

CHAPTER II

CHINA'S FOREIGN POLICY IN SOUTHEAST ASIA

This chapter will explain about the historical background of South China Sea dispute that involving China and some Southeast Asian Member States. The background is explained from the 8th century to the declaration of nine-dash line in South China Sea until 2017. This chapter also discuss about China's foreign policy in the Southeast Asia and specifically toward the involving states.

A. Historical Background

South China Sea is located on the south of China that surround by China, Taiwan, the Philippines, Vietnam, Thailand, Malaysia, Brunei, Cambodia and Indonesia. It covers around 3.5 million square kilometers and consist of around 250 small islands and reefs including Spratly and Paracel Island.

The activity around South China Sea is recorded back to the 8th to 12th century, during the trading era of Sri Vijaya sovereignty. The kingdom was ruling the Straits of Malacca and its surround area, as well as held a control on the maritime trade. There were various of ships from many regions that sailed on the area in order to did the business. In that period of

era, the merchants from China were mostly using silk route to run their trading.²³

However, after 12th century until 15th century, there was a changing of naval power in China. The expansion of the power through maritime approach happened, and during the dynasty in that period of time, there was a famous expedition under Admiral Zheng He. During the era, China's tradings were with Arabian, Persian and Southeast Asian, which led to the spreading of Islam to other nations and the usage of Malay language among the trader. Unfortunately, the expansion was ordered to be stopped by the emperor.²⁴

The impact of the end of expansion brought opportunity to other big nations like Korea, Japan and other surrounding nations. From 16th century, the expeditions from Portuguese, British, French and other nations from Europe started to come and took over the trade dominance in South China Sea and the region. The states with its maritime strength took over the most important trading spot like Malacca. It also affected the Arabs' role and influences in the region around South China Sea.²⁵

After the occupation in the region of South China Sea, in 18th century, the other European states such as British and

²³ Tonnesson, Stein, An International History of the Dispute in the South China Sea, EAI Working Paper No. 71, 16 March 2001.

²⁴ *Ibid.*

²⁵ *Ibid.*

French came along with its more powerful ship and weapon. The arrival of those states were to balancing the occupation of other European states. It then started to change from trading became colony system, where they claims the sovereignty over the area. The colonization in the region is known as the modern sovereignty, where most of important trading spot—like Malacca, were occupied and controlled by the states with big maritime and navy power.²⁶

In nineteenth century, the HMS Rifle, the United Kingdom's Royal Navy Ship started their expedition in the islands and reef features of South China Sea and took a claimant towards the islands in 1864. The Islands named after Cyrus's captain—a private whaler ship, Richard Spratly. Hence, the islands that they found named as Spratly Islands.²⁷

However after that period, in 1930, France took over the claimant from British occupation, and started to introduce the Spratly Islands as France's territory in 1933. After the declaration of Islands occupation by France, Japan opposed it since its phosphate companies had taken their sources for the Spratlys. Later on in 1939, Spratly Islands became Japan's occupation that taken by hard power. The occupation

²⁶ *Ibid.*

²⁷ Catley, Bob & Keliat, Makmur, *Spratlys: The Dispute in the South China Sea*, 1999, England: Ashgate Publishing Limited.

continued until the Second World War where it also included Paracel and Pratas as well.²⁸

During the war, Japan got the advantages from the occupation of Spratlys, the features in South China Sea. Japan used it as the advance to approach Southeast Asian with its “Asia for the Asians” policy. However, the tragedy in August 1945 brought Japan to surrender to the enemy. This led Japan to left the region and its claimant of Spratly Islands. The non-occupancy of the islands brought a vacuum in the area.²⁹

In 1947 before the ratification of the United Nations Convention on the Law of the Sea, eleven-dash line—which later changed into nine-dash line in 1954—published by the Nationalist government of the Republic of China showing an U-shape line in the South China Sea that claimed by the Peoples Republic of China (PRC) knowing as a respond for San Francisco Treaty that was signed in 1951.³⁰ After the China’s claimant toward Spratly Islands in South China Sea, Vietnam also declared that Spratly and Paracel Islands are belong to Vietnam³¹.

²⁸ *Ibid.*

²⁹ *Ibid.*

³⁰ Rustandi, Agus Commodore, *The South China Sea Dispute: Opportunities for ASEAN to enhance its policy in order to achieve resolution*, 2016, retrieved on October 22, 2017, at 2PM MYT, taken from http://www.defence.gov.au/ADC/Publications/IndoPac/Rustandi_IPSP.pdf.

³¹ Catley, Bob & Keliat, Makmur, *Spratlys: The Dispute in the South China Sea*, 1999, England: Ashgate Publishing Limited, p. 26.

Throughout the Cold War, South China Sea became an intense area as at that time The United States had naval bases; at Cam Ranh Bay in Vietnam and Subic Bay in the Philippines as the US needs to deploy its personnel during Vietnam War³². South China Sea was also become important area as the UK, Australia, New Zealand, Malaysia and Singapore under the FPDA—Five Power Defense Arrangement³³.

Besides the strategic importance location, it also believes that South China Sea have a lot of natural resources like oil and fish. It makes South China Sea becomes a center of attention as it connects China and other Southeast Asia countries.

The nine-dash line showed South China Sea territory under China and it covers some of other countries' maritime exclusive economic zone or EEZ. Southeast Asian countries have agreed to follow the EEZ by the United Nations Convention on the Law of the Sea. Any dispute between two countries regarding its maritime zone that borders directly and does not require the EEZ, it settle with bilateral treaty. However, the central area of South China Sea does not have any agreement or negotiation on how the area divided.

³² Catley, Bob & Keliat, Makmur, *Spratlys: The Dispute in the South China Sea*, 1999, England: Ashgate Publishing Limited, p. 6.

³³ *Ibid.*

Since the declaration of nine-dash line by China, there are areas that in dispute due to its collide with Southeast Asian countries' maritime border.



Figure 2.1 Map of Nine-Dash Line³⁴

According to the map above, there are some disputes area like Parcel Island that claimed by China, Vietnam and Taiwan. Also, Spratly Island that claimed by China, Taiwan, Malaysia, Brunei, Vietnam and the Philippines. The claimant is whether the whole Islands or part of the feature.

³⁴ Karnad, Bharat, Narrowing the seas: Security ramifications of the SCS verdict, taken from Military Aerospace Internal Security: <http://www.spsmai.com/experts-speak/?id=247&q=Narrowing-the-seas-Security-ramifications-of-the-SCS-verdict>.

The dispute getting intense after the Philippine declared a statement in 1971 that Spratly Islands and some of its features are belong to them³⁵. Following it, Malaysia issued its new map with the Spratly in its official territory.³⁶

China started to take hard power to show its military capability in South China Sea. In 2014, China confronted the Philippines by attempting to block the supply to military outpost even though the attempt was not successful. Also, in the same year, there were a seventy-three days crisis between China and Vietnam due to China's oil rig ship that deployed in to Vietnam's exclusive economic zone (EEZ) within two hundred nautical miles.³⁷

However, China still maintains its diplomatic relations with Southeast Asian countries by cooperation ties. One of it is ASEAN-China Free Trade Agreement (ACFTA) where tariff elimination agreement to enhance the trade flow

³⁵ Jenkins, David, *The Spratlys: A 2,000-year-old claim*, Far Eastern Economic Review, 7 August 1981, pages 32. Retrieve from Catley, Bob & Keliat, Makmur, *Spratlys: The Dispute in the South China Sea*, 1999, England: Ashgate Publishing Limited.

³⁶ Catley, Bob & Keliat, Makmur, *ibid*.

³⁷ Bonnie S. Glaser, Council on Foreign Relations: Conflict in the South China Sea, April 2015, retrieve from https://cfrd8-files.cfr.org/sites/default/files/pdf/2015/04/CPM_Update_South_China_Sea_.pdf on 20 August 2018 at 8:45PM MYT.

between China and ASEAN member states in term of goods and services. The agreement is effective by 1 January 2010.³⁸

B. China's Decision-Making Process and Structure

For a country, foreign policy is usually determine by its domestic or national interest. It influences by the decision making actors. Foreign policy also influences by domestic condition political situation. Foreign policy decision of a country is usually made by the leader of the state and a small cyrcle around it, such as the ministers. However in China, the decision making is not really taken by an individual.

China is a communist state that is ruled by the Communist Party of China (CPC). Hence, there are two structures of the decision-making, the CPC that lead by the Party Political Bureau (Politburo) and the Standing Committee. While the state government leads by the Premier as the head of the State Council.³⁹

Every five years, there is the National Party Congress where it “set the country’s overall policy direction” and

³⁸ Building the ASEAN Community: ASEAN-China Free Trade Area— Building Strong Economic Partnerships, retrieve from <http://www.asean.org/storage/images/2015/October/outreach-document/Edited%20ACFTA.pdf> on 20 August 2018 at 9:17PM MYT.

³⁹ Kerry Dumbaugh & Michael F. Martin, Understanding China's Political System, CRS Report for Congress, December 31, 2009. Retrieve from <http://www.refworld.org/pdfid/4b73cd512.pdf> on 28 October 2018 at 8:50 PM MYT.

decide its Party's Politburo members.⁴⁰ The Politburo's position is the most important body on the decision-making. Another important structure is the Politburo Standing Committee (PSC), where Xi Jinping and Li Keqiang are the member. Xi Jinping is representing the "elite" group which include the "princeling"—descendants of CCP and the elites group, and focus on its economic development and middle-class. While Li Keqiang is representing the "populist" group, focus on the "harmonious society" and improve the poor standard.⁴¹

For day-to-day basis, there are Party Secretariat and State Council that holding an important position to decide and processing the decision-making.⁴² State Council is the People's Republic of China's (PRC) Cabinet that is head by the Premier.⁴³

State Council along with the governemnt ministries are conducting the daily adminitration of the government. State Council itself is consist or arounf fifty people including the premier, vice premier, state councillors and the head of

⁴⁰ *Ibid.*

⁴¹ *Ibid.*

⁴² A. Doak Barnett, *The Making of Foreign Policy in China: Structure and Process*, 1985, London: I.B. Tauris & Co. Ltd.

⁴³ Kerry Dumbaugh & Michael F. Martin, *Understanding China's Political System*, CRS Report for Congress, December 31, 2009. Retrieve from <http://www.refworld.org/pdfid/4b73cd512.pdf>

ministries. The premier involve in the foreign affairs and economic relations, as well as the vice-premier.⁴⁴

There is the National People's Congress (NPC), that consist of three thousand members from the parties. It held annual meeting with fifteen-days length, where it decides the state's policy and choose the PRC's President, Premier and the cabinet. Besides, there is the People's Liberation Army (PLA) that affect the military affairs as it might influence foreign military relations.⁴⁵

C. China's Foreign Policy after 2000

China, in this modern era, is growing fast and becomes one of the biggest country in the world in term of economic, society and geography. To maintain its development's stability, China needs to implement its foreign policy. It also aims to reach their national interest, people's needs and control China's relations with other international actor whether state or non-state actor.

Since in Mao Zedong era, China has been implementing peaceful development for its foreign policy. To introduce China's new foreign policy, President Hu Jintao on September 2005 mentioned a concept of "harmonious world" in the United Nations 60th anniversary summit. The concept of

⁴⁴ A. Doak Barnett, *ibid.*

⁴⁵ Kerry Dumbaugh & Michael F. Martin, *ibid.*

harmonious world is a reflection of harmonious society that being use as Chinese leadership concept. By harmonious society as China's domestic leaderships' concept, it extends in to the harmonious world as foreign policy of China.⁴⁶

In the summit, President Hu Jintao elaborated the way to establish a harmonious world.

*“First, uphold multilateralism to realize common security. ... We must abandon the Cold War mentality, cultivate a new security concept featuring trust, mutual benefit, equality and cooperation, and build a fair and effective collective security mechanism. Second, uphold mutually beneficial cooperation to achieve common prosperity. ... establish and improve a multilateral trading system that is open, fair and non-discriminatory. Third, uphold the spirit of inclusiveness to build a harmonious world together. Fourth, promote UN reform actively and prudently.”*⁴⁷

On 14 March 2013, the leadership changed to Hu's predecessor, President Xi Jinping. Xi's leadership is known with its popular campaign like anticorruption action which bring him to become one of the most powerful leader in

⁴⁶ Jean-Marc F. Blanchard & Sujian Guo, *“Harmonious World” and China's New Foreign Policy: Introduction*, 2008, Maryland: Lexington Books.

⁴⁷ Statement by H.E. Hu Jintao—President of the PRC at the United Nations Summit, Build Towards a Harmonious World of Lasting Peace and Common Prosperity, New York, 15 September 2005, retrieve from <http://www.un.org/webcast/summit2005/statements15/china050915eng.pdf> on 25 August 2018 at 4:33PM MYT.

China. He gains trust and being a strong influential in decision-making process of policy.

Besides continuing peaceful development that has been implemented since Deng Xiaoping era, Xi Jinping who was the General Secretary of the Chinese Communist Party (CCP) introduce new national development goals during the 18th National Chinese CCP in November 2012 which later implemented as the new foreign policy of "Chinese Dream"⁴⁸. Since then, it often be mentioned by President Xi Jinping in his speech during his presidential era.

China dream that is implemented by Xi aims to fulfil China's national interest. There are two main objects to achieve by China dream foreign policy, "... that is to establish a "moderate well-off society" by 2021 when the CCP has existed for 100 years, and a "rich and strong socialist country" by 2049 when the PRC has existed for 100 years"⁴⁹.

Along with the new foreign policy, Xi tries to promote China's position internationally as a developed country that have a strong position and influence in keeping the peace.

⁴⁸ Michael D. Swaine, Xi Jinping on Chinese Foreign Relations: The Governance of China and Chinese Commentary, retrieve from <https://www.hoover.org/sites/default/files/research/docs/clm48ms.pdf> on 27 August 2018 at 4:43PM MYT.

⁴⁹ Camilla T. N. Sørensen, The Significance of Xi Jinping's "Chinese Dream" for Chinese Foreign Policy: From "Tao Guang Yang Hui" to "Fen Fa You Wei", page 56. Retrieve from <https://journals.aau.dk/index.php/jcir/article/download/1146/967>.

Wang Yizhou⁵⁰ stated at the UN General Assembly Meeting in September 2013 that:

*“China will become more active and constructive in participating in and in dealing with international and regional hot issues, in negotiating peace and ending conflicts and in safeguarding world’s peace and stability”.*⁵¹

Chinese Dream foreign policy by Xi pursues to maintain peace and stability with neighbouring countries, developing countries and other states. By being more active in keeping peace and stable international environment, China change its foreign policy strategic direction as “striving for achievement”⁵². Hence, China will actively take its own action to achieve its goal according to its foreign policy strategic dynamic without any compromise.

The “dream” in China’s foreign policy by Xi is inspired to develop China’s economy and technology through its industrialization and modernization as a whole nation’s achievement, rather than a success of individual.⁵³ By that,

⁵⁰ A Chinese international relations scholar.

⁵¹ Wang Yi. 2013. China at a new starting point. Statement at the general debate of the 68th session of the UN General Assembly. New York. September 27. Available at http://gadebate.un.org/sites/default/files/gastatements/68/CN_en.pdf, retrieve from Camilla T. N. Sørense, The Significance of Xi Jinping’s “Chinese Dream” for Chinese Foreign Policy: From “Tao Guang Yang Hui” to “Fen Fa You Wei”, <https://journals.aau.dk/index.php/jcir/article/download/1146/967> on 28 August 2018 at 11:55PM MYT.

⁵² Camilla T. N. Sørense, *ibid*.

⁵³ Ferdinand, Peter, Westward ho—the China dream and ‘one belt, one road’: Chinese foreign policy under Xi Jinping, retrieve from

China under Xi presidential era increases its diplomatic relations with other countries.

D. China's Foreign Policy in Southeast Asia

China that has the largest population in the world and cover a large land area, borders directly with Burma, Thailand, Laos and Vietnam on the land and also South China Sea on the sea. Southeast Asia countries and China surround South China Sea itself.

Southeast Asia is a region that consists of the Philippines, Vietnam, Laos, Cambodia, Thailand, Burma, Brunei, Singapore, Malaysia and Indonesia. The region is located among China, Australia, East Asia, South Asia, and South China Sea. It makes the region as an attention for big country like China. The region is organized under the Association of Southeast Asian Nations or ASEAN.

According to China's foreign policy, it is important for China to strengthen its diplomatic relations and cooperation with other countries especially Southeast Asian countries. Since the dispute in South China Sea raise, China also need to focus on improving its relations with the region especially after the Philippines filed the arbitration to the United Nations Convention on the Law of the Sea or UNCLOS.

To promote the diplomatic relations in peace way referring to China's foreign policy, China implements trade, investment, infrastructure development and economic cooperation with Southeast Asian Member States.

1. Bilateral Relations

Vietnam that borders directly with China, has maintained its relations closely. The relations between those two have developed for years, especially since the Vietnam War. It is shown as the eleven-dash line area in South China Sea was changed in to nine-dash as the exception for the (North) Vietnam in 1954⁵⁴.

⁵⁴ Rustandi, Commodore Agus, The South China Sea Dispute: Opportunities for ASEAN to enhance its policy in order to achieve resolution, 2016, retrieved from http://www.defence.gov.au/ADC/Publications/IndoPac/Rustandi_IPSP.pdf on 24 September 2018 at 9:20PM MYT.

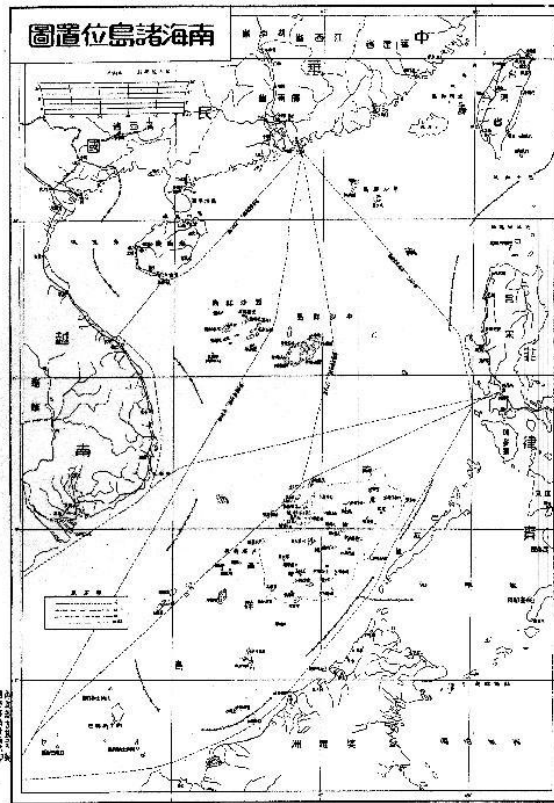


Figure 2.2 Map of eleven-dash line in South China Sea⁵⁵

As the improvement of bilateral relations between China and Vietnam, in 2004 the export to Vietnam increased 20 percent while its import from Vietnam increased by 80 percent.⁵⁶ Also, despite what happens on the oilrig installation issue in Paracel Island, China and

⁵⁵ Rupert Wingfield-Hayes, China's Island Factory, BBC News, 9 September 2014, retrieve from <https://www.bbc.co.uk/news/resources/idt-1446c419-fc55-4a07-9527-a6199f5dc0e2> taken on 24 September 2018 at 9:33 PM MYT.

⁵⁶ Vaughn, Bruce & Morrison, M. Wayne, China-Southeast Asia Relations: Trends, Issues, and Implications for the United States, CRS Report for Congress, 4 April 2006.

Vietnam stay focus on its peaceful resolution and “the long-term and steady growth of bilateral relations”⁵⁷.

The resolution is proven by export-import value between China and Vietnam. China main products that are exported to Vietnam are machinery, oil and raw materials, food products and consumer products, while main products that China import from Vietnam are raw materials, agricultural product, fresh and frozen seafood, and also consumer goods.⁵⁸

The average growth value keeps increasing from 2000 to 2006, with 25.25 percent for import from Vietnam and 39.87 percent average for export from China to Vietnam. By that point, China becomes the highest trading partner for Vietnam, after surpassing Japan.⁵⁹

To cut the cost of shipping and the shipping time, China and Vietnam agree to build up its bilateral relations. China implements the investment initiative by the Shenzhen-Haiphong trade corridor. The corridor is aimed

⁵⁷ Jiye Kim, China's Diplomacy towards the South China Sea Disputes, retrieve from <http://web.isanet.org/Web/Conferences/AP%20Hong%20Kong%202016/Archive/81673df0-1a83-4288-80f8-4365d18def22.pdf> on 24 September 2018 at 9:59 \PM MYT.

⁵⁸ Ha Thi Hong Van & Do Tien Sam, Vietnam-China Trade, FDI and ODA Relations (1998-2008) and the Impacts upon Vietnam, taken from http://www.ide.go.jp/library/English/Publish/Download/Brc/pdf/01_vietnamandchina.pdf, retrieve on 3 October 2018 at 11:22PM MYT.

⁵⁹ Ibid

to move the unloaded cargo from Shanghai and Hongkong for southern and southwestern China shipping.⁶⁰

Besides trading relations, China also has a geo-strategic interest with Burma. Burma is located in a strategic area where it connects China to Indian Ocean through Burma, which it can lead to the Middle East as the big oil source for China. The interest of oil from Middle East is shown by the interest of Chinese academics to build a pipeline across Burma without having need to transit its 60 percent oil flow from Middle East to China at the Malacca Straits.⁶¹

⁶⁰ Tetsuya Abe and Atsushi Tomiyama, "China, Vietnam to Cooperate on New Trade Corridor," *Nikkei Asian Review*, April 8, 2015, <http://asia.nikkei.com/Politics-Economy/International-Relations/China-Vietnam-to-cooperate-on-new-trade-corridor>, retrieve from Murray Hiebert, *China's Relations with Burma, Malaysia and Vietnam*, Center for Strategic & International Studies (CSIS), May 13, 2015.

⁶¹ Vaughn, Bruce & Morrison, M. Wayne, *ibid.*



Figure 2.3 Oil flow map from Middle East through the Straits of Malacca⁶²

Besides that, China has assisted Burma with 200 million US dollar loan during the US sanction in 2003 as the consequence of the human rights violation. While in 2005, to improve their bilateral ties especially on its trade and military cooperation, China and Burma agreed to increase their trade value from approximately 1 billion US dollar to 1.5 billion US dollar in 2005.⁶³

Another country that has built its relations with China is Thailand. There are numbers of Sino-Thai ethnic

⁶² Annual Report to Congress: Military Power of the People's Republic of China 2006, retrieve from https://commons.wikimedia.org/wiki/File:China_Report_2006.pdf on 29 September 2018 at 11:35PM MYT.

⁶³ *Ibid*

in Thailand itself. In 1997, opposite to the US response during the crisis, China offered assistance to re-build its economic⁶⁴. The relations of China and Thailand are not limited to the high level of government which is shown that there are 23 friendly cities and provincial capitals like Beijing-Bangkok, Yunnan Province-Chiang Rai, Wuzhou City-Chantaburi, and many others.⁶⁵

Thailand is also another geo-strategic attention for China. With its strategic location, Thailand might provide an energy flow for China. Since the relationship between two of them is stable in term of territory, Thailand proposed “Energy Land Bridge which would link the Andaman Sea with the Gulf of Thailand south of the Isthmus of Kra and thereby provide an alternative to the Straits of Malacca”⁶⁶.

Besides as a geo-strategic attention, Thailand and China also signed the MoU on Agricultural Trade Cooperation, Joint Action Plan on Thailand-China Strategic Cooperation and the Agreement on Expanding and Deepening Bilateral Economic and Trade Cooperation.⁶⁷ Focusing on its trade, the value between

⁶⁴ *Ibid*

⁶⁵ Hongfang, Shen, The Economic Relations between China and Thailand under the Context of CAFTA: An Assessment, retrieve from <http://file.scirp.org/Html/28395.html> on 7 October 2018 at 12:53AM MYT.

⁶⁶ Vaughn, Bruce & Morrison, M. Wayne, *Ibid*.

⁶⁷ Hongfang, Shen, *Ibid*

China and Thailand increases from 85.61 hundred million US dollar in 2002, becomes 577.9 hundred million US dollar in the next 9 years.⁶⁸

As one of the biggest country Suteast Asia, Indonesia also becomes one of China's attention. Even though there was a gap of relations between those countries due to ideology difference, the relations between China and Indonesia now keep increasing since both of the country have a large population and concern on its economic development.

The economic cooperation between China and Indonesia shown at the risen of trade value where in 2010 China overtook the US second position with its 14 billion US dollar value of non-oil and gas export from Indonesia to China. Meanwhile, its import value is 19.6 billion US dollar value in the same year.⁶⁹

In the Joint Statement between the People's Republic of China and the Republic of Indonesia during the President of Indonesia visit in 2012, China expressed its willingness to assist the Chinese Language department development in the Indonesia Peace and Security Center

⁶⁸ Ibid

⁶⁹ Alexander C. Chandra & Lucky A. Lontoh, Indonesia-China Trade Relations: The deepening of economic integration amid uncertainty?, 2011, retrieve from https://www.researchgate.net/publication/324152818_Indonesia-China_Trade_Relations_The_deepening_of_economic_integration_amid_uncertainty on 7 October 2018 at 2:27PM MYT.

(IPSC) which is the security and defence institution.⁷⁰

Compare to Indonesia as the fourth position of trading partner with China, Malaysia is the largest trading partner for China as of 2010. The trading value between China and Malaysia is 22 billion US dollar, and followed by Singapore with 17.9 billion US dollar.⁷¹

Three of the countries; Indonesia, Malaysia and Singapore, have a strategic location surrounding Malacca Strait where it is passed by the oil flow to South China Sea and direct to China. However in Asia, Singapore is the first country that implement the Free Trade Agreement with China.⁷²

As the first member of the ASEAN, Malaysia has established its relations with China since 1974 to strengthen China and ASEAN relations and bilateral relations between Malaysia and China itself. According to Bai Tian, China's ambassador to Malaysia, the bilateral

⁷⁰ Joint Statement between the People's Republic of China and the republic of Indonesia, retrieve from <https://www.kemlu.go.id/Documents/Bilateral%20RI-RRR/Joint%20Statement%20RI%20-%20RRR%20Final.pdf> on 7 October 2018 at 2:49PM MYT.

⁷¹ Alexander C. Chandra & Lucky A. Lontoh, *ibid*.

⁷² Emile Kok-Kheng Yeoh & Siaw-Yien Loh, China-Malaysia Trade Relations, China-ASEAN Regional Cooperation and Malaysia's Policy Responses, University of Malaya: Institute of China Studies, 2015, retrieve from https://www.researchgate.net/publication/242539155_China-Malaysia_Trade_Relations_China-ASEAN_Regional_Cooperation_and_Malaysia's_Policy_Responses on 7 October 2018 at 5:15PM MYT.

trade between China and Malaysia increased to 42.7 billion US dollar in the first five months of 2018. It will keep increasing since there is Alibaba presence, also other e-commerce and e-business in Malaysia.⁷³

Additionally, China and Malaysia have some mega projects that include East Coast Railway Line. The East Coast Railway Line is a reflection from China's "Belt and Road Initiative" policy that aims to move the goods faster from Kuantan Port to Port Klang, where it saves one and a half day of sailing time.⁷⁴

Besides Indonesia and Malaysia, China relations with Southeast Asia's island countries is with the Philippines. The relation between those two countries is up and down since the claimant of Spratly Island features by China. The Philippines location that mostly borders directly with the South China Sea on the north west side of its island country, lead the dispute becomes a serious attention.

However, in 2005, the average trading value

⁷³ Bilateral Trade between Malaysia, China to Exceed 100 billion USD, June 18, 2018, @ 6:11PM, Bernama, retrieve from <https://www.nst.com.my/business/2018/06/381187/bilateral-trade-between-malaysia-china-exceed-us100-bln> on 7 October 2018 at 5:57PM MYT.

⁷⁴ Tham Siew Yean, Chinese Investment in Malaysia: Five Years in to the BRI, 27 February 2018, Singapore: Yusof Ishak Institute Analyse Current Events, retrieve from https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2018_11@50.pdf on 7 October 2018 at 8:24PM MYT.

between China and the Philippines keeps increasing. During five years, its trade value increase 26.6 percent average annually. Also, there were a lot of oil and natural gas around Spratly Island that reportedly have been reserved.⁷⁵

In 2004, China and the Philippines agreed to conducting a pre-exploration around Spratly Islands area.⁷⁶ The agreement signed on 1 September 2014 in Beijing, China, between China National Offshore Oil Corporation (CNOOC) and Philippine National Oil Company (PNOC).

*“... CNOOC and PNOC Exploration Corporation (PNOC EC), a subsidiary of PNOC, held discussions with a view of engaging in a joint research of petroleum resource potential of certain areas of the South China Sea as a pre-exploration activity”.*⁷⁷

This joint research between China and the Philippines aims to explore the resource of potential oil

⁷⁵ Vaughn, Bruce & Morrison, M. Wayne, China-Southeast Asia Relations: Trends, Issues, and Implications for the United States, CRS Report for Congress: 4 April 2006.

⁷⁶ Jiye Kim, China's Diplomacy towards the South China Sea Disputes, retrieve from

<http://web.isanet.org/Web/Conferences/AP%20Hong%20Kong%202016/Archive/81673df0-1a83-4288-80f8-4365d18def22.pdf>

⁷⁷ An Agreement for Joint Marine Seismic Undertaking in Certain Areas in the South China Sea By and between China National Offshore Oil Corporation and Philippines National Oil Company, retrieve from https://www.spratlys.org/documents/agreement_bilateral_marine_seismic_undertaking.pdf on 8 October 2018 at 10:57PM MYT.

and gas in the agreement area. The agreement is held for three years since it was signed by the parties.

2. Trilateral and Multilateral Relations

To strengthen the relations among the countries surround South China Sea, China has built its relations closer to maintain the stability in the region. Since the issue is South China Sea becomes an attention, China along with the Philippines and Vietnam agree to put aside the dispute in South China Sea and together joint exploration of the resources in the area. These three countries agree to built trilateral cooperation, named the Joint Marine Seismic Undertaking (JMSU).⁷⁸ The JMSU was formerly signed only by China and the Philippines. However, Vietnam decided to joint the research agreement.

The tripartite of JMSU itself is consist of China National Offshore Oil Corporation, Vietnam Oil and Gas Corporation and Philippine National Oil Company. The JMSU three years agreement was covering 142,886 square kilometer of South China Sea area. The parties of JMSU agree to collect works on 2D and 3D seismic line within the agreement area.⁷⁹

⁷⁸ Jiye Kim, *ibid*.

⁷⁹ A Tripartite Agreement for Joint Marine Scientific Research in Certain Areas in the South China Sea, retrieve from

3. China-ASEAN Free Trade Agreement

The increasement economic relations between China and Southeast Asian member states, including trade, infrastructure and infestment. The region that agree to joint under the Asociation of Southeast Asian Nations (ASEAN) open its multilateral relations with other countries including China.

As the global influential for the economic development especially for each ASEAN member states, China and ASEAN signed an agreement to improve their trading cooperation. One of the agreement is the ASEAN-China Free Trade Agreement (ACFTA).

The decision of establishing the Framework Agreement on Comprehensive Economic Co-Operation and ASEAN-China Free Trade Area was discussed during the ASEAN-China Summit in Brunei, on 6 November 2001.⁸⁰ The Framework Agreement on Comprehensive Economic Co-Operation is signed in Phnom Penh on 4 November 2002. The agreement's objectives are stated to

https://www.spratlys.org/documents/tripartite_agreement_marine_scientific_research.pdf on 8 October 2018 at 10:27PM MYT.

⁸⁰ Framework Agreement on Comprehensive Economic Co-Operation between the Asociation of South East Asian Nations and the People's Republic of China, retrieve from <https://www.asean.org/wp-content/uploads/images/2013/economic/afta/ACFTA/6-2002%20-%20Framework%20Agreement%20on%20Comprehensive%20Economic%20Co-operation%20between%20ASEAN%20and%20China.pdf> on 11 October 2018.

“strengthen and enhance economic, trade and investment cooperation between the parties; progressively liberalise and promote trade in goods and services as well as create a transparent, liberal and facilitative investment regime; explore new areas and develop appropriate measures for closer economic co-operation between the parties; and facilitate the more effective economic integration of the newer ASEAN Member States and bridge the development gap among the Parties.”⁸¹

The agreement was signed by all ASEAN Member States’ leader and the People’s Republic of China’s premier, Zhu Rongji. The framework agreement is aim to establish the free trade agreement of ASEAN and China within the next ten years.

According to the Framework Agreement, the ASEAN 6 nations that include Singapore, Malaysia, Indonesia, Thailand, the Philippines and Brunei will fully implement the China-ASEAN Free Trade Agreement (FTA) in 2010. The initiation is stated under Early Harvest Program and exceptional for Cambodia, Vietnam, Lao PDR and Burma as the newer member of ASEAN at that time. Those four newer member states received a time adjustment until 2015.⁸²

⁸¹ Ibid

⁸² Ibid

On 29 November 2004, China and ASEAN Member States signed the Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Co-Operation between the People's Republic of China and the Association of Southeast Asian Nations. The signed agreement is to reaffirm the commitment among the countries toward China-ASEAN free trade agreement.⁸³

The import and export tariff elimination is done gradually within ten years. As most of the tariff rate is 20% for China and the ASEAN 6 Member States, it decreases from 20% in 2005, 12% in 2007, 5% in 2009 and it gets to zero percent in 2010⁸⁴. Also, the deduction of tariff rate for the other four member states is aimed in 2015.

The elimination of tariff rate should not exceed 1 January 2012 for China and ASEAN 6 states. Meanwhile, for the other four nations should not exceed 1 January 2018.⁸⁵

⁸³ Retrieve from <http://fta.mofcom.gov.cn/dongmeng/annex/xieyi2004en.pdf>, accessed on 12 October 2018 at 10:23PM MYT.

⁸⁴ Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Co-Operation between the People's Republic of China and the Association of Southeast Asian Nations, retrieve from <http://fta.mofcom.gov.cn/dongmeng/annex/xieyi2004en.pdf>, accessed on 12 October 2018 at 10:27PM MYT.

⁸⁵ Ibid, Annex 1: Modality for Tariff Reduction and Elimination for Tariff Lines Placed in the Normal Track.

The impact of China-ASEAN Free Trade Agreement (CAFTA) is affecting the economic development of Southeast Asian nations and China itself. The overall increase of China's exports to ASEAN Member States in the first year from 2004 to 2005 is 7.2%, while the import overall increase from ASEAN to China is 11.4% by the same year⁸⁶. As the table below,

Overall Rank in 2005	Country	2004 (\$million)	2005 (\$million)	2004/2005 % Change
8	Singapore	12,695	16,716	31.7
15	Malaysia	8,085	10,618	31.3
19	Indonesia	6,257	8,349	33.4
20	Thailand	5,800	7,819	34.8
22	Vietnam	4,260	5,639	32.4
25	Philippines	4,265	4,689	10.0
60	Burma (Myanmar)	939	935	-0.4
75	Cambodia	452	536	18.5
126	Laos	101	105	4.7
141	Brunei	48	53	11.1
	ASEAN	42,902	44,459	29.3

⁸⁶ Vaughn, Bruce & Morrison, M. Wayne, China-Southeast Asia Relations: Trends, Issues, and Implications for the United States, CRS Report for Congress: 4 April 2006.

	Total			
	Total Chinese Exports	593,674	762,326	28,4
	Exports to ASEAN as a % of Total Exports	7.2	7.2	

Table 2.1 China's Exports to ASEAN 2004-2005⁸⁷

Meanwhile, the import impact for China and ASEAN member states after the signed of the Framework Agreement as below.

Overall Rank in 2005	Country	2004 (\$million)	2005 (\$million)	2004-2005 % Change
7	Malaysia	18,162	20,108	10.7
8	Singapore	14,002	16,531	18.1
11	Thailand	11,538	13,994	21.3
12	Philippines	9,062	12,870	42.0
18	Indonesia	7,212	8,430	16.9
36	Vietnam	2,478	2,549	2.9
72	Burma (Myanmar)	207	274	32.7

⁸⁷ *Ibid.*

79	Brunei	251	208	-17.4
121	Cambodia	30	27	-7.6
122	Laos	13	26	102.4
	ASEAN Total	62,955	75,017	19.2
	Total Imports	560,811	660,222	17.7
	Imports from ASEAN as a % of Total	11.2	11.4	

Table 2.2 China's Imports from ASEAN⁸⁸

By the time, China and ASEAN Free Trade Agreement makes China as one of the highest trading partner for ASEAN member states, along with the United States, UK and Japan. In 2015, bilateral trade between China and ASEAN member states reached 395 billion US dollar which cover 15 percent of ASEAN trade.⁸⁹

China and ASEAN trade includes the agricultural exports which is one of critical sectors for Southeast Asian countries where agriculture is related to the food products and palm oil. Also, it includes the trade in service which is tourism. The average Chinese tourist arrival in Southeast

⁸⁸ *Ibid.*

⁸⁹ Oh Yoon Ah, China's Economic Ties with Southeast Asia, Korea Institute for International Economic Policy: World Economy Brief, 4 September 2017.

Asia countries is accounted for 17% of total tourist arrival.⁹⁰

4. China's "Belt and Road Initiative" Policy

Chinese President Xi Jinping introduce the new long term development strategy and one of the most ambitious foreign policy at the end of 2013 that is called as One Belt, One Road. Even though it is called a One Belt, One Road (OBOR), the policy is targetted to build a Silk Road Economic Belt and 21st Century Maritime Silk Road. Eventually, in 2015, Chinese tried to change the name to become Belt and Road Initiative (BRI)⁹¹.

⁹⁰ *Ibid.*

⁹¹ Dr. Christina Lin, The Belt and Road and China's Long-term Visions in the Middle East, ISPSW Strategy Series: Focus on Defense and International Security, October 2017, retrieve from <http://www.css.ethz.ch/content/dam/ethz/special-interest/gess/cis/center-for-securities-studies/resources/docs/ISPSW-512%20Lin.pdf> on 13 October 2018 at 4:51PM MYT.

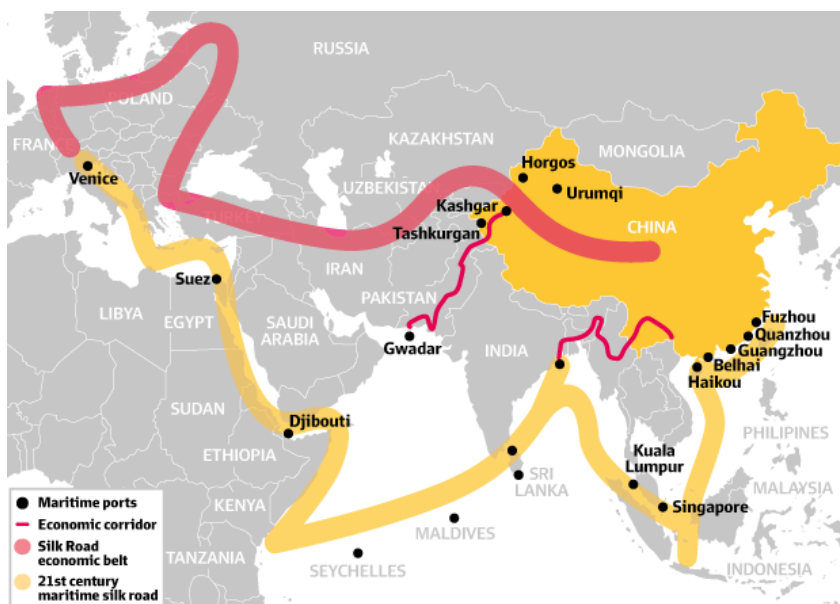


Figure 2.4 One Belt, One Road or Belt and Road Initiative Map⁹²

The initiative is discussed during the 18th Party Congress in 2013 where the policymakers have a meeting to build the new foreign policy strategy, especially for its neighbouring countries.⁹³ President Xi stated that strengthening economic ties, deepening security cooperation and relations with the neighbouring countries need to be improved.⁹⁴ The aims of BRI are to

⁹² Retrieve from http://www.hoylam.net/xitayning_bir_belwagh_bir_yol_pilani_heqqide_qisqiche_chushenche/ on 13 October 2018 at 6:09PM MYT.

⁹³ Peter Cai, *Understanding China's Belt and Road Initiative*, Lowy Institute, March 2017, retrieve from <https://www.lowyinstitute.org/publications/understanding-belt-and-road-initiative> on 13 October 2018.

⁹⁴ “习近平在周边外交工作座谈会上发表重要讲话 [Xi Jinping's Important Speech at the Peripheral Diplomacy Work Conference]”, Xinhua News Agency, 25 October 2013, http://news.xinhuanet.com/politics/2013-10/25/c_117878897.htm, retrieve from Peter Cai, *Understanding China's Belt*

“... to offset higher domestic production cost and excess capacity, reduce transport cost, create new markets for Chinese goods and services and internationalize the Chinese currency RMB.”⁹⁵

The silk road will include Burma, where the pipeline to transfer oil flow from the Middle East can take a shorter road. The pipeline from Middle East will flow from Sittwe or Irrawaddy River and go across Burma to reach Kunming, China.⁹⁶

As China’s reputation for its exports, China needs to upgrade its capability on industry. Aside from quantity that have been produces, China aims to emphasise its quality matter. By upgrading its industry, China can expand its production.

To show the expanding and upgrading of Chinese industry, China introduced the “high-speed railway diplomacy” to some countries like India, Thailand, Malaysia and Indonesia which considered as the strategic partner for the Belt Road Initiative.⁹⁷ The estimation of the transport equipment export from China for the high-speed

and Road Initiative, Lowy Institute, March 2017.

⁹⁵ Dr. Christina Lin, *ibid*

⁹⁶ Vaughn, Bruce & Morrison, M. Wayne, China-Southeast Asia Relations: Trends, Issues, and Implications for the United States, CRS Report for Congress, 4 April 2006.

⁹⁷ Peter Cai, Understanding China’s Belt and Road Initiative, Lowy Institute, March 2017, retrieve from <https://www.lowyinstitute.org/publications/understanding-belt-and-road-initiative> on 13 October 2018.

railway market is around 263 billion US dollar by the year of 2018.⁹⁸

⁹⁸ *Ibid*