

China's Policy Towards Southeast Asia during Xi Jinping's Second Term

No major change is likely to occur in China's policy towards Southeast Asia in Xi's second term, but the perceived policy success during his first term and a new confidence are likely to generate a new push to achieve even greater gains.

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At a recent workshop on East Asian regional order that I attended, one comment made by a prominent Southeast Asian expert provoked more response than any other on that day: "China has won Southeast Asia".

Judging from the heated debates thereafter, the argument failed to carry the day. However, most scholars in attendance—while not endorsing the strong verdict about China's recent foreign policy towards Southeast Asia—readily agreed that China had made major strides in the region since the release of the Philippines vs. China arbitration ruling over the South China Sea in July 2016. Such is the ironic turn of events since then—the arbitration ruling, which is an overwhelming legal victory for the Philippines, has turned out to be an instrument that China uses to ease regional tensions and to reorient the South China Sea issue on a diplomatic course it has long promoted.

It is no surprise that rosy assessments of its Southeast Asia policy have dominated Beijing's thinking. The Philippines won a resounding victory in the arbitration, but China has successfully suppressed its significance. Moreover, under President Rodrigo Duterte, China–Philippines relationship has entered a new cooperative phase, thus effectively removing the most contentious source of the South China Sea tension in recent years. Having parried heavy criticisms from the United States and some countries in the region about its island building in the Spratly Islands, China has brought the tempo of the building activities under control, steadily enhancing its physical presence in the maritime heart of Southeast Asia. And, in a smart move to snub the arbitration ruling and preempt US meddling in the South China Sea, China unleashed its potent diplomatic tool, i.e. embarking on serious negotiations over a code of conduct (COC) for the South China Sea. Even US officials, notably Secretary of Defense James Mattis, acknowledged that they must let diplomacy run its course before opting for more aggressive options.

Such optimism about Chinese success in Southeast Asia dovetails with the buoyancy emanating from President Xi Jinping's nearly three-and-a-half hour speech at the 19th Party Congress on 18 October 2017. Xi exhorted China to follow the established strategy of peaceful development and build "a community with a shared future for mankind". With

respect to the regional strategy of which Southeast Asia is a critical part, Xi reiterated and advocated the deepening of relations with neighbouring countries "in accordance with the principle of amity, sincerity, mutual benefit, and inclusiveness and the policy of forging friendship and partnership with its neighbors", which are major themes of China's first-ever conference on regional policy that he chaired in October 2013. Xi also warned that "[n]o one should expect China to swallow anything that undermines its interests".

As is evident in the two underlying themes in Xi's speech—i.e. a continuity of regional policy principles laid down since 2013 and a long-standing strong resolve to protect China's rights and interests, no major change is expected to occur in China's policy towards Southeast Asia in Xi's second term. The perceived policy success in regional affairs during Xi's first term and a new confidence verging on triumphalism, however, are likely to generate a new push to achieve greater policy gains. The temptation to advance policy gains may prove irresistible to China if America's waning influence is perceived to further decline during the Trump administration. However, the risk is that Beijing's overconfidence may lead to rashness in policy implementation that could raise regional apprehension about Chinese power and even trigger a new round of tension in the South China Sea.

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A cool-headed assessment will show the limits of China's recent success in Southeast Asia. Although Beijing successfully banished the South China Sea arbitration ruling from discussions centring the Association of Southeast Asian Nations (ASEAN), the Duterte administration has, for the time being, shelved—rather than rejected—the ruling that is in favour of the Philippines. Although ASEAN has gone along with China to negotiate a COC, which was originally ASEAN's own idea, it is lukewarm about the outcome of a non-legally binding document preferred by China. Some member states and even ASEAN as a grouping may have second thoughts if China is discerned to deploy delaying tactics. More so, other countries with a strategic stake in the region—like the United States, Japan and Australia in particular—will not allow China's domination without, at least, a protracted diplomatic fight. Even if US influence indeed declines further as a result of the ineptitude of the Trump administration, this will not

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to announce further progress beyond the “initial commitments” of the 100-day plan. The United States continues to press hard on China to grant American firms similar level of access to Chinese trade and market that it provided for Chinese firms in the United States. The Chinese, for their part, also called on the United States to lift the ban on high-tech exports to China as an effective measure to address China’s trade deficit with America. It also remains to be seen how much of the US\$253 billion in deals signed during Trump’s visit will actually materialise. While both countries are committed to a denuclearised North Korea in principle, China is still firmly opposed to Trump’s threat to resort to unilateral military options on North Korea.

Ultimately, these issues and the interdependence between the United States and China behove the two countries to work together to reduce their differences in order to find practical and feasible ways forward. In other words, it is imperative for both countries to cooperate with, instead of being at odds against, each other on these issues. ■

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necessarily mean a corresponding gain for China; countries in the region, including some Southeast Asian states, may adopt new strategies to limit Chinese influence.

One can hardly fault China’s principle of forging friendship and partnership with neighbouring countries that Xi reiterated in his 19th Party Congress speech. The question is how this principle will be enacted in practice, especially in a geopolitically volatile region such as Southeast Asia. Chinese gains in the region since 2016 are not unqualified. A triumphalist strategy of making rapid gains with no regard for regional concerns is likely to be counterproductive, whereas a strategy that exercises patience will soothe regional anxiety and achieve mutually beneficial cooperation. China’s sophisticated implementation of the “Belt and Road Initiative” in the region to forge mutually beneficial relations with its neighbours, as promised by Beijing, will therefore present the greatest potential for its Southeast Asia policy in Xi’s second term. ■

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China’s Shift in Economic Policy Priorities: From Quantity to Quality

This year, investment growth by state enterprises and by private firms were similar at 11.0% and 10.1%, respectively, with a better economic outcome and a considerably narrowed difference between them. In addition, China’s investment-driven extensive growth is also afflicted with numerous challenges including environmental and resource

constraints. Furthermore, as the world’s major economies continue to face various challenges and become increasingly protectionist and inward-looking, China’s export-oriented economy will, too, have to confront growing difficulties.

Third, that China will not set annual growth targets beyond 2021 may have significant implications for policymakers and for the government bureaucracy’s operation. On the one hand, this will modify the incentive system for officials in both the central and local governments, encouraging them to concentrate more on economic restructuring and reforms. On the other, policymakers may have larger room to press ahead with painful structural reforms.

Yang Weimin, vice minister/deputy director of the Office of the Central Leading Group on Financial and Economic Affairs, advocated further improvement to the approach of promoting economic development and outlined three components. The first is to promote high-quality growth. Second, to formulate a renewed development model, an economic structure and new drivers for growth. Third, to construct a modern economic system that is based on quality and efficiency.

To achieve these policy objectives, the Chinese government is committed to deepen supply-side structural reforms, emphasise innovation, improve the efficiency of the market system and promote economic opening-up. It also proposes taking measures to address the new “basic contradictions” in society, namely “the contradiction between rising demands for a better life and the reality of an unbalanced and insufficient development”. The implementation measures include rural revitalisation and balanced regional development strategies. While maintaining a balance between efficiency and a more widely shared development will remain challenging, the Chinese government is apparently convinced that quality-based growth is the solution. ■

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Social Policy Reform in Xi Jinping’s China

Another attributing factor to government agencies’ poor capacity is asymmetric information. This implies inaccurate data collection on household information, with practices of corruption being reported. Insufficient information about the rural poor’s profiles and databases also impedes accurate targeting and identifying the causes of poverty, which will prove useful in evaluating and designing poverty reduction policies. Currently, the databases simply record reasons of poverty of rural poor individuals or households. The most oft-cited reasons for poverty that the rural poor gave in survey forms include poor health, low education and lack of skills, poor living conditions and shortage of credit options, among others. However, the actual reasons can be far more complex and interrelated. As such, to be able to correctly identify the root cause of poverty even with the support of big data poses a serious challenge. ■

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