China’s rapid growth and integration into the world economy present ASEAN countries with enormous business opportunities and competition. China has become a major driver of the region’s growth. Rapid expansion of China’s industries, exports, and consumer markets has led to a surge of demand for raw materials, energy, intermediate products, final goods, and services of all kinds from ASEAN countries. At the same time, the ASEAN and Chinese economies compete in their home and in third country markets, particularly in labour-intensive products. In the face of China’s competition, there is growing consensus that ASEAN’s only viable option is to undertake further trade liberalisation, industrial restructuring and improvement of investment climates. ASEAN countries have undertaken economic liberalisation, including a free trade agreement (FTA) with China, to enhance their competitive position. Yet responses by individual ASEAN countries vary, largely a result of their differing domestic policy reforms, institutional capacity, natural endowment, and business competitiveness.

China’s role in the global economy has increased sharply in the past 25 years. Its GDP has grown at an average annual rate of over 9 per cent, while its share of world trade has risen from less than 1 per cent to 6.5 per cent. China is now the second-largest economy on a purchasing power
impacts of China’s growth

parity basis and the third-largest trading nation in the world. Since 2003, China has been the world’s largest destination for foreign direct investment (FDI), which reached US$60 billion in 2004 (Song Hong 2005).

China’s neighbours, particularly ASEAN countries, have felt strongly the impact of China’s growth. Through its close bilateral and regional economic links, China’s rapidly growing domestic market and surging imports and exports provide ASEAN countries with both opportunities and competition. China’s sheer size and its growing integration with the regional economies mean its growth, at whatever rate, will exert significant influence on ASEAN’s development and external economic relations.

This chapter analyses some of China’s economic impacts on ASEAN countries, and ASEAN’s policy response. It is based on literature survey, data analysis and interviews with multilateral agencies, national research institutes and government organisations in some ASEAN countries. It ends with some concluding remarks.

**Impacts of growth**

Rapidly growing bilateral trade relations

China’s growth has led to a rapid expansion of its trade and broader economic relations with ASEAN countries. Bilateral trade reached more than US$100 billion in 2004, 100 times its value in 1978, when China began to open up. Trade volumes have grown on average by more than 20 per cent a year since 1990.

The composition of the bilateral trade between ASEAN and China has also changed significantly. It has advanced from trade mostly in raw materials to that of machinery and electrical equipment, clearly indicating closer economic integration through growing intra-industry trade. In 1993, for instance, mineral products, wood and wooden articles, and charcoal occupied about 55 per cent of ASEAN-5 total exports to China. In 2000, however, machinery and electrical equipment alone accounted for 43 per cent of ASEAN-5’s exports to China. Machinery, electrical equipment, and textiles are China’s dominant exports to ASEAN-5, rising from 18 per cent in 1993 to 43 per cent of China’s total exports to ASEAN (China’s Customs Statistics 2005).
The drivers

Reforms and economic liberalisation have been driving China’s integration into the world economy, presenting ASEAN and other regional economies with enormous business opportunities. China’s accession to the World Trade Organization (WTO) in 2001 has provided further impetus to ASEAN exports.

Economic globalisation and industrial restructuring in East Asia have led China to become the region’s final assembly centre, with supply of intermediate goods increasingly shipped from other Asian countries to China for re-export to third country markets in Europe, North America and other regions.

China’s domestic consumer market is rapidly growing, and is now one of the largest in the world. China’s rising living standard leads to demand for more agricultural products, consumer goods and services, including education and tourism, all of which ASEAN countries are well placed to supply. A more economically integrated Asia also means ASEAN can gain indirect benefit from the expanding third country markets such as Japan and Korea that grow together with the Chinese economy.
An emerging economic interdependence

China is ASEAN’s fourth largest trade partner, while ASEAN has been China’s fifth largest trade partner in the world since 1990. Since the mid 1990s, bilateral trade has been consistently in ASEAN’s favour. In 2003, ASEAN overall enjoyed a bilateral trade surplus with China of US$16 billion (ADB 2004). ASEAN’s economic growth has increasingly relied on China following the East Asian financial crisis.

During the financial crisis, China’s commitment to continue pegging the yuan against the US dollar eased the downward pressure on Asia’s currencies and helped them to stabilise macroeconomic conditions. At that time, the Japanese economy was still stagnant and, in the early 2000s, the US economy was also mired in the aftermath of its tech bubble burst. China’s high growth helped lift demand for exports from East Asia and is thought to have been a key external factor, helping the region pull itself out of the crisis.

China has since contributed significantly to ASEAN’s export growth. Between 1998 and 2003, for instance, ASEAN countries’ exports to China soared three-fold, while its growth to the world rose by less than 47 per cent. Between 2000 and 2003, China contributed to 46 per cent of

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Figure 9.2 ASEAN-China trade, imports and exports, 2002–03 (US$ ‘000)

![Chart showing ASEAN-China trade imports and exports, 2002–03](chart)

ASEAN’s export growth, accounting for 117 per cent of the growth of the Philippines, 77 per cent of Singapore, 49 per cent of Malaysia, 30 per cent of Indonesia, and 25 per cent of Thailand (calculations based on ADB 2004).

Broader economic relations, including investment, have grown rapidly between ASEAN countries and China. China has been active investing in ASEAN’s resource sector including fertiliser, chemicals and rubber production. Investment in machinery production and assembly trade has also risen in recent years. China has invested in Singapore given its role as regional hub for financing, marketing and export seeking activities.

At the same time, companies of ASEAN origin have also actively pursued investment opportunities in China. In 2002, ASEAN collectively invested a total of US$3.3 billion in China, taking about 4 per cent of China’s total FDI inflow that year (calculation based on China National Bureau of Statistics 2004). This places ASEAN behind only Hong Kong, Taiwan, the EU and the United States as the fifth largest source of FDI for China. Investment from ASEAN countries would actually be more prominent if many of the ‘round-trip’ investment from China through Hong Kong back to China are stripped out from the accounting for China’s inward FDI.

China’s growing competitiveness

ASEAN and China are direct competitors in a wide range of export products. China’s export sector is a stellar performer, growing by a rate of 17 per cent per annum in the past twenty-five years. Labour-intensive industries have driven its export surge to the world, but in recent years, its exports have also increasingly relied on growing sophisticated capital and technology-intensive industries. As a result, both the low and middle-income ASEAN economies feel China’s competitive pressure. China’s cheap labour on the one hand, and a large pool of skilled engineers on the other, make competition stiffer for ASEAN economies in both their home and third-country markets.

ASEAN countries are also generally concerned with the slow inflow of foreign direct investment (FDI). FDI to ASEAN countries has dropped significantly in the wake of the Asian economic crisis in 1997–98. Although slowly recovering, FDI in many ASEAN economies has yet to regain its pre-crisis level. By contrast, China’s stable macroeconomic environment,
rapidly growing domestic market, and improved investment climate make it a magnet for FDI (World Bank 2004).

FDI to China reached US$60 billion in 2004, three times that to ASEAN countries combined. The fact that FDI to China has surged at the same time as it has dropped for ASEAN countries leads to a view that FDI inflow to China is at ASEAN countries’ expense. FDI also brings new technology and know-how to China and adds to its competitiveness.

Assessing the business competition
Despite rising competition from China, a number of recent studies find little empirical evidence that China has grown its exports at ASEAN’s expense (Ahearne et al. 2003; Yang 2003; Weiss 2004; Lee 2004; Australia, Department of Foreign Affairs and Trade 2003). To the contrary, it appears that, so far, China’s exports and ASEAN’s exports have been positively correlated. China’s exports certainly put competitive pressure on ASEAN countries with similar economic structure and comparative advantage. But the size and growth of third-country markets are more important, with ASEAN benefiting from expanding exports to third-country markets such as Japan, the growth of which has also been strongly stimulated by their growing economic ties with China.
Studies also show that, so far, there is no evidence of FDI diversion from elsewhere in the region to China (Weiss 2004). The United States, the EU, and Japan still invested less in China than in ASEAN countries (Yang 2003). Surging FDI from China to the ASEAN economies has also produced beneficial impacts. Transnational companies are the main driving forces behind FDI, and see China as part of their regional production chains. Many of their FDI activities in the region have led to the increase of exports from ASEAN countries to China.

The extent and scope of the competition from China facing individual countries are also different, due largely to their varying export structures and industrial competitiveness vis-à-vis China’s. Countries with a more similar export structure to China’s tend to face fiercer competition. China’s comparative advantage still lies mainly in its labour-intensive sector, like clothing, textiles and footwear, electronics, office machines and parts. That is also where the comparative advantage of most ASEAN countries lies. ASEAN and China therefore mainly compete in markets for these labour-intensive products.

Table 9.1 summarises the sectors and extent of the ASEAN–China business competition, based on a number of studies that examine the structures of the Chinese and individual ASEAN exports as of early 2000s (Australia, DFAT 2003; Yang 2003; Lee 2004). Sectoral focus is on labour-intensive, capital/technology intensive, and resource intensive industries. Strong, medium and weak are used to describe the extent of competition. This summary is impressionistic rather than precise.

Singapore’s strong technology-based economy has long moved out of the more labour-intensive industries in which China has comparative advantage. Strong complementarity between the Singaporean and Chinese economies makes the extent of business competition between them relatively weak. The Philippines is not a strong exporter of labour-intensive products, but benefits from China’s demand for electronic components.

Indonesia competes against China in almost half of its export markets, mainly for labour-intensive manufactures. With its strength in primary commodity exports, however, Indonesia is also complementary with China’s expanding demand for industrial inputs. Almost two-thirds of Malaysia’s net exports compete with China’s, including a wide range of electronics.
Malaysia’s complementarity with China currently is lower than that of most other regional economies.

Among all the ASEAN-5 countries, Thailand has the most similar net export profile to China’s and faces competition from China in 70 per cent of its net export sectors (Australia, DFAT 2003). Thailand’s complementarity with China is the lowest in the region, but is growing rapidly. While Vietnam’s growing labour-intensive exports (particularly in clothing, textile and footwear) are in direct competition with China’s, its exports of fruits and agricultural products have rapidly expanded to meet China’s rising demand for food.

Cambodia’s exports rely heavily on the clothing, textile and footwear sector, which has faced growing competition from China due to the expiry of the Multi-Fibre Arrangement (MFA). Laos’s comparative advantage lies in its natural resource base with its rich endowment in forestry, water, land and mineral resources. Its economy is therefore highly complementary with the Chinese economy.

Responses from ASEAN countries

Attitudes turning positive

ASEAN members have clearly seen the business opportunities presented by China’s growth. They have become much more positive about economic
relations with China. This stands in stark contrast to the general perception prior to the late 1990s that China could become a serious economic threat. The positive perception reflects the fact that China is now the main growth engine of the region. It also reflects a sense of realism that sees globalisation and trade liberalisation as making competition more intense at home and in international markets. A growing China is seen as part of this.

Urgency of policy reforms

Many ASEAN countries feel the urgency of undertaking further policy reforms to develop a more liberal economic system and to promote a competitive business environment.

A competitive business environment will be key to attracting more FDI to the region. Traditionally, ASEAN countries have used FDI as an important source for upgrading technologies and restructuring industries. FDI as a market-driven decision tends to go where there is higher returns and lower risks. The surge of FDI to China and its contrasting slow recovery in ASEAN gives a very clear signal to ASEAN governments that the need to undertake further policy reforms to improve their investment climates to make them comparable to China’s. Delay will only put them at a greater disadvantage, particularly given China’s advantages of a huge domestic market, competitive export sector, rapidly improving infrastructure and an increasingly favourable business environment. Currently, the sunk cost factor may make some transnational corporations retain their production sites in some ASEAN countries. The crunch will come when these transnational corporations make their next round of FDI decisions.

Improving the investment environment will be key to attracting more FDI to the region. It is also essential to foster the growth and competitiveness of domestic firms. However, many ASEAN economies still treat firms differently, according to whether they are domestic or foreign, large or small, state or privately owned. Together with some corrupt business practices, policy discrimination inhibits foreign investors as well as the domestic private sector and small-medium enterprises (World Bank 2005, World Development Report 2005).
Economic liberalisation through multiple channels

Increasingly ASEAN countries have pursued economic liberalisation, through multilateral, regional, bilateral, unilateral, and sub-regional channels, to achieve growth and business competitiveness.

- The multilateral trade system helps develop a rules-based economy with business practices conforming to the WTO-based international principles, norms and practices. Vietnam, Laos and Cambodia are actively seeking to become members of the WTO. The accession process is helping shape their trade systems and investment environments.

- Regional integration within ASEAN and with external economies helps reduce the costs of doing business by enlarging currently segmented markets. APEC provides an important venue for all ASEAN countries to engage in dialogue and discussion on reducing tariff and non-tariff barriers. It also helps them understand issues arising from trade liberalisation. Within ASEAN, the development of ASEAN Economic Community (AEC) would also help eliminate trade barriers among members and promote economic integration.

- Bilateral free trade agreements (FTAs) can help boost trade and economic growth in the region, providing they create more trade than they divert. Some individual ASEAN member countries are actively pursuing FTAs with external partner countries. The ASEAN-10+China FTA proposal is one of the most prominent.

- Initiatives for sub-regional growth areas involve two or more neighbouring countries for freer movement of people, goods and services, and development of infrastructure and institutions. This includes Greater Mekong Sub-region (GMS) covering sub-national regions in Laos, Vietnam, Cambodia, Myanmar, Thailand and China. Part of the motive is to capitalise on China’s growth. Another example is the Brunei, Indonesia, Malaysia and
Philippines East ASEAN Growth Area (BIMP-EAGA). Its recent revival clearly indicates an urgency felt by member states to be part of East Asian economic restructuring instigated by China’s growth.

ASEAN-China FTA

Seeing China as an opportunity explains why ASEAN has actively pursued bilateral Free Trade Agreements (FTA) with China since the early 2000s (Murray 2004).

- In November 2001, ASEAN-10 and China agreed to establish the world’s largest free trade area, comprising 1.7 billion people, US$2 trillion GDP and US$1.2 trillion in trade volume. The FTA will allow all members to enjoy more favourable treatment in trade and investment than the WTO can offer.
- In November 2002, both sides signed Framework Agreement that agreed to complete FTA negotiations by 30 June 2004, and to establish the FTA by 2010.
- In October 2003, both sides also signed ASEAN Treaty of Amity and Cooperation that provides for the peaceful resolution of territorial disputes.
- China forgave all or part of the debts of Vietnam, Laos, Cambodia and Myanmar, and granted most favoured nation status to non-WTO members Vietnam, Laos and Cambodia.
- Both sides signed Declaration on the Conduct of Parties in the South China Sea and the Facilitation of Cross-Border Transport of Goods and People in the Greater Mekong Region.
- Both sides identified 5 areas for cooperation, including agriculture, information technology, human resources, direct investment, and Mekong River Basin.
- Both sides estimated that the FTA, when established, could add 1 per cent to ASEAN’s GDP, 0.3 per cent to China’s GDP, and 50 per cent to ASEAN exports to China.
Individual countries responding differently

Among ASEAN countries, Singapore and Thailand have been the most proactive in pursuing a regional FTA with China. For Singapore, this happens because of trade complementarity and historically close economic ties. Thailand sees China’s business opportunities and also the need to adjust as a good option for economic prosperity. Both countries have actively invested in China, and also instigated policy reforms at home to facilitate economic restructuring, innovation, specialisation, and a better investment climate. Thailand, for instance, has put in place a ‘one village one product’ policy that encourages product differentiation in its handicraft industry. Its ‘one stop shop’ government policy is also aimed to simplify procedures and process for setting up and doing business.

The Philippines initially was a reluctant participant in the ASEAN-10+China FTA, as its trade with the United States and Japan was much bigger and more important. It, however, turned around to embrace the FTA as a symbol of the Arroyo government’s willingness to have closer political ties with China. Economically, Philippines has recently benefited enormously from its trade relations with China, which accounted for all of its export growth since 2000. In September 2004, during Arroyo’s state visit to China, the Philippines committed to accelerate the timetable for its tariff reduction program involving certain agricultural products under the ASEAN-10+China FTA (Villanueva 2004). Research in the Philippines has also identified many areas, including agricultural products, tourism and financial services, that Philippines can exploit from China’s opening markets. But cumbersome bureaucratic processes makes the Philippines slow to act, and strong vested interests also share the blame for the stalling of policy reforms to achieve greater competition and private sector development. The Philippines’ economic difficulties are also complicated by its rural poverty, income disparities, and law and order problems particularly in the south.

Indonesia is the largest country in ASEAN, yet in recent years its economy and exports have underperformed most of its ASEAN neighbours, including the Philippines. The new government has been keen to take advantage of ASEAN’s FTA with China, as part of a push for an export-oriented growth to power economic development (Asia Times 2004).
Indonesia’s resource-based economy positions it well to take advantage of China’s growth. Indonesia has already become a major supplier of raw materials to China, particularly in oil and gas, coal, rubber, timber, pulp and paper, palm oil, organic chemicals, fish, electronics, and steel. An improved political relationship between Jakarta and Beijing in recent years augurs well for the domestic business in Indonesia and FDI has started flowing from China to Indonesia, especially in its oil-and-gas sector. But China is a direct competitor for several of Indonesia’s important exports such as textiles and apparel. The expiry of the MFA from 2005 makes competition in third-country markets fiercer. Indonesia’s investment climate is generally perceived to be poor, as a result of political uncertainties, together with rising wages, massive reductions on subsidies for water, telephones, electricity and fuel. A dearth of investment in export manufacturing and populist labour-market policies contributes to its lack of export competitiveness, and loss of market share in third-country markets.

Geographical proximity means that Cambodia, Laos and Vietnam are more directly affected by China’s development. One of the central development activities is the Greater Mekong Subregion growth area. With funding from the Asian Development Bank, the three Indochina ASEAN countries and Thailand have closely cooperated with China for the development of transport and economic corridors, to achieve improvement in competitiveness and a more integrated regional market (ADB 2005). In the transport sector, ASEAN and China have made significant progress in the construction of the Laos section of the Kunming–Bangkok Highway; the navigation channel improvement project on the upper Mekong River; and also the feasibility study of the missing link of the Trans-Asian Railway inside Cambodia (Sun 2004). GMS would particularly provide Laos with impetus and opportunities for development.

Until very recently, Laos saw itself as a landlocked country with great difficulty in access to international markets. This partly explains the fact that about three quarters of its low level of trade is with its neighbouring countries including China. While it still exhibits a lot of political hesitation on policy reforms and trade liberalisation, Laos certainly has experienced rising trade with, and investment from, Thailand, China and Vietnam. Bilateral trade between Laos and China totalled US$10 million in 2003
and, according to the Lao National Chamber of Commerce and Industry (LNCCI), ‘some 200 Chinese enterprises have invested and opened business in Laos’ (Bosworth 2005). In 2003, China was the leading investor, investing in 15 Laos projects worth US$116 million. China is also a source of significant loans to Laos, and was mentioned as a possible financier and contractor for the Nam Theun 2 dam project if the World Bank and Asian Development Bank fail to approve loans and guarantees. According to government of Laos statistics, China’s bilateral ODA disbursements in 2002/03 reached US$30 million, placing it second only to Japan at US$100 million. While Laos currently has little export capacity, due to its lack of human resources and production capacity, its growth prospects are improving, thanks to the GMS and other regional activities.

Cambodia has stalled its reform process in the last three years. In the past ten years, Cambodia enjoyed GDP annual average growth at 6.5 per cent, and this gave its leadership a great sense of complacency. Part of its success came from the garment industry, which accounted for roughly 80 per cent of its export. Cambodia’s garment exports have benefited enormously from the MFA, which put restrictions on the annual growth of China’s garment exports to the world markets. Cambodia has legislation that sets minimum wages. This leads to a belief that Cambodia’s garment products have carved a niche in the world market for goods that meet certain labour standards, and are therefore immune from China’s rising competition. But this belief is misplaced because labour costs in Cambodia are much higher than those in China. Doing business in Cambodia is also more costly, due to higher transportation and transaction costs, and rampant rent-seeking behaviours by government officials. The phasing out of the MFA, however, will put pressure on Cambodia’s garment exports. Cambodia’s leadership sees little urgency in preparing for the change. Despite a relatively liberal investment regime, Cambodia’s domestic problems, rather than any other external factors, explain its lack of FDI attractiveness and difficulties in meeting competition in the world garment market in the future.

China’s impact on Vietnam is reflected in rapidly growing bilateral trade, which reached US$4.6 billion in 2003, a 40 per cent rise over 2002 (China Commerce Yearbook 2004:482. Available at http://www.
yearbook.org.cn/english). As Vietnam’s exports come from labour-intensive industries, they will face Chinese competition at home and in third country markets. Being outside the WTO puts Vietnam in a disadvantaged position. Government protection has traditionally shielded Vietnam’s state-owned enterprises from competition. As a result, they are highly inefficient, losing market share at home and abroad. Intense competition from China and other countries provides an impetus to SOE reform, and should bring long-term benefit to Vietnam’s development. According to the ASEAN-10-China FTA joint study, China’s growth has provided Vietnam enormous export opportunities. Yet Vietnam is not a big producer in many manufacturing industries. This has limited its capacity to participate in the economic restructuring in East Asia that is making China the final assembling centre. This largely explains why Vietnam, together with the poorer ASEAN countries Cambodia, Laos and Myanmar, has a small bilateral trade deficit with China. In future, however, Vietnam may well be able to take part in China’s manufacturing networks, as Thailand has done, from a low production base.

Table 9.2 summarises the adjustment made by each of the ASEAN countries in response to China’s competition, as discussed above. Three levels of adjustment—rapid, medium and slow—are used to describe the speed of response.

Figure 9.4 combines the impacts on, and the adjustment made by, ASEAN members, arising from China’s growth. It combines the main features summarised in Table 9.1 and Table 9.2. Again, the diagram is illustrative of China’s impacts and ASEAN members’ responses. The latter are, of course, part of their more general adjustment to economic globalisation.

Conclusion

China has been the region’s growth engine since the Asian economic crisis, and ASEAN members have felt strongly China’s impacts, through their growing trade, investment and other commercial ties. China’s growth presents ASEAN countries with both enormous business opportunities and competition. China’s growth has also obliged ASEAN members hastily to take necessary steps for trade and policy reforms. Yet individual countries
have responded differently, due largely to their different trade structures, business competitiveness and domestic institutions.

Four observations are as follows. First, relative trade structures underpin the nature of China-ASEAN economic relations, whether competitive or complementary. Singapore, Laos and, to a lesser extent, Philippines and Indonesia are well positioned to take advantage of China’s rapid industrial
expansion and urbanisation, due largely to their complementary trade relations with China. China’s comparative advantage still lies in labour-intensive sectors. Its exports compete directly with manufacturing industries in Thailand, Malaysia and, to a lesser extent, Vietnam, as each country relies heavily on labour-intensive exports. Cambodia also faces looming competition from China in clothes, textiles and footwear exports.

Second, while competition matters, market growth and competitiveness matter more. Numerous studies find that, so far, the exports from both ASEAN members and China have grown rapidly. This suggests that China’s economic expansion, East Asian industrial restructuring, and the growth of third-country markets are more important factors, offsetting some possible negative impacts from China’s competition.

Third, policy reforms for trade liberalisation and investment climates go hand-in-hand with enhancing business competitiveness. Political commitment and institutional capacity underpin the success of policy reforms. This, to a large extent, explains why Singapore, Thailand, Malaysia and, to a lesser extent, Vietnam can act fast and effectively in adjusting to
external impacts. On the other hand, stalled policy reforms in Cambodia mean the country may face greater challenges in sustaining its previous record of export growth.

Last but not least, each ASEAN country faces different tasks in policy reforms, due to different domestic circumstances. WTO accession is a critical step in trade liberalisation for Vietnam, Laos and Cambodia and will push their trade systems into line with international norms and practice. Vietnam and Laos also have to reform their state sector, including state-owned enterprises and financial systems, to foster private sector development and business competition. Lack of institutional and production capacity and human resources hampers Laos from taking up external opportunities. Changing populist labour-market policies and encouraging investment are critical to improving Indonesia’s export competitiveness.

Notes

1 In this chapter, ASEAN or ASEAN-10 refers to the ten member countries of Association of Southeast Asian Nations, including Indonesia, Malaysia, The Philippines, Singapore, Thailand, (also referred as ASEAN-5), and Brunei, Myanmar, Vietnam, Lao DPR and Cambodia. Unless specified, discussion in this chapter does not cover Myanmar and Brunei.

2 China is the world’s sixth-largest economy at market exchange rates.

3 The use of net exports (or imports) is an effort to capture the value-added items in a country’s exports (or imports) amidst growing intra-industrial trade among East Asian countries.

4 Our interviews in Bangkok, Manila and Singapore reveal an overwhelming view that the impact of China’s growth overall is positive for ASEAN countries. Such unanimous agreement by a diverse range of organisations and countries is noteworthy.

5 The World Bank reported on 31 March 2005 that it had approved the loan guarantees in support of the Nam Theun 2 hydroelectric project.

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