China’s Relations with ASEAN: Partners in the 21st Century?

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Though Sino–ASEAN relations improved in the 1970s, Indonesia and Singapore did not establish diplomatic relations with Beijing until 1990. China’s rise as a major power, its ‘open-door’ policy, the end of ideological bipolarity, and the uncertainties surrounding America’s future role in the region contributed to ASEAN’s reassessment of its attitude to China. Underlying the new cordiality was not only the prospect of mutually beneficial economic relations but also China’s greater willingness to engage in ASEAN’s multilateral processes and institutions. Yet not all ASEAN states were fully convinced that this new climate would continue to prevail. Lingering suspicions of China’s future intentions would lead some to stress the need for a residual US presence in the region. Generally, however, ASEAN’s response was a pragmatic one. For the moment and the near future, the promise of economic co-operation with China seems to outweigh security fears. What has yet to be determined is the relationship between short-term and long-term expectations, on the one hand, and between security and economic considerations, on the other.

Although China’s links with Southeast Asia have a long history, they were not especially close at the end of World War II. In fact, for much of the Cold War era, relations suffered from the ideological divide in general and the so-called ‘overseas Chinese’ problem and China’s support for communist movements in Southeast Asia in particular. When the Association of Southeast Asian Nations (ASEAN) was formed in 1967, mutual suspicion and hostility were still a stumbling block to the improvement of relations. From Beijing’s perspective, ASEAN was seen to be working with the West and against Vietnam. However, with the Sino–American détente and the ensuing reduction in the American military presence in Southeast Asia, new opportunities arose for China and the ASEAN states to patch up their relations. Beijing had some success in befriending ASEAN in the 1970s, establishing official ties with Malaysia in 1974 and with Thailand and the Philippines in 1975. With the open rift in Sino–Vietnam relations, especially after Vietnam’s incursion into Cambodia in late 1978, Beijing began to look upon ASEAN as a possible partner in tackling the common security challenges and restraining Vietnam’s ambitions in Indochina.

With the introduction of economic reforms and the ‘open-door’ policy starting from the late 1970s, China became more interested in improving relations with neighbouring states and less inclined to export its revolution. The emphasis was on increased practical, especially economic, co-operation with the outside world, with the focus on advanced industrial states and the newly industrialising economies (NIEs). In this respect, the 1989 Tiananmen incident may be considered an important turning point. While Southeast Asian states might have disagreed with the way Beijing dealt with the demonstrations in Tiananmen Square, their reactions were as a whole quite subdued, especially when compared with those from the West. In the post-Tiananmen era, China had therefore one added incentive for befriending neighbouring Southeast Asian states, especially at a time of
increased tensions with the West and reservations about reforms in the Soviet Union and Eastern Europe, on the one hand, and ASEAN’s increasingly important role in regional affairs, on the other hand. Significantly, in the case of Indonesia, far from allowing the Tiananmen incident to stall its discussions on the resumption of diplomatic ties, President Suharto congratulated China on the latter’s National Day in October 1989.¹

The Breakthrough in Sino–ASEAN Relations

The question arises: how and when did the breakthrough in Sino–ASEAN relations occur? Even with Beijing’s establishment of formal ties with Kuala Lumpur, Bangkok and Manila in the 1970s, Sino–ASEAN relations as a whole did not become particularly cordial. The nub of the matter revolved around China’s relations with Indonesia. In the wake of bitter exchanges after the attempted coup by the Indonesian Communist Party in 1965 and its alleged relations with the ethnic Chinese minority and Chinese Communist Party, Beijing had found it difficult to resume ties with Jakarta after their suspension in 1967. The perception that China posed a threat to the security of Indonesia impeded progress in the bilateral relationship until the 1980s. In due course, recognition of the changed international and regional environment in Indonesia, particularly the views from its Foreign Ministry and Chamber of Commerce and Industry (KADIN), would help Beijing in wooing Jakarta. A significant indicator of a change for the better in Sino–Indonesian relations came with an agreement providing for the resumption of direct, albeit tightly controlled, trade in July 1985. Further progress was made when President Suharto and Foreign Minister Qian Qichen agreed that both sides would take steps to normalise their relations in a meeting coinciding with Emperor Hirohito’s funeral in February 1989.² After a number of technical meetings, official ties were finally restored on 8 August 1990. Indonesia’s decision very much reflected its confidence that it could cope with any likely repercussions on the domestic situation. More importantly, the decision had been motivated by economic considerations. With the fall in oil income and rising debt, Jakarta was tempted to take advantage of China’s Four Modernisations, a shift spearheaded by its own business community even before normalisation. More importantly, it seemed unrealistic for Jakarta not to have any dealings with China given its leading role in regional affairs, not least in the Cambodian conflict and the South China Sea disputes. Jakarta’s move signalled to others that it was useful to resume the dialogue with Beijing, thereby obviating the danger that an isolated and unstable China would pose for its neighbours, especially in Southeast Asia.

With diplomatic normalisation with Jakarta in 1990, China scored a major breakthrough in its relations with ASEAN. From China’s perspective, the move helped not only in economic but also and more importantly in diplomatic and political terms. Specifically, it would help expedite China’s move to establish formal ties with the remaining ASEAN states, namely, Singapore and Brunei. In the case of Singapore, improved economic links with China had already taken place with increased air links and visits between the two countries, the setting up of trade offices, reciprocal trade missions, and high-level political consultations. Especially noteworthy in this respect were visits to China by the then Prime Minister Lee Kuan Yew and the appointment of former First Deputy Prime Minister Goh Keng Swee as an economic adviser of China. As noted by the author elsewhere, geopolitics,

¹ *Straits Times* (4 October 1989). The following analysis is a revised version of parts of a paper on ‘Problems and Prospects of Sino–ASEAN Relations’ presented at the conference on ‘PRC and the Asia–Pacific Region’, hosted by Mainland Affairs Council and National Sun Yat-sen University in Kaohsiung, Taiwan (3–4 June 2000).
a dominant Chinese population and the prevailing Cold War environment had led Singapore to move cautiously in establishing diplomatic ties with China. However, by 1990, if not earlier, many of the conditions and assumptions guiding Singapore’s approach to China were no longer applicable. After a quarter of a century of nation building, Singapore was less concerned with the loyalty of its ethnic Chinese citizens when dealing with China. Regionally, particularly in its relations with neighbouring Malaysia and Indonesia, Singapore was quite successful in dispelling the ‘Third China’ image. While Singapore’s population was predominantly Chinese, it had developed differently and adopted a distinctive way of life when compared with Chinese communities elsewhere. More importantly perhaps, ideological differences were now much less a source of tension. At a time when communism was losing appeal in Southeast Asia, the Malayan Communist Party had failed to gain any political ground. China, though maintaining its moral support for communist movements on a party-to-party basis, was no longer interested in exporting revolution. Its main focus was now on its own economic development under the Four Modernisations mapped out by Deng Xiaoping. At a time when Singapore was trying to regionalise its economy and building a ‘second wing’ in economic development, it was logical for it to capitalise on China’s economic reforms and the ‘open-door’ policy. Security considerations were also at work in Singapore’s thinking. Beijing was emerging as a major player in the regional balance of power, particularly in the light of the reduced military presence of the United States and the Soviet Union. While it was still the hope of Singapore and many other states that Washington would continue to play the key role of a balancer in the US–China–Japan triangle, there was also a realisation that it was unwise to put all one’s eggs in the US basket. It was, therefore, prudent to engage China by promoting economic co-operation and confidence-building measures (CBMs).

The establishment of formal ties between Singapore and China was not celebrated with much fanfare. The extremely short communiqué signed by the Singaporean and Chinese foreign ministers at the UN headquarters in New York, announcing the decision made no reference to the issue of Chinese sovereignty or other aspects of cross-strait relations. For Singapore, the establishment of diplomatic relations with China was a mere formality, building on already considerable economic and political contacts. Nonetheless, three rounds of talks were held to settle technical details, not least Singapore’s relations with Taiwan. Singapore had hoped that the formal upgrading of its relations with China would not affect its substantial ties with Taiwan. According to Senior Minister Lee Kuan Yew, China wanted to impose two conditions that Singapore could not accept: to denounce Taiwan and to stop all visits to Taiwan. Singapore, while maintaining its ‘one China’ policy dating back to 1972, was not prepared to accept either condition. Eventually, China yielded to Singapore, but stipulated that future visits to Taiwan would have to adopt low profile. Relations with Taiwan clearly had to be adjusted. The ‘Trade Mission of the Republic of China’ was now renamed the ‘Taipei Representative Office in Singapore’ and Singapore’s office in Taipei was changed from ‘Office of the Singapore Trade Representative in Taipei’ to ‘Singapore Trade Office in Taipei’.

Another related bone of contention was the dispatch of Singapore’s soldiers to Taiwan for training under the ‘Starlight Project’. To Singapore, Taiwan offered live firing and suitable terrain in which to train its troops. Taiwan also had the hospitals, airports and communications to support military exercises. Although Singapore also sent its troops to other countries for military training, it was not easy for it to replace Taiwan in this regard.

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3 The following analysis is derived by Lee Lai To, ‘Sino–Singaporean Relations in the Next Millennium’, a paper presented at the 20th anniversary meeting of the China Society of Southeast Asian Studies held in Guangzhou, China (19–22 September 1999).
Beijing appeared quite conciliatory on this issue. As the then Chinese Premier Li Peng observed during his visit to Singapore in August 1990, China understood Singapore’s need to set up a credible defence force and would not be unduly disturbed by its continued use of military training facilities in Taiwan. With the resolution of these technicalities, diplomatic normalisation was finalised two months after the resumption of formal ties between China and Indonesia.

The Beijing-based *People’s Daily* declared 1990 a fruitful year for China’s relations with ASEAN states. That year started with two well-publicised visits by Premier Li Peng to some ASEAN member states. ASEAN leaders including President Suharto also visited China (November 1990). This was the first visit by an Indonesian leader since the two countries renewed ties in August 1990, after a 23-year break, hence a milestone in Sino–Indonesian relations. In the same year, Vietnam, a future member of ASEAN, embarked on a policy of détente with China. Secret talks were held in China between Chinese and Vietnamese leaders in September 1990, leading to a joint memorandum of understanding. Hanoi appeared interested in gradual improvement of relations with Beijing.

By the end of 1990, Sino–ASEAN relations were enjoying a fresh start. Beijing was able to establish diplomatic ties with all ASEAN states, except Brunei, and to promote closer consultation and interactions with the ASEAN region through reciprocal top-level visits. Having launched, or resumed, official ties with five ASEAN states, the establishment of links with Brunei was a matter of time. Brunei and China initiated diplomatic ties on 30 September 1991. With this, China achieved official ties with all ASEAN states, at a time when Western sanctions were still in force. Beijing found this acceptance very valuable in its determination to challenge the West on issues of human rights, democracy and protectionism.

### Breaking into the ASEAN Circuit

China’s size, geographical proximity, ethnic outreach, modernisation and lack of transparency in defence policies will always create real and imagined problems for the ASEAN states. In spite of these concerns, and the fact that there are differences among the member states, the buzzwords in ASEAN were ‘constructive engagement’ with China. ASEAN opted for a step-by-step approach in engaging China. In all major security issues in Southeast Asia and the rest of the Asia–Pacific, a much higher priority was given to China despite some concerns about China as a long-term threat.

ASEAN’s changed approach to China began with the invitation of Vice Premier and former Foreign Minister Qian Qichen to attend the ASEAN Ministerial Meeting (AMM) as a guest in 1991. For China, this was the first opportunity to participate in track one functions with ASEAN. At the same time, another team headed by Wang Yinfan, then Director of Asia Department of the Ministry of Foreign Affairs, was attending the second ‘informal’ workshop on ‘Managing Potential Conflicts in the South China Sea’ hosted by Indonesia. This was China’s first track two experience on the South China Sea. Qian made it clear at the AMM that China was willing and eager to be ASEAN’s dialogue partner. He also informed ASEAN of China’s interest in strengthening cooperation with the association in the political, economic, scientific, technological and security fields.

However, for ASEAN, it seems that it was more interested in engaging China in security dialogues. This was reflected by the 1992 ASEAN summit in its Singapore.

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5 *Straits Times* (21 September 1990).
Declaration, which stated the importance of promoting external security dialogues in the region.\(^7\) The post-Cold-War era and the withdrawal of US troops from the Philippines gave urgency to finding new ways and means of dealing with security issues. The major ASEAN’s response was to create the ASEAN Regional Forum (ARF) in 1994 and to invite China to join it. China welcomed this initiative and accepted ASEAN’s invitation to join the ARF as a consultative partner. Qian Qichen even suggested that China and ASEAN could establish a step-by-step ‘multi-level and multi-channel dialogue mechanism at both bilateral and regional levels’.\(^8\) Despite its reservations about multilateralism, China has found the ARF a convenient venue to promote its security interests in the Asia–Pacific. As China became more important to ASEAN’s economic and political developments, ASEAN decided to invite Beijing to become a dialogue partner at the Post Ministerial Conference (PMC) starting from 1996. This allowed for in-depth discussions about issues of mutual interest between China and ASEAN. Finally, China’s desire to plug into the ASEAN circuit was boosted when it was invited to attend the second ASEAN informal summit for heads of state/government in December 1997. China seemed particularly pleased to attend the ‘nine plus three’ summit (ASEAN plus China, Japan and South Korea) and ‘nine plus one’ meetings (ASEAN–China, ASEAN–Japan, ASEAN–Korea).

These high-level meetings promise to move Sino–ASEAN dialogues to a higher level and to dilute Western, particularly US, influence on East Asian affairs. The trend towards multipolarity by the late 1990s seemed unstoppable and Beijing welcomed this process.\(^9\) In 1997 Jiang Zemin attended the ASEAN summit and signed a joint statement on ‘ASEAN–China Co-operation towards the 21st Century’, which stipulated the basic principles for expanding Sino–ASEAN relations. In addition to issues. In the case of financial co-operation, especially China’s contribution to financial packages during the Asian economic crisis, this document also covered political and security issues, including the South China Sea this document repeated earlier agreements between China and ASEAN on their rejection of force and the need for further dialogues based on international law and the 1982 UN Convention of the Law of the Sea (UNCLOS). It nonetheless stated that both sides agreed ‘not to allow existing differences to hamper the development of friendly relations and co-operation’.\(^10\) The joint statement also included a reaffirmation by China to support the Zone of Peace, Freedom and Neutrality (ZOPFAN) and the Nuclear Weapons Free Zone (NWFZ) in Southeast Asia. China politely registered its reservations on the NWFZ by noting the importance of ongoing consultation between nuclear weapon states and ASEAN on the accession by the former to the protocol of the NWFZ treaty.\(^11\) China was concerned that the NWFZ might affect its claims over the South China Sea. Finally, the document contained a short sentence on ASEAN’s continued support for the ‘one China’ policy.

The Senior Officials’ Meetings (SOMs), particularly those on security issues which started in 1995, have provided useful occasions for China and ASEAN to engage each other in open dialogues. Two joint committees (Economic and Trade Cooperation; and Science and Technology) were set up in 1994 to further co-operation between the two sides. To regulate interactions between ASEAN and China at the working level, they announced the formation of an umbrella panel, called the ASEAN–China Joint Co-operation Committee (ACJCC) in February 1997. The ACJCC identifies projects of common interest and

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\(^7\) *Straits Times* (31 January 1992).
\(^10\) For details of the joint statement, see, for example, *BBC Summary of World Broadcasts, Part 3: Asia–Pacific*, FED 3105 (18 December 1997).
coordinates four other parallel mechanisms: the ASEAN–China Senior Officials’ Consultations, ASEAN–China Joint Committee on Economic and Trade Co-operation, ASEAN–China Joint Committee on Science and Technology and the ASEAN–China Committee in Beijing. To demonstrate its support for the dialogue process, China has set up a US$700,000 ASEAN–China Fund to facilitate the work of the ACJCC in promoting joint projects. In addition to these track one mechanisms, there are also informal processes. China has been attending the annual ‘informal’ Indonesian workshop on ‘Managing Potential Conflicts in the South China Sea’ since 1991. The ASEAN Institute of Strategic and International Studies (ASEAN ISIS) holds its meetings with Chinese thinktanks coordinated by the China Institute of Contemporary International Relations (CICIR). Efforts to promote economic co-operation are also undertaken by the private sector. The ASEAN Chambers of Commerce and Industry and the China Council for the Promotion of International Trade have established the ASEAN–China Business Council for this purpose. These elaborate institutional frameworks facilitate closer consultation and co-operation on issues of political, security, economic, scientific and technological importance between China and ASEAN.

Economics in Command

Sino–ASEAN economic relations are both a major impetus and the most concrete indicator of their co-operation. The normalisation of relations between China and some ASEAN states in the 1970s coincided with a rise in Sino–ASEAN trade. The total volume of Sino–ASEAN trade was about US$523 million in 1975, and grew to US$2.064 billion in 1980 and US$2.947 billion in 1984. By 1990, the value of Sino–ASEAN trade stood at US$6.691 billion. By 1994, China’s trade with ASEAN had already increased more than 25 times over the volume in 1975. With admission of Vietnam (1995) and Myanmar and Laos (1997) to ASEAN the total volume of Sino–ASEAN trade increased to more than US$19 billion. In 1998, China became ASEAN’s fourth largest trading partner after Japan, the United States and Hong Kong, overtaking Taiwan and South Korea.

Sino–ASEAN trade is likely to increase in the light of the recovery of most of the members of ASEAN from the Asian financial crisis and China’s continued modernisation. According to Rodolfo Serverino, Secretary-General of ASEAN, Sino–ASEAN trade was more than US$27 billion in 1999. ASEAN’s expansion no doubt contributed to this increase, but Sino–ASEAN trade has also increased as a result of increased trade between individual ASEAN states and China. In order to address the emerging trade imbalance in China’s favour, Premier Zhu Rongji agreed to increase imports from ASEAN. However, Sino–ASEAN trade constituted a small fraction of the foreign trade of the two entities. To remedy this, Premier Zhu Rongji suggested at the ASEAN summit in November 1999 that

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12 Straits Times (28 February 1997). The ASEAN Committee in Beijing is composed of all the ASEAN ambassadors to China.
13 Lu Jianren (ed.), ASEAN, Today and Tomorrow (Beijing, Jingji Chubanshe, 1999), p. 150.
14 Statistics for Vietnam, Laos and Myanmar are included only after they joined ASEAN. Cambodian figures are not included at all, since Cambodia joined ASEAN in 1999. For a more comprehensive examination of these economic statistics see Lee Lai To, ‘Problems and Prospects of Sino–ASEAN Relations’.
16 See Rodolfo Serverino, ‘ASEAN and Hong Kong: Common Interests and New Opportunities in a Changing Region’, a speech delivered in Hong Kong on 5 April 2000, www.asiansec.org/secgen/sg_ashk.htm
17 For example, from 1990 to 1998 China’s trade with Indonesia rose from US$1.2 billion in 1990 to US$3.6 billion. Comparable figures for Malaysia were US$1.2 billion to US$4.3 billion and for Thailand US$1.2 billion to US$3.6 billion. National Bureau of Statistics, China Statistical Yearbook, various years.
18 In 1998 Sino–ASEAN trade constituted 7.2 per cent of the Chinese and 3.3 per cent of ASEAN foreign trade.
Sino–ASEAN trade could be improved further by ‘increasing the variety of commodities for trade, looking into the possibilities of barter trade, counter trade and other flexible trading methods’.¹⁹

Beijing’s economic reforms and ‘open-door’ policy have provided ASEAN with welcome opportunities. ASEAN’s share in total foreign investments in China grew from 1.7 per cent in 1990 to 8.9 per cent in 1998.²⁰ Singapore leads ASEAN trade and investment in China, and is China’s fifth largest overseas investor after Hong Kong, Taiwan, the United States and Japan. By contrast, China is only investing moderately in the ASEAN region. Notably it is involved in developments on the Mekong River. Many Chinese companies have started operating in ASEAN, especially Singapore, as a bridgehead to global markets. China’s large labour force has also allowed it to sign labour contracts with the ASEAN region.

Economic co-operation appears to be the most concrete result of Sino–ASEAN interaction. Other areas of co-operation have also been expanding, including those in sciences, technology and agriculture. Cultural exchanges, tourist visits and other areas are growth areas too. Consequently, Sino–ASEAN relations in the 1990s are on a much better footing than before. The new-found rapport between China and ASEAN signals the belief in the benefits of closer links in both sides. While they still depend heavily on economic links with the industrialised world, they also realise that closer Sino–ASEAN links would widen their safety net and strengthen the bargaining power of Asian states in regional and international affairs.

Major Challenges to Sino–ASEAN Co-operation

The increase in dialogue and economic co-operation between China and ASEAN has not resolved all areas of conflict. Notably, China is in a position to compete with ASEAN for more foreign trade and investment. The two have reached comparable levels of economic development and this is likely to intensify competition in the labour-intensive agricultural sector, manufacturing and mining. The United States, Japan and the European Union, ASEAN’s major economic partners, may find the trade and investment packages in China to be more attractive than those of ASEAN. As noted by Singapore, China is a big ‘vacuum cleaner’ that could suck up a lot of foreign investment.²¹ Even the NIEs may find China’s attractions too tempting. This is especially true in the cases of Hong Kong and Taiwan, where geographical proximity, linguistic and cultural affinity, as well as Beijing’s accommodative policy towards its compatriots, may make China more attractive than the ASEAN region. Even in the case of South Korea, ASEAN may not be as useful or helpful when compared with China in political and economic terms, especially in the light of the tensions in the Korean Peninsula.

The ‘China fever’ has also spread in the ASEAN region as individual member states seek a slice of the pie in the Chinese economy. But diverting ASEAN capital to China is a sensitive issue, especially when it appears to come at the expense of domestic development. Beijing has openly cultivated the large Chinese business community in ASEAN to expand its links with China and further China’s four areas of modernisation. This may result in growing mistrust of the Chinese minority groups in their respective states. This is especially true if their economic links with China are seen to be at the expense of their commitment to the development of their own state. It is not surprising that unofficial suggestions to form some kind of ‘Greater China Economic Circle’ to include Taiwan,

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¹⁹ <www.aseansec.org/summit/inf3rd/prg_ch1.htm>
²⁰ National Bureau of Statistics, China Statistical Yearbook, various years.
²¹ Straits Times (9 November 1994).
China, Hong Kong, Macau and even Singapore and other ‘overseas Chinese’ have not been well received in ASEAN.

China’s imminent entry into the World Trade Organization (WTO) has highlighted for ASEAN that competition between China and ASEAN member states for export markets and foreign direct investment could increase. The Prime Minister of Singapore, Goh Chok Tong, in response to a question on China’s WTO accession was quoted as saying, ‘it is a matter of concern, because China will become a very attractive market for investments’. Thus he emphasised that ‘unless we [ASEAN] are able to compete, it is going to divert investments from the region. We’ve got to get our act together.’  

However, the concern could be offset by the perceived benefits derived from the vast opportunities that China may offer ASEAN for trade and investment after its entry into the WTO. WTO membership also means that Beijing would be bound by the same WTO rules that apply to ASEAN, thus providing a certain degree of predictability and stability for foreign economic partners and investors in China. Consequently ASEAN heads of state have been supportive of China’s entry into the WTO. ASEAN’s relatively more positive assessment of China’s economic importance to the region was in many ways reflected by Singapore Minister for Trade and Industry George Yeo when he remarked that China’s entry into the WTO would mean more economic opportunities for ASEAN and a channel to settle commercial disputes.

It has also been noted that China’s vast market and complex technical and production structures may allow ASEAN to develop complementary or mutually beneficial economic interactions. Some Chinese would argue that if the competition is healthy, it could promote the necessary structural adjustment, diversification and value addition for the products concerned. China’s challenge could help ASEAN to expedite its own economic integration by initiatives like the ASEAN Free Trade Area (AFTA), ASEAN Investment Area (AIA), the ASEAN Investment Co-operation (AICO) and others. ASEAN also appreciates Chinese efforts to ease the region out of the Asian financial crisis. Notably, China promised not to devalue the yuan, took part in the International Monetary Fund aid packages and tried to create more trade and investment through its infrastructure development programs. Moreover, it initiated the meeting of Deputy Finance Ministers and Deputy Governors of Central Banks for ASEAN and East Asia (China, Japan and South Korea) to help find common short-term and long-term solutions to the financial and economic problems in Asia. Thus, China is seen to be sensitive and responsive to ASEAN needs in times of difficulties. With signs of economic recovery in ASEAN and China’s imminent entry into the WTO, it is not surprising that relatively high expectations are placed on Sino–ASEAN economic co-operation.

The most difficult issue in Sino–ASEAN relations is the territorial conflicts in the South China Sea. The overlapping claims in the South China Sea, particularly those in the Spratlys by China, Taiwan, Vietnam, Malaysia, the Philippines and Brunei and in the Paracels by China, Vietnam and Taiwan, have the potential to create instability in the ASEAN region, and perhaps the larger Asia–Pacific. For China, its sovereignty over the South China Sea is ‘indisputable’. Chinese officialdom does not appear to have any desire or room to make concessions on China’s claims of sovereignty in this region, lest it would provoke the wrath of their colleagues and the nation. China began to press its case in the South China Sea

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22 Asiaweek (3 December 1999), pp. 21–22.
23 <www.aseansec.org/news/us_c.htm>
24 Straits Times (26 May 2000).
25 See, for example, the remarks made by Pu Shan of the Chinese Academy of Social Sciences on Sino–ASEAN economic cooperation as reported in Wenhui Bao (7 December 1990).
26 See, for example, the analysis in Lee Lai To, China and the South China Sea Dialogues (Westport, CT and London, Praeger, 1999), pp. 9–15.
to regain its ‘lost territories’ after the Cultural Revolution. In 1974 it wrested the Paracels from South Vietnam. After consolidating its control over the Paracels, China gathered more oceanographic information about the Spratlys and strengthened its naval capabilities in the 1980s. It appeared set to project its claims further south into the Spratlys region, as demonstrated in the March 1988 incident when China dislodged part of Vietnamese forces in seven islets in the Spratlys, leading to the establishment of China’s physical presence in the Spratlys.27 Incidents in the Mischief Reef, Scarborough Shoal and elsewhere in and near the South China Sea in the 1990s indicate that China and other disputants are trying to expand or consolidate their sovereignty claims in the Spratlys. Most claimants are using contracts with foreign oil companies to prospect for oil and gas in the South China Sea, developing islets into holiday resorts, dispatching fishermen, journalists, scientific or seismic missions to the area, and building telecommunication facilities, light houses, airfields and other things to consolidate their claims. All claimants, except Brunei, have also stationed troops in the area, creating the possibility of limited military conflicts.

Some ASEAN member states are concerned with what is perceived to be Chinese ‘creeping expansionism’ in the South China Sea. The modernisation of China’s defence forces could reinforce that fear. However, there are various channels for the two sides to address issues of territorial dispute. The workshop on ‘Managing Potential Conflicts in the South China Sea’ hosted by Indonesia annually is probably the most important track two venue for this purpose. At a higher level, the ARF, the ASEAN–China Dialogue at the PMCs and ASEAN–China Senior Officials’ Meetings could cover territorial disputes. Although China is concerned with the internationalisation of the South China Sea issues and the formalisation and multilateralisation of talks, it has, nevertheless, proposed to shelve the sovereignty issue in favour of joint development. However, the progress in joint development has been slow and the promotion of CBMs and preventive diplomacy difficult.28

By the mid-1990s, it seemed that most, if not all, of the claimants have agreed that it would be appropriate to use international law, particularly the 1982 UNCLOS, to examine the disputes. China, at the time of the second ARF in Brunei (1995), announced that it considered it important to safeguard the navigation and security of the sea lanes in the South China Sea and that it would use recognised international law and the UNCLOS to examine the conflict in the Spratlys.29 China ratified the UNCLOS and drew up the baselines for its continental coast and the Paracels in 1996. The baselines drawn for the Paracels are based on the rights or conventional practice of an archipelagic state, thus allowing China to expand the area under its jurisdiction. This generated objections from other states.30 The Spratlys’ baselines have not been drawn by China. Beijing knows too well the complexities, difficulties and political sensitivities in the exercise.

ASEAN had earlier issued an ASEAN Declaration on the South China Sea in 1992, urging all claimants to apply, among other things, the principles of the Treaty of Amity and Co-operation in Southeast Asia. It has also issued a joint statement expressing concern to China and other states after the Mischief Reef incident in 1995. At a time when there were already bilateral codes of conduct between the Philippines and China and Vietnam, ASEAN deemed it timely to consider a regional code of conduct. China appeared reluctant to accept this proposal initially but has eventually agreed to work with ASEAN on drafting the document with the condition that it would not be legally binding.31

27 See, for example, Lee Lai To, China and the South China Sea Dialogues.
28 See, for example, Lee Lai To, China and the South China Sea Dialogues.
29 See, for example, Lianhe Zaobao (31 July 1995).
31 <www.aseansec.org/news/rec_scs.htm>
Contrary to sensational press reports, both China and ASEAN are sober players and not prone to blowing the issue out of proportion. China and ASEAN have emphasised that territorial issues in the South China Sea should be examined according to international law and the 1982 UNCLOS and that neither side should ‘allow existing differences [in the South China Sea or other areas] to hamper the development of friendly relations and co-operation’.\textsuperscript{32} While China still prefers to have bilateral negotiations with other claimants, it appears prepared to discuss the peace and stability in the South China Sea with ASEAN. However, Chen Jian, the Assistant Foreign Minister, made clear that there is a need to separate territorial disputes from political stability in the South China Sea. According to him, the two are related but different issues.\textsuperscript{33}

It is the hope of ASEAN that the security dialogues with China would produce some results in time. China has already expressed its support for the ZOPFAN and NWFZ in Southeast Asia, as well as the ASEAN Vision 2020. In the case of the NWFZ in Southeast Asia, it is interesting to note that China changed its reservations in signing the protocol and announced that it would be the first nuclear power to accede to a new nuclear weapons-free protocol for the region.\textsuperscript{34} China has also been supportive of the ARF and ASEAN’s desire to be the driving force of the ARF process.

**Concluding Observations**

Chinese leaders have placed more emphasis on relations with the United States, Japan, the European Union, and, more recently, Russia. These major powers are useful in helping China’s four areas of modernisation. However, it is also evident that China considers developing countries and neighbouring states of growing importance. Relations with ASEAN are formulated in the context of Chinese policy towards neighbouring states, including the two Koreas, South Asia and Central Asia.\textsuperscript{35} Strengthening ‘the good neighbourly and friendly relations’ with surrounding regions like ASEAN is a basic tenet of Chinese foreign policy. Thus under the overall policy of opening up to the outside world and the economic reforms conducted by Jiang and his successors, Sino–ASEAN relations could be strengthened. China does not consider ASEAN as a threat and is keen to work with it. ASEAN’s emphasis on an incremental and consultative approach to problems and the principle of consensus in decision making and non-interference into the internal affairs of member states have suited China. While Beijing continues to have reservations about multilateral forums, it appears to have warmed towards multilateralism in recent years. This is especially true when the forum is chaired by ASEAN and not the United States or Japan. It appears that China does not wish to be excluded from multilateral talks where it can influence deliberations. Participation in multilateral meetings may have also helped China in polishing its international image as non-threatening and in diluting the dominance of the United States. The consensual approach of ASEAN allows Beijing to put a brake on unfavourable discussions.

In spite of internal differences, ASEAN has made a deliberate effort to engage China, taking careful note of Chinese interests and concerns. By engaging China in a network of constraining multilateral discussions and balancing the influence of various major powers, ASEAN aims to create a role for small and medium-size states of Southeast Asia. ASEAN has chosen a non-confrontational approach in dealing with China. While it continues to be

\textsuperscript{32} < www.aseansec.org/summit/praschn1.htm >
\textsuperscript{34} South China Morning Post (28 July 1999).
\textsuperscript{35} See, for example, Tang Jiaxuan, ‘International Situation and China’s Diplomacy’, <www.fmprc.gov.cn/english …//readsubject.asp?pkey = 1999123013475 >
concerned about China’s intentions if or when it becomes stronger, ASEAN does not really want to talk about the threat of China, since this may become a self-fulfilling prophecy. This restraint gives China the benefit of the doubt. To a certain extent, there is a kind of constructivist hope that China could be socialised into accepting some of the evolving norms in CBMs and preventive diplomacy even though many still believe it is difficult to change China.

Small and medium-size states in ASEAN still hope that multilateralism would help them exert some influence on regional and international affairs. Nevertheless, ASEAN pragmatists would note that international politics is always dominated by major powers. Some states like Singapore have argued that the United States is still the key balancer in regional and international affairs even though they accept the importance of engaging a rising China. ASEAN also acknowledges that it has to put its own house in order to have more bargaining power and become more competitive. ASEAN cannot assume that China will be a cooperative and non-threatening major power in the long run, but it believes that it is beneficial and important to continue the dialogues with Beijing to further co-operation and understanding at least in the short and medium term. ASEAN and Chinese pragmatism seem to be helping both sides to realise that Sino–ASEAN co-operation could be mutually beneficial. In spite of the security issues in Sino–ASEAN relations, it is not likely that this will seriously affect economic interactions. The fact of the matter is that Sino–ASEAN relations have improved markedly and they are likely to develop further.