

ASEAN in China's Grand Strategy

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Introduction

China shares land borders with as many as 14 countries, and has eight maritime neighbours, which means China and its neighbours are closely bound by geography. But to adequately understand China's neighbourhood relations, one must look beyond geography to consider how history, culture, geopolitics, and geo-economics have shaped, and will continue to shape, these relationships. Serious consideration must also be given to their competitive national interests in the evolution of their increasingly interdependent social, economic, and geopolitical relationship.

Southeast Asia is a huge neighbouring region for China, to which it is connected by land and the South China Sea. As the Association for Southeast Asian Nations (ASEAN) becomes a Community bringing all countries together, China's relations with ASEAN are based on two tracks – its bilateral relationship with each member and its collective relationship with ASEAN as a whole. While handling complex bilateral relations with each country, China has given priority to developing the relationship with ASEAN. With rising disputes over the South China Sea, China's relationship with ASEAN has been negatively affected.

There have been concerns that China's rise presents challenges for its neighbourhood relations.¹

¹ As commented by Wenwen Shen, whether China can regain the respect of its neighbours that it had during the era of the 'Middle Kingdom' remains to be seen. It will be a difficult balancing act for China – on the one hand demonstrating that it is back as a major power after a century of humiliation; and on the other wishing to be regarded as an important but peaceful neighbour. In an era of growing political and economic interdependence, such a development could only impact negatively on China (Shen, 2012).

What makes China's relationship with its neighbours more complicated is the close involvement of extra-regional powers, such as the United States (US). China and its neighbours clearly have a shared interest in good mutual relations and working together to achieve a peaceful and friendly relationship. If these relations are mismanaged, all sides will suffer. As a rising power, China will naturally expand its interests and exert its influence, which can lead to its neighbours questioning China's proclaimed intention of choosing a path of peaceful development.² Distrust of China by its neighbouring countries seems to have been on the rise recently. Some of China's neighbourhood countries worry about China's possible hegemonic ambitions and that it is striving to dominate regional affairs. The territorial disputes and maritime disputes in the South China Sea have led to a tense relationship between China and some ASEAN members and there has been widespread concern that the confrontations in the South China Sea may get out of control and lead to a military conflict. This situation has been made much more complicated by the announcement and implementation of the American 'pivot/rebalancing to Asia strategy'.³ Although Donald Trump, the new American President, has not used the same words, the US will not stop, or not even reduce its military engagement in East Asia and in the South China Sea areas in particular.⁴

Disputes amongst nations, including territorial disputes, can never be resolved by war, which only deepens hatred. Traditional Chinese culture adores 'peace and harmony', commends 'defusing' tensions, and pursues 'reconciliation'. When China was weak, war was sometimes imposed on it and at other times it was a defensive choice for China. Now the time for China to display its 'culture of harmony' has come.⁵ The Chinese leader, Xi Jinping, has recently called for the building of a 'community of shared interests and common destiny' amongst China and its neighbours based on the new guiding principles of 'amity, sincerity, mutual benefit, and inclusiveness'.⁶ Of course, how to truly realise this 'community dream' will depend on the will and wisdom of a rising China as well as on its neighbours.

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- ² As commented by David Shambaugh, 'Although China's posture of late has been largely reassuring to the region, its past behavior has not always been so. Long memories, residual concerns, and irredentist issues remain and as a consequence several states appear to be practicing various types of "hedging" strategies' (Shambaugh, ed., 2005: 41).
- ³ As commented by Glaser (2012) 'the risk of conflict in the South China Sea is significant. These tensions are shaping – and being shaped by – rising apprehensions about the growth of China's military power and its regional intentions. China has embarked on a substantial modernization of its maritime paramilitary forces as well as naval capabilities to enforce its sovereignty and jurisdiction claims by force if necessary. At the same time, it is developing capabilities that would put U.S. forces in the region at risk in a conflict, thus potentially denying access to the U.S. Navy in the western Pacific.'
- ⁴ As new White House spokesman Sean Spicer said, the United States would prevent China from taking over territory in international waters in the South China Sea. See, Denyer, 2017.
- ⁵ Some Chinese scholars, like Yu Dunkong, a senior fellow at Chinese Academy of Social Sciences, have argued that the essence of Chinese culture is 'harmony'. He has also argued that China's call for harmony shows the recurrence of its cultural tradition, which is not just a slogan but a real commitment (Yu, 2014: 4–5).
- ⁶ Xi (2013). It is considered that the call for building a community of common destiny shows the real direction of China's foreign policy towards its neighbourhood areas (Liu, 2014: 3).

One of the most important changes compared with the past for China and ASEAN is that the foundations of regional cooperation have evolved and are now based on multi-layered structures ranging from the bilateral level to the regional level, such as ASEAN+1, ASEAN+3 (ASEAN+3 Macroeconomic Research Office [AMRO]), ASEAN+6 (Regional Comprehensive Economic Partnership [RCEP]), and the East Asia Summit. The regional cooperation process helps to build the community spirit and fosters shared interests. China has played an active role in promoting regional cooperation, which shows that a rising China wants to build a regional community, rather than a so-called ‘Middle Kingdom order’ that it can dominate.⁷

Overview of China’s Grand Strategy

China has a grand strategy for realising its dream of national rejuvenation through achieving the ‘Two Century Goals’, i.e. becoming a ‘moderately well off society’ by 2020, the 100th anniversary of the Chinese Communist Party, and becoming a fully developed nation by 2049, the 100th anniversary of the founding of the People’s Republic of China.

Although China is now the world’s second largest economy, it is still a developing country with a gross domestic product (GDP)/per capita far below that of developed countries. As President Xi Jinping said, ‘China remains a populous country with a weak economic foundation and uneven development. Our aggregate GDP is quite large. However, when divided by 1.3 billion, China’s per capita GDP is only around the 90th place in the world. Some 128 million Chinese are still living below the poverty line set by the United Nations. To provide a decent life for the over 1.3 billion people, we still have a long way to go, and persistent and strenuous efforts are called for.’ (Xi, 2014a: 340) Therefore, it is natural that China’s grand strategy continues to prioritise economic development (Chu, 2013: 3–5), and for this it is crucial to keep an open global market framework and a manageable and peaceful regional and world order. For the regional order, the key is to maintain peace and cooperation with the countries in the surrounding regions. For the world order, it is essential for globalisation to continue, supported by multilateral institutions and open regionalism.

⁷ On China’s rise, the views are different, as summarised by Amitav Acharya. Some see the region heading towards major conflict and blame it on Asia’s lack of European-style pacifying mechanisms of deep regional integration, multilateral institutions, and shared democratic politics. Asia’s future may thus be likened to Europe’s 19th century and early 20th century past – a multipolar rivalry ending in two catastrophic wars. Another pessimistic view compares China’s ascent to America’s in the 19th century. Like the US’ pursuit of regional expansion and the Monroe Doctrine in the Western hemisphere, this view foresees China seeking regional hegemony over its neighbours. On a cautiously optimistic note, some analysts foresee a balance of power order emerging in Asia, managed either by a concert of great powers or a Sino–US condominium (G-2). More optimistically, China’s ascent is seen as reviving a benignly hierarchal regional order in East Asia under Chinese primacy that would bring in shared prosperity and peace. The most optimistic scenario raises the prospect of a regional community, in which economic integration, multilateral institutions, and shared norms and identity remove the danger of war (Acharya, 2013).

China is committed to keeping on the road of peaceful development and not to be a superpower like the other old powers. Thus, China interacts positively with other countries for a peaceful international and regional environment. As President Xi Jinping remarked, ‘to pursue peaceful development in keeping with the development trend of the times and China’s fundamental interest is a strategic choice made by our party’ (Xi, 2014b: 271). Towards this end, while engaging and protecting the existing international system, China also intends to reshape the existing order and promote a new type of international relations based on partnership and cooperation (Ma, 2017). As a big rising power, China will surely play a more active and contributory role in international affairs in the future (Gao, 2014: 18–19).

Realising the National Rejuvenation

Realising the dream of the rejuvenation of the Chinese nation has been a long-cherished wish of the Chinese people since the advent of modern times (Xi, 2014c: 61). China’s policy of reform and opening up since 1978 has proved to be a success and this makes the Chinese dream more achievable. In 1987, the Chinese government advanced a three-step development strategy⁸ aimed at the realisation of a modern society. The targets set for the first and second steps had been fulfilled already. Encouraged by these achievements, the 18th Communist Party of China (CPC) National Congress set the ‘Two Century Goals’ (Hu, 2012). This means that China attempts to double its 2010 GDP and the per capita income of its urban and rural residents by 2020, and realise the Chinese dream of the great renewal of the Chinese nation (Xi, 2014c: 61).

Committing to Peaceful Development

In terms of a rising China, the other countries’ concerns are mainly about its possible attitude to the status quo of the international order. Realism theory predicted an offence-oriented China, which would challenge the US in the global arena and build a China-centred regional order in Asia.⁹ Hence, the US’ policy against China shifted to containment of China when the Obama administration announced the US strategy of ‘pivot Asia’, in response to which China reiterated that its rise is a peaceful one.

⁸ The three-step development strategy refers to China’s development strategy for realising initial modernisation in three steps. The first step is doubling the 1980 GDP by the end of the 1980s and ensuring that the people have adequate food and clothing; doubling the 1990 GDP by the end of 20th century and ensuring the people a moderately prosperous life is the second step; and increasing the per capita GDP level to that of moderately developed countries, ensuring the people a relatively affluent life, and realising modernisation by and large by the middle of the 21st century is the third step.

⁹ For example, some argued that few countries or elites see any future in tying their fortunes to an economically unstable empire based on militarism and destructive colonial occupations (Petras, 2012).

Table 1: China's GDP and GDP/Per Capita (1978–2016)

	GDP (US\$ billion)	Per capita GDP (US\$)
1978	211.9	222
1980	305.1	311
1985	307.0	292
1990	309.3	344
1995	727.9	604
2000	1,198.5	949
2005	2,257.6	1,732
2010	5,926.6	4,430
2011	7,301.1	5,447
2012	8,226.9	6,338
2013	9,185.0	7,081
2014	10,238.1	7,684
2015	10,982.8	8,028
2016	11,391.6	8,866

GDP = gross domestic product.

Source: China Statistical Yearbook, 1990, 2000, 2016.

A quickly rising China was also a worry of some of the ASEAN members against the background of disputes with China in the South China Sea. But China and ASEAN have worked hard to manage the tensions. While continuing to negotiate a code of conduct (COC), the two sides make more efforts to develop their economic cooperation (Beeson, 2016).

China is committed to peaceful development as a key part of its grand strategy of striving for 'a harmonious and stable domestic environment and a peaceful and stable international environment' as preconditions for its focus on development and to realise the 'Two Century Goals' (Xi, 2014d: 290). China has benefited from peaceful engagement and participation in the international system. In its peaceful development, China is facing challenges from both great power relations and relations with neighbouring countries. The historic transformation of China from a century of decline to a century of rejuvenation will inevitably exert a great impact on relations between China and its neighbours and the neighbourhood order and pattern, causing a big change in the structures of relationships and order. In other words, along with China's rise as a strong power, its neighbourhood relations and regional order will be gradually readjusted and reconstructed.

How to handle the relations between China and the US is of special importance. China proposed to build a new model of major-country relationships to avoid the so-called Thucydides Trap,¹⁰ which is different from the old model of clashes and confrontations between the major powers (Xi, 2014e: 306). But narrowing the trust gap is not easy and to avoid contests and conflicts requires mutual trust. The strong linkages between the economic and the political and security realms; and between bilateral, regional, and global affairs, which are already established between the two sides, contribute to a manageable relationship (Yuan, 2012).

Developing cooperative and harmonious neighbouring relations is of great importance. China's relations with its neighbouring countries, including ASEAN members, have witnessed significant changes. China has become the largest market for most of its neighbouring economies, and a more and more important source of foreign direct investment (FDI) flows for them. China and its neighbouring economies are connected by production networks backed by investment and trade flows. More importantly, the economies of China and its neighbours are linked by various free trade arrangements (FTAs), like the China-ASEAN FTA, the China-Republic of Korea (henceforth, Korea) FTA, the China-Australia FTA, the China-New Zealand FTA, the China-Pakistan FTA, the China-Japan-Korea FTA still being negotiated, and the forthcoming RCEP. Furthermore, the cooperation frameworks go beyond economic relations, like the Shanghai Cooperation Organization (SCO), the China-ASEAN summit, the China-Japan-Korea summit, etc. To address the special importance of relations with its neighbouring countries, the Chinese government refers to good diplomacy with neighbouring countries as 'a basic requirement for realising the "Two Century Goals" and the Chinese Dream of the rejuvenation of the Chinese nation' (Xi, 2014f: 325).

The relations between China and its neighbours already have many features of new relationships, the most outstanding ones of which are: interest sharing has been enhanced, mechanisms of sub-regional dialogue and cooperation embodying convergence of interests have been established, and, above all, China has become the constructive factor in the change of these relationships. These new developments are on the whole conducive to constructing a peaceful and cooperative neighbourhood for China.

¹⁰ The Thucydides Trap is a term coined by Graham T. Allison, a Harvard professor and recognised US national security and defence policy expert. The concept itself comes from, fittingly, Thucydides, a Greek historian from about 2,400 years ago who wrote a book entitled *The History of the Peloponnesian War*, generally regarded as the first work of history as we would recognise it. Thucydides argued that the cause of the Peloponnesian War was 'the growth of Athenian power and the fear which this caused in Sparta' (Allison, 2015). In other words, as one power rises, an already established power gets nervous and gears up for war, with this devolving into a vicious cycle that eventually results in war.

Playing a Constructive Role

China has no intention and no need to overthrow the existing international economic system since it has benefited from participating in it. However, the existing international system needs reform and improvement. For example, the developing economies, including China, should have a greater say and role in international organisations such as the International Monetary Fund and the World Bank. The world also needs new institutions to respond to new situations and new demands. In fact, reform of existing international institutions and establishment of new international institutions are unavoidable. As an emerging new power, China assumes responsibility for coming up with new initiatives that provide opportunities for it to play a bigger role, while at the same time making more contributions. The ‘Belt and Road Initiative’ (BRI) put forward by China is a good example for understanding how China intends to play such a contributive role.¹¹

Aimed at promoting regional connectivity and integration, the BRI is based on China’s awareness of the fact that poor infrastructure has been a bottleneck for most developing countries. The success of BRI depends on mobilising resources not only from China and the countries along the road, but also from the rest of the world. Towards this end, China unilaterally set up the Silk Road Fund and founded the Asian Infrastructure Investment Bank with other countries. As a new model of win–win cooperation, BRI is not exclusive and welcomes the involvement and support of the world community. Besides highlighting the need of developing countries and mobilising resources to eliminate poverty and narrow the development gap through BRI, China also plays an active role in the association of Brazil, Russia, India, China, and South Africa (BRICS), the G20, Asia–Pacific Economic Cooperation (APEC), and other international institutions. Faced with a slow recovery of the world economy and rising protectionism, China works hard to keep its economy on the right track for restructuring and shows a strong interest in and responsibility for defending the positive trend of globalisation against protectionism (Zhu, 2017).

¹¹ Muhammad Azizul Haque argued that China’s bid to assume global responsibility is very clear from its endeavours to ensure peace, stability, and development of China and the rest of the world. This is evident in China’s efforts and roles in the proposed establishment of the Asian Infrastructure Investment Bank, the BRICS (Brazil, Russia, India, China, and South Africa) Bank, the Conference on Interaction and Confidence Building Measures in Asia (CICA), etc. (Haque, 2014).

ASEAN in China's Grand Strategy

Retrospective on China-ASEAN Relations

Relations between China and the Southeast Asian countries were fraught with difficulties after World War II due to complex reasons.¹² Relations were still difficult when ASEAN was established in 1967, but relations between China and ASEAN entered a new era when they decided to forge a dialogue partnership in 1991 against a background of an overall normalisation of China's relations with all ASEAN members.¹³ The relationship much improved when at the time of the Asian financial crisis of 1997 China insisted not to devalue the yuan and provided financial support to those countries most severely affected by the crisis, which made ASEAN countries feel China was a true partner extending a helpful hand at a difficult time. In the same year, China and ASEAN established a cooperative partnership for the 21st century based on mutual trust and good neighbourly relations. China also actively participated in the regional cooperative institutions led by ASEAN, such as ASEAN+1 (China), ASEAN+3 (China, Korea, and Japan), as well as the East Asia Summit.

Since 2000, the relations between China and ASEAN have been deepened and enhanced through institution building. China proposed to establish a FTA with ASEAN in 2000, to which ASEAN responded positively. A comprehensive economic cooperation framework was signed for the FTA negotiation in 2002, and in the same year China and ASEAN signed the Declaration on Conduct (DOC) in the South China Sea in which they committed to solving their disputes over the South China Sea in a peaceful manner. In 2003, China joined the Treaty of Amity in Southeast Asia (TAC), and a strategic partnership for peace and prosperity was established. Based on this strategic partnership, a comprehensive framework for dialogue and cooperation from top leaders to ministers, as well as various working institutions have been set up since the beginning of this century. China accredited an ambassador to ASEAN in 2008, demonstrating it acknowledges ASEAN as a regional entity and an important partner. This has been China's 'dual-track approach', i.e. while handling the relations with each member,

¹² For example, the Cold War confrontation, the involvement of the communist movement in Southeast Asia, the clash between China and Viet Nam against the background of the China-Soviet Union confrontation, etc., divided China and the Southeast Asian countries.

¹³ In May 1991, China's then Foreign Minister Qian Qishen wrote a letter to ASEAN to ask for opening the dialogue with ASEAN, which received a quick response from ASEAN. Qian Qishen attended the 24th ASEAN Foreign Ministers' meeting as a distinguished guest of ASEAN. And in 1996, ASEAN accepted China as its comprehensive dialogue partner.

ASEAN itself has become an important partner in developing the relations between China and Southeast Asia at the same time.¹⁴

In 2013, the new Chinese leader, Xi Jinping, put forward a series of new ideas and proposals for deepening China's relationship with ASEAN, including building a China–ASEAN community of common destiny, signing the treaty of good neighbourly relations and cooperation between China and ASEAN, and building a 21st Century Maritime Silk Road (one part of BRI). China believes that ASEAN understands and supports China's rise better than other countries.¹⁵

Over the last 25 years, China has always regarded and treated ASEAN as a special and close partner by initiating constructive agendas. China was the first dialogue partner to join the TAC,¹⁶ the first country to forge a strategic partnership with ASEAN, the first partner to sign ASEAN's Protocol to the Treaty on Southeast Asia Nuclear Weapon Free Zone and the first partner to propose and negotiate an FTA with ASEAN. China has firmly supported ASEAN's centrality in leading and coordinating the regional dialogue and cooperation frameworks (Zhang, 2008).

China and the ASEAN countries have built up a close economic interdependence over the last 25 years, which has become a safety belt both for their economic development and for their comprehensive bilateral relationship. Their economic interdependence was based mainly on them joining regional production networks, and this interdependence deepened after conclusion of the China–ASEAN FTA.¹⁷ From 1991 to 2015, China–ASEAN trade rocketed from about US\$8 billion to US\$472.2 billion, which made China the largest trading partner for ASEAN, and ASEAN the third largest one for China.¹⁸ Bilateral inward FDI stocks reached US\$160 billion, and China is becoming a major source of FDI for ASEAN (Li, 2016).

¹⁴ Wang Yi, China's foreign minister, mentioned the 'dual-track' approach when he talked about the South China Sea dispute. He said that China supports and advocates the 'dual-track' approach, i.e. for relevant disputes to be addressed by countries directly concerned through friendly consultations and negotiations and in a peaceful way, and for peace and stability in the South China Sea to be jointly maintained by China and ASEAN countries (Wang, 2014).

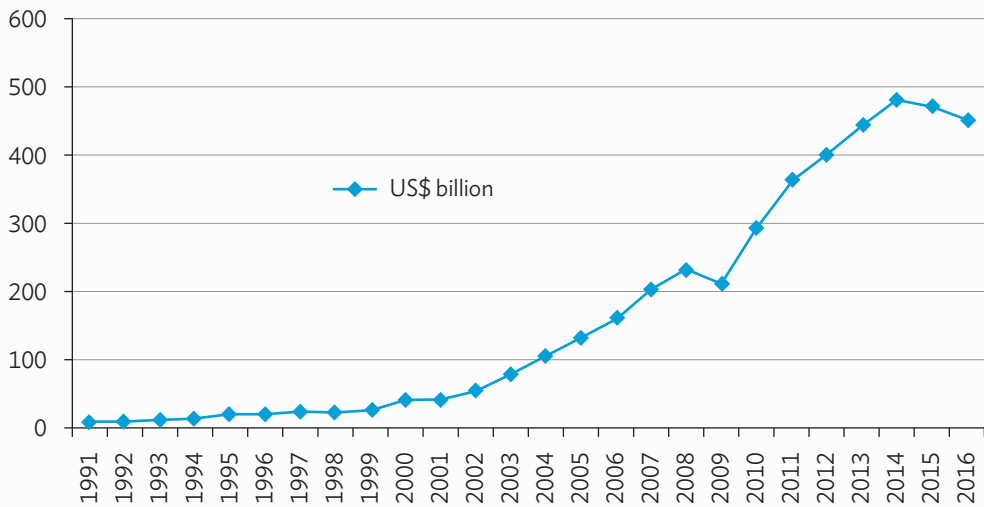
¹⁵ Former ASEAN Secretary General Rodolfo Severino, Jr. once said that ASEAN already accepted China as a rising power with satisfaction (Severino, 2008).

¹⁶ ASEAN agreed to accept non-ASEAN countries could join TAC in July 1998, and China signed the treaty in October 2003, thus becoming the first non-ASEAN country to join the treaty.

¹⁷ Although the negotiations on the China–ASEAN FTA started in 2002 and were completed in 2010, the implementation began simultaneously as the agreements on trade in goods, on services, and on investment had been concluded separately.

¹⁸ Bilateral trade reached a peak in 2015 and saw a decline in 2016 due to the slow economic recovery.

Figure 1: China-ASEAN Trade (1991-2016)



ASEAN = Association of Southeast Asian Nations.

Source: China Trade and External Economic Statistical Yearbook, 1992, 2000, 2016.

However, against the background of China's quick rise and the emergence of its South China Sea disputes with some ASEAN members, the mutual trust deficit seems larger. Some have likened China's assertive attitude towards the South China Sea issue to bullying of the ASEAN members concerned. A moderate opinion argued that China's South East Asia strategy was designed for China to become the dominant power of the region, and for this reason, ASEAN should be careful in dealing with a rising China to defend ASEAN centrality in regional affairs (Li, 2015). To some extent, it is understandable that ASEAN countries worry about a quickly rising neighbouring power. But on the other hand, ASEAN needs to recognise that China naturally looks after its national interests including in the South China Sea. Based on their common interest in a stable and cooperative regional order, China and ASEAN need to work hard together to handle the disputes and continue their comprehensive cooperation agendas.

ASEAN in China's Strategy Perspective

China recognises ASEAN as a special and reliable strategic partner. While it carefully manages its complex relationship with each member of ASEAN, China has given priority to developing its relationship with ASEAN. China made an important decision to establish its formal relationship with ASEAN in 1991 soon after the end of the Cold War with the strategic view of regarding ASEAN as a key player in regional affairs.

The economic relationship is key for China in terms of developing its comprehensive relations with ASEAN. In negotiating the FTA with ASEAN, it was China that firstly regarded ASEAN as a group, providing a model for others to follow. This close economic relationship becomes a foundation stone for deepening China's overall relations with ASEAN. Strong economic linkages and shared interests between China and ASEAN have played an essential role in helping to stabilise and improve their relations. Trade between China and ASEAN increased 60 times during 1991–2016, and there is huge potential for further development.¹⁹ After China's opening up, ASEAN members became the major source of FDI flows into China. In 2015, 1,154 new companies were established by ASEAN countries in China, and US\$7.86 billion was invested, which meant ASEAN surpassed the European Union (US\$ 7.11 billion) and became the second largest FDI source region/country. More recently, China's investment in ASEAN has also increased rapidly. In 2015, China's FDI in ASEAN reached US\$9.45 billion. According to ASEAN statistics, China became the fourth largest FDI source after the European Union, Japan, and the US. By 2015, the two-way accumulative direct investment stock between China and ASEAN had surpassed US\$160 billion, compared with US\$30.1 billion at the end of 2002. 'With the progress of the BRI, production capacity cooperation will be highlighted, and ASEAN is the main region for China to carry out production capacity cooperation' (Guo and Li, 2016: 21). At the same time, other forms of exchange and cooperation, ranging from culture and education to tourism, have also developed strongly. For example, China has become the largest source country of tourists in ASEAN, which has given ASEAN economic growth a new dynamism.²⁰

In terms of the future perspective, economic relations between China and ASEAN will be further strengthened by several new supporting agendas, such as the upgraded China–ASEAN FTA, implementation of the BRI, as well as the conclusion of the negotiation on the RCEP. Based on a more open market framework and more industrial capacity cooperation, it is expected that the economic integration of China and ASEAN will be significantly enhanced.

Southeast Asia used to be a region rife with confrontation and wars, but ASEAN has become an integrated regional organisation bringing all countries in the region together, step by step, for peace making and economic development. The principles of the 'ASEAN Way', especially those stipulated in the TAC, have provided the legal foundation for ASEAN members working together for common peace and prosperity.

¹⁹ They set the bilateral trade targeted as high as US\$1 trillion by 2020. See a report on signing the agreement for upgrading China–ASEAN FTA. <http://money.163.com/15/1122/20/B9288LML00252G50.html>

²⁰ See a report on China–ASEAN tourism, http://epaper.gmw.cn/gmrb/html/2016-01/25/nw.D110000gmrbr_20160125_6-12.htm?div=-1

It is clear that peace seeking and peace-building have become common goals for all members of ASEAN (Razak, 2015) and, through joint efforts, ASEAN has continued to make progress and move forward.

Community building helps ASEAN to be a stable and prosperous region and to play a more constructive role in networking with other partners, including China, outside the Southeast Asian region for cooperation. China believes that the ASEAN Communities (the Economic Community, Security Community, and Social and Cultural Community) will be beneficial. China strongly supports ASEAN to play a leading role in bringing together its partners from East Asia and the Asia-Pacific, and also the European Union, for dialogue and cooperation. Of China's 'two track approach' in developing its relations with ASEAN, the ASEAN track is considered by China to be essential for developing an integrated framework for economic cooperation, like the China-ASEAN FTA and the RCEP, and for overcoming differences and building stability and peace.

China trusts ASEAN as a strategic partner to play a strong role in the peaceful resolution of the South China Sea issue. Avoiding outside power intervention on this issue is critically important, because once the South China Sea issue becomes a part of the power game, there will be less room left for ASEAN to play a constructive role in managing the dispute. Completing a framework for a COC is a test case for China and ASEAN to build trust and work closely together for regional peace and cooperation in the future. The quick improvement of the China-Philippines relationship following a crisis due to an arbitration case brought by the Philippines against China concerning certain issues in the South China Sea, shows that confidence and trust are essential for the two sides in managing their differences.²¹

As ASEAN is the only regional organisation with rich experience of community building, it plays a special role in nurturing the community spirit in East Asia. The East Asian Vision Group (EAVG) set up by ASEAN in 2001 recommended building an East Asian community. Although realising the East Asian community still seems a distant prospect, the efforts at community building should be kept up, and the role of ASEAN as a hub for the process is crucial. China has called on the ASEAN countries to work together on building a regional community of common destiny, which would be a valuable contribution to regional community building as it is based on the idea of living together in peace and working together on shared interests. China also believes that ASEAN is a trustworthy partner to work with on realising this goal.

²¹ On 8 March 2017, China's new minister of commerce visited Manila and China and signed contracts worth a total of US\$3.7 billion for three projects while President Duterte promised to attend a summit to be held in Beijing in May 2017.

Meeting New Challenges

Since 1991, the China–ASEAN relation has been upgraded from a dialogue partnership to a comprehensive strategic partnership based on the belief that their cooperation will realise a ‘win–win’ result (Wang, 2011). However, the China–ASEAN relationship has entered a new stage and is facing new challenges.

New Trust Building

Trust, especially strategic trust, is the foundation for China and ASEAN to work smoothly towards community building. China has been on the rise and will continue to rise. How to deal with a rising power like China is crucial for ASEAN since it is a neighbouring country with increasing influence. China considers a united ASEAN to be good for its relationship with the countries in Southeast Asia and it sees ASEAN as a reliable partner to handle this relationship and the affairs of the region. ASEAN should not be suspicious about China’s rising power and believe that China is committed to a peaceful rise and that building a community with a common destiny is its real intention.²² China is concerned that the basis of strategic trust will be harmed if ASEAN adopts a balance of power strategy by inviting the US and other outside powers to engage in the South China Sea issue. The China–ASEAN strategic partnership needs to add more cooperative agendas for joint initiatives and actions (Li, 2015), which will help to reduce the trust gap between them.

Advancing Economic Cooperation

The Chinese economy has arrived at a ‘new normal phase’ – it moved from a high growth period to a moderate growth period due to restructuring and a change in its driving forces. The main driving force behind future Chinese economic growth is expected to be technology and product innovation, and domestic demand. The past production networks of both China and ASEAN were based on China as a manufacturing centre for exports to outside markets. With the Chinese economy moving to a higher stage based on a demand led model supported by innovation, China and ASEAN will have the opportunity to forge a new structure. China will invest more in ASEAN to establish the production networks and import more from ASEAN.

The BRI provides a new opportunity for China and ASEAN to deepen their economic cooperation. The BRI is considered a new type of development cooperation based on the principles of jointly consulting, designing, constructing, and sharing the benefits.

²² The Chinese leader proposed to sign the treaty of good-neighbourliness, friendship, and cooperation with ASEAN that shows the will of China to build a trustful relationship with ASEAN. See, Xinhua News (2013).

The priorities of the BRI will be: (1) Policy coordination through coordinating the economic development strategies and policies, working out plans and measures, and providing policy support for the implementation amongst partners; (2) Connectivity through building infrastructure networks by also integrating construction plans and technical standard systems; (3) Promotion of trade and investment through improving investment and trade facilitation, and removing investment and trade barriers for the creation of a sound business environment; (4) Financial cooperation through building a currency stability system, an investment and financing system, a credit information system, and a currency swap and settlement system, developing the bond market, establishing new financial institutions, such as the Asian Infrastructure Investment Bank and the Silk Road Fund; (5) People exchanges by promoting cultural and academic exchanges, personnel exchanges and cooperation, media cooperation, youth and women exchanges, and volunteer services, to win public support.²³ By working together, China and ASEAN will develop a new dynamic economic area.

Managing Disputes

Avoiding the occurrence of war in China's neighbourhood is a general strategic design as well as a major strategic target. War can never resolve disputes, including territorial disputes; it only deepens hatred. The traditional Chinese culture adores 'peace and harmony', commends 'defusing' contradictions, and pursues the goal of 'reconciliation'. With China's rising confidence, the time for China to display its 'culture of harmony' has come.

The dispute in the South China Sea carries great risks. Above all, China and ASEAN need to stabilise the overall situation, which means avoiding escalation and enhancing cooperation amongst the parties directly involved. As an organisation representing the interests of all of its 10 member countries, ASEAN should play a more active role in stabilising the overall situation. China calls for 'a dual track approach', i.e. negotiations between China and the partner in question bilaterally and cooperation on managing stability between China and ASEAN. The disputes in the South China Sea involve the problem of historical rights, the current status, and outside factors. There seem to be no easy and simple solutions. The challenge is how to maintain stability while at the same time making progress on improving the situation and reach a new consensus, like signing a COC and developing cooperation programmes ranging from maritime environmental protection, to resource development, to maritime security for navigation and fishing, etc.

²³ See, Ministry of Commerce, People's Republic of China (2015).

Championing Globalisation

Current trends of anti-globalisation and protectionism are harmful to the global economic recovery and the world market system. Both China and ASEAN have benefited from participating in globalisation, which is marked by open market structures and international production networks that are backed by multilateralism, open regionalism, and unilateral openness. The new US President Trump is adopting an 'American first' policy which means the US will take actions based on its own national interests by ignoring multilateral and regional rules and regulations. For example, President Trump announced the US withdrawal from the Trans-Pacific Partnership agreement without consultation with its partners, his intention to renegotiate the North American Free Trade Agreement, that he would not to abide by World Trade Organization resolutions, and that he would impose high tariffs on goods exported to the US. As the US played a key role in initiating and promoting multilateral institutions and has been a major force in support of globalisation, President Trump's rollback of the Obama administration's policies will have a significant impact. China and ASEAN, apart from jointly insisting on open regionalism in East Asia and the Asia-Pacific, like supporting APEC's role in promoting the Free Trade Area of the Asia-Pacific (FTAAP) agenda, should also work together closely to implement the World Trade Organization trade facilitation agreement and initiate new agendas for keeping multilateralism alive and effective. In East Asia, they should strengthen their efforts to conclude the negotiations on the RCEP by the end of 2017.

Conclusion

Overall, China and ASEAN have done well in developing their cooperative relationship (Xu and Yang, 2016). Knowing ASEAN is always important to China's grand strategy and China cherishes its relationship with ASEAN countries. China's perspective on ASEAN has not been affected by the South China Sea disputes, even though they have had some negative effects on mutual trust and the environment for close cooperation. In facing the challenges more efforts need to be made to build new trust and initiate new mutually beneficial actions. The BRI provides a new framework and opportunity for China and ASEAN to deepen their relations through close consultation and cooperation.

China and ASEAN as neighbours are linked together by geography and interests. For a better future, they need to frankly express their perspectives to each other and define their common goals and share their agendas in both bilateral and regional affairs (Zhang, 2017).

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