

Md. Jahan Shoieb

CHINA-ASEAN RELATIONS: TRENDS AND ISSUES

Abstract

Asia-Pacific region is an important part of the globe as competing interests of big powers often generate conflict to the ground. Over the past decade, the world has witnessed rapid development between Association of South East Asian Nations (ASEAN) and China. Historically China tries to maintain a very good relation with its neighbouring countries. When China was the middle kingdom in 1300A.D.-1900 A.D., it maintained a very close tie with its neighbours. China is rising again as a formidable global power; and its rise is one of the most critical developments in the contemporary world. In the eve of rising, China gives value to the relationship with the ASEAN. Since the beginning of ASEAN in 1967, China maintained relations with the regional association. However, it was the late 1980s that China started to intensify its efforts to establish diplomatic relations with ASEAN member states. In recent years, both are closer to each other than before. Even though, differences exist between the two; for example, the case of South China Sea. Their relations are more focused on economic cooperation; however, strategic partnerships continue. This paper studies phase-wise trends, and critical issues of China-ASEAN relations.

1. Introduction

Association of South East Asian Nations (ASEAN), comprised of ten sovereign states, is a significant geo-political entity in the Asia-Pacific region. China matters for ASEAN since its inception. Equally ASEAN countries continue harmonising their policy approaches taking China into consideration. Relations between ASEAN and China are not only on a faster track, but proceeding to some form of institutional arrangement within the next decade.¹ In recent years China-ASEAN relations have reached a new landmark where both parties value the relationship and recognise its importance.

In the last ASEAN Foreign Minister's Summit held in Phnom Penh in 2012, China found an opportunity to strengthen its relationship with the Southeast Asian countries. In the Summit, the Chinese Foreign Minister Yang Jiechi mentioned that Chinese government always put China's relations with the ASEAN high on Chinese diplomatic

Md. Jahan Shoieb is a Research Officer at Bangladesh Institute of International and Strategic Studies. His e-mail address is jshoieb@biiss.org.

© Bangladesh Institute of International and Strategic Studies (BIISS), 2013.

¹ Cartyl A. Thayer, "ASEAN Ten Plus Three: An Evolving East Asian Community?" New York: CSIS Publication, available at http://csis.org/files/media/csis/pubs/0004qchina_seasia.pdf, accessed on 8 April 2013.

agenda and would continue to promote good relations with all ASEAN countries. He mentioned that China had three priorities to China-ASEAN relationship. They focused on development, cooperation, and working together to uphold regional peace and stability. China's fast-growing economy, averaging at 9.3 percent for the past 25 years has become a new engine of economic growth not only for ASEAN but also for the whole East Asian region.² Now China-ASEAN relations reached beyond trade and economic activities and cooperation has been broadened to cover environment, science and technology, non-traditional security areas and related other legal issues. It can be said that China's relations with ASEAN have reached a new era where the two sides have established economic, political and legal framework for their comprehensive cooperation. While ASEAN and China maintain good relations, there are some conflicting issues undeniable between the two such as South China Sea, security related issues, etc. After two decades of economic growth, China anticipates that the 21st century will be Asian century. And, it will amplify ASEAN's strategic value, including shipping lanes within the Malacca Strait and South China Sea.

In this backdrop, the paper attempts to look into the recent trends of China-ASEAN relationship through different phases and tries to find out the prospect and level of cooperation on important areas like security and strategic issue, trade and economic issue, etc. The paper will also try to assess the future of China-ASEAN relationship.

Accordingly, the paper is divided into five sections including the introduction as section one. Section two addresses China's foreign policy objectives and principles for ASEAN. Section three focuses on discussion of historical trends in Sino-ASEAN relations through four different phases. The fourth section analyses two major issues in Sino-ASEAN relations: security and strategic issues and economic trade issues, and Section five draws conclusion of the paper.

2. China's Foreign Policy Objectives and Principles for ASEAN

China's foreign policy decisions are mainly rooted in some philosophical bases like Confucianism, Taoism (Daoism) and Maoism. They make the norms of Chinese foreign policy decisions. China always expresses her viewpoint of peaceful rise, peaceful settlement of disputes and supports the peaceful rise of the third world countries. From the period of the first President of People's Republic of China, Mao Zedong, somehow the country followed quite same norms and ethics for her foreign policy decisions. China always abides by particular policies and norms to deal with the developing countries. Towards the ASEAN countries, China also has adopted a distinct policy. During the visit to Thailand in 1988, Premier Li Peng summarised four principles of the China-ASEAN relationship. They were: to strictly follow the five principles of peaceful co-existence in state to state relations; to uphold economic relations, the

² John Wong, Zou Keyuan, and Zeng Huakun (eds.), *China-ASEAN Relations: Economic and Legal Dimension*, Singapore: World Scientific Publishing Ltd., 2006.

principles of equality and mutual benefit as well as joint development; to uphold the principle of opposing the hegemonism under all circumstances; and to follow the principles of interdependence and self-reliance, mutual respect, close co-operation and mutual support.³

As for China, its ASEAN diplomacy continues to reflect many of the same short- and long-term calculation that guided its engagement with ASEAN during the cold war: domestic and regional stability, economic development and concerns about US influence. Another factor that likely influenced China's ASEAN diplomacy during the Asian financial crisis was Taiwan, which saw an opportunity to expand relations with ASEAN.⁴ In recent years, China's ASEAN policy has been guided by the following norms:

- **Uphold Cooperation:** Asia-Pacific countries face the common mission of maintaining peace and stability and the common task of promoting growth and eradicating poverty. Countries should abandon the cold war mentality and ideological prejudices, uphold a new concept of solidarity and win-win cooperation, and open up a new prospect of an Asia-Pacific peace, cooperation and mutual benefit.

- **Seek Development:** Asia-Pacific region has on the whole maintained a sound momentum of growth. But the region also faces many uncertainties and destabilising factors. Countries in this region should seize the overriding trend of development, promote better and faster development of the region, make the pie of common interests bigger, and let the people in this region enjoy the dividends of development.

- **Implement the New Security Concept:** International security threats are more complex and diverse today. To effectively meet various security threats, China upholds the new security concept featuring mutual trust, mutual benefit, equality and coordination, and seeks integrated security, common security and cooperation-based security.

- **Respect Diversity:** Asia-Pacific region is diverse and complex. Countries in the region are different in political and economic system, historical and cultural background and social development model. Therefore, they should respect the realities in the Asia-Pacific region, carry on the spirit of openness, inclusiveness, seeking common ground while shelving differences and mutual accommodation, and promote diverse and parallel forms of development.⁵

³ Joseph Y. S. Cheng, "China's ASEAN Policy in the 1990s: Pushing for Regional Multipolarity", *Contemporary Southeast Asia*, Vol. 21, No. 2, August 1999, p.179.

⁴ "Chinese Minister in Thailand Warns ASEAN against Taiwan's Economic Diplomacy", *Sing Sian Yit Pao (New Siam Daily)*, Bangkok, 5 February 1998, p. 7.

⁵ Zhang Lei, "China: A Good Partner of the ASEAN", *The Daily Star*, Dhaka, 01 August 2012.

It is a Chinese style that it always welcomes the development of the bottom and thinks that the emergence of regional powers and organisations in the developing world will become a change maker to multi-polarity, different from the traditional one dominated by a small number of major powers. It also thinks that a different type of multi-polarity will benefit China by preserving peace and democratising the international relations, thus contributing to the establishment of a new international political and economic order. It is also evident that China maintains a good neighbour policy. The State Council White Paper 2005 entitled "China's Peaceful Development Road" confirmed that the good neighbour policy would be central to Chinese foreign policy.⁷ China's good neighbour policy is also reflected by its regional posture which is guided by four main underpinnings. They are participation in regional setting; setting up of strategic partnership and deepening bilateral relations; expansion of regional ties; and reducing distrust and anxiety in security sector.⁸

Chinese leaders perceive China and the ASEAN states as developing countries in Asia; they have a considerable sense of common identity and hold similar views on values, human rights, democracy and many issues in international affairs. They do not believe that ASEAN will become part of an alliance aimed at "containing" China. Instead, ASEAN's active diplomatic profile is seen as facilitating progress towards multi-polarity in the Asia-pacific region, and contributing to regional stability. Moreover, ASEAN is perceived as acting as a balance among the United States, Japan and China and as a stabilising force in this triangular relationship.⁹

3. Historical Trends in Sino-ASEAN Relations

China has a history of about 3500 years. The Chinese are proud of their ancient civilisation and historical heritage, have always regarded their country as the centre of the civilised world. In ancient days, China's large territory, huge population, common language and Confucian political, ethical and social values reinforced its great power image. With the possible exception of India and Japan no country in Asia could be compared with China, politically, militarily or culturally.¹⁰ It has the aspiration of becoming a regional power which mainly focuses on making good ties with the developing states. China's relations with the countries of the Southeast Asian region stretch back several centuries, and the presence of ethnic Chinese in Southeast Asia has preserved a degree of Chinese influence to this day. But before the 1990s, there was no official relationship between ASEAN as a grouping and

⁶ *Ibid.*

⁷ China State Council Information Office, "White Paper: China's Peaceful Development Road", China, 2005, available at: <http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN023152.pdf>, accessed on 31 December 2012.

⁸ Shambaugh David, "China's New Diplomacy in Asia", *Foreign Service Journal*, 2006, p. 30.

⁹ Joseph Y. S. Cheng, *op. cit.*, p. 186.

China, although China had official bilateral relations with certain individual ASEAN member states. After establishing diplomatic relations with Singapore in 1990, China pushed for official ties with the ASEAN grouping.¹¹ The Chinese gesture was warmly received in Southeast Asia where the linkage between Chinese ethnicity and communist insurgency had long posed an internal security and foreign policy dilemma for Indonesia, Malaysia and Singapore. In a return gesture, Indonesia re-established diplomatic ties with China in 1990, which had been severed since 1967 following an abortive coup attributed to the Indonesian Communist Party.¹²

Today China and ASEAN have formed a strategic partnership for peace and prosperity, signed a framework agreement on China-ASEAN Free Trade Area (CAFTA), and is cooperating on a range of issues of mutual interest from maritime security to non-traditional security challenges.¹³ From the very beginning of ASEAN in 1967, China adopted particular policy or viewpoint to this regional body. Since 1967, there have been four phases of Sino-ASEAN relations: (i) a period of domestic political consolidation during which ASEAN concerns about China were largely internal (1967-78); (ii) a period of de facto Sino-ASEAN alignment against Vietnam's intervention into Cambodia (1978-89); (iii) a period of mutual engagement "after Cambodia" (1989-97); and (iv) the current post economic crisis stage of relations (1998-present). Dividing Sino-ASEAN relations into the phases will help critically view their relationships.

3.1 Phase 1 (1967-78): Domestic Preoccupations and Vulnerabilities

Mainly for geographical reasons, Southeast Asian countries have had much reason to make good ties with China. It is also taken by some analysts that their relations are relatively new and the product of the China's post 1949 policies. In the period of Chinese "Middle Kingdom (1300-1900 AD)", the Southeast Asian countries regularly sent tributes to the Chinese empire. In that particular part of the history, these countries tended to have relatively warm ties and their views of China were mostly benign. Mainly for the cold war politics and China's policies in the 1960s, transformed this perception and created a legacy of distrust. Therefore, history remains an important factor influencing their relations despite important developments in the past decade.¹⁴

During the first phase of relationship, western military engagement and US withdrawal from Vietnam provided larger ground for improving relations between

¹⁰ L.Y. Liu, *China as a Nuclear Power in the World Politics*, London: McMillan Press Ltd., 1972, p. 11.

¹¹ Swee-Hock Saw (ed.), *ASEAN-China Relations: Realities and Prospects*, Singapore: ISEAS Publications, 2005, p. 3.

¹² Leo Suryadinata, "Indonesia-China Relations: A Recent Breakthrough", *Asian Survey*, Vol. 30, No. 7, July 1990, pp. 682-696.

¹³ Jing-Dong Yuan, "China-ASEAN Relations: Perspectives, Prospects and Implications for US Interest", Strategic Studies Institute Monographs, USA, 2006, pp. 1-2.

China and non-communist ASEAN. Both were largely preoccupied with domestic matters. For ASEAN's post-colonial survival, heterogeneous states' political unity was a special leverage, giving their security issues important. Actually no relationship illustrated the interdependence of ASEAN's internal-external security concerns better than ASEAN's relations with China during the cold war period.¹⁵

For China, the first phase also involved domestic preoccupations. Major domestic crises combined with shifting international alignments to produce important changes in China's policies toward ASEAN. At home, factional struggles and the cultural revolution preoccupied Chinese leaders. Problems with the Soviet Union provided the basis for China's rapprochement with the US. For the most part, ASEAN members all began to adopt more equidistant stances towards the great powers as a result of the Sino-American rapprochement. In this period China's refusal to cut off its organisational ties to communist parties in Southeast Asia also helped keep alive ASEAN suspicions.¹⁶

3.2 Phase 2 (1978-89): De Facto Alignment against Vietnam

The second phase of Sino-ASEAN relations began in 1978 with Vietnam's intervention in and subsequent occupation of Cambodia, just as the US and China finalised their normalisation process. The low-keyed US response to Vietnam's intervention, alongside China's heightened involvement confirmed for many in ASEAN the necessity of dealing with China. This phase is very much crucial for ASEAN countries too, because there were differences over China and the question of how best to respond to Vietnam's intervention. Member countries differed on the issue whether China or Vietnam constituted the larger threat to ASEAN's security.¹⁷

Malaysia and Indonesia were the most wary and sensitive about Chinese influence in regional and domestic politics, while Thailand and Singapore were most concerned about Vietnam. For China, working with Thailand and other ASEAN states against Vietnam served a number of interests. From China's part, it was her wish that counter-Soviet and Vietnamese influence would become mature in Southeast Asia. Working with non-communist ASEAN also gave China's action against Vietnam added legitimacy, in addition to raising its profile in the United Nations and demonstrating China's value as a strategic ally to the US. The broader strategic scenario resulted in a series of paradoxical developments. Firstly, two communist powers, the Soviet Union and China, despite historical and ideological linkages were trying to contain each

¹⁴ Alice D. Ba, "China and ASEAN Renavigating Relations for a 21st Century Asia", *Asian Survey*, Vol. XLIII, No. 4, July/August 2003, p. 623.

¹⁵ *Ibid.*

¹⁶ Leo Suryadinata, *China and the Southeast Asian States*, Singapore: National University of Singapore, 1985, pp. 126-131; also see Rizu Sukma, *Indonesia and China: The Politics of a Troubled Relationship*, London: Routledge, 1999.

other. Secondly, ASEAN, despite its anti-communist rhetoric and policies, gravitated towards China, which had traditionally supported communist insurgency in the region. It must be remembered, however, that during this period, Indonesia and Malaysia, both of whom traditionally had suspicions against China, issued a statement in 1980, called the Kuantan Declaration that noted the utility of Vietnam in containing China's hegemonic ambitions towards Southeast Asia.¹⁸ Trade and economics got importance in second phase of their relationship.¹⁹

3.3 Phase 3 (1989-97): A Period of Mutual Engagement after Cambodia

The year 1989 proved to be pivotal in Sino-ASEAN relations. Not only did Vietnam withdraw from Cambodia, but also Indonesia announced its desire to begin normalising relations with China, thus opening the door for Singapore and Brunei to do the same.²⁰ In 1991 for the first time, normalised relations existed between China and all members of ASEAN. This was the period when US priorities in the East Asian region were in transition, especially on the issues of regional security, trade and human rights. As the US economy faced huge difficulties in the late 1980s and early 1990s, Washington became less interested to support existing security arrangements without trade concessions from its cold war Asian allies.²¹ This in turn, raised concern among the ASEAN countries, whose priorities were also changing in the wake of economic growth and a changing strategic context. Thus China got special treatment by the countries of the region. Then ASEAN countries also went for the alternate politico-security framework like the ASEAN Regional Forum (ARF), which aimed to address perceived insecurities stemming from regional imbalances of power, at the same time that such frameworks represented a move away from the US centred bilateral alliance system of the cold war.

The ARF, as a multilateral security organisation embracing some 27 member states from the Asia-Pacific, has been seen as a useful means of coping with China's rise. By using a cooperative security platform like ARF, ASEAN's goal was to engage China so that the country will act as a responsible regional power. China actively participates both in the ARF and unofficial dialogue process that complements the official deliberations. By 1997 only after three years of establishment of ARF China joined the forum functionally. Chinese leaders have shown greater commitment to this multilateral security organisation is surprising given the core values that tend to be associated with the country: a desire to retain independence and autonomy, be

¹⁷ Alice D. Ba, *op. cit.*, p. 625.

¹⁸ N Ganesan, "ASEAN's Relations With Major External Powers", *Contemporary Southeast Asia*, Vol. 22, No. 2, 2000, p. 265.

¹⁹ Alice D. Ba, *op. cit.*, pp. 625-626.

²⁰ Being a predominantly Chinese city-state, Singapore chooses to delay normalisation with China until Indonesia did, so as not to be associated with China. Brunei which often took Singapore's lead in foreign policy also normalised relations with China once Indonesia did.

²¹ Donald crone, "Does hegemony matter?" *World Politics*, Vol. 45, 1993, pp. 501-525.

self-reliant, and protect sovereignty and territorial integrity.²² On the contrary, it was actually suspicion of China that made ASEAN eager to promote China's accession to the ARF, a move primarily designed to regulate Chinese behaviour.²³ Again the ARF was an attempt to meet the need for Asia-Pacific security regionalism while maintaining the ASEAN structure. External actors recognised that ASEAN was the only effective substructure for Asia-Pacific security dialogue and it was willing to accommodate ASEAN needs in this respect.²⁴

Some recent scholarly analyses of the ARF have suggested that the main impetus behind the creation of the new security organisation was the perceived need to establish a stable distribution of power among the three major states of the Asia-Pacific: namely, China, Japan and the US.²⁵ Points to be taken that ASEAN member states have consistently rejected plans to transform it into a security alliance rather they preferred to make it a "security community of common values and principles". But in reality, the ARF is not but an initiative taken to assemble regional and global powerful countries under a same umbrella. In recent years, the two parties have made continued development in defence exchanges and cooperation, and conducted a variety of exchange programmes within the framework of China-ASEAN bilateral cooperation, ARF, ASEAN Defense Ministers Meeting Plus (ADMM-Plus) and ASEAN plus Three (10+3). China supported the security policy dialogue under the ARF, and hosted the workshop on disaster relief by armed forces, the non-traditional security forum within the 10+3 framework. From the regional perspective, making good ties with ASEAN gives China an opportunity to increase the number of supporting hands and from the global perspective bodies like ARF where most of the global powers are member give China a platform to balance powers through it.

But the concern of the ASEAN countries in this phase was mainly for Chinese activities in the South China Sea. Beginning with the 1988 Sino-Vietnamese clash over the Spratly islands, China's actions in the late 1980s and early 1990s suggested greater assertiveness and willingness to use force to protect its claims. Few in ASEAN believed that China posed an immediate territorial threat to ASEAN states and almost all saw China's territorial interests as limited to existing claims, more "boundary setting" than they were instances of Chinese expansionism.²⁶

3.4 Phase 4 (1998 Onwards): Sino-ASEAN Relations in the 21st Century

After the Asian financial crisis (1997-1999) China became able to continue double digit economic growth except the year 2009 when it gained growth of 9.7 percent. On the other hand, the financial crisis hit the ASEAN economies, deepening

²² Rosemary Foot, "China in the ASEAN Regional Forum", *Asian Survey*, Vol. 38, No. 5, 1998, p. 427.

²³ *Ibid.*, p. 426.

²⁴ Leszek Buszynski, "ASEAN's New Challenges", *Pacific Affairs*, Vol. 70, No. 4, 1997-1998, p. 571.

²⁵ Michael Leifer, "The ASEAN Regional Forum: ASEAN's Model of Regional Security", *Adelphi Paper* no. 302, New York, Oxford University Press for the International Institute of Strategic Studies, 1996, p. 19.

concerns about their ability to compete, especially against China. Not only was China's economy relatively untouched by the crisis, but its 2001 entrance into the World Trade Organisation (WTO) also intensified ASEAN concerns. At the same time, the financial crisis also offered China important opportunities to demonstrate regional leadership and its commitment to Southeast Asia, relative to that of other power.²⁷ China from its part got scope to show various high profile gestures including a landmark free trade agreement that helped China to improve its image in Southeast Asia.²⁸

During the post-crisis period, Beijing generally continued to actively engage ASEAN, cultivating its own influence in the region and reassuring ASEAN of its continued interest in stable, even close relations. The year 1997 marked the beginning of a more concerted and focused approach toward Southeast Asia. By indicating this change, former Chinese President Jiang Jemin mentioned it as, the "beginning of a new stage of development in Chinese-ASEAN relations" involving more active participation, enhanced mutual trust, and strengthened cooperation.²⁹

This phase is also important that the US gave much more importance to its relations with Southeast Asian countries after the September 11, 2001 attacks on the World Trade Centre in the USA. And, this renewed relationship made China more concerned about its relations with the Southeast Asian countries. But it was the Asian financial crisis which gave ample opportunity to China to play its part by demonstrating good gesture to increase more political and economic affiliation with the countries of the region and helped to act as a regional leader. China took advantage of ASEAN's disappointment with the international response to economic crisis. ASEAN countries found unfriendly behaviour from US in response to this financial crisis, which again allowed them to make good ties with China.

4. China-ASEAN Relations: Major Issues

4.1 Security and Strategic Issues

Security perceptions of both China and ASEAN got importance in their relations from the beginning. In the same way, it has tremendous impact on the Asian power structure and balance of power system. Over the years, China and ASEAN countries have developed defence and security ties in a number of areas ranging from high level visits by military and defence official to port calls, small-scale joint military exercise, defence equipment transfer, military educational exchange programme, and multilateral dialogue by senior defence and military officer.³⁰

²⁶ Walden Bello, "South China Sea Incident Was an Event Waiting to Happen", *Business World* (Manila), April 2001, p. 628.

²⁷ Alice D. Ba, *op. cit.*, p. 634.

²⁸ *Ibid.*

²⁹ "Chinese President Jiang's Speech at Informal China-ASEAN Summit", *Xinhua*, 16 December 1997.

Hence it can be said that, “although realists normally put forward balancing and bandwagoning as the only strategies available to smaller states, Southeast Asian nations have historically employed “counter dominance” towards great powers and “counter-interference” towards each other”.³¹ Therefore, it becomes clear that ARF is such an effort to make a security vehicle. ARF maintains US involvement in the region and engages the Chinese.³² This actually explains why Malaysia spent so much energy wooing China to engage with ASEAN and promoting China’s self proclaimed “peaceful development” to other ASEAN members. It also explains why, on the one hand, ASEAN states are wary of allowing the US to use the organisation to “encircle” China; yet on the other hand, they put forward ARF in which America is a participant, as the preferred political and security forum in the region.³³

The joint vision on the ASEAN-US enhanced partnership affirmed in 2005. It is also significant that ASEAN defines security concepts and processes that in reality underpin a counter-dominance strategy. And the forum gives an opportunity for the member states a platform and a context through which member states jostle for executing power and interests without destabilising relations among themselves. Also, it is highly intentional to choose countries in bodies like the East Asian Summit (EAS). A point to be noted that, security is a much more comprehensive notion for Southeast Asian states than it for Western ones, which tend to differentiate between domestic and international security.³⁴

China and ASEAN also co-operate in the non-traditional security areas. We all know that piracy has become one of the most serious non-traditional security issues in the post cold war era. Since piracy in Southeast Asian waters is a trans-national crime, any unilateral or bilateral anti-piracy action is not sufficient to suppress piracy, and suppression of it requires regular, and comprehensive multilateral and international cooperation. Though they have made important progress in their joint anti-piracy efforts, there are also still a number of difficulties existing in this anti-piracy cooperation. An important milestone in China-ASEAN security relationship is China’s signing in 2003 of a key ASEAN security protocol, “the Treaty of Amity and Cooperation (TAC)”, and their declaring each other as strategic partners of peace and prosperity in the beginning of a new century.³⁵

Since 2004, the Chinese Ministry of Public Security has staged over 60 training courses and workshops on anti-narcotics law enforcement, criminological technique, maritime law enforcement, criminal case studies, exit and entry administration, cyber crime investigation and other subjects, and invited over 1500 law enforcement officers from ASEAN member countries to China. In particular,

³⁰ Jing-Dong Yuan, *op. cit.*, p. 14.

³¹ John Lee, “China’s ASEAN Invasion”, *The National Interest*, Washington, No. 89, May/June 2007.

³² *Ibid.*

³³ *Ibid.*

³⁴ *Ibid.*

from 2006 to 2011, the Chinese Ministry of Public Security organised five training programmes for ASEAN law enforcement liaison officers, during which 92 officers from ASEAN countries studied Chinese language and police knowledge in China. China and ASEAN have extended mutual support, and partnered with each other in confronting a series of severe natural disasters and epidemics such as Indian Ocean tsunami, Myanmar cyclone, earthquake, SARS and avian flu.³⁶

Chinese leadership is also pleased with the balance of power strategy on the part of ASEAN. The latter attempts to maintain a balanced relationship with the US, China and Japan; at the same time, it avoids neglecting Russia and India. This ASEAN strategy helps prevent any major power including the United States from dominating the Asia-Pacific region. This is in line with China's strategic interests.³⁷ In 2003 China acceded to the ASEAN Treaty of Amity and Cooperation and issued the China-ASEAN Joint Declaration on Strategic Partnership for Peace and Prosperity. In 2004, a five year (2005-10) Plan of Action was adopted. The plan focused heavily on defence and security cooperation between the two specially on following areas: confidence and trust in defence and military fields; dialogue, consultation and seminars on defence and security issues; cooperation on military personnel training; joint military exercise; and peacekeeping operations.³⁸

4.1.1 *South China Sea Issue*

It is no doubt that resolving the overlapping claims to the South China Sea is the most talked issue between Southeast Asia and China. From the very beginning of the journey of ASEAN, this issue received much attention. The South China Sea comprising of 1.4 million square miles in the Pacific Ocean is a hub of natural resources, fisheries and trade routes with global importance. China claims its supreme sovereignty over the South China Sea but the four ASEAN countries: Philippines, Vietnam, Malaysia and Brunei also claim their proper share over the sea. This counter claims to sovereignty across the region is raising frequent diplomatic standoffs.

The ASEAN countries want to resolve the issue in the multilateral body such as in the ARF where USA, Japan and India are also participants, or through ASEAN+1(ASEAN+China) meeting but China rejected any kind of internationalisation of the dispute and want to resolve it bilaterally. Moreover, China still is reluctant to accept joint exploration and exploitation among all the claimants in a part of the Spratly claimed by all or most parties; it is only willing to deal bilaterally with each of the claimants.³⁹

³⁵ Swee-Hock Saw, *op. cit.*

³⁶ China-ASEAN Cooperation: 1991-2011, *op. cit.*

³⁷ Joseph Y. S. Cheng, *op. cit.*, p. 185.

³⁸ "China ASEAN Move Forward", December 9 2004, available at: http://www.chinadaily.com.cn/english/doc/2004-12/09/content_398729.htm, accessed on 17 December 2013.

After the last year's ASEAN Summit in Phnom Penh the leaders of the ASEAN countries thought that China would soon enter into negotiations on finding an amicable solution on the South China Sea. The Chinese Premier Wen Jiabao urged the ASEAN leaders to discuss the conflict within the existing ASEAN-China framework. He highlighted that the Code of Conduct (CoC) was the 'natural progression' of the guideline document of concerning parties related to South China Sea began in 2002, which was merely a political document and commitment of all parties, China and ASEAN. Both parties hence are well aware about the US motivation and intention about the South China Sea. In 2012 Obama joined the East Asian Summit where he clarified the US position on the issue and told that US wants freedom of navigation to all in the South China Sea. The Philippine government backed by the US claimed its proper share with a louder tongue. Hence, China has a threat of isolation if ASEAN is joined and backed by the US and rest of the globe. Therefore, the future may see any positive outcome of the problem by China and ASEAN.

4.2 Trade and Economic Issues

China and ASEAN member states became successful in making a strong economic relationship. China-ASEAN trade has maintained a rapid growth momentum. The volume of bilateral trade jumped from \$7.96 billion in 1991 to \$292.78 billion in 2010, representing a 37-fold increase and an average annual growth of more than 20 percent.⁴⁰ In the first half of 2011, China-ASEAN trade totalled \$171.12 billion, up by 25 percent year-on-year.⁴¹ China is now already the largest trading partner of ASEAN while the grouping is the third largest trading partner of China.⁴²

Mutual investment also expanded; from 1991 to 2000, ASEAN investment in China increased at an annual rate of 28 percent. In 1991, ASEAN investment in China was only \$90 million, and increased sharply to \$26.2 billion by 2001, accounting for 6.6 percent of total FDI utilised by China. China's investment in ASEAN was comparatively small, but also increased sharply to \$1.1 billion by 2001, accounting for 7.7 percent of China's overseas investment.⁴³ Two way investments keep expanding. As of June 2011, the accumulated amount of mutual investment reached almost \$80 billion. In recent years, China has stepped up its investment in ASEAN countries, and ASEAN is becoming an important destination for overseas investment of Chinese companies. The launch of China-ASEAN Investment Cooperation Fund and China-ASEAN Banking Consortium upon the Chinese

³⁹ Jusuf Wanandi, "ASEAN'S China Strategy: Towards Deeper Engagement", *Survival*, Vol. 38, No. 3, 1996, p. 122.

⁴⁰ "China-ASEAN Cooperation: 1991-2011", *China Daily*, 16 November 2011, available at www.chinadaily.com.cn/cndy/2011-11/16/content_14101968.htm, accessed on 15 November 2012.

proposal has provided an important platform for investment and financing cooperation between the two.⁴⁴

The proposed China-ASEAN Free Trade Area (CFTA) marks another milestone in the ASEAN-China relationship. China's push for the formation of a Free Trade Area (FTA) embracing China and all the ten ASEAN members started from the ASEAN+3 Summit in 2000. At the ASEAN-China Summit in 2001, China formally raised the proposal for the formation of CFTA in ten years. ASEAN leaders at the meeting accepted Chinese proposal. Framework agreement on ASEAN-China Comprehensive Economic Cooperation was signed at the ASEAN-China Summit in 2002 to establish the CFTA. Formal talks on CFTA started in 2003, with the year 2010 set for China and the six original ASEAN states Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand and 2015 for the less developed ASEAN members of Cambodia, Laos, Myanmar and Vietnam. But an "early harvest" programme of tariff cuts on agricultural products was launched immediately.⁴⁵ In 2010, CFTA was established as scheduled, and zero tariff treatment was provided for more than 90 percent of the products exchanged between China and ASEAN. China's average tariff rate for ASEAN dropped from 9.8 to 0.1 percent, while the average tariff rate of the six old ASEAN member countries was reduced from 12.8 to 0.6 percent. The significant reduction in tariff has led a strong impetus to the fast growth of bilateral trade.

Chinese Premier Wen Jiabao in 2003, proposed at the seventh China-ASEAN Summit to hold China-ASEAN Expo (CAEXPO) every year from 2004. The ASEAN countries and their leaders warmly welcomed the proposal of Wen Jiabao. Co-sponsored by Chinese Ministry of Commerce, economic and trade authorities of the ten ASEAN countries and the ASEAN secretariat, CAEXPO takes "facilitating CFTA building, sharing cooperation and development opportunities" as its theme, and covers trade in goods, investment and trade in services. To date, eight CAEXPO and concurrent China-ASEAN Business and Investment Summit have been held. Over the past years 200 high level meetings, forums and other relevant activities have been held under the CAEXPO framework, and attracted a total of 316,000 visitors. The total volume of transaction reached \$11.690 billion, and the total value of international and domestic cooperation projects signed during the CAEXPO reached \$49.172 billion and RMB 475.902 billion respectively. CAEXPO has thus become an important platform for comprehensive economic and trade cooperation between China and ASEAN.⁴⁶

⁴¹ *Ibid.*

⁴² *Ibid.*

⁴³ Swee-Hock Saw, *op. cit.*

⁴⁴ "China-ASEAN Cooperation: 1991-2011", *op. cit.*

⁴⁵ Swee-Hock Saw, *op. cit.*

ASEAN countries recognise the opportunities that a growing China provides, but they also are worried over the long term impact of a stronger China competing with them for Foreign Direct Investment (FDI) and replacing them as the manufacturer of labour intensive consumer products. There remains a serious concern that China may compete and crowd out ASEAN in terms of FDI, replace ASEAN states as a manufacturing base, and hence cause severe economic downturn in the ASEAN countries less capable of competition and with little room for adjustment.⁴⁷

5. Conclusion

Relations between ASEAN and China have undergone various changes in past decades. Different phases of Sino-ASEAN ties show that their relation faced some ups and downs. However, the recent trend of Sino-ASEAN relation indicates that it is getting better than before. China actively participates in the cooperative dialogue mechanism with ASEAN in different forums and with joint efforts from both sides cooperation has been raised to a new height. China respects ASEAN's role in Southeast Asia and beyond. Its foreign policy objectives indicate that to achieve national and regional development, China hopes to improve its relations with ASEAN countries through bilateral and multilateral approaches. ASEAN countries also want to grasp the benefit of rising China. Both of them recognise that their relation is important for regional and global balance of power. They often support each other on international arena and hold similar positions on many international issues. China is providing ASEAN with diplomatic and economic support. Conversely, ASEAN is giving ample opportunities to China for fulfilling its strategic interest in this part of the globe. That is why China always welcomes ASEAN's balance of power strategy and supports the regional organisation in playing a key role in the Southeast Asia.

China and ASEAN have become successful on economic, trade and some issues raised in the ARF. Although on the South China Sea issue, they have to go a long way to find out an amicable solution, it is unlikely that this maritime dispute will undermine the positive trend of economic integration between China and ASEAN. Regarding the dispute, Premier Hu Jintao in 2012 noted that, "territorial dispute should not be a 'stumbling block' for China's relation with ASEAN."⁴⁸ In the last EAS, Chinese leaders focused on regional growth rather than South China Sea dispute.

⁴⁶ "China-ASEAN Cooperation: 1991-2011", *op. cit.*

⁴⁷ Mari Pangestu, "China's Economic Rise and the Responses of ASEAN", in Kokubun Ryosei and Wang Jisi (eds.), *The Rise of China and Changing East Asian Order*, Tokyo and New York: Japan Centre for International Exchange, 2004, pp. 241-263.

From the ASEAN countries, two types of responses regarding China are generally perceived: China is an opportunity and China as a fear factor. But it seems that ASEAN countries are eager to have better relations with China to achieve economic benefit mutually. They understand that antagonistic relations with China will not bring any positive result at all. On the other hand, if China gets the countries of Southeast Asia on its side, she will be more confident to face any extra-regional threat. With this mutual cooperation, the region will go for prosperity day by day with more economic and strategic engagements.

⁴⁸ Robert Sutter, "China-Southeast Asia Relations: China Gains and Advances in South China Sea", New York: CSIS Publication, available at http://csis.org/files/publication/1203qchina_seasia.pdf, accessed on 9 April 2013.