



Opening Statement of Commissioner Larry M. Wortzel, PhD

U.S.-China Economic and Security Review Commission

Hearing on "China's Activities in Southeast Asia and the Implications for U.S. Interests"

Thursday, February 4, 2010

Thank you Vice Chairman. And thanks to our witnesses for being here today to help us understand China's activities in Southeast Asia.

The United States has deep interests in and ties to Southeast Asia. We have a strong trade relationship with many of the nations in the region. We also have security relationships with Thailand and the Philippines and a strong partnership with Singapore. And as part of the Commission's legislative mandate, we are directed to examine regional security and economic changes and their impact on the United States.

For over a decade, China has been a growing presence in Southeast Asia. Two-way trade between China and Southeast Asia is growing rapidly. From 2006 to 2008, bilateral trade between China and nine out of the ten ASEAN member states increased dramatically. Just last month the ASEAN-China Free Trade Agreement—the world's largest free trade agreement measured by population—came into effect. The abundance of natural resources in the region has led to numerous Chinese-funded resource extraction projects with the goal of fueling China's continued economic development. Beijing is also providing low interest loans to fund infrastructure projects, especially in Burma, Laos, and Cambodia.

China has also expanded its security interactions with Southeast Asia. Over the past few years, the Chinese military has conducted several counterterrorism exercises with the militaries of Singapore and Thailand. Beijing has also expanded its arms sales to the region beyond its historical customer of Burma. High-level military visits between China and Southeast Asia have been on the rise, as have port calls from Chinese naval vessels.

China's increased footprint in the region, however, has also raised concerns among both Southeast Asia and in the United States. During the Commission's December trip to Vietnam, we heard several times that there is growing anxiety in Hanoi about China's growing assertiveness in the South China Sea over China and Vietnam's overlapping territorial claims. China's growing naval capabilities are not just a potential threat to Vietnam. Brunei, Indonesia, Malaysia, and the Philippines and Taiwan all have maritime territorial disputes with China in the South China Sea. As the Chinese navy improves its strength, to include a possible aircraft carrier fleet in the near future, the balance of power in the region will swing strongly in China's favor. Already some nations

are beginning to react, as demonstrated with Vietnam's recently announced plans to purchase from Russia six advanced submarines and 12 fighter aircraft. The confirmed presence of oil and natural gas in the region only exacerbate this trend.

Besides security concerns, Southeast Asians are increasingly watchful of China on the economic front. Many Chinese-funded projects rely upon Chinese labor, increasing tensions between indigenous Southeast Asians and migrant Chinese workers. Chinese investments also tend to focus on extracting the resources that it needs, and not on improving its partner states' technological capabilities. China's continued economic support for pariah states such as Burma are undermining international efforts to promote democracy in the region. In its effort to develop its economy, China at times disregards the economic and nontraditional security impacts upon its neighbors. For example, China has financed the construction of several hydroelectric dams along the Mekong River that are negatively impacting the economic and environmental situation of downstream nations. And finally, many of the regional forums that China promotes exclude the United States, which may inhibit Washington's ability to interact with Southeast Asia in the future.

Therefore, today we want to first examine China's growing economic and political activities in the region. Second, we are going to look at the security aspect of China's involvement in this region. Finally, we would like to look at China's activities in the various Southeast Asian regional forums. We thank you all for participating, and we'll begin by hearing testimony from Members of Congress.