ASEAN’S RESPONSES TO CHINA’S GROWTH: A STUDY OF GROWING TRENDS IN ASEAN IN WAKE OF RISE OF CHINA

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Abstract

At present, China is making a tremendous growth at multiple fronts and the threshold of the growth has been predicted for setting up a stage to change the course of history. At economic front, China has been acknowledged the second largest economy of the world in terms of nominal GDP while according to IMF China is considered the largest economy of the world in terms of PPP (purchasing power parity). China has become the global pivot for its business, engineering and trade skills, it is the largest manufacturing economy in the world as well as the largest exporter of goods in the world. At the same time it is the largest consumer market which is growing and second largest importer of goods in the world. As a second largest trading nation China has a significant role to play in international trade. China is engaged in different sort of organizations, treaties, and agreements including FTAs (free trade agreements) to increase its efficiency and trade with other nations. How China has got this status in four decades long story however unique with thousands of tools of reforms, exploited by extensive potential with a persistent pace. Such a huge rise has made the neighboring states concerned, particularly the states who have competing claims in South China Sea which led to new trends in South East Asia. The ongoing research aims to study the emerging trends within ASEAN response of rise of China. The theory of Complex Interference would be made functional in order to understand the complexity of relations. Analytical, descriptive approaches would be adopted in order to analyze the growth of China, Response of ASEAN and the nature of emerging trends.

Introduction:

South East Asia or the ASEAN countries have distinct geographical position with its maritime character. Out of ten, nine countries have their coastal boundaries, besides this, region has two countries have the status of the largest archipelagoes of the world. Thus maritime character is mostly described as the “first and primary unifying factor of Southeast Asia”. Meanwhile geographical location has also assigned the region important position to connect north East Asia and other Western maritime powers including the US. On basis of its features and geographical location as a connecting way between Indian and Pacific oceans ASEAN states have wide maritime interests as most of them are enclosed with seas, oceans and vast range of archipelagoes. Besides that geographical character, ASEAN is “complicated with gulfs that penetrate deeply into the mainland, a multitude of large and small islands and wide and narrow (continental) margins.” Such geographical congestion has created overlapping claims for their territorial
China and ASEAN Relations:
China’s foreign policy has seen different gradients throughout the history in order to pursue its national interests. Generally foreign policy of China has been divided into different phases named after their leaders; Maoist era, which is consisted on two decades from 1950s to 1970s, during these two decades various experiments at regional level were made however focus was made on Asian and African strategic cooperation, then is the Deng era, based on two decades from 1980s to 1990s, during which focus was made on developing itself, actually this phase was started from the late 1970s which got enthusiasm during these decades which led to China with current active foreign policy in line with realization of their economic and geostrategic interests. Since 1990s to onwards, particularly with inclusion in APEC and reforms at home, it seen a boom which wrote the success stories up till now.

China is securing its economic goals in order to achieve its higher goals in the world system, more emphasis is put on economic growth and distribution of economic growth to the parts of the world by using different tools and variables. Main part of foreign policy has been promoted by engaging economic tools used to carry out the further economic activities which includes trade, investment and the aid in line with cooperation at the various economic fronts. There is need to investigate the categories in which China is deeply involved. According to a member Takaaki Kobayashi of Japan Bank for International Cooperation ‘When we look at the rapidly growing [China’s] aid to the resource-rich African countries, we can see Chinese companies (which are very competitive thanks to China’s government preferential loans) dispatching a large number of workers (=outward labour cooperation), building plants (=outward construction contracts), transferring technology (=outward design consulting) and capital (=outward FDI) as well as supplying materials (=foreign trade) to the recipient countries, so that a system of resource development is fully established’.

ASEAN is considered among the top economies of the world as it is the third largest economy of the Asia and comes of number seventh in the raking of global economies. Being a region undergoing urbanization as an important driver in economic growth, South East Asia falls under the fastest urbanizing region as during the last four decades around 57 million people progressed to cities. Only in Indonesia, around 30 million of people moved to cities for better living and to find more opportunities. ASEAN is equally significant for China and US for economic and geostrategic reasons. However China remains at advantageous position in terms of geography, historical links including Chinese diaspora and the economic activities with the ASEAN countries. Since the 2010 FTA was operational with the ASEAN countries, economic relations between the both partners have touched the new heights. The US ‘Pivot to East Asia policy’ included many initiatives to expand its influence throughout the region. One of those measures was the TPP which was later abandoned by the new Trump administration, in line with TPP, the US government took a new measure for US- ASEAN Connect with emphasis on four areas of Energy, Business, Innovation and Policy connect, to establish a platform within three focus areas Jakarta, Singapore and Thailand for better cooperation and coordination for better ASEAN and US engagement to facilitate the business community. For the same purpose a symposium was held in 2015 named, Energy Infrastructure Symposium and Reverse Trade Mission for Energy connectivity and access to clean energy goals with the support of US government agencies.

Since 1990 with the transformation of Chinese economy, China has reviewed its foreign policy as well, to deal with its neighbors and particularly the close neighbors like ASEAN countries. Many things were redefined during that course including the policies for regional activity which led to final destination of regional connectivity. Since the beginning China, favored the bilateral and multilateral relationships with ASEAN at various fronts despite of many ups and downs. There were two major factors which shaped the future relationships, global economic activity at the hands of globalization and other was consequent ‘China’s economic boom’. These two factors became the main themes for future relationship and for greater regional activity. Financial Crisis of 1997 in Asia was very momentous for reshaping the regional relationships. It guided the states to be less dependent upon the greater power and great powers led multilateral and particularly financial institutions. It also led to seek sense of regional identity and intense regional connectivity towards the path of ASEAN+3.

Here is significant to note the divergence of interests within ASEAN states in having relationships with China. Diversification of interests and relations is so vivid that even it can be categorized into different groups like
Philippine-US relations, Japan-US relations, Indochina-US relations, Indochina-China relations and US-China relations. Variations in relationships is also significant for structure of balance for power in Asia. Keeping in view, the complex nature of relationships among ASEAN nations, Chinese analysts suggest bilateral relationship for growth and prosperity of the region. According to Yong Deng argues, a Chinese scholar “ASEAN-style engagement shows that, to integrate China in the international system, the engagement of multilateral institutions and regimes can only succeed with corresponding bilateral diplomatic ties between China and the main definers of the international regimes”. Various maritime issues between ASEAN states, China and the overlapping claims are also a major factor in bilateral relationships and the nature of fluctuations of their relationships. However there is need to understand whether the maritime issue are more power to interplay between ASEAN and China or the other economic factors for regional connectivity. If the maritime dispute are significant that to which level, they can hinder the economic relationships?. There is much convergence at many fronts also, most significantly on economic front.

At the moment, China has been acknowledged the second largest economy of the world in terms of nominal GDP, while according to IMF China is considered the largest economy of the world in terms of PPP (purchasing power parity) (GDP based on PPP, share of world, 2017). China has become the global pivot for its business, engineering and trade skills; being the largest manufacturing economy in the world, besides being the biggest exporter of goods. At the same time it has the largest consumer market which is constantly growing and also remains the second largest importer of goods in the world of worth $1,842 billion, after the US with worth of $2,409 billion. As a largest trading nation, China has a significant role to play in international trade (United States, 2017).

![China GDP Graph](source)

**Source:** Trading economies, World Bank

China is engaged in different sort of organizations, treaties, and agreements including FTAs (free trade agreements), to increase its efficiency and trade with other nations. How China has got this status is a four decades long story; however the evolution of China to such a prosperous phase is unique to this land. Exploitations have been witnesses by the nation but with consistency, China has achieved its mark.

Currently China, by and large is the world’s second largest economy and leading export industry, while in terms of GDP purchasing power parity (PPP), it is the largest one with more $ 20 trillion .

According to a report published by World Economic Forum, China has been declared world’s largest economy on basis of PPP by IMF and World Bank .

For the same reasons, most of time, China has been named as “World Factory” for its huge production and contribution in global manufacturing export market. China contains the global factory being a high quality and mega producer and exporter of goods such as the electric appliances, communication equipment, medicine, machine equipment, textiles and chemicals, etc. Many of these goods like machines equipment, containers and tractors are accounted 85 percent of the total global output . For the current status of Chinese economy and new place in emerging world order it is necessary to look into the current indicators for power. From 1978 to 2004 China took a jump from 32to 2 among trading nations. Foreign trade of China rose from 21 million US$ in 1978 to 335 billion US$ in 1997 and much higher than 1,150 billion in 2004 whereas during 1950s, China’s foreign trade turnover was
only US$1.135 billion. During 2007-8, China touched the economic growth rate of 14.2%, afterwards it started to slow down to 6.9% in 2017. There are predictions made by the IMF that ensuring a more stable and firm state, market growth rate will continue to fall to 5.8% by 2022.

China’s Innovative Domestic and Global Ventures

For the same reasons, many high profile innovative initiatives have been started by China including the:

The ‘Made in China 2025’ Initiative is to modernize and upgrade the hi-tech industry. It is basically a master plan to convert the country into a ‘manufacturing super power’ in the coming decades. The main target of the strategy is the manifesting sector and particularly the hi-tech industry for its contribution to growth rate. The focus in plan has been made on 10 key industries including: the Aviation, Robotics, Automotive, Railway equipment, Bophirima and Medical devices, Energy saving vehicles, Aerospace and aeronautical equipment, Agricultural equipment, New materials and High-tech maritime equipment etc, to reduce the dependency on other countries (Made in China 2025, 2015). This vision was presented in 2011 while initiated in 2013. There are few significant things about the plan that the focus is not only on innovation rather on the entire manufacturing process, along with attention on self-created and global standards (Made in China 2025, 2015).

Besides the initiative of ‘Made in China’, the country is adopting few other innovative initiatives including the Belt and Road and statecraft of Parallel institutions including AIIB and many others. In the current research, Belt and Road along with the AIIB has been discussed thoroughly.

China is growing in its leadership qualities as well, by engaging at different political and economic institutions and taking initiative’s to change the course of world. Two notable projects under discussion include the one is Belt and Road Initiative (B&R Initiative) and secondly the establishment of financial regimes like banks and other institutions, few are related to B&R Initiative while few are not however they have their own significance in relevance to stand parallel with other global institutions, established by the West. Here is a detailed depiction of reforms and statecraft of institutions at home which led to development of global institutions.

Military Build Up of China:

Regarding the People’s Liberation Army, it was mentioned that in accordance with strategic requirements, it would continue to work for mobile operations as well as for the multidimensional offense and defense from Theater.
defense to Trans Theatre mobility. It will develop itself into small units to work more efficiently, to perform the tasks in different regions by developing its ability to combat with competitive force. It will construct a force for joint operation to carry out multiple functions from precise, multi-functional, Trans Theater with a sustainable operational capability. The changes were also made for the reduction of seven, Military Regions (MR), to Five Command Theaters (CTs) along with the changes at unit level. The organizational and structural changes also aimed at downsizing of personnel till 2017. Seven headquarters were also reduced to five, East- Nanjing, Southern-Guangzhou, Western Chengdu, Northern- Shenyang, and Central-Beijing by downsizing Jinan and Lanzhou. Downsizing was made to improve the performance by reducing quantity and enhancing quality.

With the passage of time, China’s role in global military diplomacy has taken a rise with a great threshold from the UN peace keeping activities to disaster relief, anti-piracy and humanitarian assistance. China is one of the third largest contributors to regular budget of UN while it is ranked as second largest for providing peacekeeping budget. During 1998, the numbers of soldiers serving in UN were only five, during 2015 it rose to 3,084 while currently it has been serving UN by providing 2,500 personnel, highest amongst all permanent members .According to Chinhao Huang and Bates Gill, China’s growing interest in UN peace keeping is based on three reasons 1) to gain a harmonious image of China, 2) expansion of non-combat operations for Chinese forces, 3) to get an experience by participating into various combat and noncombat activities (Huang, 2009). As a part of Military Diplomacy and with increase in its economic and military interests abroad, China is setting bases to safeguard its interests. In this regard, China has established its first ever naval base in Djibouti in the Horn of Africa. Base in Djibouti is the base which was financed primarily by China, costing US$590 million; the base was formally opened on August 1, 2017 the day of founding Chinese Military. The first live-fire exercise or LFX are conducted on September 22, 2017 with 4,000 US troops are stationed on the base .The reasons to have a base at Djibouti are multiples, the utility of having permanent place for their nationals as currently China has shifted its people from Yemen to Djibouti, then to have stable country in unstable region, close to Indian Ocean which is vital for Chinese maritime trade, against piracy in Gulf of Aden.

Emerging Trends in South East Asia:

Military Procurement:
South East Asia is a region which is located in between the relative peace and relative conflict zone. Such location make it significant for entering in peace and conflict situations easily however in this regard regional and global players always had an important role to play. Currently within South East Asian states, a trend for military procurement is increasing day by day as countries are spending much on military modernization and development since 2000, it has been estimated that rise in military is 9 percent on an average on yearly basis . However this approach is not similar amongst all countries rather it varies from state to state. Change in strategic thinking is response of change in regional strategic environment Regarding change in strategic factors, obviously the rise of China is considered the biggest factor. In actual, the process of military modernization has not started since 2000, rather since back to cold war when ASEAN states started to develop their armies and started to add new capabilities in process of military modernization including command and control, precision to strike, surveillance and other advance capabilities. However current prominent trend of militarization in ASEAN is due to rise of China however this not the only one rather one of the most important threats to ASEAN countries. According to International Institute of Strategic Studies London “as China’s economic strength, diplomatic confidence and military capabilities increase, this rising power looms larger in the calculations of the ASEAN governments”. This is the same phenomenon that has been prevailed throughout the South East Asia. Increasing military activity has few ultimate upshots.

Growing trend of Military Budgets:
Growing trend in increase in military budget is the subsequent to the profound economic growth in the developing world and mainly within Asia. It is the first time that after the two centuries of industrial revolution economic growth is giving its fruit to the developing nations and most of them are Asian like China and India. Here, it can be said that hard power is directly proportional to soft power or the economic growth because as soon as a states gets the economic growth, it tries to spend more on its defense either to make itself save from domestic threats or from the external threats. Most important driving forces behind the economic growth of the developing nations are the accommodative demographics, reforms in form of bold initiative and the growing urbanization. Emerging economies are spending more on military hence their military expenditure is getting higher persistently. South East Asia is in the same list of economic growth and military expenditure. South East Asian countries took a jump in military expenditure, which is almost double from 1990s to onwards and Vietnam is on the top amongst all the ten
countries. Procurement list is very huge in terms of weapons including submarines, patrol air crafts, radar system, warships, and naval fleets and much more. Although economic growth is significant and the most general pattern existed behind the growing military expenditure however there other driving motives behind the rising military expenditure within South East Asia.

**Economic Growth and Economic Integration:**
South East Asian economies are growing with an average growth rate of 5 percent from last four decades mainly based on production sectors of logistics, real estate, financial services and construction which been growing with the similar growth of 5 percent yearly. Persistent economic growth is main important feature of the region which has put it into the fastest growing economies. Amongst all, Indonesia and Vietnam have the more potential to lead the economic growth of the region leaving behind the Africa and the countries of Latin America. Besides the growing economy, other factors are aging equipment, old technologies, old technique to combat, and aspiration to establish local weapon industry to fulfill the future needs along with the assessment of security threat in geostrategic environment. Whenever we talk about the urbanization as an important driver in economic growth, South East Asia falls under the fastest urbanizing region as during the last four decades around 57 million people progressed to cities. Only in Indonesia, around 30 million of people moved to cities for better living and to find more opportunities.

**In use Modern technologies:**
Modern technologies, including the precision-guided weapons, introduced in last two decades have also played a significant role in developing and modernizing the forces in wake of unpredictable threats which use multiple tactics to conduct their activities. Same approach has made the ASEAN countries to realize the new nature of threats and to equip themselves to confront such threats and adversaries. Meanwhile in few of countries which although are already well equipped however facing the issue of ageing of weapons like the Philippine and Vietnam adopted in 1970s and 1980s. While Singapore is considered one of the most developed country among all because of its engineering technologies and capabilities for submarines, land system and aerospace. Besides the replacements of old technology, ASEAN countries are aspired to get modern technology, locally which they lacked in terms of heavy mechanical complexes, munition industries along with the designing technologies on the basis of Turkish Model as Turkey is supplier of many weapons which are provided by local defense industries. Turkey has got this status by putting the heavy reliance on Research and Development and opting for a ‘smart offset policy’ to deal with the technology transfer and intellectual property issues.

**Strategic Partnerships:**
Further, in case of import of military technologies and arms, military budget is needed more for repairing and overhauling purposes. For the same purpose, many of states are making strategies for joint defense agreement with the arm exporter countries which include the manufacturing of various weapons locally according to the needs of the countries. In the same capacity, Indonesia has signed an agreement to of worth $164 million with US based defense company Thales Raytheon Systems (TRS) for an Air Defense System. Besides the supply of Air Defense System TRS would transfer a few other knowledge and skills to manufacture radar system and other technologies locally.

In this regard, Thailand is achieving success in establishing local defense industry, a thais company Chaiseri has made a 4x4 armored vehicle for multiple purpose in collaboration with DRS Technologies which is a US based company.

Urge to foster and develop the local industries making the ASEAN states more prone towards militarization like Philippines has made indentures to swap its old UH-1 Huey helicopters with eight AgustaWestland-109 utility helicopters while Vietnam is in process of replacing its 12 Sukhoi SU-27 and 12 Sukhoi SU-30MKs with 12 Sukhoi SU-30MK2V fighters and such other defense equipment from Russia.

There are many future opportunities to expand their military industries in changing power dynamics. Most important factor in fostering local defense industries is the role of Foreign Direct investment FDI which can engage many regional and global players to get engaged with in the local defense industries as many of governments are friendly for FDI in defense industries like Singapore and Thailand where needs a simple government approval for manufacturing and distribution of small defense equipment. While in Vietnam and Myanmar private ownership of defense industry is prohibited however it is trending in the whole region in the opposite direction which can make the region more vulnerable.
Increased Economic Integrity:
Since the Financial Crisis of 1997-1998, China has been declared as a trustworthy partner, since the 2013, ASEAN and China on a new track of economic integration under the umbrella of Belt and Road Initiative. During the financial crisis China given financial assistance to Indonesia and Thailand along with IMF and not chosen to devalue its currency against the dollar which boomed China’s relations with ASEAN as a trustworthy friend particularly in comparison with US and Japan. Meantime, ASEAN China Free Trade Agreement (ACTFA) was also signed is operational since 2010. It was with economic and political goals to be achieved at both ends from access to raw material to market of furnished goods of China. By growing relations, China was the main trading partner with ASEAN. Besides the potential benefits for the both parties and their diversion from West, diversifications of trading goods, there still exists fears about the traditional regional influence of China over the region which were intensified by the China’s membership in WTO in 2001 which given a boom to FDI inflow towards China with an increase economic insecurities in ASEAN countries.

Analysis:
Relations of South East Asia and China are lying on the basis of shared the norms of international relations particularly the norms of state sovereignty with the promotion of ‘Asian values’ along with other strategic preferences like the emergence and existence of multi polar world. In 1990s China made policy reforms in domestic as well as in foreign level. In this regard at foreign level China adopted the policy of multilateral cooperation. To achieve this ultimate goal they are striving for at various fronts by collaborating with each other and multiple platforms like ARF and ASEAN +3. It is analyzed that China emphasis over multilateralism is the result of ‘ASEAN Way’ approach and putting ASEAN on driver’s seat on basis of win win situation. In this regard, ARF can play a vital role by applying different basic principles of noninterference in domestic matters, no interference on regional powers with in region. Application of such principal would automatically allow China to emerge in the region and to keep US and other powers inside the region. So these principals are in straight in strategic interests of China. Upon a deep analysis, China’s chief interests are the following economic development in terms of trade and other words, smooth access to South China Sea in wake of any confrontation in Malacca strait, regional stability along with absence of the great powers in its surroundings. While at the same time ASEAN countries have also their own interests like economic development of the region, smooth settlement of the South China Sea issue through peaceful means and presence of great powers in the face of rise of China to counter the China’s hegemon designs as a regional player. Here lies both the convergence and divergence of interests between both of the partners resulting in different outcomes. In case of economic development in cooperation with China, ASEAN will be able to achieve its economic goals however would be able to deal the South China Sea issue at bilateral level or even on multilateral level. Meanwhile the possible rise of China in economic as well as at military level would ultimately be in a position to push away the great powers influence from the region and to keep its own.

From the above discussion it has become clear that ASEAN has strengths in its weaknesses as it has contributed a lot to create stability in the region by bringing the regional powers on the same table and using the diplomacy. However, same strength has also become its weakness as well because ASEAN region would always be dependent on the external dynamics to alter its fate. Land separates but sea connects.

Challenges Posed to ASEAN:
Although economically ASEAN is a growing region but it is weak in political governance which is not in favor to adopt a strong stance over South China Sea. Meanwhile China is working closely with these countries by making heavy investments and trade. ASEAN is part of two corridors of OBOR out of six. Initially Philippine was excluded however negotiations are going to make Philippine the part of OBOR initiative.

As for as ASEAN’s moral responsibility is concerned, it is prime responsibility of ASEAN to secure the south china sea as every year 5 trillion dollars in trade passing through the South China Sea. On 24th ASEAN Regional forum in august 2017 With 5 trillion dollars in trade passing through strong comments are made to settle the issues. China is ASEAN's number one trade partner so it is technically tough for ASEAN to go against China, few members have complete silence over the issue like Cambodia and Laos because of fully dependence on China. Besides that there are other obstacles as well
1. a lack of cohesion among its members
2. a slow ASEAN decision-making mechanism
3. And limitations on the implementation of its code of conduct.
Conclusion:
ASEAN is concerned over the rise of China, emerging trends are quite obvious however the lack of consensus on the issues, lack of mechanism to resolve the issues and pursuance of norms of ‘non-interference and ‘The ASEAN Way, are not working to resolve the ASEANs issues according to their wishes rather are forced to bandwagoning with the China by keeping in view the phenomenon of Complex Interdependence despite of having a major issue of South China Sea. Besides of incapability of ASEAN, China is also using different tactics to engage itself with ASEAN countries. One of those core tactics is to negotiate at bilateral level, there are two reasons of China to go for that one is China’s superior status from size to capabilities which can have a better edge over any of ASEAN country, secondly to involve countries at bilateral level means to delimit the chances of US to get involved into the issue. For the above reason ASEAN countries are not in position to take a strong stance over the dispute however despite of various weaknesses all countries are working closely with other regional and global powers to mute the China’s assertiveness. Engagement at diplomatic, economic and military level with other regional and global powers is giving rise multiple trends are emerging in face of this dispute which be beneficial as well as harmful in the long run.

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