



Is Another Bear Market Around the Corner?

If you have a \$500,000 portfolio, you should download the latest report by *Forbes* columnist Ken Fisher's firm. It tells you where we think the stock market is headed and why. This must-read report includes our latest stock market forecast, plus research and analysis you can use in your portfolio right now.

[Click Here to Download](#)

FISHER INVESTMENTS*

Dow Jones Reprints: This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit www.djreprints.com

[See a sample reprint in PDF format.](#)

[Order a reprint of this article now](#)

THE WALL STREET JOURNAL.

WSJ.com

CHINA NEWS | Updated November 15, 2012, 11:54 a.m. ET

Tensions on the Table at Asean Summit

By NATASHA BRERETON-FUKUI And ENDA CURRAN



Territorial tensions will dominate a gathering of Southeast Asia's leaders in Cambodia this weekend as the U.S. and China look to exert influence over the resource-rich countries. The WSJ's Alex Frangos has the details.

Territorial tensions will dominate a gathering of Southeast Asia's leaders in Cambodia this weekend as the U.S. and China look to exert influence in a region plagued by deepening disputes over resource-rich seas.



European Pressphoto Agency

Leaders from the 10-member Association of Southeast Asian Nations plus heads of state from the U.S., China, Japan, Australia and others will meet in Phnom Penh starting Sunday, where claims on the South China Sea are expected to top the agenda.

The waters, which are crossed by more than half of the world's total trade, are broadly claimed by China and in part by nations including Malaysia, the Philippines and

Paramilitary police check vehicles within the Phnom Penh International Airport.

Vietnam. What are thought to be vast energy and mineral reserves are helping to fuel the disputes.

The U.S., long a major influence in the region, has used the security of shipping lanes as grounds to assert itself—irking Beijing, which accuses Washington of undermining stability in the region.

"Southeast Asian states risk becoming pawns in a geopolitical clash between the two extra-regional superpowers," said Nicholas Kitchen, a research officer at the London School of Economics.

South East Asia Real Time

[ASEAN Struggles to Hold Its Own Against U.S., China, Report Says](#)

The Philippines and Vietnam have pushed Beijing to agree to a binding regional code of conduct as a framework for settling disputes. But other Asean members prefer a bilateral approach. A meeting of

Asean foreign ministers in July broke up without issuing a communiqué—a first in the organization's history. Analysts blamed host Cambodia for folding under pressure from China.

Competing territorial claims are also disrupting regional security in the northern Pacific rim. A long-standing disagreement over a group of islands in the East China Sea, called the Senkaku by Japan and the Diaoyu by China, has heated up in recent months—sparking Chinese boycotts of Japanese products, expected to cost Japanese companies billions of dollars in lost revenue.

At the start of an Asia tour that will include the Cambodia talks, U.S. Secretary of State Hillary Clinton Wednesday called for a regional framework for dialogue to settle disputes.

"The Pacific is big enough for all of us," Mrs. Clinton said after she and U.S. Defense Secretary [Leon Panetta](#) met with their Australian counterparts in Perth for annual defense talks. "We stand to benefit from increased cooperation across the Asia Pacific region as long as there is a level playing field and everybody knows what the rules are and everybody is held to the same standard."

But analysts doubt a new approach will be agreed to at the Phnom Penh summit.

"Any multilateral discussion on the South China Sea, for example, or progress on a code of conduct, will be difficult," said Michal Meidan, an analyst at Eurasia Group.

Some countries see an arbiter role for themselves. Indonesia, which has been strengthening its leadership role in Asean, wants to use the bloc to showcase its success in creating a booming economy and stable democracy even as it tackled terrorist threats. Indonesian Foreign Minister Marty Natalegawa shuttled between capitals after the Asean foreign ministers failed to reach a consensus on dealing with South China Sea tensions.

U.S. President [Barack Obama](#), slated to visit Cambodia and Myanmar on his first overseas trip since winning a second term, has highlighted his country's "Pivot to Asia" policy.

"The visit to Myanmar is highly, highly significant, and it will play into the question of U.S.-China rivalry in the region," said Peter Jennings, executive director of the Australian Strategic Policy Institute.

But while the U.S. has been constrained by ballooning debt and a weak economy, Beijing has used its ability to bankroll crucial infrastructure projects in Southeast Asia to help increase its influence there.

That China and the U.S. both confirmed their leadership this month—China's Communist Party on Thursday set in motion a once-in-a-decade leadership transition—reduces but doesn't eliminate the potential for a flare-up between the two powers, analysts say.

"China's recent aggressive stances in maritime and other territorial disputes have created an opening for the U.S., whose presence is welcomed by many Asian countries as a bulwark against China's attempts to expand its sphere of influence in the region," said Eswar Prasad, a professor at Cornell University, who previously led International Monetary Fund missions to China.

But Washington will have to proceed cautiously to avoid provoking Beijing's new leaders, he said.

Trade pacts will be another focus at the summit. Officials are due to establish a Regional Comprehensive Economic Partnership, covering Asean members along with Australia, China, India, Japan, New Zealand and South Korea. Some say that brings into question the relevance of the U.S.-led Trans-Pacific Strategic Economic Partnership, which aims to loop in a smaller group of Asian countries—notably not including China—plus North America and several Latin American states.

Geopolitical sensitivities could overshadow those talks, as evidenced by a recent standoff between Chinese surveillance vessels and the Philippine navy.

"These tensions could possibly disrupt trade," said Christian de Guzman, senior analyst at Moody's Investors Service.

—Eric Bellman
and Toko Sekiguchi
contributed to this article.

Copyright 2012 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com