of Entry into Overall Substantive Cooperation in Economics and Trade

At the ASEAN-China Summit in November 2001, Zhu Rongji, the former premier of China, made a proposal to establish an ASEAN-China Free Trade Area (FTA) in ten years, and this was later accepted by ASEAN. After several rounds of consultation, the historic decision was declared by the two parties at the Summit Meeting held in 2002 and signed the Framework Agreement on Comprehensive Economic Cooperation between the ASEAN and PRC.¹⁵²

The Framework Agreement 2002 is an epic-making event in the history of ASEAN-China relations. It is the first formal treaty that regulates the mutual relations of the two parties. It is the most direct treaty instrument that normalizes the future comprehensive and substantive economic cooperation with CAFTA as its core. This agreement covers the trade in goods and services as well as investment and other areas of economic cooperation. It provides the guidelines, basic principles, coverage and models of the CAFTA, including the Early Harvest Program and the special and differential treatment for newer ASEAN member states, namely, Cambodia, Laos, Myanmar and Vietnam.¹⁵³

¹⁵¹ Ibid

¹⁵² Ibid, p. 36

¹⁵³ Ibid, p. 37

*Joint Declaration on Cooperation in the Field of Non-Traditional Security Issues
2002: Legal Basis for Cooperation on New Security Issues*

This was signed in 4 November 2002 in Cambodia. This serves as the direct legal platform for China and ASEAN to launch bilateral cooperation in coping with many increasingly serious non-traditional security issues. The Joint Declaration stipulated the objectives of such kind of cooperation, that is, to enhance their capacity in dealing with non-traditional security issues, promote their stability and development, and maintain regional peace and security. The priorities provided in the Declaration are combating trafficking in illegal drugs, women and children smuggling, sea piracy, terrorism, arms smuggling, money laundering, international economic crime and cyber crime.¹⁵⁴

*Declaration on the Conduct of Parties in the South China Sea 2002: Solemn
Commitment of Mutual Trust and Self-restraint*

Due to the complexity of history and reality, there always exist territorial disputes on the islands in the South China Sea between China and some member states of ASEAN; conflicts occasionally arise as a result. For many years, China and member states of ASEAN concerned have been seeking for a channel that will enhance favourable conditions for a peaceful and durable solution to the differences and disputes among countries concerned. The adoption of this Declaration indicates that China and ASEAN are seeking to establish a dispute settlement mechanism on the South China Sea issues based on mutual trust, self-

¹⁵⁴ Ibid, p. 38

restraint and cooperation in a pragmatic manner.¹⁵⁵

China's Entry into Treaty of Amity and Cooperation in Southeast Asia: Important Legal Behaviour by a Responsible Great Power

At the beginning of October 2003, Chinese Premier Wen Jiabao took part in the signing ceremony of the Treaty of Amity and Cooperation in Southeast Asia at the ASEAN-China Summit. China became the first big country to enter into the Treaty outside Southeast Asia. The purpose of this Treaty is to “promote perpetual peace, everlasting amity and cooperation among their peoples that would contribute to their strength, solidarity and closer relationships.” China’s entry into the Treaty will be conducive to sustainable development of ASEAN-China relations because it serves to make a solid platform of international law for the comprehensive development of bilateral relations, showing China’s solemn commitment to become ASEAN’s good neighbour and partner, thus furthering the stability and continuity of ASEAN-China relations.¹⁵⁶

Joint Declarations of Strategic Partnership 2003: New Blueprint for ASEAN-China Relations

On 8 October 2003, the ASEAN-China Summit was held in Bali, Indonesia. One of its major achievements is the signing of the Joint Declaration of the Heads of State/Government of ASEAN and the People’s Republic of China on Strategic Partnership and Prosperity. The signing and release of the document

¹⁵⁵ Ibid, p. 39

¹⁵⁶ Ibid, p. 41

symbolized a new step forward for ASEAN-China relations, that is, upgrading the partnership of consultation via dialogue into a strategic one, thus enhancing the bilateral good neighbourliness to a higher level. The Declaration highlights the strategic importance of ASEAN-China relations to peace, development and cooperation in this region, and recognizes the positive contribution of such relations to world peace and development. The Declaration confirms that the purpose of the establishment of a strategic partnership is to foster friendly relations, mutually beneficial cooperation and good neighbourliness between ASEAN and China by deepening and expanding ASEAN-China cooperative relations in a comprehensive manner in the 21st century, thereby contributing further to the region's long-term peace, development and cooperation. It also states that this strategic partnership is non-aligned, non-military and non-exclusive, and does not prevent the participants from developing their all directional ties of friendship and cooperation with others.¹⁵⁷

C. China-ASEAN Relations: Implications to the Philippines

C.1 Background

Early history of Philippines-China economic relations (10th-17th C) showed that there were many instances when good political relations often led to good economic relations. There was direct and regular trade. It was extensive and covered large portions of the Philippine archipelago and neighboring Southeast Asia. Conducted in a friendly manner, under the aegis of what the Chinese imperial court called "Vassal tributary missions," it benefited the Filipino traders

¹⁵⁷ Ibid, p. 42

on the whole.¹⁵⁸ Through most of the 1980s, the Philippines was beset by political instability and related economic malaise, and was therefore not in a position to take advantage of both China's economic liberalization and the investment boom in the East Asian region. The country fell behind most of its ASEAN neighbors whose trade and investment ties with China expanded remarkably during the period.¹⁵⁹

Periodic tensions would arise between the Philippines and China over two important issues: the disputes in the South China Sea and the Taiwan question. From a Philippine point of view, China maintained excessive claims on the islands and waters of the South China Sea that belied its assurances of its non-expansionist nature. On the Taiwan issue, Manila sought Beijing's understanding on the former's need to maintain active unofficial relations with Taipei, given Taipei's proximity, close historical association, and economic leverage vis-à-vis the Philippines. On the whole, however, relations were smooth up to China's occupation of Mischief Reef in the Spratlys in 1995.¹⁶⁰

In 1995, Filipino fishermen discovered Chinese-built structures on Mischief Reef, a small, rocky islet located in the Spratly Islands 135 miles west of the Philippine island of Palawan and well inside the Philippines' 200-mile exclusive economic zone. The Philippine government condemned the structures as inconsistent with international law and the spirit of the 1992 Association of Southeast Asian Nations (ASEAN) Declaration on the South China Sea, to which

¹⁵⁸ Benito Lim. *The Political Economy of Philippines-China Relations*. PASCN Discussion Paper No. 99-16 online edition (<http://pascn.pids.gov.ph/DiscList/d99/s99-16.pdf>)

¹⁵⁹ Background on Philippines-China Relations (<http://www.dfait-maeci.gc.ca/arms/southchina/section08-en.asp>)

¹⁶⁰ Ibid

both countries are signatories. China ignored the Philippine protest and exacerbated the situation in late 1996 by repairing and fortifying the Mischief Reef structures in the face of further Philippine diplomatic protests. Manila responded to Beijing's actions by reinvigorating its defense ties with Washington, and the two sides seemed to be settling in for a permanent, simmering dispute. China and the Philippines held their first annual vice-ministerial talks to resolve problems caused by the conflicting claims to the Spratlys. Earlier, in 1995; Beijing agreed to discuss South China Sea matters on a multilateral basis with ASEAN. Beijing also indicated that it would abide by international law in settling the territorial dispute with the other claimant countries (Malaysia, Taiwan, and Vietnam), and it signed an agreement with Manila on further confidence-building measures, shelving the dispute temporarily in favor of joint development.¹⁶¹

From China's perspective the importance of the Philippines during the seventies and eighties may have stemmed from its geographic proximity to southern China (especially Hong Kong-Macau and Taiwan), its erstwhile close alliance with the United States, hosting of major American military bases, and its status as a founding member in the ASEAN. It will be recalled that at the height of American-Chinese coordination of their anti-Soviet Union (and anti-Vietnam) policies, China's position was not to oppose outright the American military presence in the Philippines, even though in rhetoric it had long declared that it was against foreign military bases. China moreover considered ASEAN a vital partner in its efforts to oust the Vietnamese from Cambodia. Although the

¹⁶¹ Renato Cruz De Castro. "China, the Philippines, and U.S. Influence in Asia" in *American Enterprise Institute for Public Policy Research No. 2*. (July 2007)
website: http://www.aei.org/docLib/20070705_21909AO200702_g.pdf

Philippines may not have been as active in relation to Cambodia as frontline state Thailand or ASEAN's "big brother" Indonesia, friendly ties with the Philippines were still seen by China as favorable to her strategic objectives at the time.¹⁶²

The 1990s saw important developments in Philippine-China bilateral relations, among them a flurry of high-level exchanges especially beginning in 1995. Prime Minister Li Peng came to Manila in December 1990, while President Fidel Ramos visited China in 1993. Since relations soured in 1995, President Jiang Zemin held a state visit in November 1996, on the sides of APEC summit, while Zhu Rongji came on an official visit prior to the "ASEAN + 3" meeting in Manila (among heads of state of ASEAN together with China, Japan, Korea) in November 1999.¹⁶³

Annual bilateral consultations have been held at senior officials' (vice-ministerial) level between Foreign Ministries of both sides, where a review of all aspects of relations is undertaken. Informal bilateral consultations were also undertaken between high-level officials at the sidelines of major regional and international meetings, such as the Asia-Pacific Economic Cooperation (APEC) Forum, the Asia-Europe Meeting (ASEM), the ASEAN Regional Forum (ARF), and the ASEAN Post-Ministerial Conferences (ASEAN-PMC). Initiatives to jumpstart economic and people-to-people cooperation included the opening of consular offices in Xiamen in 1995 and in Guangzhou in 1997, with counterpart Chinese consulates in Cebu and in the future, Davao.¹⁶⁴

¹⁶² Background on Philippines-China Relations (<http://www.dfait-maeci.gc.ca/arms/southchina/section08-en.asp>)

¹⁶³ Ibid

¹⁶⁴ Ibid

Guingona added that in response to the Philippines' invitation to the Plus Three Countries at the ASEAN Summit in Bali in October 2003, China dispatched a mission to BIMP-EAGA in April 2004. A 14-man delegation composed of China's Trade and Foreign Ministry officials and some businessmen traveled to Brunei, Kota Kinabalu, Manado, Mindanao and Palawan from 13 to 29 April 2004 to explore opportunities for trade and investment.¹⁶⁵

With regards to the Philippines' participation in the ASEAN-China Eminent Persons Group (EPG), China, through its Embassy in Manila, has been rather aggressive in following up the Philippines' nominees. At the 6th ACJCC, China expressed its desire to convene the first meeting of the EPG in China by May 2005 and requested ASEAN Member Countries to consider nominating their eminent persons by the middle of March 2005.¹⁶⁶

C.2 China-Philippines Trade under ASEAN

As early as May 1972, direct trade officially started between the Philippines and China with the Philippines initially exporting coconut oil and importing rice from China. During the same year, President Marcos implemented Executive Order 384 authorizing trade to the Socialist countries. Philippine export to China in 1972 was US\$ 0.8M. In 1974, Philippine exports to China were US\$ 13.3M. Philippine imports increased from US\$ 5.5M in 1972 to US\$ 23.4M in 1994. Two-way trade between the Philippines and China was further boosted by

¹⁶⁵ Interview with Guingona on the 11th ASEAN China Senior Officials Consultations

¹⁶⁶ Interview with Guingona

the conclusion of the 1975 Philippine-China trade agreement. Philippine exports to China increased from US\$ 25.2M in 1975 to US\$ 51.1M in 1979.

On October 13, 1980 a loan amounting to US\$30 million from the People's Republic was obtained to pay for the purchase of 500 mini-hydro power plants. This cooperation has played an important role in tapping the country's wealth of rivers and waterfalls to provide electricity to the remote villages and island. In 1985, China became the Philippines 6th major trading partner.¹⁶⁷ President Marcos and Ambassador Chen Hsin Jen signed the agreement. On August 6, 1981, for the first time in the Philippines' post war history, a Chinese Prime Minister came on a four-day state visit to the Philippines. Prime Minister Zhao Ziyang's entourage included Li Qiang, Minister of Foreign Trade, Chen Chu, Deputy Secretary General of State Council and others. Zhao agreed to continue to supply crude oil to the Philippines at concessional prices. The oil deal was one of the three issues President Marcos discussed with Prime Minister Zhao. Other issues were Philippine purchase of high-grade coal from China and increased Chinese importation of Philippine coconut oil. Prime Minister Zhao also pledged that China would not intervene in the internal affairs of the Philippines nor will it seek to impose its policies in Asia.¹⁶⁸

During a 1984 visit of Imelda Marcos, the Chinese agreed to increase its trade volume with the Philippines from the targets of US\$20 million in 1974, and US\$30 million in 1978 to US\$500 million. The Chinese also agreed to buy more

¹⁶⁷ Ibid. Borromeo, p. 103.

¹⁶⁸ Diplomatic Agenda of Philippine Presidents (1984), pp. 334-345.

Philippine products to balance the two-way trade. The trade in 1984 in fact had reached US\$300 million. Mrs. Marcos also negotiated an agreement for China to supply US\$60 million worth of oil on deferred payment basis. The PRC also kept its word not to interfere in the internal affairs of the Philippines and refrained from providing any substantial support to the Communist Party of the Philippines. This hands-off policy delighted the Filipino Armed Forces leaders and surprised President Marcos himself. However it also gave the opposition KMT opportunity to expand its influence among the local Chinese in the Philippines.¹⁶⁹

There is no doubt that under the Marcos administration, trade volumes between China and the Philippines increased. It was the outcome of deliberate positive political decisions made by the leaders of both countries. From zero volume in 1970 to a target of \$20 million in 1973, the amount nearly doubled in 1975 and again in 1977. China moved from an insignificant trade partner in the early 1970s into the Philippines' sixth largest trading partner in 1985. In 1985, the PRC even dislodged Taiwan as the Philippines' sixth largest trading partner. The Marcos administration indeed demonstrated that good political relations with China could lead to good business relations.¹⁷⁰ China's purchase of Philippine products had followed the number of diplomatic missions Marcos sent to China. Despite friendly political decisions to keep trade mutually beneficial for both China and the Philippines, the balance of trade, except for 1977, had been in

¹⁶⁹ Benito O. Lim. "A History of the Philippines-China Relations" in *Philippine External Relations in External Vista*. (Philippines: Foreign Service Institute, 1998), pp. 28-29.

¹⁷⁰ Lauro L. Baja, Jr. "Philippine - China Relations: A Philippine Perspective" in *DFA Ugnayan ng Lahi: Celebrating Twenty-Five Years of Philippine-China Diplomatic Relations*. (Quezon City: VJ Graphic Arts Inc., 2000), pp.23-24.

China's favor ever since the opening of diplomatic relations between the two countries. The drop in trade volume from \$311.5 million in 1982, to \$151.5 million in 1983, and from \$355.8 million in 1985 to \$215.3 million in 1986, were the outcome of political economic developments. The drop in 1983 was due to the Philippine balance of payment crisis as a consequence of the assassination of Senator Benigno Aquino. The drop in 1986 was due to the political uncertainties during and immediately after the SNAP elections. China's main exports during this period were mainly energy products, from crude oil, petroleum products, steel billet, chemical raw materials, machinery products, canned goods, textile, to coal and coal products. The main reason for the imbalance was due to the Philippines' purchase of large quantities of crude oil at a "friendship price." Other products, which were the outcome of China's Four Modernization Program, which started in 1979, such as generators, tires, and processed food, were not among the Philippines' top imports.¹⁷¹

The litany of events actually is a mix of both a state and a system's level analysis, but within a neo-realists framework - the 20th century world politics, realism on one hand, views nation states as the principal actors in world politics, for they answer to no higher political authority. Moreover, conflicts of interests among them are assumed to be inevitable. Neo-realism emphasizes the way the (perceived) realities of international politics dictate the choices that foreign on the world stage. The purpose of statecraft is national survival in a hostile environment. No means is more important to that end than the acquisition of power. And no principle is resources to promote its interest and protect itself.

¹⁷¹ Lim, pp. 40-41.

State sovereignty, a cornerstone of international law, enshrined the perspective, giving heads of states the freedom and responsibility to do whatever is necessary to advance the state's interests and survival.¹⁷² Neo-realism, in keeping with the contentions of classical realism, treats states as unitary actors who at the minimum seek their own preservation, and at the maximum, strive for universal domination. As mentioned, Waltz defines structure by the principle (hierarchical or anarchic) by which it is organized and by the specifications of functions of the units. Furthermore, structure is defined by the distribution of the capabilities among the units, including, for example, the extent to which it consists of actors that are similar to or widely different from each other as to the means of their possession. Thus, in keeping with the realists tradition also points out to the balance of power.¹⁷³

China was one of the first few countries that recognized the Aquino government two days after the EDSA “people power revolution.” The Aquino government did not give due attention to China. China was the one who took the initiative to revitalize its relations with the Philippines. One month after EDSA, the Chinese Minister of Culture came to Manila to sign a Cultural Agreement Executive program. In May of the same year the Chinese agreed to: 1) restructure payment of \$11.2 million dollars in rice import credit given to the Marcos administration in 1985; and 2) renew a credit line for \$20 million dollars given to the Philippines by the Bank of China. Beijing's early recognition of the new Philippine Administration under President Corazon C. Aquino, it was widely

¹⁷² Dougherty and Pfaltzgraff, pp. 63-64.

¹⁷³ Barry Buzan. “Peace, Power and Security: Contending Concepts in the Study of International Relations”, in *Journal of Peace Research*, 21-2 (1984), pp. 109 – 111.

expected that Philippines-China relations under the Aquino administration was headed to a good start. It was speculated by many observers that Aquino would seek some form of economic cooperation with China. Some even believed that she would continue the Marcos era of good relations with China.¹⁷⁴ Expectations, however, were proven wrong. In sharp contrast to the earlier Marcos policy, when commerce security and friendship were the substance of Philippines-China relations, President Aquino's East Asia policy was clearly dominated by Taiwan.

It took the Aquino government almost three years to reactivate RP-China relations, albeit, mainly through the initiative of Filipino Chinese who supported her presidency and admitting the violation, the Philippine government expressed diplomatic apologies. In December 1988, in preparation of her state visit to China, President Aquino signed Executive Order 313 which prohibits all Philippine government officials from visiting Taiwan whether in private or official capacities. E.O. 313 also prohibits Philippine officials from receiving Taiwanese counterparts, but E.O. 313 did not attain its purpose.¹⁷⁵

On the other hand, in February 1989, three years after President Aquino assumed office, the Philippines and China signed an agreement to expand bilateral trade to between \$400 and \$450 million. This was lower than the target set by Marcos in 1978. The primary item that motivated the Aquino government to sign the agreement was crude oil. On April 14, 1989, President Aquino left for China seeking to strengthen diplomatic ties and to retrace her

¹⁷⁴ Aileen S.P. Baviera. "China's Evolving World View and the Philippines", in *China Across the Seas*, (Manila: Philippine Association for Chinese Studies, 1991), pp. 2-4

¹⁷⁵ *Ibid*, pp. 11-13.

roots in Hongjian, Fujian. In Beijing, President Aquino met Deng Xiaoping, Premier Li Peng and President Yang Shangkun. They reiterated China's policy of non-interference in Philippine domestic affairs and their support of President Aquino's government. President Aquino was given a donation of 10,000 metric tons of rice by the PRC government. There was an agreement to further increase bilateral trade over a five-year period to \$800 million.

Neo-Realism maintains that while states maybe concerned with raising the population's standard of living and promoting national moral values international, these goals must ultimately remain subordinate to ensuring the state's survival, without which all aspirations are doomed anyway. To guard against the worst-case scenario of national enslavement or destruction, states tend to see each other as potential enemies. States may rely on powerful friends for help, but only at the risk of abandonment or exploitation. Friendly inter-state relationships, moreover, are often transitory. The few states powerful enough to dominate their environment do so, for this is the surest means of attaining security.¹⁷⁶

Along this line, Robert Gilpin avers that the states engage in cost-benefit calculations about the alternative courses of actions available to them. To the extent that the anticipated benefits exceed the costs, states are likely to attempt to make changes in the system. In the context of "rationality", the states will view the international system is in a condition of equilibrium to the extent that its major actors are with the territorial, political and economic status

¹⁷⁶ Roy, p. 228.

quo. It is acknowledge that every state or group could benefit from the change; thus, the distribution of power represents the principal means for controlling the behavior of the states. Dominant states maintain a network of relationships within the system for the purpose.¹⁷⁷

When General Ramos became the 12th President of the Republic in 1992, Taiwan just enunciated the “Southward Policy” of economic expansion through the ASEAN countries. Unlike President Aquino, however, President Ramos took immediate steps to mollify the Chinese. He made a state visit to China from April 26 to May 1, 1993. His agenda ranged from the expansion of commercial relations with China to the resolution of the Spratlys dispute. To emphasize the agenda, President Ramos not only ordered the termination of the trade-balancing program but also brought with him six top Filipino Chinese tycoons to China.¹⁷⁸ The new trade protocol encompassed pledges of best-efforts on the part of the Philippines to buy Chinese power plants, transmission lines and towers, transformers, metal manufacturing and road building equipment, electrical products, coal, textiles, steel billets, mineral products, chemicals, cotton, foodstuff and other consumer items. For China’s part it will buy Philippine phosphatic and compound fertilizers, chromite ores, copper cathodes and concentrates, tin plates, cold-rolled steel, manganese, coconut oil, fatty acid and alcohol, bananas, coffee beans, and shelled cashew.¹⁷⁹ The Ramos delegation also signed fourteen joint venture agreements. China offered

¹⁷⁷ Gilpin, pp. 9-11.

¹⁷⁸ Danilo B. Enriquez. *RP-China Relations: A Focus on the Spratlys Questions*. (Metro Manila: National Defense College of the Philippines, 1993)

¹⁷⁹ Lim, pp. 28-36.

a \$25 million energy loan for the construction of mini-hydro electric plants and the commercial credit for two coal-fired power plants. At the same time, President Jiang Zemin donated \$434,000 to victims of Mt. Pinatubo.¹⁸⁰

During President Jiang's visit, two agreements were signed between the two countries on November 26, 1996. One was Agreement Between the Government of the Republic of the Philippines and the Government of the People's Republic of China on the Establishment of Additional Consulates. The Chinese government gave its consent to the Philippines' establishment of a consulate-general in Guangzhou, with a consular district comprising Guangdong Province, Guangxi Zhuang Autonomous Region, Hainan Province and Hunan Province.¹⁸¹ In addition, consular district of the Consulate-General of the Government of the Republic of the Philippines was established in Xiamen comprises Fujian Province, Jiangxi Province and Zhejiang Provinces. The Philippine government gave its consent to the Government of China for reserving the right to establish a consulate-general in Davao, with a consular district comprising Basilan, Sulu, Tawi-Tawi, Zamboanga del Norte, Zamboanga del Sur, Agusan del Norte, Agusan del Sur, Davao del Norte, Davao del Sur, Davao Oriental, South Cotabato, Surigao del Sur, Lanao del Norte, Lanao del Sur, Maguindanao, North Cotabato, and Sultan Kudarat. The other agreement was for the Maintenance of the Consulate-General of the Republic of the Philippines in Hong Kong Special Administrative Region of the

¹⁸⁰ Ibid, pp. 48-49.

¹⁸¹ Department of Foreign Affairs, Annual Report (1996)

PRC.¹⁸²

The most controversial issue between the Philippines and China during the Ramos administration centered on rival claims on the Spratly islands West of Palawan. This occurred even after an agreement was signed during President Ramos' state visit to the PRC. The agreement stated that both countries would shelve the sovereignty issue, and adhere to the 1992 ASEAN Manila Declaration enjoining all claimants in the Spratlys to settle their conflicting claims peacefully.¹⁸³ After the Ramos visit, cooperation between the two countries went on smoothly until China's occupation of the Mischief Reef in 1995, recurrent entry of Chinese patrol boats, fishing vessels, and the attempted occupation of the Scarborough shoal. These developments not only engaged the attention of the Ramos government but also led to confrontational behavior that soured Philippine-PRC diplomacy over the Spratlys.¹⁸⁴ It also gave the Department of Defense reason to lobby for an increase of its budget in order to modernize its defense structures. And it led the Department of Foreign Affairs to shift its strategy from quiet diplomacy to "internationalizing the issue," by questioning the legitimacy of China's occupation of the Mischief Reef in international forums. It has also brought Congress into the controversy, and has convinced many of its members to seek stronger security arrangement with the United States of America. Some of its members have questioned the wisdom of

¹⁸² DFA Documentation of Protocols (1996)

¹⁸³ China, Taiwan and Vietnam claim all the islands in the Spratlys, The Philippines essentially claims only the western section of the Spratlys or the Kalayaan Island Group. An assortment of about 51 island, islets, reef, shoals, cays and rocks, depending upon whether its high or low tide, the group is nearest to Palawan, but which also contains most of the islands in the archipelago, See *Laurel Report: Mission to China* (March 12-22, 1972)

¹⁸⁴ Enriquez, pp .83-87

the Philippine Senate in rejecting a new agreement on the American military bases rejected during the Aquino administration. They claimed that with the presence of the American bases, the Chinese would not dare occupy the islands.¹⁸⁵

The Philippine military interpreted Chinese presence as: “invasion,” “intrusion,” “violation of Philippine territorial sovereignty,” and “occupation” of Philippine territory and waters. Since 1995 the Philippine military considers Chinese presence in the Mischief Reef as a threat to Philippine security. In 1995 it was feared that friendly relations between China and the Philippines would deteriorate after Chinese occupation of the Mischief Reef. In fact most observers linked Chinese occupation of the Mischief reefs with commercial and trade issues. They argued that commercial relations would only improve if and when the Chinese occupation of the Mischief Reef was resolved. Several Filipino political leaders demanded that the Chinese leave Mischief Reef as a precondition to improved Philippine-China relations.¹⁸⁶

Indeed over the past decade there has been a tendency by many observers to associate political developments with economic performance. For instance some quarters have claimed that rampant kidnapping of ethnic Chinese in the Philippines have led to flight of their capital to China. There is also talk that the tension in the Mischief Reef could only exacerbate our commercial

¹⁸⁵ Aileen S.P. Baviera. *Bilateral Confidence Building with China in Relation to the South China Seas Dispute: A Philippine Perspective*. A paper for the International Security Research and Outreach Programme, International Security Bureau. (Canada: Department of Foreign Affairs and International Trade, February 2001), pp.39-45.

¹⁸⁶ Enriquez, p. 58-62.

relations with China. We were told that from an international relations perspective and particularly from a political standpoint security concerns that are given primary importance as in the case of Chinese occupation of the Mischief would reduce trade activities. Yet a review of trade statistics from 1995 to 1998 appears to prove these observers wrong. It appears that despite the China's construction of a structure over the Mischief Reef in 1995 and with the controversy it has spawned since then, trade volumes between the two countries have increased dramatically over the same four year period. Trade volume increased from \$456.7 million in 1994 to \$1306 million in 1995 or an increase of 65 percent. Indeed the trade volume increased more markedly in 1997 when the Mischief Reef controversy became more pronounced and the Asian financial crisis occurred. More striking perhaps is the facts that while the trade volume between China and the Philippines increased during the 1997 financial crisis, China's trade volume with other ASEAN countries plummeted significantly. This is also true with Chinese investments in the Philippines.¹⁸⁷

From 1995 to June 1998, when the Mischief Reef issue was smoldering, China opened over 100 enterprises with a total investment of over US\$140 million. And then at the height of the Mischief Reef controversy, when the Philippines threatened to internationalize the issue, two of the largest corporations in China set up subsidiaries in the Philippines. The Haier Group of China setup a subsidiary company for production and marketing of air conditioners in the Philippines and the China National Technical Import and

¹⁸⁷ Alejandro Lasan. *"The One China Option: A Policy Direction"*. (National Defense College of the Philippines: Masters in National Security Administration Thesis, 1994), p. 18-22.

Export Corporation (CNTIEC) established the CNTIEC Philippine Mechanical and Electrical Products Co. Ltd.¹⁸⁸ Currently Harbin Power Engineering Company Ltd., is engaged in a project of coal power station in Mindanao, the investment totals \$220 million. For this project China will provide \$165 million of seller's credit. It appears that these new subsidiaries are direct mainland ventures and have no capital contributions from the Filipino Chinese. Chinese investments were brought in by the Ramos liberalization policy and as part of the broader incentive measures extended for foreign investments. Moreover, the Chinese believe that they have comparative advantage over competing industries as they have newer technology and machinery. Chinese FDI ventures were started in 1995. The investments were mainly in selected ASEAN countries such as Malaysia, Thailand and in 1997, the Philippines. These ventures were undertaken with Chinese government encouragement.¹⁸⁹

President Fidel Ramos¹⁹⁰ is a seasoned military man who became Chief of Staff of the Armed Forces of the Philippines and Secretary of National Defense, he has to rise above his personal preferences to honor the 1975 Communiqué. A year after into his term, he made a state visit to China essentially to reaffirm his administrations commitment to the One China policy and settle pressing issues like imbalance trade, overstaying Chinese, the Chinese poaching in Philippine waters, the contentious Spratly's claims, among others. The visit warranted numerous commitments and bilateral agreements

¹⁸⁸ Reynaldo Lesaca. *Implications of the Establishment of Diplomatic Relations with The Peoples Republic of China*. (Metro Manila: National Defense College of the Philippines, 1998), pp. 56-57.

¹⁸⁹ Andes, pp. 111-118.

¹⁹⁰ Lifted from an interview with President Fidel V Ramos on August 2005 at the National Defense College of the Philippines by Gloria Mercado.

between the two countries including the establishment of additional consular offices in key cities for both countries. China likewise reassured the Ramos government that China has no expansionist agenda; it donated funds to the Mt. Pinatubo rehabilitation, as well as proposed a joint Committee or exploration in the South China Seas.

This stand is consistent with Denny Roy's assertion that in the neo-realism view, international cooperation is restricted by two phenomena – the first is every state's fear of leaving itself vulnerable to the control of foreigners, and the second is the relative gains problem. Even if, in absolute terms, two states would gain by cooperating, one would be likely to gain more than the other. Thus, relative to each other, one state would gain and the other will lose. Facing these prospects, the expected loser would probably refuse to cooperate, foregoing an absolute gain in order to deny its rival a relative gain. Neo-realists also assume that states are rational, unitary actors in their external behavior because when it comes to international relations and foreign policy, all factions and organizations agree on the common goal of making the states as secure as possible.¹⁹¹

The effort to refine neorealist theory encompasses the reformulation of power, as well as the development of greater understanding of the conditions under which cooperation rather competition will be chosen as a preferred option. It therefore, also include an effort to bridge domestic and international politics, and more specifically, to relate domestic structures to international

¹⁹¹ Roy, p. 229

structures. Although, survival represents the ultimate goal of the states according to the realists, the neo-realists believe that it depends on the ability of its leaders to meet and overcome the challenges from and maintain support of societal groups and conditions.¹⁹² States may therefore accumulate economic wealth and technological strength for both domestic and international benefits.¹⁹³ Buzan, Jones and Little, also suggest that there are units' capabilities, the nature of which affects the international system. Specifically, this includes technology and shared norms and organizations. Technology provides an important means by which units interact, just as norms and organizations shape the systemic setting within which interaction takes place.¹⁹⁴

The year 2001 onwards was witness to the changing tide of history. Countries across the globe face compelling issues in the national level and those, which transcend national boundaries. Elements of change - globalization, information technology, the Internet, environmental and humanitarian concerns, terrorism, drugs and global crimes -have led to disturbances and fuelled domestic and regional conflicts. The events of September 11 drastically altered the security environment of the post-Cold War era. No longer can we operate under the same assumptions previous to that fateful date. Gloria Macapagal Arroyo was then Vice President when the Estrada administration was besieged by allegation of massive corruption and graft, capped by an impeachment, which led to EDSA People Power II. An economist by profession, she was formerly Undersecretary of Trade and Investment, and 3 term Senator.

¹⁹² Waltz, pp. 70-71.

¹⁹³ Mastanduno, et al, pp. 463-464

¹⁹⁴ Buzan, et al, p. 36.

Daughter of former President Diosdado Macapagal, there was so much expectation on her administration from the cross section of civil society, businessmen, civil service and masses alike who supported the people's revolution, which led to her assumption as President. Arroyo in her Medium Term Philippine Development Plan had tasked the Department of Foreign Affairs to undertake strategic thrusts that would deepen the country's engagement with the rest of the world through development diplomacy.¹⁹⁵

In 2001, Arroyo has tasked the Department of Foreign Affairs to be steadfast in its mission to advance the interests of the Philippines and the Filipino people in the world community. The Philippines pursued three main foreign policy objectives, which are national security, development diplomacy, and the promotion of the welfare of Filipinos overseas, against the backdrop of eight realities underlying the foreign policy of the Arroyo administration. The more crucial points to this study includes:¹⁹⁶ China, Japan and the United States, and their relationships, will be the determining influence in the security situation and economic evolution of East Asia; More and more, Philippine foreign policy decisions have to be made in the context of ASEAN; The country's economic growth will continue to be heavily dependent on foreign investments; The coming years will see the growing importance of multilateral and inter-regional organizations to promote common interests; The defense of the nation's sovereignty and the protection of its environment and natural

¹⁹⁵ <http://en.wikipedia.org/wiki/arroyo/>

¹⁹⁶ Teofisto Guingona. "Challenges in Philippine Foreign Policy" in *Economic Development After UNCTAD for Developing Countries*. (Bangkok: UN Documentation, 2002), p. 46.

resources lie at the heart of foreign policy; A country like the Philippines can benefit from international tourism; and, Overseas Filipinos will continue to play a critical role in the country's economic and social stability.¹⁹⁷

To facilitate the attainment of these objectives, the Department adopted cultural diplomacy and public diplomacy as essential tools in achieving our foreign policy goals. Likewise, security interests demand our priority attention. The Department works with other agencies to contribute to the enhancement of the nation's security and the protection the country's territorial integrity and national sovereignty. The Philippines also works closely with other countries to address threats to national security. Sustaining the peace in the Philippines and in the region will require continuing attention to our relations with neighboring countries as well as countries in other regions. The Philippines is determined by its geography as an archipelagic state in the Southeast Asia region. Our relations with neighboring countries are dictated by our desire to achieve peace, prosperity and stability within our borders and to contribute positively towards a lasting peace in the region.¹⁹⁸

Relations with the Philippines' Asian neighbors were deepened through a series of high-level visits, bilateral consultations and the conclusion of agreements. In May, the Vice President and Secretary of Foreign Affairs made his first round of visits to Singapore, Brunei and Malaysia. President Gloria Macapagal-Arroyo also made state visits to Malaysia, Singapore, Brunei

¹⁹⁷ The 2005 Annual Philippine Foreign Policy Overview is an official working document of the Department of Foreign Affairs for the guidance on policy direction, redirection and implementation of the country's overseas mission

¹⁹⁸ DFA Strategic Thrusts (2001-2005)

Darussalam, and Indonesia to reinforce bilateral ties with ASEAN partners.¹⁹⁹

President Arroyo's state visit to China from 28 to 31 October 2001 provided the opportunity for pursuing areas of cooperation in combating transnational crimes; the extradition of accused and convicted persons; and encouraging China's positive role in the region, particularly with regard to the South China Sea issue and the adoption of a Regional Code of Conduct in the South China Sea. President Arroyo visited Japan on 12-16 September 2001. During the visit, the President and Prime Minister Koizumi affirmed the importance of holding the first bilateral Politico-Security Dialogue and of cooperating closely in the fight against terrorism, anti-piracy and other transnational issues. Both Leaders discussed ways of enhancing bilateral relations. The Memorandum of Understanding between the Government of the Republic of the Philippines and the People's Republic of China on cooperation against illicit traffic and abuse of narcotic drugs, psychotropic substances and control of precursor chemicals, 30 October 2001.²⁰⁰

Arroyo's Administration also saw relations with the Americas expand through high-level visits. In November, the Department helped to organize the President's working visit to the United States, which resulted in the following: A package of benefits from the US government, financial institutions and the private sector amounting to US\$ 4.6 billion in value; A commitment for more defense assistance, totaling US\$ 92.3 million; Strong executive and legislative

¹⁹⁹ DFA Annual Report (2001)

²⁰⁰ Briefing Paper to Congress on President Gloria arroyo State Visit to PROC and the Details of Agreements Signed (2001)

commitments to pursue the Veterans Equity Bill; Strengthened economic ties between the Philippines and the United States and generated strong support for the country's development priorities, particularly in the areas of agriculture modernization, financial sector reform and the development of SMEs; Concrete US support for accelerating the economic transformation of Mindanao as a foundation for durable peace in that region; Commitments for technical assistance in the effective implementation of the Anti-Money Laundering Act and for the development of the agriculture sector; An agreement to conduct exchanges of disaster management professionals and jointly conduct forums and training in furtherance of the approved Cooperation in Disaster Prevention and Management; A package of US\$ 49 million from USAID for development projects in 2001, as well as a commitment of US\$ 66 million for 2002.²⁰¹

Meanwhile, in 2003, China attracted US\$57 billion worth of direct foreign investments, second only to the United States that had US\$ 86.6 billion. The gross foreign trade volume of China last year (2003) reached \$851.2 billion, becoming the fourth largest trading nation by replacing France. It is projected that China's foreign trade this year (2004) may reach US\$ 1 trillion, becoming the third largest trader by overtaking Japan...China's trade volume with ASEAN countries increased by 6 times in the past ten years, reaching US\$ 54.77 billion last year. This trade volume is expected to reach US\$100 billion next year."²⁰²

²⁰¹ Briefing Paper to Congress on President Gloria Arroyo State Visit to PROC and the Details of Agreements Signed (2002)

²⁰² Jintao Hu, President: People's Republic of China. *A Golden Age of Partnership*. Letter to H.E. President

An International Monetary Fund Report declared that global economic growth is highly dependent on China and the US. The report further stated that in 2004 China's economy rapidly grew by 9.5%, 8.5% in 2005 and is expected to grow by 8% in 2006. Investments in China made up 45% of gross domestic product last year and is continuously picking up. Although regional gross domestic product will slow down in 2004, China's GDP will only be affected moderately. China's share of world trade may triple from 3% in 1992 to 9.8% by 2020 according to a World Bank Report.²⁰³ China has also stuck to its currency model to the detriment, as perceived by the world's richest nations (G7) and the IMF, of other economies because it's contributing to precarious global imbalances. China is stiffly defending its position because it believes this is the reason for the slow but steady growth of its exports. In fact, during the first quarter of 2005 China's exports grew by 32.9% and resulted in a trade surplus of US\$ 16.6 billion for the quarter and, relatedly added to the pressure to let China's Renminbi or Yuan appreciate in value against the dollar. Accordingly, "...the Chinese currency has been able to ride piggy-back on a falling dollar to enable the country's exports to enjoy an artificial edge on global markets."²⁰⁴ However, China's Southeast Asian neighbors benefited from it and earned China a lot of goodwill points when, during the 1997 financial crisis in the region she didn't devalue her currency.

China's rapidly growing economy however, has resulted in the

Gloria Macapagal Arroyo on the occasion of the 30th anniversary of the establishment of diplomatic relations between the Republic of the Philippines and the People's Republic of China. (Manila: PROC Embassy, June 9, 2005)

²⁰³ China Statistical Year Book (2004)

²⁰⁴ DFA Annual Review Situationer for Senior Foreign Service Officers

country's rising demand for oil. According to the Asian Development Bank, "The PRC's demand for oil grew by 9% in 2003 to about 270 million tons, or double the 1992 level. Net oil import in 2003, at 91 million tons was more than twice the 1998 level...the demand for oil will continue its upward spiral...production from the nation's aging oil fields will decline...oil consumption could reach 600 million tons by 2020, with 400 million tons imported."²⁰⁵

Indeed, China is the fastest growing market for Philippine exports. From being the 12th biggest trade partner in 2001, China has moved up to being the Philippines fourth biggest trade partner in 2005. Trade between the Philippines and China has been exceeding the goals set and resulted in a trade surplus for the Philippines amounting to \$4.8 Billion in 2004. Since 2002, annual growth rate reached 55%. In 2004 bilateral trade was \$13.3 Billion, exceeding the \$ 10 billion set for 2005.²⁰⁶ During the state visit of President Hu Jintao, RP-China relations were further boosted with the signing of 10 government-to-government and four business agreements worth \$1.1 Billion in investments and the granting of \$ 524 million in loans. Among the more important projects to be undertaken is the 80-kilometer rehabilitation of the northern railway system spanning from Manila to Clark in Pampanga. Another major project is the rehabilitation of the Nonoc Nickel mine in Surigao Del Norte worth \$ 300 million. If all goes well, the total project cost could well reach \$1 billion. Other notable projects include an industrial glass factory and an herbal medicine facility worth a total of \$300

²⁰⁵ Asian Development Bank Report (2003)

²⁰⁶ <http://www.dti.gov.ph/>

million.²⁰⁷ A boon to agriculture and to the economy is the introduction of high yielding rice and corn varieties. The high yielding rice variety produces three times more the amount of the current crop, from 3.5 tons to 10 tons per hectare.

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The Arroyo administration in the onset has been very definite on its policy direction for a “deep engagement” with PROC, hence all her programs and policy issuances were consistent. However, despite such firm commitment to the One China policy, being a liberal economist, she knows that Taiwan’s economic prowess plus its strategic proximity to the country can never be undermined. Hence after all her political debts, she appointed a career Ambassador as Chief of Mission of MECO to ensure that the Philippines can optimize the gains from the unofficial relations. Thus, it put in place apolitical institutional mechanisms like the Special Hiring Program, purposive focus on socio-cultural and educational exchanges, among others. Arroyo’s administration gave so much credence to international organizational and regional groupings like the ASEAN, WTO, APEC, etc.

The Arroyo performance is akin to a liberalist classic- since 1970, Liberalism was revived under the rubric of Neo-liberalism like the political scientists Robert Axelrod and Robert O. Keohane who ask why states choose to cooperate most of the times in the anarchic condition of the international system. The answer can be drawn out from the ‘prisoners’ dilemma, bottom line it was for the self-interests of both to cooperate. Similarly, states are not faced with a one-

²⁰⁷ Board of Investments (<http://www.boi.gov.ph/statistics/>)

²⁰⁸ Alitao Malinao. “GMA to Strengthen RP-China Relations”, in *Philippine Digest* (A Project of the Presidential News Desk, October 2001), pp. 1-3.

time situation; they confront each other over and over again on specific issues. Neo-liberals do not believe that individuals naturally cooperate out of innate characteristics of the species; the prisoners' dilemma provides neo-liberals with a rationale for mutual cooperation in an environment where there are no rules for such cooperation. Such cooperation emerges because for actors having continuous interactions with each other, it is in the self-interest of each to cooperate.²⁰⁹

Institutions may be established, affecting the possibilities of cooperation, but do not guarantee cooperation. For Neo-liberals security is essential, institutions help to make security possible. Institutions provide a guaranteed framework of interactions; they suggest that there will be an expectation of future interactions. These interactions will occur not just on security issues but also on the whole suite of international issues including human rights, environment, immigration, and economics. Institutionalism among neo-liberals offers a broad base approach in understanding state's behavior. It theorizes that states act on self-interests and focuses on broad institutional factors that may influence the ability of the state to negotiate joint outcomes, which are mutually beneficial to them. Self-interested parties coordinate their behavior in order to reap "joint gains" in the context of norms, rules and practices that constrain activities and shape expectations.²¹⁰

The theoretical frame of neo-liberalism consists also of integration,

²⁰⁹ Robert O. Keohane and Joseph Nye. "Achieving Cooperation Under Anarchy: Strategies and Institution", in *International Organization*. (Summer 1971), pp. 239-240

²¹⁰ Peter M. Haas. "Epistemic Communities and Dynamics of International Environment Cooperation", in *Regime Theory and International Relations*, (New York: Oxford University Press, 1993), p. 182

interdependence and regimes. Interdependence is the dominant feature of the world politics since the postwar era. The world has become interdependent in economics, in communications, in human aspirations. Interdependence refers to situations characterized by reciprocal effects among countries or among actors in different countries. Interdependence in this context does not necessarily mean that there is equal distribution of benefits among the actors. The term used is “asymmetries” where one actor is less dependent than the other and that this relationship can be used as a source of power in bargaining over an issue. In the advent of globalization, countries are faced with the challenges to cope with the fast pace of the changing world economy.²¹¹

Interdependence can be more specifically defined as a mutual dependence between two or more parties, it may be asymmetric or symmetrical, but it still causes consequences or reciprocal effects to occur to all parties based on the actions of any of the parties, as based on the article “Interdependence in World Politics.” In relation to this it is also beneficial to understand the concepts of being sensitive and vulnerable so as to determine the extent by which parties will be affected by their interdependence relations. “Sensitivity” refers to the speed and costliness of certain movements in relation to a particular party (in this case, country). “Vulnerability” is more inclined to the capability (or lack thereof) of a country to find alternatives in the light of events, which impact the country in a very fast or costly manner.²¹²

Neo-liberals can adhere to the realists tenet that states are the most

²¹¹ Robert O. Keohane and Joseph S. Nye. *Power and Interdependence*. (London: Scott, Foresman and Company, 1989), pp. 23-24.

²¹² *Ibid*, p. 25

important actors on the world scene which act out of self – interests in an anarchical environment, without needing to renounce the liberal insights that states are able to realize common interests through cooperation and use international institutions to this end.²¹³ In the behavioral dimension, international regime can influence the government to implement the rules of the regime and comply with even inconvenient commitments. International regimes can alter the preference ordering of the government. A more profound one is that the regime can change the political structure of a state. Regime can also strengthen the domestic political groups that support the regime rules and encourage rule compliance by the new government whose interests are served by the regime. It can alter loyalties and encourage integration and have civilizing effects.²¹⁴

In sum, Neo-liberalism adheres to basic tenets as democracy, peaceful conflict resolutions, collective security, disarmaments, geopolitical connectivity – what happens within a country can change the geopolitical map of the globe, economic underpinning of international behavior, the role of international organizations are crucial, and neo-liberals have given great emphasis on bilateral and multilateral diplomacy for the promotion and protection of human rights, as well as put the topic of humanitarian intervention into the spotlight and out of the cold.²¹⁵

²¹³ Andreas Hasenclever, Peter Mayer, and Volker Rittberger. *Theories of International Regime*. (New York: Cambridge University Press, 1997), p. 83

²¹⁴ Mayer, p. 424.

²¹⁵ Michael Doyle. “Liberalism and World Politics Revisited”, in *American Political Science Review* 80, (December 1986), pp. 10-14.

In sum, the relationship between China and the Philippines:

Table 3: FOREIGN TRADE PHILIPPINES-CHINA
F.O.B. Value in US\$ millions
(1971-2006)

	Marcos 1971 - 1986	Aquino 1987 - 1992	Ramos 1993 - 1998	Estrada 1999 - 2000	Arroyo 2001 - 2006
Imports	1,798,884	1,238,483	5,373,726	1,824,384	13,351,527
Exports	795,250	508,424	1,726,879	1,238,073	15,640,424
Total	2,594,134	1,746,907	7,100,605	3,062,457	28,991,951
Average Per Year	0.17	0.34	1.42	3.06	5.80

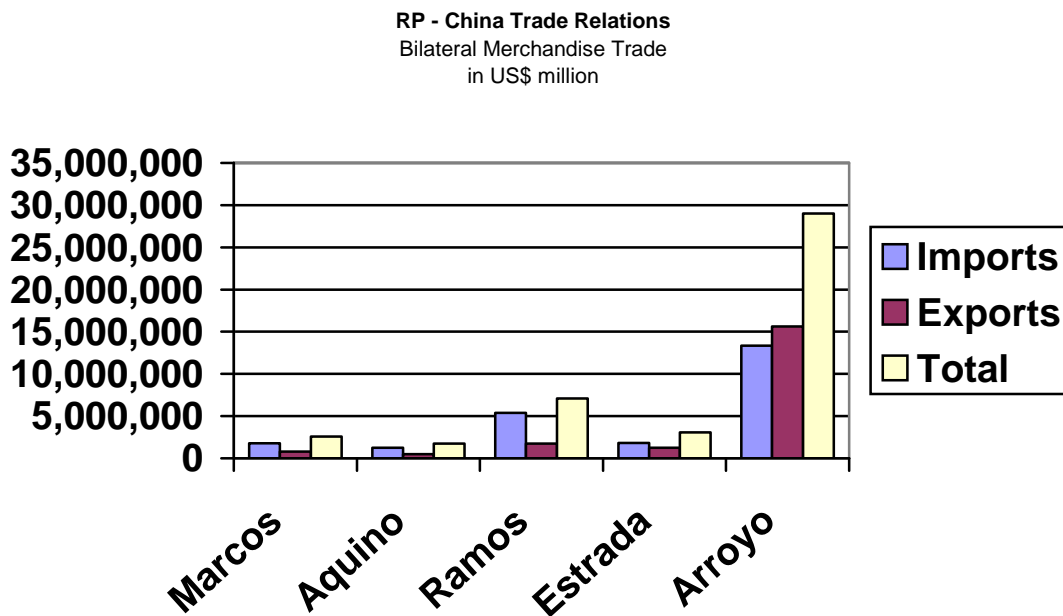


Figure 8: CONSOLIDATED RP-PROC RELATIONS FOR FIVE ADMINISTRATIONS

(Source: Bureau of Export Trade Promotion, Department of Industry)

C.3 Implications to the Philippines

ASEAN remains a cornerstone of Philippine foreign policy. Consequently, the DFA ensures that the Philippines participates effectively in ASEAN meetings, activities, programmes and projects and maintains close relations with ASEAN member countries and Dialogue Partners. Former Vice President and Secretary of Foreign Affairs Teofisto T. Guingona, Jr. participated in the ASEAN Foreign Ministers' Retreat in Yangon, Myanmar, on 30 April 2001. The Retreat enabled the Vice President to engage in open and frank discussions on regional issues and to establish good working relationships with his ASEAN colleagues. The country advanced major ASEAN thrusts like:²¹⁶ 1) at the 34th ASEAN Ministerial Meeting, ASEAN Foreign Ministers endorsed the Philippine proposal to establish Common Professional and Technical Standards in ASEAN. The proposal is intended to encourage ASEAN member states to seek higher benchmarks in education, skills and aptitudes to further enhance the competitiveness of their professionals and workers, as well as contribute to narrowing the development gap in the region; 2) the Philippines continues to pursue the adoption of a Regional Code of Conduct as a first step towards finding a peaceful resolution of the territorial conflicts in the South China Sea; 3) Philippine involvement in the global fight against terrorism was based on United Nations Security Council Resolution 1368, which mandates member-countries to join the international coalition to combat terrorism. Recently, the Philippines, together with Malaysia and Indonesia, completed the draft of a trilateral operational agreement against

²¹⁶ The major ASEAN thrusts were culled out from a comprehensive report of Undersecretary for Policy of the Department of Foreign Affairs – Sonia Catumber Brady on ASEAN Initiatives for the past five years to include the ASEAB China Senior Officials Consultations in Shanghai, 2005.

terrorism to secure and safeguard common borders.

The Philippines worked for the adoption of the ASEAN Declaration on Joint Action to Counter Terrorism at the 7th ASEAN Summit, held in Brunei Darussalam on 5-6 November 2001; and, 4) the Philippines has taken an active role in the partnership building of ASEAN + 3. The Philippines continued to play an active role in strengthening East Asian Cooperation at the 5th ASEAN+3 Summit. At the Summit, efforts to achieve the vision of a 13-member East Asian Community have gained momentum.²¹⁷

The Philippine foreign policy framework of the Philippines as stated in the preceding discussions is essentially ASEAN centrist and with purposive deference to the powers—United States, Japan, and China. The security of the country has become a major thrust of foreign policy, reflecting the change in emphasis from domestic to international strategic issues. The compelling geopolitical reality is the fact that the Philippines is strategically located at the crossroads of the Asia-Pacific, lying between insular Southeast Asia and Northeast Asia, at the same time linking the whole of East Asia with South Pacific.²¹⁸ It is an archipelago consisting of 7, 100 islands, with a total coastlines of 17, 460 kilometers – twice that of the continental United States and with a land to water ratio of 1:7. Fifty five percent of the population lives along the coastline.

The territory is, moreover criss-crossed by straits used for international navigation. These include the Luzon Straits between Taiwan and the northern

²¹⁷ Brady, p. 1-4.

²¹⁸ The 2005 Annual Philippine Foreign Policy Overview is an official working document of the Department of Foreign Affairs for the guidance on policy direction, redirection and implementation of the country's overseas mission.

most islands of Luzon, the San Bernardino and Surigao straits connecting the Philippines to the East and South China Sea to the West, and North-South route connecting the northern part of the South China Sea to the Celebes. The eastern seaboard of the country faces in rich fishing grounds of the south Pacific, attracting the distant waters fishing fleets of Korea, Taiwan, Japan, and of late China.²¹⁹

The geographic setting and archipelagic nature of the country make the Philippines highly vulnerable to foreign intrusions and external threats. While there is a common perceptions that there is no immediate danger of major external aggressions directed against the country in the short and medium term, it is also true that concerns about regional instability and potential external threats has grown conspicuously over the last several years. The concern is traceable in part to the strategic uncertainties accompanying the end of the cold war.

Ironically, the bipolar rivalry between the United States and the Soviet Union, and the threat of their mutually assured nuclear destruction, provided what was perceived to be more stable and predictable global security situation. Today, most countries of the world are hard put to identify the clear-cut threats as emanating from specific countries or opposing ideologies. Rather in this era of intense interdependence among nations, the sources of conflict and instability are more diverse and multi-dimensional. Less predictable and therefore, in real sense more worrisome.²²⁰

There is uncertainty and some anxiety over the role that a huge and more

²¹⁹<http://www.gov.ph/aboutphil/general.asp/>

²²⁰ Baviera (2000), pp. 67-69.

powerful China would play in East Asia, where it has a number of unresolved territorial claims including with the Philippines. China is the Philippines nearest neighbor to the north, with the exception of Taiwan. Relations between the Philippines and Taiwan had been normal since the establishment of diplomatic ties and marked by active people to people contact. Compared with the rest of the ASEAN, the Philippines lagged behind in expanding trade and investment opportunities with China. Manila's geographic proximity to and the long standing commercial linkages with Taipei also presented challenges for Philippine implementation of the one china policy, thus creating minor difficulties in Manila-Beijing ties.²²¹

The remarkable progress in Chinese economic reforms has contributed to China's growing engagement with its neighbors and with other major powers. China has also demonstrated its capacity to behave as a responsible power in promoting global security and welfare. Still, the view from its immediate backyard in East Asia is marred by lingering fears that China's emergence as the new rising power may cause difficulties for its smaller and less influential neighbors. Beijing is involved in territorial and sovereignty disputes with several countries in the region. It is self-confessedly aiming to project a major military presence in its surrounding oceans within a few decades. It is currently dissatisfied with the current global and regional balance of power. Having suffered humiliation at the hands of the other powers in the past, Chinese elites are prone to translate their newfound self-confidence into narrow nationalism. It therefore comes as no surprise that despite frequent assurances from Beijing,

²²¹ Baviera. 1991, p. 6-7

many other countries including the Philippines still tend to see it as at least potential source of instability.²²²

C. 4 Policy and Strategic Thrusts

Most Southeast Asian states have enjoyed the perpetuation of ruling regimes, while others such as Malaysia, Singapore and Indonesia—experienced a smooth transition of power that further consolidated political stability. Such trend bodes well for the enhancement of intra-regional cooperation amid the emergence of an interrelated security and economic environment with the current spirit of solidarity and cooperation in Southeast Asia could also provide a foundation for resolving outstanding territorial disputes in the region. On one hand, the Philippines is committed to support the deepening of the ASEAN integration, as well as cooperation in development and security, and on the other hand, the Philippines does not lose sight of its primordial goal of becoming a major trading partner in the ASEAN region and other allies like United States, China and Japan.

Based on the final Focused Group Discussions facilitated by Dr. Gloria Jumamil- Mercado, MNSA and attended by the National Security Adviser Norberto Gonzales, Senator Loren Legarda, Lt. General Samuel Bagasin, Businessman Shirley Plaza, Former Ambassador Edgardo Espinosa and Former Vice President and concurrent Secretary of Foreign Affairs – Teofisto Guingona, Jr. a comparative assessment of the advantages and disadvantages of the 5 policy areas for prioritization used the criteria or measure of viability that is utilized by the National Economic and Development Authority. The criteria as discussed in

²²² Ibid, pp. 11-13.

Chapter 3—Research Methodology—Preferred Options Generation Flow, are three pronged: *feasibility; suitability; and acceptability (FSA)*.

The argument for “**feasibility**” means that the selected option is generally the least costly in terms of monetary factors. If it is more expensive comparatively, an exception can be justified within the realms of “social benefits and even welfare effects” – when two or more competing choices would yield the same costs, but the benefit of the other is greater, the former becomes the preferred option.

The criteria for its “**suitability**” are analyzed within the context of “consistency or conformity with existing laws or norms, or established national policies. These principles are the guiding posts to ensure that “national interests” is the primordial considerations.

The criteria for “**acceptability**” are taken within the parameters of the diverse interest of its stakeholders. The preferred options can be operationalized within the capabilities and resources of its stakeholders and at the same time, equitably promoting the welfare of these stakeholders.

The following ranked as to priorities are as follows:

1. The Philippines must continue to support initiatives designed to enhance regional integration. With ASEAN’s combined gross domestic product of US\$ 800 billion, the country is committed to the process of trade and investment liberalization in the region. In the 7th ASEAN Summit in Brunei Darussalam last November, President Macapagal-Arroyo sought to revitalize and reinvigorate

BIMP-EAGA. With the aim of restoring investor confidence in the sub-region, the President must push further for several initiatives which include focused government intervention, strengthened security cooperation, a review of institutional mechanisms, development of small and medium enterprises and project facilitation.

2. ASEAN member countries must collectively move toward liberalizing trade not only within the region, but with the other economic heavy weights as well. The realization of separate free trade agreements with China, Japan, India, Australia and New Zealand would likely further entrench Southeast Asia as the fulcrum of economic cooperation's in East Asia. This trend has given rise to the urgency of narrowing the development gap within the ASEAN. To this end, the ASEAN must accelerate efforts to bridge this divide in the course of their integration.

3. Southeast Asian countries must also begin to explore ways to address its energy needs. While countries in the region have individually addressed the matter, they have also to move together in partnership with its other dialogue partners like the ASEAN+3 to collectively find creative solutions such as tapping its wealth of natural resources and alternative energy sources.

4. Corollarily, the threat of terrorism which galvanized individual countries to strengthen regional cooperation to counter the menace must be pursued relentlessly. In any case, Southeast Asian terrorists, while having the capacity to

bring down by force of arms any government in the region, terrorist attacks could weaken economies and foster increased insecurities, but their success could only hinge on the unlikely radicalization of the predominantly moderate Muslim population in Southeast Asia.

Also, critical to the evolution of Southeast Asian Islam would be whether or not the moderate or a militant version of political Islam would prevail in majority Muslim states, primarily Indonesia and Malaysia. However, radical Islamists, whether violent or not, remained a minority in Southeast Asia. Nevertheless, the current interplay between radical Islamism and terrorism present complex challenges. Indonesian and Malaysian groups, including separatist groups outside these two countries—though driven largely by internal factors and domestic agendas—have developed links with terrorist networks based on ideological orientation and biases. This has eased the means by which terrorist groups infiltrate and influence domestic radical groups, and by extension, mainstream Muslim organizations. At the same time, while Muslim populations in Southeast Asia, whether moderate or conservative, disapprove of the goals and methods of extremists, they are reluctant to be perceived as taking the side of non-Muslims against fellow Muslims. Overall, while Islamic radicalization of traditionally moderate Muslim Southeast Asia appeared remote for now, the maintenance of the region's moderate Islam tradition would largely hinge on the ability of existing secular government to maintain stability, while expanding the state of Muslim organizations in government affairs.

Alongside efforts to address sources of regional insecurities, some

Southeast Asian states continue to grapple with domestic insurgencies. Despite the sustained ethnic and separatist conflicts in several Southeast Asian countries, the continued peace processes with the armed rebel groups, such as in the Philippines and Indonesia; lend hopes for peace in some restive parts of the region. The ASEAN member countries must therefore support each other in the peace talks and confidence building measures like the Moro Islamic Liberation Front (MILF) of Muslim Mindanao on going peace negotiation with the Philippine Government wherein ASEAN countries are observers.

5. Enhanced transnational cooperation among ASEAN and its dialogue partners is also an imperative due to the continuing threat of maritime insecurity. The concerted efforts of Malaysia, Indonesia and Singapore to safeguard navigation in the busy Malacca Straits has not only highlighted the urgency of fighting sources of maritime anxieties, but inspired other countries outside the region, such as China and the US, to focus attention on maritime security in Southeast Asia.

6. The Philippines must abide with its commitments in line with the collective decision to accelerate the ASEAN Free Trade Area timetable, which advances the elimination of all tariffs by 2010 for the ASEAN-6 and 2015 for new members. With a total trade of US\$780 billion, the Philippines has benefited from better trading relations with ASEAN. Since 1993, the Philippines' trade with the rest of ASEAN has increased 400 percent from US\$ 2.7 billion in 1993 to US\$ 10.9 billion in 2000. Philippine exports to ASEAN expanded seven and a half times from US\$ 797 million in 1993 to US\$ 6.0 billion in 2000, while imports from

ASEAN grew two and a half times from US\$1.9 billion to US\$ 5.0 billion in the same period. As a result, ASEAN now has a sixteen percent (16%) share in the Philippines' foreign trade.²²³

²²³ Brady Report, p. 6.

CHAPTER V CONCLUSION

This chapter discusses the researcher's conclusion and recommendation for the study.

A. Conclusion

Indeed the preceding cursory has proven the hypothesis that **The better the level of relationship is between China and the ASEAN as a regional block, the better the chances for China and the Philippines to enhance not only its traditional relationship in bilateral trade and investments, but also the more contentious issue of amicably resolving the South China Sea conflict, more specifically, the Kalayaan Group of Islands or Spratlys.**

As the study showed, the strength of ASEAN member countries to pursue an active partnership within the cooperation as well with other powerful countries is niche into the institutionalization of the integration within Southeast Asia. This subsequently led to a deepening of relations within the region and has renewed a sense of common purpose that has anchored the ASEAN since its inception in 1967. Despite divergent political orientations, ASEAN members have indeed displayed collective competence in charting the bloc's course to meet emerging challenges and opportunities. Regional integration has also reinforced the stake of individual states to keep conflict and instability at bay. Furthermore, the ASEAN has continued to buttress its position of diplomatic centrality through establish alignments in the ASEAN regional forum as well as new frameworks such as the Asia-Middle East Dialogue and the recent inaugural East Asia Summit.

Overall, Southeast Asian countries have moved to adjust to the region's fluid

political, security and economic realities. The respective nations in the region have embarked on activities that encompass the whole gamut of political, strategic, security and economic goals aimed toward building regional resilience amid contemporary challenges and trends. **Hence, making it viable for ASEAN to expand its dialogue partners like ASEAN+3 and even evolve the partnership to a robust trade relations and even undeniably security relations.** This was the case of the China-Philippine Relations as reflected by the volume of trade and partnership in defense and security.

B. Recommendation

All told, it becomes very compelling for ASEAN member countries to deepen the cooperation and integration process not only amongst them but with other strategic countries like the dialogue partners of ASEAN+3. Based on all the discussions of the study, ASEAN individual member country clearly benefit from regional cooperation since there are mutual gains in all parties involved. China maintains peaceful coordination with all the ASEAN member countries so the bilateral cooperation with the individual member states greatly progressed. In the case of the Philippines, there was an increase of trade with China and territorial disputes were also settled through the help of the ASEAN as an international structure. Thus, the state and nature of ASEAN-China relations impacts positively into the national interest of the Philippines.

Given some limitations like time, there were essential findings in the study that needs further research particularly with the political issues within the ASEAN structure and its dialogue partners. However, the contribution to academic and policy research is the “analytical value” of the results that can trigger some insight for further studies.

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ANNEX A

ASEAN CHARTER:

**CHARTER OF THE
ASSOCIATION OF SOUTHEAST ASIAN NATIONS**

PREAMBLE

WE, THE PEOPLES of the Member States of the Association of Southeast Asian Nations (ASEAN), as represented by the Heads of State or Government of Brunei Darussalam, the Kingdom of Cambodia, the Republic of Indonesia, the Lao People's Democratic Republic, Malaysia, the Union of Myanmar, the Republic of the Philippines, the Republic of Singapore, the Kingdom of Thailand and the Socialist Republic of Viet Nam:

NOTING with satisfaction the significant achievements and expansion of ASEAN since its establishment in Bangkok through the promulgation of The ASEAN Declaration;

RECALLING the decisions to establish an ASEAN Charter in the Vientiane Action Programme, the Kuala Lumpur Declaration on the Establishment of the ASEAN Charter and the Cebu Declaration on the Blueprint of the ASEAN Charter;

MINDFUL of the existence of mutual interests and interdependence among the peoples

and Member States of ASEAN which are bound by geography, common objectives and shared destiny;

INSPIRED by and united under One Vision, One Identity and One Caring and Sharing Community;

UNITED by a common desire and collective will to live in a region of lasting peace, security and stability, sustained economic growth, shared prosperity and social progress, and to promote our vital interests, ideals and aspirations;

RESPECTING the fundamental importance of amity and cooperation, and the principles of sovereignty, equality, territorial integrity, non-interference, consensus and unity in diversity;

ADHERING to the principles of democracy, the rule of law and good governance, respect for and protection of human rights and fundamental freedoms;

RESOLVED to ensure sustainable development for the benefit of present and future generations and to place the well-being, livelihood and welfare of the peoples at the centre of the ASEAN community building process;

CONVINCED of the need to strengthen existing bonds of regional solidarity to realize an ASEAN Community that is politically cohesive, economically integrated and socially

responsible in order to effectively respond to current and future challenges and opportunities;

COMMITTED to intensifying community building through enhanced regional cooperation and integration, in particular by establishing an ASEAN Community comprising the ASEAN Security Community, the ASEAN Economic Community and the ASEAN Socio-Cultural Community, as provided for in the Bali Declaration of ASEAN Concord II;

HEREBY DECIDE to establish, through this Charter, the legal and institutional framework for ASEAN,

AND TO THIS END, the Heads of State or Government of the Member States of ASEAN, assembled in Singapore on the historic occasion of the 40th anniversary of the founding of ASEAN, have agreed to this Charter.

CHAPTER I

PURPOSES AND PRINCIPLES

ARTICLE 1

PURPOSES

The Purposes of ASEAN are:

1. To maintain and enhance peace, security and stability and further strengthen peace-

oriented values in the region;

2. To enhance regional resilience by promoting greater political, security, economic and socio-cultural cooperation;

3. To preserve Southeast Asia as a Nuclear Weapon-Free Zone and free of all other weapons of mass destruction;

4. To ensure that the peoples and Member States of ASEAN live in peace with the world at large in a just, democratic and harmonious environment;

5. To create a single market and production base which is stable, prosperous, highly competitive and economically integrated with effective facilitation for trade and investment in which there is free flow of goods, services and investment; facilitated movement of business persons, professionals, talents and labor; and freer flow of capital;

6. To alleviate poverty and narrow the development gap within ASEAN through mutual assistance and cooperation;

7. To strengthen democracy, enhance good governance and the rule of law, and to promote and protect human rights and fundamental freedoms, with due regard to the rights and responsibilities of the Member States of ASEAN;

8. To respond effectively, in accordance with the principle of comprehensive security, to all forms of threats, transnational crimes and transboundary challenges;

9. To promote sustainable development so as to ensure the protection of the region's environment, the sustainability of its natural resources, the preservation of its cultural heritage and the high quality of life of its peoples;

10. To develop human resources through closer cooperation in education and life-long learning, and in science and technology, for the empowerment of the peoples of ASEAN and for the strengthening of the ASEAN Community;

11. To enhance the well-being and livelihood of the peoples of ASEAN by providing them with equitable access to opportunities for human development, social welfare and justice;

12. To strengthen cooperation in building a safe, secure and drug-free environment for the peoples of ASEAN;

13. To promote a people-oriented ASEAN in which all sectors of society are encouraged to participate in, and benefit from, the process of ASEAN integration and community building;

14. To promote an ASEAN identity through the fostering of greater awareness of the

diverse culture and heritage of the region; and

15. To maintain the centrality and proactive role of ASEAN as the primary driving force in its relations and cooperation with its external partners in a regional architecture that is open, transparent and inclusive.

ARTICLE 2

PRINCIPLES

1. In pursuit of the Purposes stated in Article 1, ASEAN and its Member States reaffirm and adhere to the fundamental principles contained in the declarations, agreements, conventions, concords, treaties and other instruments of ASEAN.

2. ASEAN and its Member States shall act in accordance with the following Principles:

(a) respect for the independence, sovereignty, equality, territorial integrity and national identity of all ASEAN Member States;

(b) shared commitment and collective responsibility in enhancing regional peace, security and prosperity;

(c) renunciation of aggression and of the threat or use of force or other actions in any manner inconsistent with international law;

- (d) reliance on peaceful settlement of disputes;
- (e) non-interference in the internal affairs of ASEAN Member States;
- (f) respect for the right of every Member State to lead its national existence free from external interference, subversion and coercion;
- (g) enhanced consultations on matters seriously affecting the common interest of ASEAN;
- (h) adherence to the rule of law, good governance, the principles of democracy and constitutional government;
- (i) respect for fundamental freedoms, the promotion and protection of human rights, and the promotion of social justice;
- (j) upholding the United Nations Charter and international law, including international humanitarian law, subscribed to by ASEAN Member States;
- (k) abstention from participation in any policy or activity, including the use of its territory, pursued by any ASEAN Member State or non-ASEAN State or any non-State actor, which threatens the sovereignty, territorial integrity or political and economic stability of ASEAN Member States;

(l) respect for the different cultures, languages and religions of the peoples of ASEAN, while emphasizing their common values in the spirit of unity in diversity;

(m) the centrality of ASEAN in external political, economic, social and cultural relations while remaining actively engaged, outward-looking, inclusive and non-discriminatory; and

(n) adherence to multilateral trade rules and ASEAN's rules-based regimes for effective implementation of economic commitments and progressive reduction towards elimination of all barriers to regional economic integration, in a market-driven economy.

CHAPTER II

LEGAL PERSONALITY

ARTICLE 3

LEGAL PERSONALITY OF ASEAN

ASEAN, as an inter-governmental organization, is hereby conferred legal personality.

CHAPTER III
MEMBERSHIP

ARTICLE 4
MEMBER STATES

The Member States of ASEAN are Brunei Darussalam, the Kingdom of Cambodia, the Republic of Indonesia, the Lao People's Democratic Republic, Malaysia, the Union of Myanmar, the Republic of the Philippines, the Republic of Singapore, the Kingdom of Thailand and the Socialist Republic of Viet Nam.

ARTICLE 5
RIGHTS AND OBLIGATIONS

1. Member States shall have equal rights and obligations under this Charter.

2. Member States shall take all necessary measures, including the enactment of appropriate domestic legislation, to effectively implement the provisions of this Charter and to comply with all obligations of membership.

3. In the case of a serious breach of the Charter or noncompliance, the matter shall be referred to Article 20.

ARTICLE 6

ADMISSION OF NEW MEMBERS

1. The procedure for application and admission to ASEAN shall be prescribed by the ASEAN Coordinating Council.

2. Admission shall be based on the following criteria:

(a) location in the recognized geographical region of Southeast Asia;

(b) recognition by all ASEAN Member States;

(c) agreement to be bound and to abide by the Charter;

and

(d) ability and willingness to carry out the obligations of Membership.

3. Admission shall be decided by consensus by the ASEAN Summit, upon the recommendation of the ASEAN Coordinating Council.

4. An applicant State shall be admitted to ASEAN upon signing an Instrument of Accession to the Charter.

CHAPTER IV

ORGANS

ARTICLE 7

ASEAN SUMMIT

1. The ASEAN Summit shall comprise the Heads of State or Government of the Member States.

2. The ASEAN Summit shall:

(a) be the supreme policy-making body of ASEAN;

(b) deliberate, provide policy guidance and take decisions on key issues pertaining to the realization of the objectives of ASEAN, important matters of interest to Member States and all issues referred to it by the ASEAN Coordinating Council, the ASEAN Community Councils and ASEAN Sectoral Ministerial Bodies;

(c) instruct the relevant Ministers in each of the Councils concerned to hold ad hoc inter-Ministerial meetings, and address important issues concerning ASEAN that cut across the Community Councils. Rules of procedure for such meetings shall be adopted by the ASEAN Coordinating Council;

- (d) address emergency situations affecting ASEAN by taking appropriate actions;
- (e) decide on matters referred to it under Chapters VII and VIII;
- (f) authorize the establishment and the dissolution of Sectoral Ministerial Bodies and other ASEAN institutions; and
- (g) appoint the Secretary-General of ASEAN, with the rank and status of Minister, who will serve with the confidence and at the pleasure of the Heads of State or Government upon the recommendation of the ASEAN Foreign Ministers Meeting.

3. ASEAN Summit Meetings shall be:

- (a) held twice annually, and be hosted by the Member State holding the ASEAN Chairmanship; and
- (b) convened, whenever necessary, as special or ad hoc meetings to be chaired by the Member State holding the ASEAN Chairmanship, at venues to be agreed upon by ASEAN Member States.

ARTICLE 8

ASEAN COORDINATING COUNCIL

1. The ASEAN Coordinating Council shall comprise the ASEAN Foreign Ministers and meet at least twice a year.

2. The ASEAN Coordinating Council shall:

(a) prepare the meetings of the ASEAN Summit;

(b) coordinate the implementation of agreements and decisions of the ASEAN Summit;

(c) coordinate with the ASEAN Community Councils to enhance policy coherence, efficiency and cooperation among them;

(d) coordinate the reports of the ASEAN Community Councils to the ASEAN Summit;

(e) consider the annual report of the Secretary-General on the work of ASEAN;

(f) consider the report of the Secretary-General on the functions and operations of the ASEAN Secretariat and other relevant bodies;

(g) approve the appointment and termination of the Deputy Secretaries-General upon the recommendation of the Secretary-General; and

(h) undertake other tasks provided for in this Charter or such other functions as may be assigned by the ASEAN Summit.

3. The ASEAN Coordinating Council shall be supported by the relevant senior officials.

ARTICLE 9

ASEAN COMMUNITY COUNCILS

1. The ASEAN Community Councils shall comprise the ASEAN Political-Security Community Council, ASEAN Economic Community Council, and ASEAN Socio-Cultural Community Council.

2. Each ASEAN Community Council shall have under its purview the relevant ASEAN Sectoral Ministerial Bodies.

3. Each Member State shall designate its national representation for each ASEAN Community Council meeting.

4. In order to realize the objectives of each of the three pillars of the ASEAN Community, each ASEAN Community Council shall:

- (a) ensure the implementation of the relevant decisions of the ASEAN Summit;
- (b) coordinate the work of the different sectors under its purview, and on issues which cut across the other Community Councils; and
- (c) submit reports and recommendations to the ASEAN Summit on matters under its purview.

5. Each ASEAN Community Council shall meet at least twice a year and shall be chaired by the appropriate Minister from the Member State holding the ASEAN Chairmanship.

6. Each ASEAN Community Council shall be supported by the relevant senior officials.

ARTICLE 10

ASEAN SECTORAL MINISTERIAL BODIES

1. ASEAN Sectoral Ministerial Bodies shall:

- (a) function in accordance with their respective established mandates;
- (b) implement the agreements and decisions of the ASEAN Summit under their respective purview;
- (c) strengthen cooperation in their respective fields in support of ASEAN integration

and community building; and

(d) submit reports and recommendations to their respective Community Councils.

2. Each ASEAN Sectoral Ministerial Body may have under its purview the relevant senior officials and subsidiary bodies to undertake its functions as contained in Annex 1. The Annex may be updated by the Secretary-General of ASEAN upon the recommendation of the Committee of Permanent Representatives without recourse to the provision on Amendments under this Charter.

ARTICLE 11

SECRETARY-GENERAL OF ASEAN

AND ASEAN SECRETARIAT

1. The Secretary-General of ASEAN shall be appointed by the ASEAN Summit for a non-renewable term of office of five years, selected from among nationals of the ASEAN Member States based on alphabetical rotation, with due consideration to integrity, capability and professional experience, and gender equality.

2. The Secretary-General shall:

(a) carry out the duties and responsibilities of this high office in accordance with the provisions of this Charter and relevant ASEAN instruments, protocols

and established practices;

(b) facilitate and monitor progress in the implementation of ASEAN agreements and decisions, and submit an annual report on the work of ASEAN to the ASEAN Summit;

(c) participate in meetings of the ASEAN Summit, the ASEAN Community Councils, the ASEAN Coordinating Council, and ASEAN Sectoral Ministerial Bodies and other relevant ASEAN meetings;

(d) present the views of ASEAN and participate in meetings with external parties in accordance with approved policy guidelines and mandate given to the Secretary-General; and

(e) recommend the appointment and termination of the Deputy Secretaries-General to the ASEAN Coordinating Council for approval.

3. The Secretary-General shall also be the Chief Administrative Officer of ASEAN.

4. The Secretary-General shall be assisted by four Deputy Secretaries-General with the rank and status of Deputy Ministers. The Deputy Secretaries-General shall be accountable to the Secretary-General in carrying out their functions.

5. The four Deputy Secretaries-General shall be of different nationalities from the

Secretary-General and shall come from four different ASEAN Member States.

6. The four Deputy Secretaries-General shall comprise:

(a) two Deputy Secretaries-General who will serve a non-renewable term of three years, selected from among nationals of the ASEAN Member States based on alphabetical rotation, with due consideration to integrity, qualifications, competence, experience and gender equality; and

(b) two Deputy Secretaries-General who will serve a term of three years, which may be renewed for another three years. These two Deputy Secretaries-General shall be openly recruited based on merit.

7. The ASEAN Secretariat shall comprise the Secretary-General and such staff as may be required.

8. The Secretary-General and the staff shall:

(a) uphold the highest standards of integrity, efficiency, and competence in the performance of their duties;

(b) not seek or receive instructions from any government or external party outside of ASEAN; and

(c) refrain from any action which might reflect on their position as ASEAN

Secretariat officials responsible only to ASEAN.

9. Each ASEAN Member State undertakes to respect the exclusively ASEAN character of the responsibilities of the Secretary-General and the staff, and not to seek to influence them in the discharge of their responsibilities.

ARTICLE 12
COMMITTEE OF PERMANENT REPRESENTATIVES
TO ASEAN

1. Each ASEAN Member State shall appoint a Permanent Representative to ASEAN with the rank of Ambassador based in Jakarta.

2. The Permanent Representatives collectively constitute a Committee of Permanent Representatives, which shall:

(a) support the work of the ASEAN Community Councils and ASEAN Sectoral Ministerial Bodies;

(b) coordinate with ASEAN National Secretariats and other ASEAN Sectoral Ministerial Bodies;

(c) liaise with the Secretary-General of ASEAN and the ASEAN Secretariat on all

subjects relevant to its work;

(d) facilitate ASEAN cooperation with external partners; and

(e) perform such other functions as may be determined by the ASEAN Coordinating Council.

ARTICLE 13

ASEAN NATIONAL SECRETARIATS

Each ASEAN Member State shall establish an ASEAN National Secretariat which shall:

(a) serve as the national focal point;

(b) be the repository of information on all ASEAN matters at the national level;

(c) coordinate the implementation of ASEAN decisions at the national level;

(d) coordinate and support the national preparations of ASEAN meetings;

(e) promote ASEAN identity and awareness at the national level; and

(f) contribute to ASEAN community building.

ARTICLE 14

ASEAN HUMAN RIGHTS BODY

1. In conformity with the purposes and principles of the ASEAN Charter relating to the promotion and protection of human rights and fundamental freedoms, ASEAN shall establish an ASEAN human rights body.

2. This ASEAN human rights body shall operate in accordance with the terms of reference to be determined by the ASEAN Foreign Ministers Meeting.

ARTICLE 15

ASEAN FOUNDATION

1. The ASEAN Foundation shall support the Secretary-General of ASEAN and collaborate with the relevant ASEAN bodies to support ASEAN community building by promoting greater awareness of the ASEAN identity, people-to-people interaction, and close collaboration among the business sector, civil society, academia and other stakeholders in ASEAN.

2. The ASEAN Foundation shall be accountable to the Secretary-General of ASEAN, who shall submit its report to the ASEAN Summit through the ASEAN Coordinating Council.

CHAPTER V

ENTITIES ASSOCIATED WITH ASEAN

ARTICLE 16

ENTITIES ASSOCIATED WITH ASEAN

1. ASEAN may engage with entities which support the ASEAN Charter, in particular its purposes and principles. These associated entities are listed in Annex 2.
2. Rules of procedure and criteria for engagement shall be prescribed by the Committee of Permanent Representatives upon the recommendation of the Secretary-General of ASEAN.
3. Annex 2 may be updated by the Secretary-General of ASEAN upon the recommendation of the Committee of Permanent Representatives without recourse to the provision on Amendments under this Charter.

CHAPTER VI

IMMUNITIES AND PRIVILEGES

ARTICLE 17

IMMUNITIES AND PRIVILEGES OF ASEAN

1. ASEAN shall enjoy in the territories of the Member States such immunities and

privileges as are necessary for the fulfillment of its purposes.

2. The immunities and privileges shall be laid down in separate agreements between ASEAN and the host Member State.

ARTICLE 18

IMMUNITIES AND PRIVILEGES OF THE SECRETARYGENERAL OF ASEAN AND STAFF OF THE ASEAN SECRETARIAT

1. The Secretary-General of ASEAN and staff of the ASEAN Secretariat participating in official ASEAN activities or representing ASEAN in the Member States shall enjoy such immunities and privileges as are necessary for the independent exercise of their functions.

2. The immunities and privileges under this Article shall be laid down in a separate ASEAN agreement.

ARTICLE 19

IMMUNITIES AND PRIVILEGES OF THE PERMANENT REPRESENTATIVES AND OFFICIALS ON ASEAN DUTIES

1. The Permanent Representatives of the Member States to ASEAN and officials of the Member States participating in official ASEAN activities or representing ASEAN in the

Member States shall enjoy such immunities and privileges as are necessary for the exercise of their functions.

2. The immunities and privileges of the Permanent Representatives and officials on ASEAN duties shall be governed by the 1961 Vienna Convention on Diplomatic Relations or in accordance with the national law of the ASEAN Member State concerned.

CHAPTER VII

DECISION-MAKING

ARTICLE 20

CONSULTATION AND CONSENSUS

1. As a basic principle, decision-making in ASEAN shall be based on consultation and consensus.

2. Where consensus cannot be achieved, the ASEAN Summit may decide how a specific decision can be made.

3. Nothing in paragraphs 1 and 2 of this Article shall affect the modes of decision-making as contained in the relevant ASEAN legal instruments.

4. In the case of a serious breach of the Charter or noncompliance, the matter shall be

referred to the ASEAN Summit for decision.

ARTICLE 21

IMPLEMENTATION AND PROCEDURE

1. Each ASEAN Community Council shall prescribe its own rules of procedure.
2. In the implementation of economic commitments, a formula for flexible participation, including the ASEAN Minus X formula, may be applied where there is a consensus to do so.

CHAPTER VIII

SETTLEMENT OF DISPUTES

ARTICLE 22

GENERAL PRINCIPLES

1. Member States shall endeavor to resolve peacefully all disputes in a timely manner through dialogue, consultation and negotiation.
2. ASEAN shall maintain and establish dispute settlement mechanisms in all fields of ASEAN cooperation.

ARTICLE 23

GOOD OFFICES, CONCILIATION AND MEDIATION

1. Member States which are parties to a dispute may at any time agree to resort to good offices, conciliation or mediation in order to resolve the dispute within an agreed time limit.
2. Parties to the dispute may request the Chairman of ASEAN or the Secretary-General of ASEAN, acting in an ex-officio capacity, to provide good offices, conciliation or mediation.

ARTICLE 24

DISPUTE SETTLEMENT MECHANISMS IN SPECIFIC INSTRUMENTS

1. Disputes relating to specific ASEAN instruments shall be settled through the mechanisms and procedures provided for in such instruments.
2. Disputes which do not concern the interpretation or application of any ASEAN instrument shall be resolved peacefully in accordance with the Treaty of Amity and Cooperation in Southeast Asia and its rules of procedure.
3. Where not otherwise specifically provided, disputes which concern the interpretation or application of ASEAN economic agreements shall be settled in accordance with the

ASEAN Protocol on Enhanced Dispute Settlement Mechanism.

ARTICLE 25

ESTABLISHMENT OF DISPUTE SETTLEMENT MECHANISMS

Where not otherwise specifically provided, appropriate dispute settlement mechanisms, including arbitration, shall be established for disputes which concern the interpretation or application of this Charter and other ASEAN instruments.

ARTICLE 26

UNRESOLVED DISPUTES

When a dispute remains unresolved, after the application of the preceding provisions of this Chapter, this dispute shall be referred to the ASEAN Summit, for its decision.

ARTICLE 27

COMPLIANCE

1. The Secretary-General of ASEAN, assisted by the ASEAN Secretariat or any other designated ASEAN body, shall monitor the compliance with the findings, recommendations or decisions resulting from an ASEAN dispute settlement mechanism, and submit a report to the ASEAN Summit.

2. Any Member State affected by non-compliance with the findings, recommendations or decisions resulting from an ASEAN dispute settlement mechanism, may refer the matter to the ASEAN Summit for a decision.

ARTICLE 28

UNITED NATIONS CHARTER PROVISIONS AND OTHER RELEVANT INTERNATIONAL PROCEDURES

Unless otherwise provided for in this Charter, Member States have the right of recourse to the modes of peaceful settlement contained in Article 33(1) of the Charter of the United Nations or any other international legal instruments to which the disputing Member States are parties.

CHAPTER IX

BUDGET AND FINANCE

ARTICLE 29

GENERAL PRINCIPLES

1. ASEAN shall establish financial rules and procedures in accordance with international standards.

2. ASEAN shall observe sound financial management policies and practices and

budgetary discipline.

3. Financial accounts shall be subject to internal and external audits.

ARTICLE 30
OPERATIONAL BUDGET AND FINANCES
OF THE ASEAN SECRETARIAT

1. The ASEAN Secretariat shall be provided with the necessary financial resources to perform its functions effectively.

2. The operational budget of the ASEAN Secretariat shall be met by ASEAN Member States through equal annual contributions which shall be remitted in a timely manner.

3. The Secretary-General shall prepare the annual operational budget of the ASEAN Secretariat for approval by the ASEAN Coordinating Council upon the recommendation of the Committee of Permanent Representatives.

4. The ASEAN Secretariat shall operate in accordance with the financial rules and procedures determined by the ASEAN Coordinating Council upon the recommendation of the Committee of Permanent Representatives.

CHAPTER X
ADMINISTRATION AND PROCEDURE

ARTICLE 31
CHAIRMAN OF ASEAN

1. The Chairmanship of ASEAN shall rotate annually, based on the alphabetical order of the English names of Member States.

2. ASEAN shall have, in a calendar year, a single Chairmanship by which the Member State assuming the Chairmanship shall chair:
 - (a) the ASEAN Summit and related summits;

 - (b) the ASEAN Coordinating Council;

 - (c) the three ASEAN Community Councils;

 - (d) where appropriate, the relevant ASEAN Sectoral Ministerial Bodies and senior officials; and

 - (e) the Committee of Permanent Representatives.

ARTICLE 32

ROLE OF THE CHAIRMAN OF ASEAN

The Member State holding the Chairmanship of ASEAN shall:

- (a) actively promote and enhance the interests and well-being of ASEAN, including efforts to build an ASEAN Community through policy initiatives, coordination, consensus and cooperation;
- (b) ensure the centrality of ASEAN;
- (c) ensure an effective and timely response to urgent issues or crisis situations affecting ASEAN, including providing its good offices and such other arrangements to immediately address these concerns;
- (d) represent ASEAN in strengthening and promoting closer relations with external partners; and
- (e) carry out such other tasks and functions as may be mandated.

ARTICLE 33

DIPLOMATIC PROTOCOL AND PRACTICES

ASEAN and its Member States shall adhere to existing diplomatic protocol and practices in the conduct of all activities relating to ASEAN. Any changes shall be approved by the ASEAN Coordinating Council upon the recommendation of the Committee of Permanent Representatives.

ARTICLE 34

WORKING LANGUAGE OF ASEAN

The working language of ASEAN shall be English.

CHAPTER XI

IDENTITY AND SYMBOLS

ARTICLE 35

ASEAN IDENTITY

ASEAN shall promote its common ASEAN identity and a sense of belonging among its peoples in order to achieve its shared destiny, goals and values.

ARTICLE 36

ASEAN MOTTO

The ASEAN motto shall be: "*One Vision, One Identity, One Community*"

ARTICLE 37

ASEAN FLAG

The ASEAN flag shall be as shown in Annex 3.

ARTICLE 38

ASEAN EMBLEM

The ASEAN emblem shall be as shown in Annex 4.

ARTICLE 39

ASEAN DAY

The eighth of August shall be observed as ASEAN Day.

ARTICLE 40

ASEAN ANTHEM

ASEAN shall have an anthem.

CHAPTER XII

EXTERNAL RELATIONS

ARTICLE 41

CONDUCT OF EXTERNAL RELATIONS

1. ASEAN shall develop friendly relations and mutually beneficial dialogue, cooperation and partnerships with countries and sub-regional, regional and international organizations and institutions.
2. The external relations of ASEAN shall adhere to the purposes and principles set forth in this Charter.
3. ASEAN shall be the primary driving force in regional arrangements that it initiates and maintain its centrality in regional cooperation and community building.
4. In the conduct of external relations of ASEAN, Member States shall, on the basis of unity and solidarity, coordinate and endeavor to develop common positions and pursue joint actions.
5. The strategic policy directions of ASEAN's external relations shall be set by the ASEAN Summit upon the recommendation of the ASEAN Foreign Ministers Meeting.
6. The ASEAN Foreign Ministers Meeting shall ensure consistency and coherence in the

conduct of ASEAN's external relations.

7. ASEAN may conclude agreements with countries or sub regional, regional and international organizations and institutions. The procedures for concluding such agreements shall be prescribed by the ASEAN Coordinating Council in consultation with the ASEAN Community Councils.

ARTICLE 42

DIALOGUE COORDINATOR

1. Member States, acting as Country Coordinators, shall take turns to take overall responsibility in coordinating and promoting the interests of ASEAN in its relations with the relevant Dialogue Partners, regional and international organizations and institutions.

2. In relations with the external partners, the Country Coordinators shall, inter alia:

(a) represent ASEAN and enhance relations on the basis of mutual respect and equality, in conformity with ASEAN's principles;

(b) co-chair relevant meetings between ASEAN and external partners; and

(c) be supported by the relevant ASEAN Committees in Third Countries and International Organizations.

ARTICLE 43

ASEAN COMMITTEES IN THIRD COUNTRIES AND INTERNATIONAL ORGANISATIONS

1. ASEAN Committees in Third Countries may be established in non-ASEAN countries comprising heads of diplomatic missions of ASEAN Member States. Similar Committees may be established relating to international organizations. Such Committees shall promote ASEAN's interests and identity in the host countries and international organizations.
2. The ASEAN Foreign Ministers Meeting shall determine the rules of procedure of such Committees.

ARTICLE 44

STATUS OF EXTERNAL PARTIES

1. In conducting ASEAN's external relations, the ASEAN Foreign Ministers Meeting may confer on an external party the formal status of Dialogue Partner, Sectoral Dialogue Partner, Development Partner, Special Observer, Guest, or other status that may be established henceforth.
2. External parties may be invited to ASEAN meetings or cooperative activities without being conferred any formal status, in accordance with the rules of procedure.

ARTICLE 45

**RELATIONS WITH THE UNITED NATIONS SYSTEM AND
OTHER INTERNATIONAL ORGANISATIONS AND
INSTITUTIONS**

1. ASEAN may seek an appropriate status with the United Nations system as well as with other sub-regional, regional, international organizations and institutions.

2. The ASEAN Coordinating Council shall decide on the participation of ASEAN in other sub-regional, regional, international organizations and institutions.

ARTICLE 46

**ACCREDITATION OF NON-ASEAN MEMBER STATES TO
ASEAN**

Non-ASEAN Member States and relevant inter-governmental organizations may appoint and accredit Ambassadors to ASEAN. The ASEAN Foreign Ministers Meeting shall decide on such accreditation.

CHAPTER XIII
GENERAL AND FINAL PROVISIONS

ARTICLE 47
SIGNATURE, RATIFICATION, DEPOSITORY AND ENTRY
INTO FORCE

1. This Charter shall be signed by all ASEAN Member States.
2. This Charter shall be subject to ratification by all ASEAN Member States in accordance with their respective internal procedures.
3. Instruments of ratification shall be deposited with the Secretary-General of ASEAN who shall promptly notify all Member States of each deposit.
4. This Charter shall enter into force on the thirtieth day following the date of deposit of the tenth instrument of ratification with the Secretary-General of ASEAN.

ARTICLE 48
AMENDMENTS

1. Any Member State may propose amendments to the Charter.

2. Proposed amendments to the Charter shall be submitted by the ASEAN Coordinating Council by consensus to the ASEAN Summit for its decision.

3. Amendments to the Charter agreed to by consensus by the ASEAN Summit shall be ratified by all Member States in accordance with Article 47.

4. An amendment shall enter into force on the thirtieth day following the date of deposit of the last instrument of ratification with the Secretary-General of ASEAN.

ARTICLE 49

TERMS OF REFERENCE AND RULES OF PROCEDURE

Unless otherwise provided for in this Charter, the ASEAN Coordinating Council shall determine the terms of reference and rules of procedure and shall ensure their consistency.

ARTICLE 50

REVIEW

This Charter may be reviewed five years after its entry into force or as otherwise determined by the ASEAN Summit.

ARTICLE 51

INTERPRETATION OF THE CHARTER

1. Upon the request of any Member State, the interpretation of the Charter shall be undertaken by the ASEAN Secretariat in accordance with the rules of procedure determined by the ASEAN Coordinating Council.
2. Any dispute arising from the interpretation of the Charter shall be settled in accordance with the relevant provisions in Chapter VIII.
3. Headings and titles used throughout the Charter shall only be for the purpose of reference.

ARTICLE 52

LEGAL CONTINUITY

1. All treaties, conventions, agreements, concords, declarations, protocols and other ASEAN instruments which have been in effect before the entry into force of this Charter shall continue to be valid.
2. In case of inconsistency between the rights and obligations of ASEAN Member States under such instruments and this Charter, the Charter shall prevail.

ARTICLE 53

ORIGINAL TEXT

The signed original text of this Charter in English shall be deposited with the Secretary-General of ASEAN, who shall provide a certified copy to each Member State.

ARTICLE 54

REGISTRATION OF THE ASEAN CHARTER

This Charter shall be registered by the Secretary-General of ASEAN with the Secretariat of the United Nations, pursuant to Article 102, paragraph 1 of the Charter of the United Nations.

ARTICLE 55

ASEAN ASSETS

The assets and funds of the Organization shall be vested in the name of ASEAN.

ANNEX B

Interview Guide:

1. What is the nature and state of the current relationship between China and the ASEAN?
2. Did this relationship bring stronger regional cooperation?
3. Did the outcome turn out positively for both sides in the past?
4. What are the recent developments of the current relationship?
5. What are the implications of this partnership to its individual member countries particularly the Philippines?
6. Did the Philippines benefit in this partnership?
7. How can the Philippines optimize its gains from this partnership?
8. Within the ASEAN structure, did this partnership enhance the relationship of China and Philippines?
9. What are the recent developments made between China and Philippines within the ASEAN structure?
10. What policies and strategic thrusts can we draw up from this partnership?

ANNEX C

FGD Questionnaire:

1. How do you view the ASEAN as a regional grouping with 10 member countries from its original 5? Would you consider it as a strong block and why?
2. How is ASEAN faring with its dialogue partners like the ASEAN+3?
3. More specifically, how do you assess the ASEAN-China Relations?
4. Do you think the level of ASEAN China relations affect the relationship of China with its member countries like the Philippines?
5. How do you assess the current relationship of China and the Philippines within the ASEAN framework?
6. How can the Philippine optimize this relationship in terms of economic relations - trade and investments, and other conflict resolution like the Spratlys?

ANNEX D

Five High Level Personalities:

1. Lt. General Samuel Bagasin, MNSA of the Armed Forces of the Philippines
2. Former Ambassador of MECO in Taiwan, Edgardo Espinosa
3. National Security Adviser, Norberto Gonzales
4. Former Vice-Pres. and concurrent Secretary of Foreign Affairs, Teofisto Guingona, Jr.
5. Senator Loren Legarda
6. Businesswoman, Shirley Marie Pelaez-Plaza