



“Analyzing the Impact of Chinese Development Strategies in Southeast Asia”

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Abstract

The ‘New China’ and its brand new foreign policy have reiterated its focus on the Asia-Pacific region, which entails a vast pool of opportunities for the development of the region and for the Chinese national interest. For the longest time, China has been a land power, with minimal focus on its naval forces, but the changing geopolitical dynamics have made it imperative for China to expand its maritime reach, which is apparently why the Chinese focus has now shifted to this region. As part of this newly shifted focus, China placed its southeastern neighbours in the centre. It has deployed its foreign missions in the ASEAN nations to initiate economic investments and collaborations. Chinese investments in the region have increased significantly. In areas other than low-skilled manufacturing, Chinese investment has expanded in the regional financial and service markets and built regional supply chains. These new developments have more geopolitical reasoning, impacting the Chinese influence in the region and beyond, in the greater ‘Indo-Pacific’, which China does not associate itself with, but to manage its insecurities, it has been trying to position itself. The Chinese development strategies in Southeast Asia are a testament to that. The article delves into the intricacies of the Chinese developmental strategies in the Southeast Asian nations, it also explores the Chinese intentions and their impact on the ASEAN nations, who have always been at a crossroads, trying to balance the Chinese with the West.

Keywords: ASEAN, Southeast Asia, China, Development

Introduction

The world has come to recognize the emerging and dynamic concept of the Indo-Pacific area, except for nations such as China. China, however, is undoubtedly uneasy about this new concept given that the region encompasses Southeast Asian (ASEAN) countries, South Asia (where India is becoming a major player), and major maritime trade routes and sea lanes (such as the Strait of Malacca). China used to view smaller, island nations like the ASEAN countries as less significant, but nowadays, they are becoming strategically significant. Beyond this, Chinese perceptions of the USA's strong involvement in the area include the possibility of unrest and a danger to their security and interests there. China worries that these smaller nations will start to feel anti-Chinese sentiment as a result. This anxiety stems from the fact that China already has a history of disputes with major ASEAN nations, such as Vietnam, the Philippines, Malaysia, and Brunei on the Spratlys and Paracels Islands in the South China Sea (East Sea) which the Chinese Air Defence Identification Zone covers. This has sparked worries about how these nations' relations with China would develop in the future. However, China knew the importance of economic strength and technological capabilities as the foundation of national political power and international strategic competition. Post the cold war and the Asian crisis of 1997, China shifted its focus to the region and developed its ‘Southeast Asia policy’. This policy also supplemented the China-US confrontation, as Southeast Asia became a buffer between the two nations¹. There is also another analysis of China's

¹ Liu, R. (2023). Reinforcing Wedging: Assessing China's Southeast Asia Policy in the Context of Indo-Pacific Strategy. *The China Review*, 23(1), 277–306.

Southeast Asia policy, which indicates that the policy is not an outcome of the decline of the postwar world order, but rather a deliberate attempt by Beijing to extract maximum advantage from the changing regional circumstances to better compete in the emerging era². This emerging era was highly imprinted by the American economic dominance, expansion of its soft power, and formulation of newer cooperations, though at a much faster rate. China started making financial investments in its southeastern neighbouring area, during this period. China became ASEAN's largest trading partner by 2009 and as of 2022, the trade between the two has quadrupled (i.e. 11.4% of China's total trade volume)³. China's influence grew over time, moving from manufacturing to the financial and service sectors, and Southeast Asia is now heavily dependent on China for its economic needs. By actively developing governance systems and initiating development projects, China can maintain its dominant position in mainland Southeast Asia. China's Belt and Road Initiative, introduced in 2013 by President Xi Jinping, aimed to develop the 21st Century Maritime Silk Route and the overland Silk Road Economic Belt. It is a massive development and investment initiative undertaken all across Asia, extending to Africa, Oceania, Europe, and Latin America. It includes investments in infrastructure like bridges, roads, ports etc. BRI is also a major source of investment in Southeast Asia, where China has undertaken major infrastructure development programs like the Thai-Chinese high-speed railway project, Phnom Penh- Sihanoukville Expressway (Cambodia), connecting the coastal province of Sihanoukville and reducing the travel time from 6 to 2 hours, Cát Linh – Hà Đông project (railway 2A) in Vietnam and many more infrastructure projects across the region. However, China's unrelenting expansion has turned Southeast Asia into a Chinese sphere of influence, which has also caused the ASEAN countries and the US to express grave worries.

Literature Review

China's relations with Southeast Asian nations have been researched by multiple scholars since the 1990s. John Wong's Political Economy of China's Changing Relations with Southeast Asia⁴ focuses on the major trade relations between Southeast Asian countries and China regarding the political economy. It also touches upon the trade relations between China and the region's countries in the backdrop of underlying political events. The book delves into the historical relations when Sung Dynasty first established a tributary system with its south-east neighbours and how they have evolved.

Robert S. Ross discussed how China viewed the region in transition, 1991 the collapse of the Soviet Union, eased the Chinese worries which arose from the Sino-Soviet conflict and eventually reflected in the increasing influence of the Soviets in Southeast Asia. The next fifteen years which were relatively peaceful, were imprinted with American hegemonic patterns, increased economic competition, and the emerging China. China's influence increased in its neighbours, as a result of its 'Southeast Asia Policy'. However, with the increasing ambiguity in the dynamics of great power rivalry in what the Chinese described as the new emerging era, China's approach to the region changed and was rather embedded with caution.

Rouan Liu introduced 1997-2010 as the time stamp to analyze the Chinese influence in Southeast Asia. Post 2010, Sino-US competition intensified, in 2017 President Trump played its Indo-Pacific card, which indicated yet another policy shift in the Chinese approach to the Southeast Asian region. Liu's major theme was to analyze this policy shift in the context of emerging Indo-Pacific, and the USA's increased interest and attention to the region. These countries of Southeast Asia became a buffer in the Sino-U.S. confrontation and also started to make visible attempts to voice their opinion on global platforms.

Shay Wester, Director of Asian Economic Affairs and Outreach Director at the Asia Society Policy Institute, in his article "Balancing Act: Assessing China's Growing Economic Influence in ASEAN"⁵, gives a different and modern

² Ross, R. S. (1990). China's strategic view of Southeast Asia: A region in transition. *Contemporary Southeast Asia*, 12(2).

³ Wester, S. (2023, November 8). Balancing Act: Assessing China's Growing Economic Influence in ASEAN. Asia Society Policy Institute. <https://asiasociety.org/policy-institute/balancing-act-assessing-chinas-growing-economic-influence-asean#:~:text=China%20emerged%20as%20ASEAN's%20largest,total%20trade%20volume%20in%202022>

⁴ Wong, J. (1984). China's Economic Relations with Southeast Asia: Changing Dimensions. In *The Political Economy of China's Changing Relations with Southeast Asia* (pp. 1-20). Palgrave, London. https://doi.org/10.1007/978-1-349-27929-6_1

⁵ Wester, S. (2023, November 8). Balancing Act: Assessing China's Growing Economic Influence in ASEAN. Asia Society Policy Institute. <https://asiasociety.org/policy-institute/balancing-act-assessing-chinas-growing-economic-influence-asean#:~:text=China%20emerged%20as%20ASEAN's%20largest,total%20trade%20volume%20in%202022>

perspective, bringing to the forefront the intricate act of balancing that most of the Southeast Asian nations undertake due to their excessive economic dependency on China and ideological and security inclination towards the USA.

Other research works also highlight similar notions concerning the relationship between China and ASEAN nations. However, these works need the ASEAN voice, the ASEAN perspective, its policy imperatives, and the role of ASEAN-led mechanisms.

Methodology

This research article aims to discuss the development strategies employed by China in Southeast Asia, through which it also seeks to pursue its national agendas and interests. The study is undertaken as part of the partial requirement of the course completion of M.A. (IR).

The following is a Descriptive study, which is based on qualitative study and analysis of primary and secondary data obtained through the thorough study and analysis of government reports, official articles, statements, and various research projects. Other relevant Journals and Articles were also referred to. Information acquired through interaction with the experts and mentors has helped validate the arguments presented in the article. Reports and figures produced by organizations like the United Nations, the Chinese official website, ASEAN Main portal were quoted as valid arguments. Other figures and data were taken from public platforms like websites, published reports, etc.

Historical Evolution

The Chinese policy for the longest time, before the 1990s, was focused on its sustenance and the fulfilment of its national interests, aiming to pursue them in isolation and the void of global interaction. But this was only sometimes the case. China's relations with its southeast neighbours are deeply rooted in its cultural history, geographical proximity, and local trade. Geography made China a land power, but from 960 onwards, during the Song dynasty's reign, the Chinese set out on trivial marine voyages which eventually led them to the southern coasts of Southeast Asian nations of Vietnam, Thailand, and Cambodia. The highest point of the Chinese maritime adventures was when Admiral Zheng He from the Ming dynasty undertook several voyages to Southeast Asia through the Malayan strait into the Indian Ocean. These voyages helped Imperial China to establish diplomatic relations with countries like Vietnam, Thailand, and Malaysia, it also set up a tribute system, where tribute collection missions were sent out to these countries, which scholars have described as a "cloak for trade"⁶. The increase in commercial maritime activity gave impetus to the Chinese migration to these countries who started to work at ports and other industries. The ethnic Chinese now reside in large numbers in Southeast Asian countries like Singapore (75.9%), Indonesia has around 1.23 million self-identified ethnic Chinese making up 2.03% of the population, and Malaysia has 23.2% ethnic Chinese population⁷.

Post the Second World War, the Cold War escalated, and China indulged in its domestic conflict between the communist party and the ruling nationalist party. In 1949, the Communist Party of China (CCP) came to power and established the People's Republic of China. Southeast Asia slipped out of the Chinese priority, only until the Soviets and the Americans started to push themselves in the region. The region became a victim of extreme casualties and hostilities (Korean War, Vietnam War, violence in Cambodia and Laos, etc.). It became important for China to intervene in its neighbourhood chaos. What made China even more uncomfortable was the prolonged presence of the USA even after the decline of the Soviet Union. From the 1970s onwards China strived to become a developed and technologically advanced nation. It increased its domestic manufacturing and amplified its trade. Access and influence in Southeast Asia became crucial even more for China, as it receives a large volume of its energy resources and raw materials through the Strait of Malacca, passing between Singapore, Malaysia, and Indonesia. The region has also been providing China with a large market. On the other hand, the countries of the region had suffered, and trade with China was easy and beneficial to them, to rebuild their economies.

⁶ Wong, J. (1984). China's Economic Relations with Southeast Asia: Changing Dimensions. In *The Political Economy of China's Changing Relations with Southeast Asia* (pp. 1-20). Palgrave, London. https://doi.org/10.1007/978-1-349-27929-6_1

⁷ Country-wise Census 2020 report - Singapore, Indonesia, Malaysia
Singapore Department of Statistics | Census of Population 2020 Statistical Release 1 - Key Findings
<https://www.singstat.gov.sg/-/media/files/publications/cop2020/sr1/findings.pdf>

In the 1990s, China's Southeast Asia Policy took a turn, and the Southeast Asian region gained prominence in Chinese foreign policy. China and ASEAN worked on the code of conduct on the South China Sea disputes and became a part of ASEAN plus three. China started extending aid to countries like Thailand to bring the region under its wings. China's interest in the region expanded and developed beyond just economics and trade, it became more geoeconomic and geopolitical.

Rising Chinese influence in Southeast Asia

The region has always been of strategic importance to China due to its geography, cultural affinity, and historical economic ties. Over the years trade between China and ASEAN countries increased rapidly. In November 2002, ASEAN and China signed the Framework Agreement on Comprehensive Economic Cooperation, which called for the establishment of an ASEAN-China Free Trade Area (ACFTA) within ten years. A schedule of tariff reductions and eventual elimination for most tariff lines (starting in 2005) between the two sides was included in the Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Cooperation between the ASEAN and the People's Republic of China, which was signed in November 2004. For instance, most tariffs of more than 20% dropped to 20% in 2005, 12% by 2007, 5% by 2009, and nil in 2010 for the comparably more developed "ASEAN6" countries (Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand). 2014 statistics regarding trade between them indicate that China had the highest trade with Malaysia (USD 102.2), followed by Vietnam (USD 83.64), Singapore (USD 79.74), Thailand (USD 72.67), Indonesia (USD 63.58), and least out of all ASEAN countries with the Philippines (USD 44.45). China's rapid industrialization and development have increased its demand for fuel, energy resources, and raw materials like timber, and it's only viable route as of now is through the region⁸.

Chinese leadership always emphasises on "community of shared future" when regarding the ASEAN. It was post-2012, President Xi Jinping took a proactive approach to its neighbourhood diplomacy. In 2013, the PRC launched its grand ambitious vision of the One Road One Belt initiative, to connect and bridge Asia with other parts of the world through multiple infrastructure projects. These projects in Southeast Asia include hydropower plants, dams, oil and gas pipelines, and extensive rail lines connecting the southwestern cities of China to the mainland ASEAN (Laos, Thailand, Malaysia, and Singapore)⁹. Within the region, Indonesia (\$93 billion), Malaysia (\$34 billion), and Vietnam (\$74 billion) are the highest recipients of financial aid for the completion of the BRI infrastructure projects. China also seems to be creating mini-regional cooperation mechanisms like the Lancang-Mekong Cooperation (LMC). In other countries like Cambodia, China is pumping huge sums of money \$12.6 billion and \$7 billion for the China-Laos railway project which covers almost 260 miles from China to Vientiane.

Since 2009, China has become the biggest trading partner of ASEAN, and since 2011, ASEAN has become China's third-largest trading partner. To encourage increased connectivity in the area, China has also formed the China-ASEAN Investment Cooperation Fund (CAF), an infrastructure investment bank, and has committed an initial US\$10 billion to it. The declared objective is to encourage Chinese infrastructure investment in Southeast Asia to improve links in the areas of energy, telecommunications, water transportation, highways, and railroads¹⁰. The Association of Southeast Asian Nations (ASEAN) and China have increased their commercial and economic cooperation to unprecedented levels since the establishment of the China-ASEAN comprehensive strategic partnership in 2021.

⁸ Vaughn, B., & Morrison, W. M. (2006). China-Southeast Asia Relations: Trends, Issues, and Implications for the United States. (CRS Report for Congress No. RL32688). Coordinator Bruce Vaughn, Analyst in Southeast and South Asian Affairs, Foreign Affairs, Defense, and Trade Division, & Specialist Wayne M. Morrison in International Trade and Finance, Foreign Affairs, Defense, and Trade Division. Retrieved from <https://sgp.fas.org/crs/row/RL32688.pdf>

⁹ Stromseth, J. (2019, November). The testing ground: China's rising influence in Southeast Asia and regional responses. In Global China: Assessing China's Growing Role in the World. Retrieved from https://www.brookings.edu/wp-content/uploads/2019/11/FP_20191119_china_se_asia_stromseth.pdf

¹⁰ Renwick, N. (2016, April). Rising Powers in International Development, IDS Evidence Report No. 187: China as a Development Actor in Southeast Asia. Retrieved from https://assets.publishing.service.gov.uk/media/57a08960ed915d3cfd0001f2/ER187_ChinaasaDevelopmentActorinSoutheastAsia.pdf

Impact on Southeast Asian Nations

ASEAN's closer-than-ever economic ties with China have helped develop the economies of Southeast Asia, but it has put the region in a tough spot. Today, China is ASEAN's largest trading partner with \$722 billion and also increased investment in the region to up to \$15.4 billion in 2022. However, it is to be noted that there exists a trade deficit between China and ASEAN countries. ASEAN is heavily dependent on China for manufactured products, natural resources, and technology, making the region vulnerable to coercion and uncertainties in times of economic fluctuation in China and subsequent supply chain disruption. However, ASEAN can not neglect or take unsparing actions against China in the case of the South China Sea (East Sea) disputes, due to this intense economic dependency. This makes it imperative for ASEAN to diversify its trade.

China has attempted to paint a picture that accentuates development, economic boosts, people-to-people connections, etc. but underneath lies the brutal reality of the states that initially expressed enthusiasm for the projects. The Belt and Road Initiative promotes various infrastructure projects from small scale to large scale. However, it becomes the responsibility of the states to ensure the completion of these projects, which requires heavy investments that many of these countries struggle with. These countries eventually fall into a "debt trap", which a lot of scholars describe as the Chinese "debt trap" diplomacy. However, individual members of ASEAN have varied responses to the Chinese BRI and its implications. However, the ASEAN nations seem to be becoming more astute in their dealings with China about regional infrastructure projects.

Geopolitical implications

It is not wrong to say that the Chinese policy in Southeast Asia is driven by China's geopolitical ambitions. Geography has compelled China to maintain stability and its influence in Southeast Asia. Since the 1990s, the geopolitical landscape changed drastically, now focusing on Asia. At the center of this focus was China, which was rising as an eminent regional player. The rise of China was a threat to the USA, America already had Japan tutored, and it became a natural ally of Singapore had a presence in the Philippines was a long time. In the aftermath of the Sino-Soviet split, the Soviet Union also pushed forward its influence in the region by backing up communist uprisings. China had to take notice as it regarded the region as its backyard and could not afford to have foreign influence there.

Geography played another masterstroke, as China developed further, its energy and raw material demands also skyrocketed. China received 80% of its oil imports from the Strait of Malacca (strategic Chokepoint), which is surrounded by Malaysia, Indonesia, and Singapore. The strait is only 800km long and 65km wide at its narrowest point. The grave insecurity that poses China is that in case of a crisis, the maritime trade route can be blocked, to suffocate China.

In the South China Sea also known as the East Sea, there have been territorial contentions between China and members of ASEAN (the Philippines, Vietnam Malaysia, and Brunei). China's nine-dash line violates the exclusive economic zones of these countries. Beyond this, these countries have claims over the Spratlys and Paracels Islands. The islands are home to rich natural resources like oil, natural gas, and fishing areas. Both parties have failed to resolve the issue and each started to build up their navy and military exercises in the disputed area. This has agitated both sides and has increased surveillance. The emerging Indo-Pacific has only fueled the issue, with the formation of multilateral groupings like QUAD and AUKUS, as they have started to increase their military exercise in the South China Sea and the Indian Ocean.

Conclusion

The great power rivalry between China and the USA has made Southeast Asia a buffer. Both powers fight for their influence in the region, this is evident with the USA and China joining the ASEAN mechanisms and also emphasizing the importance of ASEAN. Through its BRI initiative, China has been investing in and developing ports and military bases in Southeast Asia, South Asia, Africa, and the Middle East. China sees the US involvement in the region as an attempt to contain China. China's most feasible access to the Indian Ocean is through the Southeast Asian region itself. To ensure its economic growth, China had to maintain peace and stability in its immediate neighbourhood, hence its Southeast Asia Policy and its development strategies in the region. However, the region has refused to suffer and has rather chosen to balance the Chinese with its interests.

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