

The Rise of China and Barriers to the East Asia Community Building

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Abstract: With the success of its economic reform and modernization programmes since the late 1970s, China has played an important role in the ASEAN Plus Three (APT) process and has exerted increasing influence in East Asia Community (EAC) building to achieve its strategic goals in both economic and politico-security domains. The growing power and influence of China in East Asia has, however, aroused fears among several neighbouring countries and has given rise to deep strategic concerns in other major powers, especially the United States, to contain China's "charm offensive"¹ strategy. Geopolitical and geo-economic competition, along with it the growing disputes in the South China Sea, will pose major barriers to the EAC building process, making it a multi-player power game rather than a constructive effort to reach a mutually beneficial regional consensus.

Keywords: China, the United States, ASEAN, EAC, the South China Sea.

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Introduction

As Napoleon put it some 200 years ago, "China was a sleeping elephant. When it woke up, it would shake the world."² In the wake of China's economic reform and modernization in the late 1970s, the world has witnessed the rapidly increasing power. The process has been nothing short of miraculous. In the political sphere, China has been rising as a "responsible power" on regional and global issues, as an active catalyst of multilateral frameworks and forums, a central player in security-related issues, as well as an active promoter of East Asian intra-regional cooperation. In the economic arena, China has been emerging as a major player in the global economy and is becoming the world's factory, replacing the Japan-centered

¹ Charm offensive has been described as China's strategy "designated to buy time until it is economically and militarily powerful enough to become regional hegemonist". In William W. Keller and Thomas G. Rawski. *China's Rise and the Balance of Influence in Asia*. Pittsburgh, PA: University of Pittsburgh Press, 2007, pp. 6.

² Quoted in Hoang Anh Tuan. "Some Political and Security Issues of the East Asian Community". *International Studies*, Vietnam: Institute for International Relations, No. 16, June 2005, pp. 26-42, pp.37

model of “*flying geese*”³ with a China-centered model, emerging as the hub of trade, investment and production.

Since the 1997 establishment of the ASEAN Plus Three (APT) cooperative framework, which embodies the 10 ASEAN member states and their Northeast Asian partners, China, Japan and South Korea, China has played an active role in catalyzing the framework and has demonstrated its strong interest in pushing forward the realization of the EAC in the light of the evolution of the APT process and the East Asia Summit (EAS).⁴ It has been therefore generally believed that a peaceful rise would provide China with great opportunities to play a major role in influencing the direction of the EAC building process. Against this background, China’s military modernization, high economic growth, and increasing political influence, along with its growing assertiveness in the South China Sea disputes have raised deep-rooted concerns both in its immediate neighborhood and in the United States about the implications of its “charm offensive” strategy for the future of the EAC. Although the EAC building is a long term objective and its direction is uncertain, the prospects for a Sino-centric EAC would seem to be unpromising. The increasing power and influence of China has attracted much attention to the United States. Washington seems driven by deep strategic concern to contain a rising China and to maintain its vested geopolitical and geo-economic interests in East Asia. China also confronts many obstacles to asserting its regional leadership both from Japan, which is also a powerful competitor, and from ASEAN, which emphasizes the centrality of the APT process and the EAS. The geopolitical and geo-economic competition to contain a rising China, however, also poses major barriers to the process of the EAC community-building. These factors will tend to make this process a multi-player power game rather than a constructive effort to reach a mutually beneficial regional consensus. ASEAN enthusiasm to engage both the U.S. and Russia in the expanded EAS and the growing disputes in the South China Sea provide crucial evidence that such a multi-player power game in the EAC building is already underway.

For these reasons, this paper attempts first to examine China’s interests and strategic objectives in the APT process towards an EAC. Second, the paper explores some challenges China will face in the path of exerting its growing power and influence in the EAC building process. Finally, the paper provides some recommendations to move the EAC building forward.

China’s Interests and Strategic Objectives

China’s vital interest is to ensure social well-being, stability, and regime survival at home by creating a peaceful and stable external environment and attracting external sources of

³ The model was centered on Japan (vertically) through capital flow, technological transfer and supply of manufacturing parts and based on market exchange and a clear regional division of labor and production networks (thanks primarily to the expensive cost of production in Japan and the strength of the yen after the Plaza Agreement). Eric Teo Chu Cheow. “ASEAN+3: The Roles of ASEAN and China”. In Saw Swee-Hock, Sheng Lijun & Chin Kin Wah, eds. *ASEAN-China Relations: Realities and Prospects*. ISEAS Publications, 2005, pp. 59.

⁴ The EAS includes the ten ASEAN member states plus China, Japan, South Korea, India, Australia, and New Zealand. The APT and the EAS are the foundations for a long-term EAC building. Since the first EAS held in Kuala Lumpur in December 2005, there has been a general consensus that the APT process over the long term “would remain the main vehicle toward the long-term goal of building an East Asian Community, with ASEAN as the driving force”. This means that the APT and a future EAC will co-exist within the framework of East Asian integration.

investment into the country, while expanding its international status.⁵ For this reason, Chinese policy on questions relating to East Asia is aimed at realizing the following objectives.

Politico-Security Considerations

First, China aims to strengthen cooperation with East Asian countries to ensure a stable and peaceful peripheral environment conducive to its domestic reform and modernization and to attract inflows of investment to fuel its continued economic development. Since its 'open-door' reforms in 1978, the strategic goal of Chinese foreign policy has been to create stable surroundings to ensure the favorable implementation of its domestic economic construction and to enhance its power in the region. At the 16th National Congress of the Chinese Communist Party held in November 2002, former President Jiang Zemin declared that "China would continue to cement friendly ties with its neighbours and to make efforts in building good-neighbour relationships and partnerships with them."⁶ In the process of implementing this goal, China has pushed its cooperation with ASEAN countries. In November 2002, both sides signed the Declaration on the Conduct of Parties in the South China Sea. Beijing has also improved its military ties with individual ASEAN members, with high level visits by Chinese military leaders, military training and assistance with weapons and military technology, and naval port visits. An important milestone in the development of ASEAN-China relations was China's signing of a key ASEAN security protocol in 2003, the Treaty of Amity and Cooperation (TAC) in the same year, with both parties declaring each other strategic partners in the pursuit of peace and prosperity. China and the ASEAN member states also cooperate on combating transnational crime, such as dealing with drug-trafficking, terrorism, sea piracy and trafficking in persons. Indeed, over the past decade, China's strengthened relations with ASEAN have partially contributed to the development of enhanced political trust, which has laid the foundations for cooperation between both sides to deal with the South China Sea issue and to promote trade and investment, as well as to solve other problems of common concern. Apart from its enhanced relations with ASEAN, Japan and South Korea under the APT process, China has fostered its relations with the major and great powers, particularly the United States, which remains the most important country of concern for Chinese foreign policy in the 21st century.

Second, China's active participation in the APT process and the EAC building aims to dilute U.S influence in East Asia by strengthening regional multilateralism. Beijing's objective is not only to create a stable and peaceful external environment for the sake of its continued economic growth, it also strives to construct what is frequently referred to as a 'multi-polar' world order, a term denoting China's post-Cold War policy of opposing perceived U.S hegemony. As Wang notes, "China's decision-making elites regard multilateralism as an effective tool to promote multi-polarity..."⁷ This calculation is reflected in the following aspects. First, China can seek greater influence in East Asia through promoting multilateralism that poses no threat to the U.S and gives rise to no fears that Beijing will dominate the region. Second, China sees ASEAN as an important united group. In recent years, both sides have promoted economic and trade cooperation and shared common views on many international issues. Thus, China has strengthened friendly-neighbour relationships

⁵ Professor Chung, Chien-peng. *Chinese Foreign Policy*. Lecture slides on "The shaping of China's Foreign Policy and China's Changing Role in Asia", Spring Term, GRIPS (14 April 2010).

⁶"East Asia Strategic Review 2005". *The National Institute for Defense Studies*, Japan, pp. 46.

⁷ Wang, Hongying. "Multilateralism in Chinese Foreign Policy: The Limits of Socialization?". In Wixing Hu, Gerald Chan and Daojian Zha, eds. *China's International Relations in the 21st Century: Dynamics of Paradigm Shifts*. Lanham, NY and Oxford: University Press of America, 2000, pp. 71-91.

with ASEAN, actively participating in the APT framework and ASEAN+1 (APO) summit. China's participation in ASEAN-initiated APT project and its support for ASEAN's driving seat role in this framework are part of its strategy for establishing a sound basis for both sides to move towards the development of regional multilateralism. In return, forging multilateralism, in Beijing's view, can remarkably reduce ASEAN's heavy reliance on the U.S. or Japan when ASEAN's voice carries little weight. Third, enhancing multilateralism in international economics and trade would enable China to restrain the U.S. dominance of regional trade. China also hopes that strengthening East Asian regional cooperation centering around the APT framework will create three key global trading blocs: NAFTA – EU – East Asia. Fourth, the evolution of East Asian cooperation might helpfully bring about changes in world politics. China presumably calculates that if the APT becomes the main vehicle of an East Asian Community (EAC), some multilateral institutions will eventually change their functions. The ARF, an intergovernmental dialogue focusing on security, peace and stability between ASEAN and other countries, for instance, could become a security forum promoting dialogues between all East Asian members and non-East Asian countries. A possible result of this would be an enhanced awareness of East Asian regional identity, thus diluting the U.S. influence in the region.

Third, China's active participation in the APT and in EAC building is also related to its strategic goal of alleviating Southeast Asian perceptions of a "China threat" in both the security and economic domains. The APT and ASEAN-China summits provide both sides with opportunities for dialogue channels designed to deal with current bilateral disputes, particularly over the South China Sea issues. In addition to security concerns, the APT also enables China to disperse the ASEAN states' fears of China as a "potential economic competitor", especially since both parties have similar production networks and compete for FDI. In the late 1990s and the early years of the 21st century, fears of China's economic strength were particularly acute among ASEAN members. In the aftermath of the 1997-98 financial crises, ASEAN states observed a highly beneficial FDI inflow to China, along with the concomitant rise of its production networks and exports, while they were suffering the contagion of the financial crisis in the economic, political and social realms. For this reason, ASEAN states feared that China's economic strength would have negative impacts on them. In particular, after Beijing's WTO accession in November 2001, ASEAN countries became worried that China would undermine their capacity to attract FDI and develop export markets. Aware of the ASEAN's fears, which had the potential to negatively affect relations with its neighbours, China has actively enhanced its relations with ASEAN. The ASEAN-China FTA and the Treaty of Amity and Cooperation (TAC) in 2003 provide the clearest manifestations of China's efforts to demonstrate its political will and to raise its profile and image in Southeast Asia. This partly explains why Chinese Premier Wen Jiabao described "China as `a friendly elephant`, which poses no threat to ASEAN."⁸

Fourth, Chinese enthusiasm in the APT and the EAC is also driven by its strategic goal of expanding its international influence and building its image as a "responsible power". Since the 1997-98 Asian financial crises, Chinese leaders have been indefatigable in "reassuring Southeast Asian countries of [Beijing's] reliability as a responsible and cooperative international player."⁹ Chinese scholars generally assume that this represents a genuine

⁸ Eric Teo Chu Cheow. "ASEAN+3: The Roles of ASEAN and China". In Saw Swee-Hock, Sheng Lijun & Chin Kin Wah, eds. *ASEAN-China Relations: Realities and Prospects*. ISEAS Publications, 2005, pp. 61.

⁹ Wang, Hongying. "Multilateralism in Chinese Foreign Policy: The Limits of Socialization?". In Wixing Hu, Gerald Chan and Daojian Zha, eds. *China's International Relations in the 21st Century: Dynamics of Paradigm Shifts*. Lanham, NY and Oxford: University Press of America, 2000, pp. 71-91.

directional change in Chinese policy and is also the objective of its diplomacy. During 1997, when East Asian countries were entrapped in the financial crisis, China provided timely aid for the stricken countries and publicly declared it would not competitively devalue the *renminbi* (RMB) so as to prevent any new economic crisis. The international community, especially ASEAN countries, highly appreciated China's action and considered it to be eminently responsible.¹⁰ At the APT Ministerial Meeting in July 2004, Foreign Minister Li Zhaoxing proposed to step up discussion about future courses of action with a view to strengthening East Asian cooperation, such as the formation of an East Asian Community; to accelerate the integration of the economies of Northeast and Southeast Asian countries; to hold an East Asian Summit on political and security issues at an appropriate time; and to further promote comprehensive East Asian cooperation.¹¹ China also actively proposed the establishment of an East Asian FTA (EAFTA). In addition, China has actively participated in APEC activities, in the ASEAN Regional Forum (ARF), and in its role as the mediator in efforts to promote the denuclearization of North Korea. It is obvious that these actions are the results of China's strategy of expanding its influence to East Asian region, and gradually building China's image as a "responsible power". For this reason, it can be said that the APT and the EAC building process provide an ideal ground for China to affirm its standing in the international arena. Thus, Markus Hund (2003) considers that "the main motive for Chinese participation in the [APT] process is to make a symbolic show of political goodwill intended to keep ASEAN countries happy and polish up China's political image internationally."¹²

Economic Considerations

Globalization in international economics has brought about increasingly intensifying interdependence between economies. Like Japan, China is also seen as an economic locomotive in the region. Hence, China has become unsparing in its efforts to nurture its economic competitiveness in the context of an increasingly globalizing world through East Asian cooperation. China has pursued its pattern of economic development, characterized by the high rate of FDI; export-driven growth based on labor intensive and low labor cost industries; high saving rates; and a strong focus on education and human resources development. Given this pattern in its "open-door" policy, China has affirmed that "her more active participation in multilateral and regional cooperation is the major strategy of economic development."¹³ However, Chinese enterprises are currently not strong enough to compete with key counterparts of Europe and the Americas. For this reason, strengthening cooperation with East Asian countries is of great interest to China in a sense that it will provide opportunities to enhance closer economic ties with its neighbours, especially in trade and investment, and to further expand Chinese production networks. Japan and South Korea have for sometime been ranked among China's top trading partners and vice versa. The trade expansion of the East Asian region has been mainly driven by China's booming trade, which grew at the annual rate of 24-25% during the 2001-2005 period.¹⁴ China's trade with ASEAN

¹⁰ In 1999, Malaysia's Prime Minister Mahathir Mohamad, in his visit to Beijing, demonstrated his appreciation on China's offering timely assistance to East Asian countries to overcome the financial crisis.

¹¹ "East Asia Strategic Review 2005", op cit, pp. 46.

¹² Markus Hund. "ASEAN Plus Three: Towards a New Age of Pan-East Asian Regionalism? A Skeptic's Appraisal". *The Pacific Review*, Vol. 16, No. 3, 2003: pp. 383-417, pp. 403.

¹³ The 10th five-year Plan for Economic and Social Development approved by China's Congress pointed out the major strategies of economic development, including the enhanced development of technology and information, promoting 'open-door' policy, and more active participation in multilateral and regional cooperation.

¹⁴ Bui Truong Giang. "Intra-regional Trade of ASEAN Plus Three: Trends and Implications for East Asian Economic Integration". *CNAEC Research Series 08-04*, Korea Institute for International Economic Policy (KIEP), 30 December, 2008, pp. 9-10.

has also increased dramatically. By the end of 2008, total trade between ASEAN and China was valued at US\$192.9 billion, accounting for 11.3% of total ASEAN trade.¹⁵ It is expected that ASEAN-China trade and investment will continue to increase considerably after the realization of the CAFTA.

In short, China has made great efforts to build political trust under the guidance of its ‘policy of good-neighborliness and friendship’, particularly with ASEAN, in order to ensure a sound peripheral environment for its continued economic development on the one hand and to make ASEAN feel assured of a “benign China” on the other. This shift in Southeast Asia attitudes could mirror a similar change in international perceptions of China, as it emerges not only as an economic and political power, but also as a responsible player on the world stage, thus possibly “making it difficult for the US to gain the cooperation from Asian countries should Washington try to pressure or contain China.”¹⁶ On the long road towards establishment of the East Asian Community, a Chinese strategic approach to the APT framework and the EAC building process based upon these philosophical foundations will bring about great and continued opportunities for Beijing to expand its influence and position in the regional and international arenas. China’s rise is therefore likely to realize its long-held goal of gradually increasing its influence and position as the regional hub in a future East Asian Community. One cannot, however, ignore the possibility that Beijing’s policies toward an East Asian Community may be subject to sudden and unpredictable changes over the long term.

The Way Forward: Barriers to Community-Building

The above analysis envisions that a peaceful rise would provide Beijing with a good avenue to play a greater role and exert a more substantial influence in the EAC building process. China’s military modernization, its high economic growth, and particularly its growing assertiveness in the South China Sea in recent years have, however, aroused anxiety in its neighborhood and stimulated a spirit of geopolitical and geo-economic competition among some East Asian outsiders, particularly the United States, which seems determined to diminish the possibility of China’s dominance over the region. For this reason, there remain many challenges confronting both China as well as the EAC building process.

First and foremost, China’s rise has been keenly observed by US foreign policy makers, who are driven by deep strategic concerns to contain any power seen to threaten Washington’s vested geo-economic and geo-political interests in East Asia. It is generally believed that the United States has not demonstrated its real opposition to East Asian integration, and even the U.S. Department of State assumed that “they see no threat to the integrated East Asia and has been supportive of the East Asian community.”¹⁷ However, the U.S. remains quite cautious in the process because it may worry that an economically and politically strong EAC will help increase China’s influence and separate the traditional allies from it and that “an East Asian integration effort that excludes the United States may, in Washington’s eyes, be suspected as a merely giving China opportunities to promote its domination of the region.”¹⁸ According to annual reports of the U.S.-China Economic and Security Review Commission to the

¹⁵ Compiled from data of ASEAN Statistics. Available at [<http://www.aseansec.org/Stat/Table11.pdf>].

¹⁶ Robert Sutter. “China’s Peaceful Rise and US Interests in East Asia – Status and Outlook”. Pacnet No. 27, *Pacific Forum*, CSIS, Honolulu Hawaii, June 24th, 2004, pp.9.

¹⁷ Hoang Anh Tuan. “Some Political and Security Issues of the East Asian Community”. *International Studies*, Vietnam: Institute for International Relations, No. 16, June 2005, pp. 26-42, pp.37.

¹⁸ Aileen San Pablo-Baviera, “Regionalism and Community Building in East Asia: Challenges and Opportunities”. In Melissa G. Curley and Nicholas Thomas, eds., “Advancing East Asian Regionalism”, Routledge, the USA: New York, 2007, p. 236.

Congress (2005 – 2007), “on balance, the trends of U.S.-China relationships have negative implications for the long-term economic and security interests of the U.S.”¹⁹ Facts show that since the 1997-1998 Asian crises, which gave impetus to regional countries’ re-perception of US commitment, as Richard Higgott named it “politics of resentment”²⁰ and the subsequent US-led wars on Afghanistan and Iraq, the U.S. influence and position in the region has relatively declined. By contrast, China has emerged as a formidable economic power, a regional military power and as a global economic player. With the creation of the intra-regional cooperative frameworks, intra-regional cooperation on economic and politico-security spheres has increased sharply. In this sense, regional countries tend to engage China and have created a stronger collective voice for East Asian governments. Given all these concerns, the United States could not protect its vested geo-political and geo-economic interests in the region without coordination and participation of China on the one hand and to minimize any possible anti-Americanism in the region that may arise, on the other. This strategy can be seen in the policy under the Obama administration which embraces the view that “it is in the U.S. national interest to deepen economic ties with China and encourage it to become fully enmeshed in the international system while at the same time hedging against the possibility that China will use its growing power in ways inimical to American interests.”²¹ In similar fashion, the U.S. also continues to push forward closer ties with its traditional allies and with ASEAN member states to maintain its security and prosperity in the region. Secretary of State Hilary Clinton’s trip to the region in February in 2009 addressed in Tokyo that “the Obama administration puts as much emphasis on the importance of its relationships with Japan as the cornerstone of U.S. policy in East Asia as did President Bush”. In Seoul, Hilary “reaffirmed America’s commitment to its alliance with South Korea”. In Indonesia she signaled that “the Obama administration would give more attention to Southeast Asia than did the Bush administration, and she followed through on that commitment in July when she signed the ASEAN Treaty of Amity and Cooperation.”²² The fact is that many of the East Asian countries, which have been the U.S. allies, such as Japan and South Korea in North and the Philippines, Thailand and Singapore in Southeast Asia, prioritize their relations with the U.S. ahead of their ties with any other country in the region. Hence, considerations on the part of the U.S. to contain a rising China will pose many implications to community-building in a sense that in the event that China’s power and influence are exerted in the region and that the U.S. influence and power are relatively declined, the U.S. may put pressure on its allies not to forge closer relations in the APT process towards the EAC building process to contain a rising China. Against this background, the engagement of the United States, along with Russia, in the East Asia Summit (EAS) in 2011 will provide a better ground for Washington to engage China primarily in economic domain on the one hand, and on the other, to strongly maintain its position in the region. This visible picture, however, may trigger a two-tier approach in the community-building process. ASEAN enthusiasm to add these two new members is likely to be driven by the strategic goal of asserting its centrality in EAC building and by economic momentum, geopolitical and geo-economic competition, however, may be further intensified. In this context, the EAS will provide a good avenue for the US to forge new ties with India and further strengthen relationships with its five allies Japan, South

¹⁹ William W. Keller and Thomas G. Rawski. *China’s Rise and the Balance of Influence in Asia*. Pittsburgh, PA: University of Pittsburgh Press, 2007, pp. 6.

²⁰ Richard Higgott. “The Asian Economic Crisis: A Study in the Politics of Resentment”. *New Political Economy* 3:3 (November 1998), pp. 333–56.

²¹ Gerald Curtis. “Obama and East Asia: No Room for Complacency”. *Issues and Insights*, Vol. 9, No. 15, Honolulu HI, August 2009, pp. 1.

²² Gerald Curtis. “Obama and East Asia: No Room for Complacency”. *Issues and Insights*, Vol. 9, No. 15, Honolulu HI, August 2009, pp. 1.

Korea, Australia, the Philippines and Thailand. On the other hand, it will give rise to geopolitical competition between China and the United States in Southeast Asia, particularly for such touchy issue as the South China Sea disputes.

Second, China's exerting growing power and influence in East Asia would also be hindered by another powerful competitor, Japan. Sino-Japanese relations underwent historical animosities, mutual suspicions and occasional hostilities. It should, however, be noted that unlike the previous administrations, the recent governments, particularly starting with Prime Minister Yukio Hatoyama under the guidance of the "idea of fraternity" to forge new relations with regional countries, including China, Japan will tend to cooperate with the U.S. based on more independent foreign policy and on equal footing. Thus, the relationships between China and Japan may be improved. However, one cannot discard the fact that China and Japan are engaged in both cooperation and latent competition, particularly for regional leadership towards the future of an EAC, not to mention the fact that recent disputes over the Senkaku/Diaoyu Islands have for sometime been acute. For this reason, there would be numerous unpredictability and uncertainties ahead in Sino-Japanese relations, as an old Chinese saying goes, "one mountain cannot accommodate two tigers". It is therefore becoming increasingly difficult to catalyze the EAC building process because of their competitive strategy to contain mutual influence in the region, as seen in both parties' increasing geopolitical and geo-economic competition in ASEAN. It should be added that although U.S.-Japan relations seem to be based on equal footing, Japan cannot exclude this traditional ally, particularly in its strategic competition with the growing power and influence of China in East Asia. In addition, Japanese political system is multiparty in which many pro-American policy-makers' voices carry still heavy weight. Prime Minister Hatoyama's resignation in mid-2010 mainly because of his inability to relocate U.S. military base in Okinawa showed that U.S. pressures on Japan's foreign policy-making remain crucial. Whether or not China and Japan will come closer together to play constructive, non-threatening and mutual reinforcing roles, which focus on common regional aspirations in the EAC building, depend upon their political will on the basis of consensus, cooperation and interdependence. Besides, Sino-Japanese sensitive relations depends on ASEAN's careful navigation, with its role as the driving force in the EAC building process.

Third, ASEAN's substantial political relevance as the leadership role in the APT process and as the driving force in the EAC building would be a barrier to China to dominate a future EAC. As discussed above, since the establishment of the APT framework, ASEAN has asserted its centrality and leadership role and the driving force in the EAC building primarily because the Association is the initiator of the APT, the honest broker in Sino-Japanese relations, the only sub-regional organization in East Asia, and the hub of some crucial frameworks, such as the ASEAN Regional Forum (ARF), the EAS, the ASEM, the APT, and the ASEAN Plus One (APO). Driven forward by ASEAN, the APT and the EAC have entered a comprehensive period of intra-regional cooperation. Intra-regional trade and investment have increased sharply over the past decade. More than twenty areas of cooperation, ranging from trade and investment to health and tourism spheres, are underway. Since the first East Asian Summit held in Kuala Lumpur in December 2005, ASEAN has been defined as the driving force. In fact, ASEAN's present crucial role is also supported by regional countries. In this light, ASEAN has exerted a crucial impact on the nature and direction of the APT as well as the EAC building process. Evidence is that to enhance interactions between ASEAN and its major dialogue partners with a view to building an EAC, ASEAN set up three criteria for participation in the East Asia Summit: first, participating country must sign the ASEAN Treaty of Amity and Cooperation (TAC);

second, it must be formal dialogue partner of ASEAN with ASEAN; third, it must have substantive cooperative relations with ASEAN. ASEAN's substantial political relevance in the APT and in the EAS will therefore provide an avenue for the Association to exert its continued influence and position in a future EAC. It is of essential note that ASEAN has also demonstrated its high determination to further enhance its inner strength and maintained well-balanced relations with regional major states and great powers, especially the United States, so as to assert its centrality and leadership in East Asian integration. The entry into force of the newly-adopted ASEAN Charter since December 2008 with a view to building a "more legalistic, more formal and more systematic" community, the adoption of the Roadmap for an ASEAN Community by the year 2015, five years earlier than the timeline laid down in the 2003 Bali Concord II, and the Second Initiative for ASEAN Integration (IAI) Work Plan provide the clearest manifestations of the ASEAN leaders' high determination to enhance its inner strength and capacity to realize a long-term ASEAN-centric EAC. ASEAN enthusiastic support for the addition of the United States to the EAS in 2011, apart from economic objective, is also driven by the strategic goal of asserting its continued centrality in EAC building process. Against this background, East Asia, particularly Southeast Asia, is well known as one of the world's most diverse regions, with sharp disparities in development levels, diversities in culture and ethnicity, differences in economic structures and political systems, asymmetries in size and in power attributes, and so on. More importantly, geopolitical competition and suspicions among several of the region's political entities cannot be overlooked. Nor can the possibility of a two-tier EAC, Chinese and American blocs centering around tier, be disregarded. For these reasons, whenever touchy issues related to geopolitical competition are put on the agenda, efforts directed towards EAC building seem to shift to a multi-player power game, away from a collective endeavour to reach a generally acceptable consensus, as seen in the security forums and dialogues to seek a resolution to growing disputes in the South China Sea issue. ASEAN centrality role, however, will likely be continually supported, at least in short- or medium-term, by regional countries and even by the United States since the initiatives proposed by ASEAN as an organization will tend to pose no threat to either China or Japan, or the U.S., rather than the ones proposed by any of these three powers which seems to be sensitive to each other as an act of exerting influence in the region.

Flashpoints in the South China Sea (SCS)

The SCS has been in long-standing disputes between and among some ASEAN countries (Vietnam, the Philippines, Malaysia, and Brunei) and China (including Taiwan). This area is not only of great importance in terms of geo-strategic location,²³ but it is also home to the oil and natural gas deposits, access to rich fishing grounds, strategic control of the sea-lanes, security from external threats, and even protection of the immediate marine environment. Thus, the SCS is considered a range of interests at stake for the involved parties. In fact, the competing territorial and jurisdictional claims, along with their surrounding waters were ever a serious threat to the regional security, especially armed clashes between Vietnam and China in the Paracels in 1974 and in the Spratlys in 1988. However, disputes over the latter are seen as the most complex because there remain almost all the mentioned claimants to different parts of the Spratlys. In the light of the 1994 entry into force of the UN Convention on the Law of the Sea (UNCLOS), various initiatives for confidence-building measures have been

²³ "Critical sea-lanes traverse the waters, linking northeast Asia and the western Pacific to the Indian Ocean and the Middle East. More than half the world's shipping tonnage reportedly sails through the South China Sea each year, including more than 80 per cent of the oil destined for Japan, South Korea and Taiwan." In Brad Glosserman, "Cooling South China Sea Competition", *PACNET Newsletter* No. 22A. Pacific Forum-Center for Strategic and International Studies, 1 June 2001.

undertaken by the involved parties to manage the rising tensions and to call for peaceful resolution, including, among others, the 1995 “code of conduct” between the Philippines and China, the 1996 Philippines-Vietnam agreements on “principles for a code of conduct”, the 2000 China-Vietnam delimitation of the Tonkin Gulf and fisheries cooperation agreements.

Apart from some bilateral agreements, the top leaders of ASEAN governments and China have sought measures to cool down the SCS disputes. However, there remains a deadlock to proceed with a code of conduct to the SCS. In 1996, ASEAN foreign ministers first made an official proposal for an ASEAN-China code of conduct to the SCS; however, China demonstrated its resistance to its counterpart’s proposal, “citing previous bilateral agreements between China and ASEAN countries which already embodied the commitment to peaceful resolution of disputes.”²⁴ The 1997 “Joint Statement for ASEAN-China Cooperation towards the 21st Century” also stated that the two parties shall “continue to exercise restraint and handle relevant differences in a cool and constructive manner,”²⁵ yet; such a code of conduct was not mentioned in the statement. ASEAN’s persistence with its proposal for a code of conduct, however, somehow changed Chinese leaders’ attitude. One year later, both sides “resolved to work for a regional code of conduct to prevent any further escalation of conflict”²⁶ and then agreed to discuss the drafting of a code of conduct to the SCS in 1999. In this light, a gleam of hope had been entertained for a code of conduct. Against this expectation, after much internal negotiation among ASEAN members and then between ASEAN and China, a regional Declaration on the Conduct of Parties to the SCS was ultimately agreed upon, not a code as targeted. Some hopes of significant compromise were aroused among the claimants based upon the 2002 Declaration. However, without a code, the SCS remains a touchy and tenacious issue, and some discrete tensions took place between ASEAN claimants and China, whose assertive preference for bilateral negotiations has not provided any significant management and resolution to the SCS for years. Most notably, Beijing’s national budget for military modernization has been on the rise in recent years, along with its growing assertiveness in the SCS. Beijing’s non-transparency in its security policy and its assertive, if not aggressive, approach have aroused anxiety and fears in its neighbouring countries. Three flashpoints are particularly notable: In December 2008 China established a new administrative organ--Shansha--to oversee the Paracel and Spratly archipelagoes. In July 2009, Beijing submitted to the United Nations a dotted U-shaped line territorial claim in the SCS, based upon a 1947 map claiming around 90% of the area as its “core interest”. In May 2011, three Chinese maritime patrol vessels occurred 120km (80 miles) off the south-central coast of Vietnam and cut the cables of the Vietnamese *Binh Minh 02* oil and gas survey ship. While all the parties’ territorial claims are controversial, especially upon historical and jurisdictional basis, Beijing’s growing assertiveness has contributed not only to undermining the relationships between China and some involved ASEAN countries, particularly Vietnam and the Philippines, but also to renewing Southeast Asian perceptions of a “China threat”, as one scholar attributed to China’s preoccupation over the SCS that, “China’s behavior in the South China Sea has become more confrontational than co-operative and deserves renewed ASEAN attention.”²⁷ There is no smaller matter.

²⁴ Aileen S.P. Baviera, “The South China Sea Disputes after the 2002 Declaration: Beyond Confidence-Building”. In Saw Swee-Hock, Sheng Lijun & Chin Kin Wah, eds. *ASEAN-China Relations: Realities and Prospects*. ISEAS Publications, 2005, pp. 348.

²⁵ Joint Statement of the Meeting of Heads of State/Government of the Member States of ASEAN and the President of the People’s Republic of China, Kuala Lumpur, 16 December 1997.

²⁶ *Ibid.*, pp. 347.

²⁷Mark J. Valencia, “The South China Sea: The Phoenix Rises from Its Ashes?” [http://guderian.sg1004.myweb.hinet.net/CFPS/FP_No2.pdf], pp. 1.

China's position against a code of conduct and its assertive standing on a one-on-one basis resolution to the SCS, as well as its growing military build-up, particularly the rapid modernisation of its naval forces, has raised deep-rooted concerns in Southeast Asia about Beijing's potential dominance over the SCS. Furthermore, the United States cannot be unwary of China's growing assertiveness and the shifting balance of military power in its favor, which will undermine U.S. national interest in these geopolitical and geo-economic areas. For these reasons, at the ARF meetings, the ASEAN Defence Minister Meetings Plus (AMMP) and the Shangri-La Dialogues, discussions to resolve to the SCS disputes has always stirred up tensions and resulted in a multi-player power game for geopolitical competition, rather than a constructive effort to reach a mutually beneficial regional consensus. Generally, Washington held that it would be prepared to play a more proactive role in helping implement confidence-building measures that ASEAN and China have failed to reach agreement on since 2002 and ensure its national interest in freedom of navigation, open access to Asia's maritime commons, as well as respect for international law in the South China Sea. By contrast, Beijing, of course, has not endorsed Washington's intervention. In fact, China has always managed to keep the SCS disputes off the regional security forums, so did it manage to keep the cross-Straits and Tibet issues out of the previous agendas. In addition, Beijing will not definitely be happy with a multilateral approach since China has consistently asserted its bilateral approach with each of the claimants, rather than with ASEAN as a group. ASEAN as a group and its member claimants have demonstrated their enthusiasm for a multilateral approach because of their asymmetric power to discuss with China on one-on-one basis resolution. It should be added that India, the emerging country, has demonstrated its geopolitical competition with a rising China. Since 2011, India's state-run explorer, Oil and Natural Gas Corporation (ONGC) Videsh Limited has forged its overseas investment arm with Vietnam after having signed a three-year agreement with PetroVietnam for developing long-term cooperation in the oil sector and accepted Vietnam's offer of exploration in certain specified blocks in the South China Sea.²⁸ India is now also part of the newly-formed "Quadrilateral Initiative", which brings together the US, Japan, India and Australia. This new strategic partnership more or less is seen as an effort to contain rising Chinese power. The two above new departures of India therefore have given rise to the existing Sino-Indian bilateral tensions.

Conclusion

In the light of East Asian integration under the APT process and the EAS, China has actively contributed to the developments of the EAC building process. Beijing's enthusiasm for multilateral schemes steered by ASEAN is driven by its five major strategic objectives: (1) to ensure a stable and peaceful peripheral environment to serve its domestic reform and modernization, (2) to dilute U.S influence in East Asia by strengthening regional multilateralism, (3) to alleviate Southeast Asian perceptions of a "China threat" in both the security and economic domains, (4) to expand its international standing and building its image as a "responsible power", and (5) to become an economic locomotive in the region and a major player in the global economy. Taken together, the evolution of East Asian integration has provided great opportunities for Beijing to exert its increasing power and formidable influence on the regional and global stages under the tenuous image as a soft power. These developments have led to a general perception that China's strategy has been designated to buy time until it is economically and militarily powerful enough to become regional leadership. No matter what this "charm offensive" is true or not in China's ambitions, China

²⁷ "China paper Warns India off Vietnam Oil Deal", see Reuters article, 16 October 2011.

would face a number of striking challenges in the process. Washington seems driven by deep strategic concern to contain a rising China and to maintain its vested geopolitical and geo-economic interests in East Asia. China also confronts many obstacles to asserting its regional leadership both from Japan, which is also a powerful competitor, and which shares ASEAN's common concerns about Chinese assertiveness in the sea and islands, and from ASEAN, which emphasizes the centrality of the APT process and the EAS. These are obstacles confronting China in the path of realizing its ambitions and the overall picture seems unpromising for the future of a Sino-centric EAC. Against this background, regional countries and outside major powers, especially the United States, have embraced the momentum to engage China economically. Beijing's non-transparent policy of its security policy, especially the increasing military modernization and growing assertiveness in the SCS disputes in recent years, however, has aroused anxiety and fears in its neighbouring countries and raised deep strategic concerns in US policy-makers to contain a rising China. Washington's "return to Asia" is therefore driven not only by its geo-economic and geopolitical calculations, but also by Beijing's response in the SCS disputes. Regional countries, especially those which confront asymmetry in security domains with China, are likely to forge ahead new developments of relations with the United States both in security and economic domains. This new departure of regional attitudes will, however, trigger major barriers to the EAC building process since it will likely give rise to conflicting interests and strategies, as well as to the divergence of views and suspicions, thus possibly hindering the initiatives proposed for the developments of the EAC building process and even possibly inflaming flashpoints in Sino-American rivalry and consequently undermining ASEAN-China relations.

Recommendations

Much of the analysis in this paper centers on the formidably increasing regional power and influence of China, as well as challenges it would confront in the process. These are, however, the major barriers to the EAC building process as well. Thus, in order to move the East Asian integration forward, much needs to be done on the part of China to show its political will and more constructive role in EAC building. This would contribute not only to eroding its ASEAN's perception of a "China threat", but also to enhancing its image as a "responsible power". Above all, China has been seeking to strengthen multilateralism since the end of the Cold War, thus, there is no reason that China has to pursue its "charm offensive". In other words, if China is of intention to dominate the region, it would go against the goal of EAC building, and by then not only the United States and ASEAN, but also Russia and Japan, whose strategies coincide with China's multilateralism, would turn their back against China.

For its part, although the United States is not an East Asian country in terms of geographical proximity, it has played a crucial role in regional economic and security dimensions, particularly in anti-terrorism, non-proliferation, non-traditional security issues, maritime security, and so on. There also remain a number of U.S. allies and close partners militarily and economically in East Asia. Moreover, from the beginning, the EAS stressed the importance of ASEAN's openness and inclusiveness principle of the regionalism in East Asia. For these reasons, the United States, which was engaged in the EAS in 2011, should play a more constructive role in East Asian integration process, especially in preventing from any escalation of conflict with China. It is generally believed that the Obama administration's enthusiasm for its position in East Asia largely lies in economic motives. Thus, if the U.S. desires to strengthen its closer economic relations with East Asian countries, it should not put an overemphasis on the power competition in the region. It should be added that the APT is

an affiliate to APEC; however, the EAC will be the arrangement representing the whole East Asian region, out of APEC forum in terms of characteristics and dimension of activities. Thus, if the U.S. seeks measures to further expand its power and influence to dominate the EAC, like U.S.-dominated APEC, as the global hegemony, it would not gain foothold in East Asia. Instead, the United States needs to make authentic contributions to the goal of community-building by strengthening cooperation on economic and politico-security spheres and by supporting ASEAN's centrality that could harmonize the diverging national interest of the involved members.

There would also be little future for an EAC if China and Japan continue to be driven by competitive regional leadership, which will contribute to slowing down the EAC building process. Thus, China and Japan need to come closer together to play constructive, non-threatening and mutual reinforcing roles, which focus on common regional aspirations in EAC building.

For ASEAN's part, although the Association engaged the United States and Russia in the expanded EAS, it should be, however, of important awareness that East Asia is originally the most diverse region worldwide, with sharp disparities in development levels, diversities in culture and ethnicity, differences in economic structures and politico-legal systems, asymmetries in size and in power attributes, and so on. Thus, the enlargement of the EAS membership also means adding more diversity to the region. Though ASEAN's openness and inclusiveness seem to be commensurate with reality in regional integration, the admission of more new members outside the region to the grouping will make the EAC a trans-regional arrangement like APEC. It is therefore increasingly difficult to create the East Asian "identity", the "we feeling" in the community-building. Furthermore, the "ASEAN Way" and norms, which have crucial impact on the direction of community-building, would face more obstacles in the consensus-based decision-making process since the possible two-tier, pro-China and pro-America blocs, would pose implications in the process. For these reasons, ASEAN ought to carefully and wisely navigate major powers' relations, especially Sino-U.S. and Sino-Japanese relations in the EAC building process. In particular, ASEAN must take advantages of the regional players' support to assert its centrality and simultaneously push ASEAN-intraregional economic linkage and political cohesion forward. Only by doing so, can ASEAN achieve a strong collective voice and enhance political relevance to harmonize the diverging national interest of the involved members and to bring about peace, stability and prosperity in Southeast Asia, as well as to move the process of EAC building forward.

With respect to the SCS disputes, China should demonstrate its political will and more constructive role in the resolution to the SCS to erode ASEAN's perception of a "China threat. In fact, China's growing assertiveness to resolve the dispute with each of the ASEAN claimants bilaterally rather than with ASEAN as a group has not provided any significant management and resolution. Since the 17th ARF in Hanoi, participants have called for a "collaborative diplomatic process" signalled a positive resolution to this tenacious issue because of some reasons. First, the violation of the previous agreements by some claimants in recent time has raised concerns in the international community about the new negative impact on maritime security. Thus, the SCS disputes became an internationalized issue. Second, the regional countries' enthusiasm for a multilateral approach also matches the UN Convention on the Law of the Sea (UNCLOS) regarding resolutions to the sea disputes. One of the practical resolutions is multilateral mechanism because it is related not only to the claimants' national interests of territory, sea-lanes and seabed, but also to those of other countries worldwide of freedom of navigation and access to maritime commons. Third, a multilateral

approach for the SCS would contribute to a significant resolution because it involves the jurisdictional organizations, workshops and conferences, as well as political and diplomatic collaboration to resolve the disputes, thus contributing to regional peace and stability as well as ensuring regional and global common interests.

For these reasons, both China and the four ASEAN claimants need to proceed with a transparent, more concrete and legally binding multilateral pact, at least code of conduct, so as to quickly resolve the issue. It should be added that the U.S. constructive interaction to call for a "collaborative diplomatic process" is necessary; however, if the United States involves deeply in the disputes, it would not only add more tensions to Sino-U.S. relations, but also arouse the other claimants' suspicions. For this reason, in the event that some player gets involved in the issue with its motives against the expectation of the claimants and the international community, there must be timely prevention.

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