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# RSIS COMMENTARIES

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## **Beijing's ASEAN Embrace: Making Hay While the Sun Shines**

By Benjamin Ho and Kaewkamol Pitakdumrongkit

### **Synopsis**

*High profile visits by Xi Jinping to Indonesia and Malaysia in the past week have reinforced China's diplomatic outreach to ASEAN. With the United States paralysed by domestic wrangling, Beijing's embrace of ASEAN could potentially signify a pivotal shift in the balance of power in Asia, provided it acts judiciously.*

### **Commentary**

CHINA'S RELATIONS with ASEAN received a boost in the past week with President Xi Jinping's high profile visits to Indonesia and Malaysia, two of Southeast Asia's major economies enjoying significant trade ties with Beijing. The decision to elevate China's relations with both countries to that of comprehensive strategic partnerships has further cemented China's diplomatic ties with the regional grouping.

Thus far this year, President Xi has received state visits by leaders of eight ASEAN countries – with the exception of Thailand and Philippines. In contrast, United States' President Obama - if one excludes the meetings at the ASEAN Summit in Phnom Penh last November – had only met with ASEAN counterparts from Myanmar and Thailand and received leaders of Singapore and Brunei since his re-election.

### **China's diplomatic upper hand**

President Xi's attendance at the APEC Summit in Bali and Premier Li Keqiang's at the East Asia Summit (EAS) in Brunei this week has dominated regional attention. In contrast, President Obama's cancelling of his trips to both the APEC and EAS because of domestic wrangling over the US budget had raised concerns among US allies about the strength and durability of Washington's much vaunted pivot to Asia.

While the frequency of these meetings should not be overly emphasised as a barometer of Sino-US influence in ASEAN, yet there is a sense that Washington's rebalancing strategy is losing its momentum, despite strong pledges from American diplomats that the US remained committed to the region.

At present, China seems to have the upper hand. In the past six months since President Xi took office, it would seem that Beijing's focus on Asia has gained further momentum. Its articulation of the "new type of relationship

between major countries” suggests that China now views itself as one among equals and is backing up its claims to international prominence with actions, notably in the area of economic investments. In September during the 10<sup>th</sup> China-ASEAN expo in Nanning, Premier Li also spoke of the “diamond decade”, anticipating future deepening of economic ties between China and ASEAN.

Indeed, the past decade of China-ASEAN cooperation has witnessed a remarkable increase in bilateral trade, which surged from US\$54 billion in 2002 to US\$400 billion in 2012, an annual growth rate of 22 per cent, according to the Chinese Ministry of Commerce. The fact that Indonesia accorded President Xi the opportunity to speak at its parliament – the first foreign leader to do so – suggests that Beijing’s economic courting of ASEAN – on present evidence – has reaped rich dividends.

It is not surprising to see China’s active fostering of economic ties with ASEAN countries. China has been ASEAN’s largest trading partner since 2009. Nor are President Xi’s visits to Indonesia and Malaysia as both have been China’s largest trading partners in Southeast Asia in the last five years. China on the other hand is Indonesia’s second-largest and Malaysia’s largest trading partner.

The visits reflect Beijing’s strategy of building up its bilateral ties with individual ASEAN countries alongside multilateral cooperation such as the ASEAN-China FTA and the Regional Comprehensive Economic Partnership (RCEP). For example, during President Xi’s visit to Indonesia, Beijing and Jakarta inked a series of economic agreements, such as US\$28 billion trade and investment deals, US\$16 billion yuan-rupiah currency swap, and memoranda of understanding to further cooperation in tourism and technology. During President Xi’s Malaysia visit, several deals were also signed, including an economic plan to enhance key sectors such as agriculture, manufacturing and infrastructure.

Despite the series of deal-striking, these developments should not be viewed with rose-tinted glasses. China is now restructuring its economy from investment-based growth to a domestic consumer-based model. On 30 September, China’s Premier Li promised to speed up the government’s efforts to introduce domestic economic reforms.

China’s economic restructuring can pose certain challenges to China-ASEAN economic relations as some reforms (such as macroeconomic policies) can potentially create tensions in Beijing’s trade and investment in ASEAN. As such, it is still too early to predict the direction of China-ASEAN economic linkages.

### **ASEAN’s security dilemma**

Economics aside, Beijing’s inroads into fostering a closer defence ties with its ASEAN counterparts remain modest. Quite apart from the question of compatibility of their defence systems there is the latent fear that China’s rising military might may represent an existential threat to ASEAN countries. At present, a number of ASEAN states do not seem to take China’s proclamation of a “peaceful rise” at face value and suspect Beijing’s motives behind its incursions into their territories.

As such, ASEAN’s hedging strategy, therefore, is likely to continue - relying on the United States in security matters while at the same time preserving and expanding its economic linkages with China. Not wanting to choose between Beijing and Washington, ASEAN’s ability to stay united will be critical in ensuring its neutrality, centrality and relevance within the regional architecture. Yet, a more critical appraisal of ASEAN’s collective stance suggests that a “united ASEAN” is not necessarily the be-all and end-all objective for ASEAN countries, not if national interests or bilateral preferences were to dictate otherwise.

### **China’s choices**

This week’s East Asia Summit will likely witness increased China-ASEAN diplomatic activity, in view of the signs that the US presence and pivot to Asia may not be sustainable in the long run. Yet China is not without its own set of challenges. Its domestic uncertainties reflect a larger issue at stake: that a rising middle-class would soon demand greater say concerning how Chinese politics are to be run and what China should be like.

President Xi’s invocation of the “China Dream” during his inaugural address have led many Chinese – both within and outside China – to speculate what this means. More crucially, how this would impact the manner China relates with the rest of the world, not least Asia, would be carefully watched. With great power comes

great responsibility, as the 18<sup>th</sup> century French writer Voltaire once said. It is incumbent upon China to ensure that it chooses wisely, and acts judiciously.

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