

The China-Way: Power and Development Assistance in Southeast Asia

Tirta N. Mursitama and Pamungkas A. Dewanto
Department of International Relations, Bina Nusantara University,
Jl. Kemanggisan Ilir III No. 45, 11480 Jakarta Barat, Indonesia

Abstract: China's role as a donor country has been debatable in the political economy scholarships. Some prior discussions successfully addressed material imperatives as the most important empirical findings in Africa. However, the manner in which China's Foreign development assistance policy to Southeast Asian countries is conducted remains a matter that receives less attention. This study discusses this matter by analytically discussing the fourfold conception of power posited by Barnett and Duvall. This study suggests that China successfully conducts its compulsory, structural and productive power in some specific development assistance as a form of maintaining social relation with Southeast Asian countries. However, there is no empirical evidence showing that China is institutionally successful in dealing with them. This study is conducted by also showing how interactions in the specific development assistance field occur between Beijing and its Southeast Asian counterparts that in turn exemplify the essential use of power.

Key words: China, development assistance, social relations, Southeast Asia, power

INTRODUCTION

How significant the number of the development assistance is why how and who delivers the aids remain a delicate issue that the current political economic episteme intriguingly asks. Consequentially, the rise of emerging economies as donors has been a source of major debates. Several scholars discovered that the risks such as unproductive investment, debt sustainability problem of recipient countries and hazardous behavior that could harm governance reform, evolved from the emerging donors' overwhelming impact experienced by the recipient countries (Manning, 2006). Other scholars also skeptically consider emerging donor to be driven by a thirst for economic benefits and raw material and to some degree also impose bad effects for democracy and transparency (Naium, 2007).

Earlier scholars were adamantly concerned about the motives and impact of aid programs such as whether a donor's act was justified by its national security concern (McKinlay and Little, 1977; Lumsdaine, 1993) whether the impact of aid properly addressed the development promotion and poverty reduction (Easterly, 2002; Boone, 1996) and whether the aid had a strong bond with the propagation of a particular ideology (Schraeder *et al.*, 1998).

Most of the existing donors have also been known to set insubstantial targets due to their lack of knowledge on the local contextual situation and the insufficient

involvement of the local community in the project's planning (Baare *et al.*, 1999). As a result, the projects failed to fulfill the primary needs of the recipient countries and might even became a stumbling block for the countries' transformation agenda (ended up being a disincentive). That being said, many donors increasingly implement similar features on the aid that they provide, which eventually produces inefficient duplication of the established and the ongoing projects of other donors (Woods, 2005).

Some of the less skeptical scholars offer a counterfactual argument to the existing assumption. Having examined China as a case study on the impact of aid, they discovered that the existing fears of emerging donors did not necessarily result in simultaneous catastrophes. Regardless of the poor policy adjustment, low standards of provision and debt sustainability burden, studies have revealed that trade links between the donor and recipient countries became more intensive which contributed to higher growth rates, better term of trade, increased exports volume and higher revenue (Woods, 2008). This study will explore this perspective further, specifically evaluating China's development assistance to Southeast Asian countries.

This study argues that China has been successfully engaging both direct and diffuse power dimensions within certain institutional limits. Instead of adding to an already crowded discussion over the material impact of the assistance, this study aims to address a more detailed

discussion over the power of China's role as a donor country to its Southeast Asian counterparts that employs a rather social relations approach.

This study concludes that China has been undoubtedly successful in executing its compulsory and structural power while building productive power through norms juxtaposition, which leads to the smooth execution of the two types of power. However, it also shows that China is not successful yet in exhibiting its institutional power due to the initial democratic transition and the nature of Southeast Asian nations' institutionalization.

The first part of this paper discusses China's involvement as an emerging donor, including its internal and external development as well as incentives in paving its way to earn the legitimate acknowledgement as a donor. The next part discusses method briefly and followed by the taxonomy of power exhibited by China through its development assistance in Southeast Asia as empirical part of this paper before stepping into the conclusion.

The rise of donor acknowledgement: China's evolving role as an emerging donor is neither instant nor without any experiences. China started to provide infrastructure support grants, since 1954 for post-war reconstruction in Vietnam and DPRK, the first development based assistance in its national policy. Although, the motive was more ideologically driven which was reflected from the spreading value of communism, the experience of channeling aid was worth experimenting for China. Separately, PRC started channeling development assistance to Africa in 1956. Prior to its accession to the United Nations in 1971, China also declared that it funded the US-\$500-million-Tanzania-Zambia-Railway(TAZARA) project, the largest single Foreign-aid project at the time.

Current development surprisingly shows that China has become one out of 32 countries that signed an agreement for the construction of highways to span the continent and reach Europe. This agreement will expand the construction sector's horizons by providing multibillion dollars worth of funding to finance 108 life-changing giant infrastructure projects scattered around the world (Giang and Johnson, 2011). China's only ground in developing this strategy was Deng's project of socialist modernization that dictated a focus on economic investments and a non-conflicting approach to international politics which then inspires Chinese companies to start competing for commercial contracts overseas (Kjøllesdal and Welle-Strand, 2010).

However, China repeatedly follows the grand conservative strategy of the construction-driven internationalization that was pioneered by the founder of

East Asian development model, Japanese government 1970's booming period. From the beginning, China has swiftly decided the strategic importance of externalities from the development assistance through the overwhelming involvement of the construction technical assistance such as lease management and joint ventures. Hence, an increasing demand for China to enter the international construction market follows Japan's track in nurturing its construction industry by state collaboration in allocating specific amount of its aid program, together with the export credit access and development assistance, to promote its national strategic industry.

In order to smoothly succeed, China is not unaware that concerning its emerging construction industry sector, it needs to overwhelm the growing global trends in the construction industry by undertaking fundamental adjustment. Until very recently, WTO compliance reforms were simultaneously used as an outside-in institutional reform, primarily when dealing with skeptical and resistant domestic actors in internationalizing its national agents (Breslin and Shaw, 2007) including the state-owned enterprises.

In the current trends of Asian construction sector, three main features determine the successfulness of construction industry (Rafferty *et al.*, 1998). First, agencies need to be aware of prevailing liberal governance system which entails massive deregulation of national industry protection scheme including construction industry. This strategy ensures the increasing involvement of global private sectors to participate in the emerging market's open-door-policy, leveraging from the spread of liberal governance system introduced prior to the 1998 stabilization package that was instantly adopted from IMF. Deregulation also rose to answer the inability of local construction industries to cope with high demands of technology that is required for recent projects.

Secondly, the lack of financial resources limits the ability of the state to independently finance its vital infrastructure projects. Therefore, a demand on vertical integration project is significantly increasing to cope with this liquidity barrier. The fundamental benefit of the vertical integration project is the specific investment scheme of an offered project by the developer. The inability to cope with this will prompt the government to initially issue collateral or even worse, a scheme of debts which potentially increases the risk of debt sustainability threat. Thirdly, even though it was well studied that in the year of 2000 Chinese construction industry lagged behind due to several domestic barriers such as technological issue and burden of financial competitiveness; China has significantly transformed its capacity into a world class competitor in this field.

Prigol and Liu reveal that there are two reasons why Chinese construction industry has a lot of potentials. First of all, China was the world third largest construction market in 2007 and is still potentially growing. Secondly, China also becomes the top construction market among developing countries, above Russia and India. This highly competitive market has become a training ground for national construction sectors to speed up the fundamental reform they need to face the global demand. In a bid to simultaneously boost exports, the growing China construction industry, especially state-owned enterprises such as CSCEC (China State Construction Engineering Corporation) has empowered itself by becoming a state's prioritized partner to run a national infrastructure plan and thereby providing incentive to internationalize itself with the increase in assets.

CSCEC which was listed at Shanghai Stock Exchange in July 2009 with a share value of over 5 billion Euros signed a 1.2 billion Euro contract together with Tishman Construction Group for a construction project in Atlantic City, USA with Revel Entertainment Group. Moreover, CSCEC held 51% share of the J.V. construction time for two years (Prigol and Liu, 2009). In 2012, CSCEC listed among 100 biggest companies in the world according to Fortune Global 500 and by the end of 2011 had completed contracts valued at around US\$99.1 billion from overseas operations which included housing construction, manufacture, energy, transportation, water conservancy, industry, petro-chemistry, hazards disposal, telecommunication, sewage/refuse treatment and any related construction services.

Similar to other existing donors that attempted to disprove the accusations from the OECD members' established agencies of being irresponsible, China struggles to develop its own legitimate institutional facility to implement its development assistance in a relatively bureaucratic way. China's Foreign Aid White Paper acknowledges that seven institutions are at least involved in the endorsement of aid program. The Ministry of Commerce and State's Council, the primary intellectual actors in the decision-making and authoritative institution who are responsible to assist the implementation of completed projects and technical cooperation projects, material aid projects and training programs have been working together with the Executive Bureau of International Economic Cooperation, China International Center for Economic and Technical Exchanges and Academy of International Business Officials. The Export-Import Bank of China is responsible for providing assessment of projects with the concessional loan dealings, including allocation and recovery loans. Lastly, Chinese diplomatic representatives have also been

dragged into the aid policy supporting system as direct coordinators and managers of ongoing projects.

In addition to the aforementioned approach, China introduced its own model of development assistance that distanced itself from the existing OECD DAC principles. President Xi Jinping's said in his speech during his Jakarta visit on early October 2013, "There is no one-size-fits-all development model in the world or an unchanging development path, we will firmly stay on the course of reform and opening-up, adhere to the path of socialism with Chinese characteristics" (Wu, 2013). The establishment of an independent aid management institution such as Japan's JICA or United States' USAID, is therefore not looked upon with favor.

Nevertheless, it is also not necessarily true that China intends to avoid characterization on its institutional endeavor. China tries to retain its dual identity of both acting as donor and being a developing country in what we define here as the "China-way". The exclusion from the predicate of developed country brings freedom for China to sidestep the compliance principle towards legitimated DAC prerequisites. Secondly, by keeping it that way, China set an international precedent in which a non-compliance with the DAC is somehow possible for the sake of 'South-South cooperation' as Beijing passionately echoes. Jenny Clegg called on China to land in the "middle ground" to set herself to become a bridge-builder between the developed North and developing South (Clegg, 2011).

Moreover, the conditionality-free feature of its development assistance has been insofar attractive for recipients amidst difficulties of attracting investors that allows this "China-way" to gain legitimacy from counterparts. In President Xi Jinping's Jakarta visit during 2013 APEC Summit, he reconfirmed his fully-confident expressions to not only gloriously bring back Chinese rejuvenation but also to continue its embedded mission to bring prosperity for neighboring countries in order to ensure stable environment. Furthermore, for the sake of greater connectivity, he tried to assure his Southeast Asian counterparts to gratefully consider his proposal for the establishment of Asian Infrastructure Investment Bank that will give priority to Southeast Asian countries (Wu, 2013).

This goal is deliberately set in a bid to differentiate China from another inherent OECD character of existing donors. Unlike South Korea, for instance which barely applies the primary characterization mandated in the principles of OECD DAC that could be expected to grant access to it (OECD, 2008) (for detail review on the aid implementation by the prospective DAC member states,

Table 1: Comparison between ODA originated from OECD Aid Donors and China

Parameters	Government to Government	Financing through development agency	Strong links to donor country	Concessional or favorable lending terms	Receives payment of debt in kind	Grant element of at least 25%	Private or Corporate financing
OECD Aid Donors	✓	✓	-	✓	-	✓	-
China	✓	-	✓	✓	✓	-	-

Thomas Lum, 'China Assistance and Government Sponsored Investment Activities in Africa, Latin America and Southeast Asia', Congressional Research Service, R40940, 25 November 2009

Organization of Economic Cooperation and Development DAC review team, 'Development Co-operation of the Republic of Korea', DAC Special Review 7, DCS (August, 8, 2008) China undermines the legitimate OECD DAC principles. Differing herself from the existing donors, far from taking prudent assessment for recipients, China is selling its soft concessional and vertically-integrated projects while unwillingly established coordination with other donors. Therefore, development agencies are uncoordinatedly proposing development assistance in various sectors from education to health assistance which in several occasions are worthless duplication of many other proceeding projects (Woods, 2005) (Table 1).

By providing its own term of assistance to developing countries, China also claims that it is not, for instance, involved in spreading developmental "disease" such as corruption in recipients' countries. The Ministry of Commerce (MOFCOM) asserts that China does not give aid in cash, but in forms of materials, roads, hospitals and any other infrastructures that are needed by the recipients' development agenda (Davies, 2007). A good example of an on-site working atmosphere of a Chinese company can clearly be seen from activities at Labuan Angin Steamed Coal Power Plant project in North Sumatera, Indonesia. The former local official head of the Power Plant, Aji Sutrisno, noted that during the work, the construction site was crowded by Chinese workers. The >1,300 Chinese workers were brought in to work in the projects.

Not only did China bring in human resources, but it also brought in raw materials and other supporting materials for the construction. As a result, there was less opportunity for local people to be employed in the site project and lesser use of local materials as well. Another problem occurred from the intense use of Mandarin instead of Indonesian or English for the on-site instruction and map direction. It was difficult for local officials to communicate with the Chinese workers, since nobody in the lower management understood Foreign language other than English. Only the middle-upper management communicated with the Chinese workers (Sutrisno, 2011).

In addition, there was an indication of a breach of ethics in the Northrail Project in the Philippines that was

co-funded by a private firm China National Machinery and Equipment Group (Sinomach) and the Export-Import Bank of China. A Financial Times journalist in Manila, Roel Landingin, investigated this case and found that there were indications of major bribery that allowed the project to be managed by a Chinese company without having a transparent bidding (Landingin, 2010).

China's growing role as a donor country is intermingled with its growing construction industry and the aspiration to expand into global construction market. This aspiration has been treated as a stimulant for engaging an outside-in reform to dismantle the companies' conservative characteristics as well as to make them more open and widely adaptive in any markets. Moreover, state collaboration also needs to be counted in boosting opportunities and assets for national companies (private and state-owned), thereby providing incentives to expand its market internationally. Beijing's new role as an emerging donor has been repackaged with a new sense of cooperation that distinguishes its features to that of the existing donors, making it a newly acknowledged source of development assistance in the eyes of potential recipients.

MATERIALS AND METHODS

This study utilizes a qualitative approach that explores phenomena particularly social interactions. This approach seeks to gain deeper understanding of a particular issue or case in more flexible ways. In this case, this paper focuses on interaction between China as an emerging donor and countries in Southeast Asia as recipients of China's aid as international relations phenomena.

Researchers play important roles in collecting, describing and explaining data and information. Deeper knowledge and research experiences of the researchers contribute significantly to an analysis of the subject being studied. Hence, richness of the analysis produced by researchers in interpreting the results is a key in a qualitative approach. This is one of the advantages compared to a quantitative one.

In this study, researchers conduct triangulation process in acquiring data and information from many

sources such as documents, books, articles, newspapers and other forms of media. As guidance in collecting, describing and interpreting data and information researchers use a concept of power from Barnett and Duvall.

RESULTS AND DISCUSSION

China power and norms juxtaposition: Analysts have been questioning whether China imposes strategic or normative targets or both on its aid policy. Scholars and practitioners examining China's presence in Africa somehow agree that unlike many of the Western donors, China has no interest in spreading particular values such as the one imposed by Western aid program in the form of conditionality. For instance, in the Western style of aid, the process of the recipients' internal democratization, the application of good governance and the recipients' concern of environmental protection are extremely scrutinized in exchange of material transfers.

Some scholars tried to frame China's influence in Southeast Asia with 'soft power' instrument that Beijing promotes. However, in providing an essential form of 'soft power' discussion in the China's Foreign policy, previous study still involved a gross material force in search for normative dimension of China's development assistance (Del-Rosario, 2011).

The study did not do a blunt explanatory research on how China gets herself closer to Southeast Asian counterparts through an ideological agenda that has been embedded in China's aid strategy. Even Kurlantzick (2007) who argued that China's 'benign image' had won the international attention did not provide a more rigid explanatory model on what China introduced under its aid and other economic-related programs. Neither did he provide a more rigid and specific 'operationalization' of 'soft power', the extent to which some measures could be identified as "soft" and "hard". Soft power as an entity is not rewarded independently; it is rather taken from a more systemic neorealist tradition by always dragging United States in as a part of its absolute offset of exposure in the practical game theoretical power analysis (Kurlantzick, 2007).

Joseph S. Nye Jr. himself hardly finds the distinction between the hard material power and the soft power (Adler and Bernstein, 2005) therefore, rather than solely using soft power, this study departs from Michael Barnett and Raymond Duvall who contended that power was somehow an exploitable conception without deliberately sweeping over each leading ontology which IR's "-ism" debates have failed to rigidly examine. Prior discussions

have made way to a growing relativity, if not a confusion, over power in this discipline. Hence, power is seen differently in the branches of social sciences from in IR itself where it has become an overwhelmingly taken-for-granted conception that attributes action(s) as "an ability-of-one state-to-use-material-resources-to-get-another-state-to-do-what-it-otherwise-would-not-do".

Barnett and Duvall's conceptualization entails two initial dimensions in foreseeing how power works as social relations: kinds and specificity. The former refers to the polar positions between social relations of interaction and social relations of constitutions. At this sense, power is subject to either attributes of particular actors together with their interactions or a social process of constituting what actors are as social beings or neo-realists call it as structural when it's executed directly. The latter indicates a degree whether power, through the social relations, is executed under direct or diffuse processes. Combination of both thereby generates a fourfold-taxonomy of power.

Adler and Bernstein (2005) on their 'trilogy' of power partly explained power taxonomy mentioned earlier. This is the combination of 'compulsory power' (the use of material resources over controlling another or the most popular notion in the neorealist tradition); 'institutional power' (the control of knowledge for the setting of political agenda, or overarching influence upon mediating institution to produce gain for an actor over another) with the strong prevailing 'productive power' (background knowledge; discursive attempts that makes an impossible somehow thinkable to actors in the realm of norms, understandings, meanings; hence shapes the identities of actors) (Adler and Bernstein, 2005). The constitutive feature through which social relations are executed precedes any attributes attached to actors, hence constitutes different self (and other) understandings and capacities and therefore brings significant consequences for actor's ability to shape the conditions and process of its existence.

The rest is 'structural power'. Structural power is often used interchangeably to productive power. However, structural power is a structural constitution of production and a reproduction of internally related positions of super- and subordination, or domination that actors occupy. Its process is direct between actors and imposing a hierarchical relation among actors. Being successful in combining these elements explains how power is inherently obvious in every agent's policy direction such as the spread of 'global governance' which comprised of material execution, institutional set up and intellectual legitimization controlled by, mostly, the United States (Adler and Bernstein, 2005). It for instance, explains

why multi-national regimes grow rapidly fast and acceptable among different kind of governmentality and political systems of nationals and together with the positioning that defines who the leader is and who the follower are in the process.

However, in the case of Beijing's development assistance, the following subsection will explain that state agents have been successful in executing power in both direct and diffuse social interactions. China interestingly goes beyond the prevailing logics for a donor and simultaneously endorses material accumulation and norms adjustment to be a primary signifier of its legitimization. A previous example of a similar practice, the United States, started the institutionalization of ideas where Democracy and notion of "modernization" or "development" were then followed by strategic actions for reconstruction in Europe. For instance, not until President Harry Truman delivered his speech commencing its "victory" at the end of the World War (Rist, 1997), "development" as a technical-yet-structural term became epiphenomenal in the conceptualization of 'universal' understandings as he explicitly said. High valuation of conditionality for democracy that imposed an opposing stance from communism has been unanimously applied in any package of Western characteristics of development assistance.

Instrument of compulsory power For China, the endorsement of compulsory power is highly concentrated in the state agency which is in charge to provide overseas loans. Specific emphasis should be given to the Export-Import Bank of China who plays the role as the only national agency mandated by the State Council to channel overseas development assistance. The Bank handles loans that require the borrowers to select a Chinese enterprise as the contractor or exporter if dealing in a concessional basis. Furthermore, at least a half of the project value, including equipment, materials, services or technology should be practically secured from China (Foster *et al.*, 2009). China's Southeast Asia presence is also secured by the establishment of China-ASEAN Investment Cooperation Fund (CAF) of which president is also led by the Export and Import Bank of China's president and approved under the mandate of the PRC State Council. It was formally announced by the former Chinese Premier Wen Jiabao in 2009 and further approved by the National Development and Reform Commission in 2013.

CAF is crafted under the "South-South Cooperation" jargon while illuminating China's "Going Out" strategy. Until October 2013, under CAF, China and Southeast

Asian counterparts have undertaken nine giant projects spread in CLMV countries and recently, directly signed by both state leaders Indonesia and Malaysia in the energy sector's infrastructure projects. Unlike, FOCAC of which origin is designed to expand and communicate intentions for further alliances, CAF appears to be market-friendly and is designed to professionally play as a sovereign fund manager in Southeast Asia.

Export-Import Bank of China, is famous for playing a role of an initial agent providing a showroom for vertically integrated projects. Through Export-Import Bank of China, Beijing relentlessly improves its commitment to Southeast Asian countries for providing great amount of liquidity which exemplifies their attempts of executing compulsory power. For instance, material transfers have been enormously evident in the CLMV countries such as Hydropower Station in Ruili River worth US\$47 million and Mintha Hydropower Station worth US\$14 million.

In Vietnam, as of September 2006, engineering contracts signed by China and Vietnam reached a total value of US \$3.94 billion. From January-October 2008, both countries have signed another US\$3.1 billion contract for 10 projects which made Vietnam the second largest Foreign partner for China's engineering projects. Cambodia has a strong established relation with China's infrastructure industry as well. As of August 2006, the total amount of engineering contracts signed by both governments reached US\$870 million. Beijing claimed that there were at least 21 projects in Cambodia that were conducted by Chinese companies. Lastly, Zhu (2010) noted that China also became the third largest Foreign contract holder for engineering companies in Laos. In Myanmar, the Paung Laung Hydro Power Project which was the largest project involving Foreign economic and technical cooperation in China's Yunnan province has prompted the largest export of complete set of equipment and technology worth US\$170 million conducted by Yunnan Machinery and Equipment Export Import Co., Ltd. on a Chinese government seller's credit basis. Moreover, it is argued that Chinese entrepreneur is believed to give incentives to the aid recipient's state own enterprises (Zhu, 2010).

In return, Beijing has been quite straightforward about energy demands such as what they received from Africa (Naium, 2007). Arguably, between 1990 and 2000, China's combined consumption of aluminum, copper, nickel and iron ore increased from 7-15% of the total global consumption and has continued to grow rapidly (Idun-Arkurst and Laing, 2011). In Southeast Asia, it is also hard to deny that China still focuses its loans in the

energy and raw material sectors, although not as forceful as “Angola Model” that prevails in Africa. This model refers to a loan-for-natural-resources trade system employed by the Chinese government when they are dealing with countries with low level of creditworthiness (Foster *et al.*, 2009).

Currently, a large part of the electricity generated from the Chinese-financed and constructed hydroelectric facilities in neighboring Myanmar and Laos is also expected to be exported to China’s rapidly growing southern regions (US Energy Information Administration, 2013). The “Angola Model” has not been used until now because Southeast Asian counterparts are relatively open and moving towards democratic regimes. Any moves to conduct loans-for-natural-resources trading will be firmly criticized by both internal civil society and international society as Southeast Asian countries through ASEAN are simultaneously engaged as regions of international confidence builders (Acharya, 2001) such as Asian Regional Forum (ARF) and East Asian Summit (EAS) which sequentially activates OECD members’ influence in the region.

Beijing’s instrument to engulf its Southeast Asian counterparts in development aid is not only limited in the agency’s attributes but also in the agility to hold “extended” lobbies to potential recipients. Particularly in the infrastructure sector, China has extraordinarily let decision making process to be led by the state-owned business forces including the process of identification of the potential markets and targets for China’s construction industry before wrapping it with state collaboration. Unlike any other donor countries who hold intensive and extensive bilateral discussions with the recipient government regarding the project proposals (G-to-G), a particular feature of “China way” is the way they let their construction companies to find its own potential markets by proposing or targeting the designated infrastructure projects offered by the recipient government’s middle and long term physical capital investment program (Sato *et al.*, 2011). This strategy, accompanied by the vertical integrated proposals and specific funding scheme from the Export-Import Bank of China has helped Chinese companies to successfully grab more attention of recipients compared to the existing donor.

Nevertheless, neglecting the significance of regional production network chain in East Asia including Southeast Asia will somewhat lead to a disproportionate finding as it holds an initial constraint for both regions which are connected economically. Current inquiry shows inextricable proof that trade fragmentation in East Asia significantly builds greater trade interdependence in the

region. In the machinery exports consisted of disaggregated machinery parts such as components and final products, China’s export is heavily concentrated in final assembly while East Asia’s exports is the main source of the complementary goods for assembling (Athukorala, 2009). Therefore, China’s further shift to Southeast Asia not only expands their market as a consequence of ASEAN-China Free Trade Agreement (ACFTA) but also supports the whole production chain on its national production survival system.

PRC’s major involvement in aid recipient countries, as argued earlier, emulates Japan’s production network supporting strategy, achieving one-leap-fixes-all on increasing accessibility on energy, raw material and marketing security. Japan as the largest competitor in the region, has officially confirmed that the prevailing competition on markets and natural resources has been highly challenged by emerging donors. Furthermore, the disequilibrium of massive production and the limited markets due to the long-lasting impact of 2008 massive financial crisis drives China to alternate the market to the South. In regard to the implementation of ASEAN China Free Trade Area which legally bounds the Southeast Asian nations to integrate trade as Woods (2008) initially posited, China’s aid tends to boost intensified trade relations. As for Southeast Asian nations, in order to survive and to retain the prevailing trade fragmentation, they have to comply with Beijing’s engagement to the region or what Kang (2003) described as a bandwagon rather than a balancing relationship between Southeast Asian countries and China (Kang interestingly points to what Randall L. Schweller (Randall L. Schweller, ‘Bandwagoning for Profit: Bringing the Revisionist State Back In,’ *International Security*, Vol. 19, No. 1 (Summer 1994), pp. 72-107) termed as Bandwagoning for Profit, a behavior of which countries are acquiescence in the way that they could possibly ripe for benefits. David C. Kang, ‘Hierarchy, Balancing and Empirical Puzzles in Asian International Relations’, *International Security*, Vol. 28, No. 3 (Winter 2003/04).

Hence, Beijing’s instrument for compulsory power is evident in mainly three aspects. First is the state agency that is pioneered and led by the Export-Import Bank of China, together with its innovative institutionalized “product” such as the CAF. Secondly, the compulsory power is not only strongly indicated in the agency but also in its structural ability in directly making contact and lobbies to its counterparts. Thirdly, powerful effect from other strands of economic cooperation resulted in trade fragmentation (and interdependence) which persuades

Southeast Asian counterparts to not only comply with the Chinese bandwagoning effect but also to accelerate national economies.

Structural power: the region's justification: Although, the original concept of power initiated by Adler and Barnett (2005) is subject to the consecutive power scheme that begins with the accumulation of productive power or knowledge spread followed by compulsory power, China-way offers a circular scheme of power with an order of occurrence that could be adjusted either way. This material consideration is mounted in the unified perception among authorities in Southeast Asia who can address China as a new potential source of development assistance. As Stefano Guzzini's notions that routine actions can constitute rituals of power that suggest the realm of the possible. They construct (and deconstruct) the horizon of the thinkable and feasible which continuously enframes agency and pre-empts or co-opts alternative discourses and practices (Guzzini, 1993).

At this sense, the accumulated intense material transfer has successfully been able to trigger a change in the Southeast Asian authorities' existing knowledge, which in turn unanimously justifies Beijing's initial position as donor provider and thereby positions them as potential recipients. Material transfers that come with a feature that readily provides aid without specific conditions such as strong vertically integrated projects and a possibility of direct negotiation of applied interest rates, are the primary reasoning why ideational transformation is epiphenomenal in Southeast Asia.

Several Southeast Asian officials' reactions confirmed the unified acceptance to China's appearance as a regional donor. There are at least three subcategories of Southeast Asian nations based on their diverse geographical and political reactions against China. The first group consisted of the Greater Mekong River Sub-region (GMS) member countries that have geographical proximity to China. With the intense and direct Mekong river basin connections especially to CLMV, PRC was considered as the most state-reliant country in terms of development cooperation field.

Even though problems that occurred from the countries within the upstream area of the Greater Mekong river basin were strongly sounded (Sotharith, 2006), China made a prudent approach and assistance to downstream countries. Cambodian government, for example was among one of the countries that were the most overwhelmed by China's supports. Since 2008, the number of aid channeled from China to Cambodia surpassed the number of aid being allocated by European Union, Japan and the United States.

With projects stretching out in various areas from dam into a giant railway projects within the CLMV, China has gained extraordinary acceptance by most of the Cambodians as shown by the mushrooming Chinese language schools across the country and adoption of Mandarin Chinese in the national university curriculum. This infrastructure plan was prepared to channel the further US \$11 billion investment of two Chinese companies targeting a large iron ore in the ex-battle ground of Rovieng (Marshall and Thul, 2013).

However, PRC's arbitrary alliance to the CLMV members sparked controversies about the economic partnership among local citizens. Local communities and environmental groups strongly criticized the laissez faire attitude and started worrying about the societal and environmental catastrophes that might occur. Within the newly developed regional centers of growth struggling for advanced interconnectedness, members were well converged to place transportation and energy infrastructure to the primary preoccupation.

Another group consisted of Southeast Asian nations that pretty much were influenced by the current skirmishes upon the South China Sea's Spratly Islands, tend to be alert, if not physically, to China. A member of the group, the Philippines, keenly fights against China claiming sovereignty over some parts of the islands which increased domestic hatred to China. However, more a pragmatic approach has been used by the Philippines in exchange for economic cooperation. Due to its increasing reliance to China, President Benigno S. Aquino III took along 200 business leaders during his first state visit to Beijing in August 2011 and courted investors in the hope that Chinese largess might buoy long-neglected infrastructure projects (Jacobs, 2011).

Secondly, Vietnam which has positioned herself between alert and bandwagon was largely affected by Beijing arbitrary reaction over the South China Sea because of its membership in GMS. Despite, the fact that China was regarded as its largest trading partner, local economists were also warned that Beijing's large import of its raw materials including intention to develop bauxite mining would lead Vietnam to be a captive market and increased its dependency to China.

The third group consisted of those who initially did not have any particular direct material or ideational threats to China. This group was identified to have less sensitivity to any China's Foreign policy other than economy and development fields. Singapore, with its strong legacy of China's descendants and kinship relations has taken a neutral stance towards China's rise and posed a heavy-gear of pragmatic stance within it.

Interviewed on the 2012 World Economic Forum, Singapore's Prime Minister Lee-Hsien Loong agreed to believe that China would bring a benign rise to the region despite its highly undemocratic and unfriendly ecological practices.

Another member of the group, Malaysia has also been playing safe with China which is strongly driven by its desire to establish a more specific economic cooperation scheme in the Mainland China. Moreover, analysts also predicted that Najib's administration would adopt a deeper China policy than his predecessors (Lim, 2009a, b). Lastly, the largest nation in Southeast Asia, Indonesia has put an initial rebranding of diplomatic relations with China at the post-authoritarian Soeharto era since 1998 which gradually knitted the continuing bilateral relations without recalling ideological clashes that colored the long absence of diplomatic ties between them. Indonesia's Yudhoyono administration which took giant efforts to comply with any international arrangements within the last 9 years, reached its most advanced relations with PRC. As a start, in 2005, both countries agreed to implement Strategic Partnership covering political-security, economic and socio-cultural realms accompanied by former president Hu Jintao's Jakarta visit.

Previously, Indonesian Ministry of Infrastructure proposed at least 10 projects to raise some loans from China. These proposed infrastructure projects were Dam Projects in East Nusa Tenggara worth US \$125.9 million; Pandanduri Dam in West Nusa Tenggara worth US\$52.74 million; Jambo Aye Road at Aceh Province worth US \$36 million; Panajam Bridge at East Borneo worth US \$50.43 million; Solo-Kertosono Toll Road across Central Java to East Java worth US \$300 million; general bridge reparation worth US \$45 million; Water Supply and Sanitation in Bandung, West Java Province, worth US \$30 million and two other technical and consultation funds worth US \$43 million.

From the agreed projects with Indonesia's Ministry of Finance, it was revealed that China has committed to support JatiGede Dam project in Indonesia with total value of US\$215 million effective within six years (2007-2013) (Ministry of Finance Republic of Indonesia, 2011). China also completed a loan in the Construction of Labuan Angin Coal fired Steam Power Plant (2×115 MW) Project worth US\$183 million. In the aviation sector, China made a loan disbursement agreement with Merpati Nusantara Airline, an Indonesia airline, related to the procurement of aircraft for national air bridge project worth US\$282 million (Ministry of Finance Republic of Indonesia, 2011). Indonesian government also boldly preferred to access China's

credits although the interest rate applied was relatively higher than the rate that the other alternative donors offered. Indonesian government argued that this option was chosen, since the interest offered by Chinese government was somehow still less than what was offered by private banking loan which was between 0.4 and 0.7%.

Within six consecutive years, China's portion of infrastructure funding in Indonesia accounted for 3.56% of total Foreign soft-loans on infrastructure funding which has been focused on the transportation infrastructure and other mining and energy facilities. Moreover, the People's Republic of China also disbursed loans to several projects in the defense sector in Indonesia, both directly to the Indonesian Army, Naval and Air Force institutions and through Indonesian Ministry of Defense. This has somehow shown that China is apparently a new legitimate donor in the mind of Southeast Asian authorities.

Growing acceptance, which was strongly indicated with the buoyant proposals originated from China's Southeast Asian counterparts is apparently evident. Some countries that are currently involved on the territorial skirmishes around South China Sea somehow reacted differently when it reached development cooperation (economic relations as a social relation). This particular social relation was successful in converting alertness to become a bandwagon for Southeast Asian countries towards China and hence brought both parties closer into a donor-recipient, patron-client model of relationship. The massive effect of compulsory power somehow thoroughly affects Southeast Asian decision makers to be able to structurally perceive China not as a rising threat but an alternative source of regional development agency.

Stumbling institutional power and the use of productive power:

The approach that Beijing applied to Africa under its FOCAC arrangement is somehow not applicable for ASEAN, due to the fact that ASEAN's member states are gradually committed to democratic regimes nowadays. For example, Myanmar that was governed under the authoritarian military junta for quite a long time has started to gradually, if not absolutely, step towards more open governance. The openly observed and criticizable ASEAN urges China to look for a more diverged pattern of relations which maintains the pattern sparingly with bilateral relations as its practical approach.

ASEAN has also been bluntly highlighted by many other countries such as those who are involved in the East Asian Summit (Japan, South Korea and also the United States). Hence, any arbitrary acts towards ASEAN will face adequate criticism from outside. However,

Beijing's prior involvement in various ASEAN cooperation schemes (ASEAN+1; ASEAN+3; ASEAN Regional Forum; East Asian Vision Group; the ASEAN Senior Officials Meeting and Council on Security Cooperation in the Asia Pacific) can be a factor for ASEAN countries in building mutual trust among parties and thereby open for any cooperation scheme proposed by China.

With regard to economic cooperation, China proved to be the most successful ASEAN partner to establish the ASEAN-China Free Trade Agreement (ACFTA) in 2010 surpassing any other progress that have ever been achieved by ASEAN with its other counterparts such as with Japan and South Korea. Concerning aid and infrastructure development cooperation, China and ASEAN have not preceded any particular scheme yet. There is a tendency that CAF is set to become an experimental institutionalization as expressed by President Xi Jinping during his side visit on the 2013 APEC Leaders Meeting. In the long run, China intends to establish an Asian infrastructure investment bank that will prioritize ASEAN countries' needs (Wu, 2013).

Notwithstanding the very recent development of Foreign relations that shows that both China and Southeast Asia are heading towards an outward-looking multilateralism, the former seeks for a limited multilateral institutionalization while the latter seeks a broader sense of extended multilateral institutionalism. China is on the status-quo when it is assured to become a beneficiary of international institutions. This could be seen from its accession to the WTO while being submissive to the requirements (Johnston, 2003). China is somehow struggling to impose a limited scale of multilateralism that strictly counts the Southeast Asian states "in" and other extra-regional "out" to ensure influence and lesser constraint.

On the other hand, Southeast Asian institutional entrepreneurial achievement somehow lacks of functionality if they do not involve any of major East Asian powers. The expanded and extended form of multilateralism that is preferable to Southeast Asian countries is not at China's interest; therefore the institutional arrangement lags behind this specific social relation. As to Southeast Asia as a legitimacy provider to the incoming external powers in East Asia, they are not engaging the hedging strategy in a limited bilateral scheme as proposed by Roy (2005). Roy suggested that in order to avoid domination from China, Southeast Asian should play a soft balance by letting United States to maintain military presence in the region.

The regional power balance that happens in Southeast Asia is derived from the invariability of multilateral nature in the region that enables external power to freely engage in the region, thereby providing a self check-and-balance for external actors from acting to dominate because one dominating action will shortly be responded by other external power (power equilibrium). Hence, it is somehow apparent to see the tendency of profit-making bandwagoning from this interactive external dynamics in the Southeast Asia's framework in which external powers perceive and play this to increase its legitimacy in the region. At this sense, international power interaction in Southeast Asia is not only, at a limited sense, reflected alliance strategy but also legitimacy seeking behavior. In this situation, it is delicate for China to unilaterally engage Southeast Asia in the ways she is willing to acquire.

Although, the establishment of institutionalized form of aid management has yet to be realized, development assistance led by the PRC is not without any efforts to create supportive ideational adjustment, hence restricts some values to be inherent with this specific range of social relation. China's Foreign Aid White Paper shows an initial branding which maintains the term 'Third World' cooperation. The use of 'Third World' aims to frame potential reaction of recipient countries that China is not a part of the on-going advanced development in the age of globalization. The 'Third World' is chosen to give sense that although PRC's action is relatively similar to what existing donors have done, China remains a developing country.

Sato *et al.* (2011) who initially conducted research based on the JICA findings, confirmed this as a 'South-South Characteristics' underlying the China-way for aid management as it was different from the main OECD DAC principle. Hence, it is apparent that Non-DAC prefers to consider them to engage in partnerships under 'South-South' context, continue to receive as well as provide development assistance, based on mutual benefit and learning and through cost sharing or resources.

The sense of equality between the donor and recipient is strongly brought to avoid labels that the World Bank and other OECD countries have recklessly echoed during early stage of modernization era such as 'developed-underdeveloped', 'rich-poor' or 'civilized-uncivilized'. This binary oppositional logic is avoided by China, while also bringing 'South-South' as the only option available for this particular social relation development assistance which in turn partly fills out certain vacuum of leadership among the developing nations because the capability that Beijing possesses is somehow absent in other developing countries (Table 2).

Table 2 Principle of China's Foreign Aid Policy and Norms Inference

Selected China's principles of Foreign aid policy	Norms inference
"Unremittingly helping recipient countries build up their self-development capacity in providing Foreign aid, China does its best to help recipient countries to foster local personnel and technical forces, build infrastructure and develop and use domestic resources"	(Continuity-Self-Development-Domestic Stimulus)
"Imposing no political conditions. China upholds the Five Principles of Peaceful Coexistence, China never uses Foreign aid as a means to interfere in recipient countries' internal affairs or seek political privileges for itself."	(Non-interference, Peaceful Coexistence, National Autonomy)
"Adhering to equality, mutual benefit and common development. China maintains that Foreign aid is mutual help between developing countries"	(South-South Cooperation, Equality, Alternative source for Existing Donors)
"Keeping pace with the times and paying attention to reform and innovation, pays attention to summarizing experiences, makes innovations in the field of Foreign aid and promptly adjusts and reforms the management mechanism, so as to constantly improve its Foreign aid work."	(Imposing sense for the principle of accountability)

Arranged by Authors from 'China's Foreign Aid: White Paper' (21 April, 2011)

ASEAN dialogue mechanism with which ASEAN's constitutive norms (JONG and Ping, 2011) undoubtedly coincides PRC's main principle and vice versa also matters. This Southeast Asian regional norm is appeared to be inclusive, purposeful and prescriptive as it is reflected from the Treaty of Amity and Cooperation (TAC). It follows the basic contestable principle that is defined in:

- Value of non-interference
- Non-use of force, especially in settlement disputes
- Pursuit of regional autonomy

The ASEAN way (Acharya, 2005) (For in-depth discussion on the norms and identity, see Amitav Acharya, 'Do Norms and Identity Matter? Community and Power in Southeast Asia's Regional Order,' Pacific Review, Vol. 18, No. 1, (2005)) which implementation drags ASEAN in a deliberate compromise between grappling to minimize the external power influence to the region, putting the state autonomy as the center of relationship while simultaneously allows each member state to seek further external gain for national benefits. This highly sovereignty-honored feature of Foreign policy is manifested in the self-acknowledgement of ASEAN countries that is still in the process of state building (Narine, 2011) which then regularizes and empowers the idea of member's sovereignty embedded in the regional characteristics

For ASEAN member states, the revolutionary dynamism of polarization towards extra-regional powers recently shows the trade-off if not a dualistic nature, for pragmatism or mutual benefits and holding to restrict the level of autonomy (non-interference). By any chance, China holds an existing value that resembles if mirrored to China's Foreign aid white paper, the ASEAN normative adjustment which Shambaugh David (2004) implied as the "ASEAN Way" to be amenable to China (Table 3). China has been confident in keeping the five principles of peaceful coexistence, endorsed

Table 3: China Foreign Aid Principle and Southeast Asian Norms Adjustments

China/SE Asia	Peaceful coexistence	Mutual benefits	Non-interference
Treaty of amity and cooperation	✓	-	✓
ASEAN Way	✓	✓	✓

Researchers elaboration

firstly by Premier Zhou Enlai at African-Asian People's Solidarity Conference in Bandung 1955 which included mutual respect, sovereignty, nonaggression, non-interference of any internal affairs, equality and mutual benefit and peaceful coexistence as its core normative guidance. Both in this very specific social relation have successfully raised a substantial degree of norms juxtaposition that enables parties to find ideological commonalities.

The pre-nation-state China and Southeast Asia had undergone a series of opposing behavior towards Western domination thereby possessing an identical objective inherent in its Foreign policy preference of inter-state relations management. China was trying to build a firm presence of its tributary system in the region which was contested to the Western nation-state colonial style. While Southeast Asia also experienced a modest form of struggle against colonialism, those enormously accumulated struggles became series of sporadic revolutions across the region.

The spirit was clearly accumulated in the massive freedom of nations forming the surge of Western narration in the shape of new nation-states across South Asia and African hemisphere preceded by the Bandung Conference. The identical historical tracks between China and major Southeast Asian countries led some of its national value preference to be adequately juxtaposed in managing both relations, since the post-Cold War era.

Norms' juxta position thus empowers and strengthens the socialization process among countries and hence, pushes strategies to step from the sole ideological-matching into the continuity of compulsory power transactions to incentivize the shape in the regions mutual trust and intersubjective value comprehension. In

this case, China, in their attempts to assure the fellow Southeast Asians that both are running on the same track, showed their possession on the identical objectives and mechanism that was ideologically agreed by the Southeast Asian elites. An observation on another case has justifiably led the use of same strategy in succeeding a normative socialization such as what the United States that has successfully done, planting its “righteous” ‘fight against terrorism’ plot which has now been adopted and extrinsically prioritized in other nationals (Adler and Bernstein, 2005).

China is highly benefited from the Southeast Asian old norms which historically have been impacting the dynamics in Southeast Asia. A clear example of this is the Bandung Conference in 1955 which justified the need of respecting other’s sovereignty as was also recently expressed by President Xi Jinping concerning his expression that indicated the timeless feature inherent in the principles to be applied in any sequence of international relations (Wu, 2013). As Buzan (2010) noted that China keeps up with its past path that regenerated the pre-1949 accession to Western international society with its own flavor of ‘Chinese characteristics’, retaining the value entrepreneurship that was strongly affected by India and Myanmar in the making of Five Principle of Peaceful Coexistence.

In the history of China’s Foreign relations, there was only a period where the principle could be subordinated to the security or ideological concerns (Richardson, 2010). It was the Sino-Vietnamese relations when Zhou Enlai enforced Sihanouk to pass on Chinese assistance to the Vietnamese communists. However, this was laid down in the period where Buzan (2010) noted as the incurrence of China’s Foreign policy to nowhere but burned under the Cold War literature. Furthermore, Buzan also argued that Confucianism had secured a particular space in building inter-regional relations. A further research is needed, considering the fact that seven out of ten Southeast Asian countries have the largest Chinese overseas in the world which is compelling to some degree.

The result of Chinese diplomatic juggles shows some facts. First of all, the institutional arrangement that deals with the development assistance will be under negotiation between Chinese government and Southeast Asian counterparts only if it can break the Southeast Asian extended multilateralism. Secondly, China finds that Southeast Asian regionalism continuously approaches its matters in a typical ASEAN Way, thereby juxtaposing it with Chinese Five Principles of Peaceful coexistence that precisely results in an overlapping ideological utility of each other. The ASEAN Way, for instance contains the principle that holds together peaceful coexistence, mutual

benefits as well as non-interference to its initial default norm. Hence, China does not execute its productive power in a conventional way through the spread of agent of knowledge but is strictly, in this very specific social relation and occasion, carried out through the norms juxtaposition.

CONCLUSION

China’s increasing role as a donor is justified under its strong internal reforms in both bureaucratic and business sectors. In <2 decades, China has been able to conform to open globalization. Not only, it has been able to integrate itself to the world market but it has also been able to successfully combine its industrial growth with the state’s Foreign aid strategy taking part in Foreign countries’ infrastructure projects that are sourced either from private investment or mainly the state-sponsored development assistance. In Southeast Asia, Chinese companies work closely with the Export-Import Bank of China, proposing mostly construction projects in energy and infrastructure sectors. This has given China a new donor characteristic distinguishable from the existing OECD DAC.

Beijing’s strategy is somehow exploitable with the revisionist conception of power that employs the fourfold taxonomy into their Foreign development assistance in Southeast Asia. Development cooperation which is viewed as a social relation becomes a channel where China could exhibit power through both direct and diffuse manners. It is direct in the sense that China has been supplying its Southeast Asian counterparts with its vertical integration projects inherent in its development assistance program. Moreover, this relation has supported the creation of role between China and Southeast Asia that gives both parties identities as a donor and a recipient, respectively. This relation has been patterned and empowered by the fact that Southeast Asian counterparts keep the roles effective.

Optimistic proposals from Southeast Asian counterparts to China exemplify the firm positioning of each role and the presence of structural power. China’s power exhibit is also diffused in the sense that China indirectly struggles to find the normative commonalities between countries, which result in building mutual trust and shared objectives as the foundation of its cooperation. The ability to maintain a mutual trust and shared objectives is reflected in the juxtaposed norms between Chinese Five Principles of Peaceful Coexistence and ASEAN’s TAC’s Non-interference. In conclusion, the consensual ASEAN Way and China’s current pragmatic approach are equally benefiting for both parties.

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