

ASEAN-China Relations: Prospects and Challenges

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Abstract

This article aims to examine ASEAN-China relations in their proper perspective. While the issue of the South China Sea has become the major issue which dominates the relationship in recent years, ASEAN-China cooperation is in fact multi-faceted and wide-ranging, covering 11 socio-economic, as well as scientific and technological, areas. This cooperation also extends to political and security issues. This article also examines the implications of the rise of China, “peaceful” or otherwise, as the major world power, on regional political and economic development and how this “rise” will affect the future direction of ASEAN-China relations.

Keywords: *ASEAN-China Relations, South China Sea, China’s Rise, connectivity, Code of Conduct, hegemonic power*

1. Introduction

To both casual and informed observers, the relationship between the Association of Southeast Asian Nations (ASEAN), comprising Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam, and the People’s Republic of China (PRC) in recent years has been dominated by one major issue: the South China Sea. The issues concerning overlapping maritime boundaries, territorial claims of the PRC and four ASEAN member states, namely Brunei, Malaysia, the Philippines and Vietnam, to parts of the South China Sea, and especially sovereignty over the Parcel and Spratly Islands have led to tension in the area and are seen as a potential flashpoint in the region.

Although largely overshadowed by the South China Sea issues, ASEAN-China relations are by no means limited to them. ASEAN-China cooperation is broad, covering 11 priority areas: agriculture, information and communication technology, human resource development, Mekong Basin development, investment, energy, transport, culture, public health, tourism and environment.

As a regional grouping ASEAN is the focal point for Chinese diplomacy with Southeast Asia because China’s development and potential to be a superpower depends to an extent on a stable and economically vibrant Southeast Asia. It is China’s *bilateral* relationships with some individual ASEAN countries that have experienced problems because of territorial disputes (Qiu, 2013). At the same time, China’s strategic importance for ASEAN is obvious given its economic influence, military capability and proximity to ASEAN countries.

2. Overview of ASEAN-China Relations

ASEAN and China began their dialogue relations in July 1991, when the Malaysian government invited Qian Qichen, then the PRC’s Minister of Foreign Affairs, to attend the opening session of the 24th ASEAN Ministerial Meeting (AMM) in Kuala Lumpur. At the session, FM Qian expressed China’s “keen interest” to cooperate with ASEAN. Subsequently, China was accorded full Dialogue Partner status at the 29th AMM in July 1996 in Jakarta. However, throughout the 1980s, China had been cooperating closely with ASEAN, both in a multilateral context at the United Nations and bilaterally with some ASEAN member states, in finding a solution to the Cambodian problem after Vietnamese forces invaded Cambodia in December 1978.

After attaining full Dialogue Partner status in 1996, ASEAN-China relations developed quickly. At the 7th ASEAN-China Summit in October 2003 in Bali, both sides agreed to sign the *Joint Declaration of the Heads of State/Government on Strategic Partnership for Peace and Prosperity with Plans of Action* (POA) to implement it. The current POA covers the period 2011-2015. The PRC is the first dialogue

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partner to accede to the Treaty of Amity and Cooperation (TAC) in 2003. It is also the first nuclear weapon state to express its intention to accede to the protocol of the Southeast Asian Nuclear-Weapon-Free Zone Treaty. ASEAN and China have also collaborated to address transnational non-traditional security threats such as drug and human trafficking, piracy and terrorism. ASEAN and China have continued to enhance their political and security cooperation through regular dialogue and consultations, including the ASEAN Regional Forum (ARF) and the East Asia Summit (EAS).

Trade and economic ties between ASEAN and the PRC have been growing rapidly. China has been ASEAN's largest trading partner since 2009, while ASEAN is now China's third-largest trading partner. Bilateral trade stood at USD 318.6 billion in 2012 and is targeted to reach USD 1 trillion by 2020. In November 2002, both sides signed the Framework Agreement on Comprehensive Economic Cooperation that established the ASEAN-China Free Trade Agreement (ACFTA) realized on 1 January 2010. The China-ASEAN Expo (CAEXPO) has been organized and hosted by China annually in Nanning since 2004 to showcase products from ASEAN and China. The ACFTA has a very large growth potential. It comprises a market of almost 2 billion people and USD 3 trillion in gross domestic product. Notably, bilateral trade relations between China and ASEAN are now reciprocal in that China is no longer the exporting competitor of past decades. It is now an important consumer market for ASEAN, which in turn is growing in importance to China's manufacturing sector. Moreover, ASEAN is now China's fourth-largest destination for outward investment and its third-largest source of foreign direct investment. Two-way investment is targeted to reach USD 150 billion by 2020.

China has also established several mechanisms to support and strengthen further economic cooperation with ASEAN. In 2009, it established the USD 10 billion China-ASEAN Fund on Investment Cooperation and USD 15 billion in credit and preferential loans to support infrastructure development projects in ASEAN member states. Following the adoption of the Master Plan on ASEAN Connectivity (MPAC) in 2010, China proposed to provide an additional USD 10 billion credit (USD 4 billion in preferential loans and 6 billion commercial loans) to support MPAC's implementation. At the 16th ASEAN-China Summit on 9 October 2013, China took this a step further by presenting an initiative to set up an Asian Infrastructure Investment Bank to provide financial support to regional infrastructure projects, with priority on ASEAN connectivity.

China also has become a major source of tourists for ASEAN. In 2012, almost 9 million Chinese tourists visited ASEAN countries, a growth rate of almost 20% over 2011. At the same time, almost 6 million tourists from ASEAN countries visited China in 2012.

In socio-cultural fields, cooperation between ASEAN and China is very broad, covering education, culture, public health, science and technology, labour, local government and people-to-people exchanges, media, youth and social development. For example, on education, since 2010 ASEAN and China have made efforts to "Double 100,000 Goal of Student Mobility" that envisaged the number of exchange students from ASEAN countries to China to reach 100,000 by 2020 and vice versa. Ten ASEAN-China Education and Training Centres have been established in six Chinese provinces. ASEAN and China also designated the 2014 as ASEAN-China Cultural Exchange Year, and an ASEAN-China Centre has been established in Beijing as a one-stop information centre promoting ASEAN-China cooperation in trade, investment, tourism, education and culture.

3. China's "Peaceful" Rise?

The unparalleled economic growth that has led to the growth in China's power, importance and influence has brought with it increased regional and global anxieties about China's long-term goals and intentions. It appears that the realist view about power politics continues to be convincing: that sharp increases in the material power of states, even when accompanied by profuse reassurances, have the capacity to unsettle other countries (Tellis in Schmitt, 2009). So Chinese leaders insistently and consistently deny any desire to become a "hegemonic power", while Chinese scholars have tried very hard to purvey the doctrine of a "peaceful rise", which asserts that in contrast to the warlike behavior of ascending great powers of the past, China's ascent as a modern great power will be entirely peaceful since the era of tight economic interdependence between China and its trading partners in Asia not only makes war unthinkable, but actually allows all sides to "rise together" through peaceful trade and commerce.

The term “China’s Peaceful Rise” was first publicly used in a speech by the Chinese scholar Zheng Bijian, the former vice principal of the Central Party School, in late 2003 during the Boao Forum for Asia. In 2005, Zheng’s article on this subject was published in *Foreign Affairs* (Zheng, 2005). The term was designed to rebut the “China threat theory” and became official policy under President Hu Jintao. It sought to characterize China as a responsible world power that is not a threat to international peace and security, i.e., not a “hegemonic” world power. It also reflected the achievements of economic reform of the past 30 years, throughout which period China managed an average annual real growth in excess of nine percent. Per capita income in China rose by more than six percent annually during 1978-2003. It is now the world’s second-largest economy after the United States, and catching up fast. But government officials worried that the word “rise” was too threatening, changed the phrase to “China’s Peaceful Development”.

The State Council, China’s cabinet, issued a paper in 2005 defining this “peaceful development” strategy (People’s Daily, 2005). It emphasized economic development as China’s main goal and that a peaceful international environment was essential to achieve this goal. It pledged that China would remain open to the outside world for trade, promote organizations like the World Trade Organization and support regional integration through institutions and arrangements like the ASEAN-China Free Trade Area. Significantly it promised that China would resolve its remaining border disputes peacefully.

Of course some observers challenge these promises. For example, University of Chicago’s John Mearsheimer gives a definite “no” to the question of whether China can rise peacefully (Mearsheimer, n.d.). He contends that if China continues its impressive economic growth over the next few decades, China will likely engage in an intense security competition with the United States with considerable potential for war. He believes an increasingly powerful China is likely to try to push the U.S. out of Asia, much the way the U.S. pushed European powers out of the Western Hemisphere. This view seems to be widely shared in ASEAN countries. Many fear that a rising China will set off power rivalries in the region, especially since China does not have the best of relations with other powers in the region such as Japan and India. This could present a hostile environment that would be unfavorable for ASEAN’s economic growth.

4. The South China Sea

The new emphasis on good neighborly relations, as derived from the concept of “peaceful rise” or “peaceful development” is dramatically different from China’s behavior during the 1990s when it stressed its claims in territorial and maritime disputes in the South China Sea with several ASEAN member states. The disputes involve complicated issues of overlapping maritime boundaries, territorial claims and sovereignty over the Paracel and the Spratly islands for which the 1982 United Nations Convention on the Law of the Sea offers no clear guidelines. Moreover, the South China Sea embraces some of the world’s busiest sea lanes. It has been estimated that over half of the world’s annual merchant fleet tonnage passes through it. The South China Sea is also purported to be rich in petroleum, natural gas and other marine resources.

The tension in the area in the 1990s, especially the clash between China and the Philippines over Mischief Reef in 1995, was mitigated somewhat by the *2002 Declaration on the Conduct of Parties in the South China Sea* (DOC). But while the Parties to the Declaration declared that they would work to resolve their territorial and jurisdictional disputes by peaceful means and to exercise “self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability”, the DOC is not a legally binding agreement.

The conflicts intensified again with the U.S. “rebalancing” in the Asia-Pacific region. There is a perception in China that the U.S. actively supports some ASEAN countries against China. Consequently, China’s renewed assertiveness over territorial and maritime disputes with ASEAN countries, particularly Vietnam and the Philippines, in the South China Sea since 2009 has only compounded the fears about China’s growing military, especially naval, capabilities. China’s increasing use of military and other law enforcement authorities to assert sovereignty in areas under dispute, as enclosed in its nine-dashed-lines map, is seen as a new element in the disputes. Many are concerned that China’s air and naval acquisitions are altering the regional balance of power. Moreover, ASEAN countries are worried by China’s declaration in March 2010 that the South China Sea is a “core national interest”, a term previously used only in connection with Taiwan and Tibet.

In his book “Asia’s Cauldron: The South China Sea and the End of a Stable Pacific”, Robert D. Kaplan quotes Henry P. Bensurto Jr., Secretary-General of the Commission on Maritime Affairs of the Philippines, as saying that “the real issue here is the creeping expansion of Chinese naval power”, and that “the more militarily capable China becomes, the less flexible it will be”(Kaplan, 2014). This point raises a pertinent question whether it is in the interests of ASEAN member states that have overlapping claims with China to try to settle the issue with China *sooner* than later, before China becomes totally inflexible.

China’s official position is that it will discuss the claims with other claimants through bilateral negotiations. With claims so numerous and so often overlapping, the idea of a solution acceptable to all seems unattainable. Therefore, it may be more realistic to just manage the status quo to the benefit of all. This was actually attempted in 2005 when China, Vietnam and the Philippines agreed on a joint seismic survey for petroleum exploration in the areas of overlapping national claims. China and ASEAN also issued a Joint Declaration that would ensure that these efforts meant that claimants hadn’t revised their claims but rather that their overlapping claims would “take a back seat” for as long as the oil exploration required (Simon, 2008). But subsequent events have dashed any hope of this arrangement coming to fruition.

The apparent failure thus far of the regional multilateral diplomacy between ASEAN and China on this issue has raised the call for a binding code of conduct (COC) to mitigate the possibility of armed conflict. China has never been enthusiastic about a COC. While it had agreed in principle to discuss one with ASEAN in late 2011, it reversed its position in July 2012 (Storey, 2013). However, it has been mentioned that not just China wants to go slow on drafting a COC because if one is finalized, all claimants will have to justify or retract from projects of strategic or economic interest to them (Pal, 2013). This was made clear by the fact that ASEAN itself was unable to agree on the Guidelines for the Implementation of the DOC until 2011.

As the coordinator of ASEAN-China dialogue relations from 2013 to 2015, Thailand is expected to act as an “honest broker” because of its non-claimant nature in the dispute. But this is an unenviable position to be in for its major uphill task is to convince China that ASEAN is not trying to bully it into agreeing to talks. Nevertheless, through Thailand’s efforts, ASEAN and China have made progress, for both sides commenced official consultation on a COC at the 6th Senior Officials’ Meeting (SOM) on the DOC in Suzhou in September 2013. The 6th SOM on DOC also agreed on the process and modality to move the COC consultation forward. More discussions took place at the 7th SOM on DOC in April 2014 in Pattaya. But even this modest start was soon derailed by China’s deployment in May and its subsequent withdrawal in July of an oil rig in disputed waters near Vietnam. This led to a call by ASEAN foreign ministers at their annual meeting in Myanmar in August 2014 to hold “substantive” negotiations for an early conclusion of the COC. But it was also emphasized that it would be created through negotiations with China.

So the South China Sea lies at the crossroads of some of the most important trends in the Asia-Pacific region today: the rising power of China; the U.S. rebalancing toward Asia; and ASEAN’s increasing desire to shape the regional security environment and take the sharp edges off the growing competition between China and the United States.

5. Direction of ASEAN-China Relations

In October 2013, President Xi Jinping and Premier Li Keqiang embarked on a high-profile trip to five Southeast Asian countries. President Xi made a statement to the Indonesian Parliament on 3 October 2013 stating that China wants to build “a community of common destiny” with ASEAN member states, while at the 16th ASEAN-China Summit on 9 October 2013, Premier Li made a proposal known as the “2+7 cooperation framework”. They revealed the new leadership’s policy declaration on Southeast Asia for the next decade and signaled China’s attempt to find a new direction for its relations with ASEAN.

The “2+7 cooperation framework” consists of a two-point political consensus that the basis for promoting cooperation is deeper strategic trust and good neighborliness and that the key to deepening cooperation is to focus on economic development and expanding mutual benefit. The seven-point proposal included some interesting ideas for further cooperation, including the signing of a treaty on good-neighborliness, upgrading the ACFTA, setting up an Asian infrastructure bank and building a 21st-century “Maritime Silk Road” (Parameswaran, 2013).

These pronouncements were aimed at sending out a signal to ease ASEAN's suspicions toward China. While ASEAN countries have welcomed in principle China's new initiatives, some caution has been expressed on whether security issues between China and ASEAN can be weakened or even addressed simply by deepening economic cooperation. It appears that, from the 1990s, China has been making huge efforts to enhance its economic relationship with ASEAN, but the mutual trust between both sides on security issues has not been elevated as much as the volume of trade has. Moreover, "excessive economic benefits" given by China have made some ASEAN countries more alert and careful for fear of becoming too dependent on China. Some ASEAN countries are concerned that being overly dependent economically would allow China to use its dominance to undermine their foreign policy autonomy, as clearly demonstrated by ASEAN's unprecedented failure to issue a joint communiqué in July 2012.

While the proposal of a treaty of "good neighborliness and friendly cooperation" garnered much attention, ASEAN's response has been cautious and "nuanced", noting it with appreciation but also signaling a preference for a more open and inclusive agreement by mentioning Indonesia's hope for a similar agreement that includes "a wider Indo-Pacific region, beyond ASEAN and China". Accepting that there are challenges ahead for the ASEAN-China relations, the Chinese feel that Premier Li's proposal may be the most feasible way for both sides to formulate a closer rapport as, by signing such a treaty, distrust between them "could potentially be greatly reduced leading to a more institutionalized relationship" (Qiu, 2013).

A new treaty notwithstanding, it is expected that China will deepen economic links with ASEAN in the coming decade. Apart from increasing trade, China will focus more on increasing direct investment and building infrastructure, especially roads and high-speed trains, as there are already plans to build rail lines from Kunming that will connect Laos, Vietnam, Cambodia, Myanmar, Thailand, Malaysia and Singapore. ASEAN countries should also benefit from rapid urbanization and the rise of middle-class families in China that will change consumer lifestyles, thus stimulating imports of quality and luxury products and services from ASEAN countries.

But the pace of this new direction will depend much on how the South China Sea issues, the main irritant in China's relations with several Southeast Asian countries, are dealt with. They present a real test for China and ASEAN until China demonstrates its willingness to address these key issues head-on.

6. Concluding Observations

The economic, political security and military implications of China's rise are acutely felt in ASEAN. It is impossible for ASEAN to ignore the rise of China as a potential hegemon in the region. As it has little power to restrain or confront China in case of a serious confrontation, the viable course of action for ASEAN is to accommodate and have a working relationship with China. Therefore, ASEAN has for many years made a concerted effort to enmesh China in a multitude of regional institutions to induce moderation in its behavior and increase the costs of any use of force by China. At the same time, ASEAN also employs a "hedging" strategy by establishing links with other large outside powers, not only the US but also Japan, Russia and India, as counterweights to Chinese influence (Roy, 2005).

While it is argued that this effort's success has more to do with China's strategic preferences than ASEAN's merits, and that this is the deciding factor for China's support of ASEAN's attempts to create a balance of power in the region, it has been observed that, in fact, ASEAN-China relations have reinforced the regional standing of both (Egberink, 2011). Moreover, by promoting the use of diplomacy instead of force, by getting regional powers to participate in its several frameworks for regional cooperation, and by establishing new platforms and channels for communication, ASEAN has made a significant contribution to regional peace and security. Its role as a regional stabilizer in Southeast Asia has been widely recognized. However, as the success of this role depends heavily on external dynamics over which it has little influence or control, the prospects for a more active stabilizing role appear to be limited, as "the room for ever-more multilateral mechanisms is arguably finite, and it is not likely that further ASEAN initiatives in this sphere will have the same impact on great-power stability that they had in the past."

This makes it an even more urgent task for ASEAN to devise a new regional security architecture that maintains "ASEAN's centrality", as well as strengthens "ASEAN's unity", in order to continue to play its role as regional stabilizer. The Council for Security Cooperation in the Asia Pacific, a track-II institution,

recommends that ASEAN develop a clear vision and roadmap for an “enduring rules-based regional security order, as well as enhance the management of existing and inter-linked multilateral processes through improving connectivity and coordination and delineating clearly the primary role and competency of each process (CSCAP, 2014). Whether these steps, even if judiciously implemented, will be enough for the changing security environment in the region, it remains to be seen.

After more than 20 years of development, ASEAN-China relations are entering a new phase. This relationship faces the challenges of a new and formidable international and strategic environment: how to cope with a rising China when it becomes a superpower in its own right in the context of an Asia-Pacific region that also has a strong Japan and a United States, which aims to maintain its sole superpower status. Moreover, recent developments in the South China Sea have spotlighted a challenge of how to forge a real common or united perception and policy among ASEAN member states vis-à-vis China. The future direction of ASEAN-China relations will be dictated as much by the legacies of each member state’s historical ties with China as by the geopolitical implications of China’s political, economic and military rise, and the role of balance of power and regional multilateral institutions.

While debates on whether a rising China will be ASEAN’s friend or foe are ongoing and as yet no discernable consensus exists on how to meet the above-mentioned challenges, George Yeo, the former foreign minister of Singapore, already gave a succinct answer: “China can’t be an enemy” (Bangkok Post, 2014). China’s rise, ASEAN’s integration and the shift of the international center of gravity to the Asia-Pacific (or a wider Indo-Pacific) region will test the future of ASEAN-China relations.

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