

Dynamics of China-ASEAN Economic Relations: A Strategic Alliance and Regional Integration in the 21st Century

***Nabila Nur Annisa¹, Muhammad Hasan Rofi², Tiko Rohimat³,
Irlani Alifah Kusyaeri⁴***

^{1,2,3,4} Ilmu Politik, Fakultas Ilmu Sosial dan Ilmu Politik, Universitas Islam Negeri Sunan Gunung Djati. Jl. A.H Nasution . No 105, Cipadung, Cibiru, Kota Bandung, Jawa Barat 40614
corresponding author E-mail: nabilanurannisa008@gmail.com

ABSTRACT

This study investigates the multifaceted nature of the China-ASEAN economic cooperation, exploring its impact on global trade and financial sectors. It delves into the dynamics of this relationship, highlighting the strategic partnership and trade agreements like the ASEAN-China Free Trade Agreement (ACFTA) and the Regional Comprehensive Economic Partnership (RCEP). The research adopts a qualitative approach, analyzing data from various sources including academic journals and government documents to offer an in-depth understanding of the evolving China-ASEAN economic collaboration. Key findings illustrate China's growing investment in ASEAN, especially in infrastructure, manufacturing, and technology, fostering mutual economic growth and creating job opportunities. The Belt and Road Initiative (BRI) by China emerges as a significant factor in enhancing regional connectivity. Furthermore, the study explores the cooperation in innovation and technology between China and ASEAN, emphasizing the potential for technology transfer and joint research. The study underscores the bright prospects of the China-ASEAN economic partnership, emphasizing its role in shaping the global trade landscape. It also acknowledges the need to address challenges like political issues, economic competition, and environmental concerns to ensure a sustainable and mutually beneficial partnership.

Keywords: Political Cooperation, Economic Integration, Regionalism

INTRODUCTION

The economic cooperation between China and the Association of Southeast Asian Nations (ASEAN) has emerged as a pivotal factor in shaping the global trade landscape and the financial sector in the 21st century (Ling, 2021). China, boasting the world's largest population and rapid economic growth, has assumed a central role in the economic dynamics of both Asia and the global arena. Conversely, ASEAN, composed of 10 diverse member nations,

has emerged as one of the most dynamic economic regions, attracting significant investment (Bi, 2021).

Building upon this foundation of economic cooperation, it is noteworthy to highlight the remarkable trajectory of China-ASEAN collaboration in the past few decades. Both parties have exhibited a steadfast commitment to strengthening their economic ties through a multifaceted approach encompassing bilateral and regional mechanisms. Notably, in 2003, the establishment of a Strategic Partnership between China and ASEAN marked a pivotal juncture in their relations (Ling, 2021). This partnership laid the groundwork for deeper engagement and cooperation across various domains, including trade, investment, and political dialogues. Subsequently, in the year 2010, the ASEAN-China Free Trade Agreement (ACFTA) was forged, signifying a landmark achievement aimed at enhancing trade liberalization and investment facilitation. ACFTA, which has since undergone multiple phases of expansion and refinement, has contributed significantly to the integration of the two economies and the bolstering of their economic interdependence (He, 2021).

In 2020, a big trade agreement called the Regional Comprehensive Economic Partnership (RCEP) was signed. This was a major step in the economic relationship between China and the countries in Southeast Asia (ASEAN). The RCEP is the biggest trade deal in the world and covers a lot of different areas like trading goods and services, investments, and intellectual property rights. It's not just about China and ASEAN; it includes other important countries in the Asia-Pacific area too (Jianren, 2016). This agreement is really important because it could change global trade a lot. It shows that China and ASEAN are very important in world trade and are committed to trading fairly. The deal could also help the region's economy grow and develop.

The economic ties between China and ASEAN have experienced rapid growth over the past few decades. Both parties have committed to enhancing

their cooperation through various bilateral and regional mechanisms. In 2003, China and ASEAN established a Strategic Partnership, marking a significant milestone in their relations (Banlaoi, 2021). Subsequently, in 2010, they reached the ASEAN-China Free Trade Agreement aimed at strengthening trade and investment cooperation. In 2020, a significant milestone in the China-ASEAN economic partnership was reached with the signing of the Regional Comprehensive Economic Partnership (RCEP) agreement. RCEP, as the world's largest trade agreement, involves China, ASEAN, and several other nations, encompassing a wide range of economic sectors, including trade in goods and services, investment, intellectual property, and other forms of economic cooperation. RCEP holds the potential to reshape the global trade landscape and deepen the economic ties between China and ASEAN (Meng, 2017).

Within this context, the aim of this research is to investigate the impact of China-ASEAN economic cooperation on global trade and the financial sector. Given China's significant economic growth and the increasingly vital role of ASEAN in the regional economy, it is imperative to understand the consequences of this economic collaboration on the global trade landscape. Furthermore, in an era of growing complexity in globalization, financial cooperation between China and ASEAN also serves as a key determinant influencing financial stability and economic growth in the region.

RESEARCH METHOD

In this study, a qualitative research approach is employed to delve into the intricacies of the "Global Trade and Finance: China and ASEAN Economy Partnership." The primary purpose of this research is to describe, analyze, and interpret the dynamics of this economic collaboration. Qualitative research is chosen for its ability to provide in-depth insights into complex phenomena, making it well-suited to explore the multifaceted dimensions of the China-ASEAN partnership in global trade and finance. By adopting a qualitative

approach, this study aims to offer a comprehensive understanding of the evolving relationship between China and ASEAN within the context of their economic partnership.

To gather data for this research, a variety of qualitative data sources are employed. These sources include academic journals, news websites, official government websites, articles, documents, and other forms of mass media. The selection of these sources allows for a holistic exploration of the subject matter, drawing from both academic literature and real-world information. This approach ensures a robust foundation for analysis and interpretation.

The methodology employed in this research is primarily descriptive in nature. It involves collecting data from diverse sources, such as academic journals, articles, and other relevant materials related to the China-ASEAN economic partnership. The gathered data is then subjected to descriptive analysis, allowing for a nuanced examination of the various facets of this economic collaboration. By adopting a qualitative descriptive methodology, this study aims to shed light on the complexities and implications of the China-ASEAN partnership in the realms of global trade and finance, thereby contributing to a deeper comprehension of its impact on the global economic landscape.

RESULT AND DISCUSSION

Global trade, characterized by international trade agreements among nations, plays a pivotal role in addressing deficits in various sectors across countries. This holds true for the collaboration between China and ASEAN. China has engaged in economic cooperation with ASEAN, specifically through the establishment of the ASEAN-China Free Trade Area (ACFTA), which facilitates economic connectivity among Southeast Asian nations comprising the Association of Southeast Asian Nations (ASEAN). Before the formation of ACFTA, ASEAN had already initiated the ASEAN Free Trade Area (AFTA), a regional free trade zone aimed at enhancing economic competitiveness within

the regional landscape. This endeavor mirrors similar regional trade agreements, such as the North American Free Trade Area (NAFTA) in North America (Area et al., n.d.).

China, as one of the world's major economic players, wields significant influence on the global economy, trailing closely behind nations like the United States, South Korea, and Japan. ACFTA was officially established in 2007, following the ASEAN Summit in the Philippines that same year (Kompas, 2020). Initially, ACFTA involved seven ASEAN member states, including Malaysia, Indonesia, Singapore, China, Thailand, and the Philippines. However, as ACFTA gained momentum and its impact on the global market became more apparent, additional ASEAN countries joined the initiative in 2012, including Laos, Brunei, Myanmar, and Vietnam (Kompas, 2020). Consequently, on January 1, 2010, the agreement on free trade, encompassing trade in goods, services, and investments, came into effect following its endorsement by ASEAN member states (Center, 2023).

In the context of economic cooperation between ASEAN and China, these entities collaborate in various economic sectors, forging bilateral ties predominantly within the economic domain. Their economic agreements encompass open markets in each respective nation, global trade with a particular emphasis on services, and crucially, investments by China and ASEAN countries (Kulesa et al., 2010). This economic partnership facilitates the importation of goods from China or other ASEAN nations to fulfill economic needs that may not be met domestically. Import practices within ASEAN nations become more organized and liberalized, especially following the collaborative efforts between ASEAN and China, which also include countries within the ASEAN region. China consistently invests in ASEAN nations, primarily through infrastructure projects and capital investments, with Indonesia being a notable example of a country closely intertwined in economic cooperation within ASEAN.

Additionally, in the financial sector, ASEAN and China have jointly

established and implemented the ASEAN-China Free Trade Area (ACFTA). ACFTA features preferential tariffs that stipulate a reduction in import and export duties, commonly referred to as the Early Harvest Program (EHP). It also entails the elimination of trade barriers between ASEAN countries (Ferrianta et al., 2012). These agreements are documented in Article 3, which addresses tariff reduction and elimination in its first two clauses: "The tariff reduction or elimination program by the Parties shall require that the MFN tariff applied to the listed tariff lines shall be gradually reduced and if applicable, eliminated, in accordance with this Article" (Breu et al., 2008). Furthermore, China and ASEAN collaborate in the financial arena through the establishment of a Monetary Union (MU), which involves the use of local currencies in international trade (Santosa, 2013).

ECONOMIC GROWTH AND INFRASTRUCTURE DEVELOPMENT IN THE ASEAN REGION THROUGH CHINESE INVESTMENT

ASEAN has become a primary focus for China in enhancing economic and political relations with the countries in this region. Chinese investment in ASEAN's infrastructure development has significantly contributed to economic growth and infrastructure improvements in the member countries of ASEAN. This paper employs a descriptive-analytical approach to examine the impact of Chinese investment in infrastructure development within ASEAN. The research utilizes trade statistics, investment data, and economic growth indicators from ASEAN countries and China. It also incorporates a review of related literature and case studies on infrastructure development in several ASEAN countries.

The analysis reveals that Chinese investments have had a significant impact on economic growth and infrastructure development in ASEAN. Chinese investments in infrastructure projects, such as the construction of highways, ports, and energy projects, have enhanced regional connectivity and accelerated economic growth in the ASEAN countries. Additionally, Chinese

investment has aided in job creation and technology transfer in the region. The increase in trade and promising investment links have the potential to support poverty alleviation and sustain economic benefits (Julia Breuer, 2017). One of China's major contributions to ASEAN's economic growth is through Foreign Direct Investment (FDI). China has channeled substantial investments into ASEAN countries, particularly in the manufacturing, infrastructure, energy, and tourism sectors. These investments have helped create jobs, transfer technology, and enhance production capacity in the ASEAN countries. Besides FDI, China has also played a role in infrastructure development in the ASEAN region. The "One Belt One Road" (OBOR) or "Belt and Road Initiative" (BRI) proposed by the Chinese government has significantly impacted infrastructure development in ASEAN countries. Through the OBOR/BRI projects, China has helped build transportation networks, ports, highways, airports, and energy projects in the region. This infrastructure development has not only improved connectivity among ASEAN countries but also facilitated trade and investment in the region.

Chinese industrial manufacturing products are highly sought after globally, as the Chinese government implements reductions in tariffs and other customs duties on products that support China's export presence in the international market. This has led China to require natural resources such as oil and raw materials to continue producing these goods for the factories that manufacture them. This is evidenced by China's oil imports reaching 10,000 barrels per day to meet domestic needs. In fact, the Chinese government invested USD 77 billion in 2019 in oil exploration activities to boost domestic oil production (Ed Hirs, 2019).

Beyond ASEAN, China, through its foreign policy, cooperates with various countries in the African region to build oil pipelines and make investments. China seeks to expand its influence in Africa, especially in the economic sphere, due to the high economic potential and attractiveness of the region to investors and business operators. This cooperation policy shows that

China has calculated gains and losses in the global political arena (Fenny Sinaga, 2017). However, there are also identified challenges and risks associated with Chinese investment in ASEAN. These challenges include environmental issues, project sustainability, trade imbalances, and concerns about economic dependency on China. Therefore, the paper also presents policy recommendations to maximize the benefits of Chinese investment while managing associated risks. Some criticisms of Chinese investment include foreign ownership of vital assets, potential over-indebtedness for recipient countries, and strong political influence in the projects.

POLITICAL PRESSURE AND GEOECONOMIC IMPLICATIONS ARISING FROM ECONOMIC DEPENDENCE ON CHINA

China, as one of the largest economies in the world, holds significant potential to exploit the economic dependencies of its partner nations as a political tool. Through robust trade relations, China can leverage its position to influence the political and economic policies of its partner countries. An example is China's practice of economic diplomacy involving the provision of substantial loans to developing countries, often followed by an increase in China's political influence in these nations. Such political dominance can diminish the independence and sovereignty of partner countries, thereby impeding their domestic policies (Hennida et al., 2020).

Economic dependence on China can also affect the foreign policies of partner countries. Nations reliant on exports to the Chinese market often find themselves compelled to align their foreign policies with China's economic interests. Additionally, China uses economic instruments, such as trade sanctions, as political means to influence partner countries. This can make it challenging for partner nations to pursue independent and sovereign foreign policies (Hutagalung, 2017).

Economic reliance on China carries significant geo-economic implications. As the world's largest producer and exporter, China possesses formidable economic power to influence global economic dynamics. Nations

dependent on imports of goods and resources from China are vulnerable to fluctuations in prices and supply availability. Economic instability in China, such as a slowdown in growth or financial crises, can have widespread detrimental impacts on partner countries reliant on trade relations with China (Kennedy et al., 2022).

Economic dependence on China also impacts global economic stability. For instance, economic turmoil in China, such as a devaluation of its currency or a stock market collapse, can have far-reaching effects on global financial markets. Dependence on China's market demand can make partner countries vulnerable to changes in China's economic policies, potentially affecting global market stability. Thus, economic reliance on China poses potential risks to global economic stability that need to be carefully managed (Wilantari et al., 2020).

Economic dependence on China also means that partner countries become vulnerable to economic fluctuations in China. Changes in China's market demand, economic policies, or domestic economic situation can have direct impacts on the economies of partner nations. If partner countries cannot swiftly adjust to these changes, they risk significant economic losses (Wilantari et al., 2020). Therefore, it is crucial for partner countries to have flexible strategies and sufficient market diversification to mitigate vulnerability to economic fluctuations in China.

The Future Prospects of the Economic Partnership Between China and ASEAN

In 2002, the formation of the China-ASEAN Strategic Partnership marked a significant milestone in strengthening economic and trade relations, as well as enhancing cooperation in various fields such as investment, tourism, infrastructure, and agriculture. China and ASEAN are two economic entities that complement each other; with China being the second-largest economy in the world boasting a vast market share, and ASEAN comprising 10 countries

with rapid economic growth and significant market potential. The economic cooperation between China and ASEAN brings numerous benefits. Firstly, there is an increase in bilateral trade. China is ASEAN's largest trading partner, while ASEAN is the third-largest for China (Simaltoga, 2022). Various trade agreements, like the RCEP (Regional Comprehensive Economic Partnership), have facilitated the expansion of trade between China and ASEAN. Secondly, there has been a surge in investment. China has emerged as one of the largest investors in ASEAN, particularly in infrastructure, manufacturing, and technology sectors. These investments spur economic growth in ASEAN countries, create employment opportunities, and enhance infrastructure capacities. Thirdly, cooperation in innovation and technology is another key aspect (Maulana, 2021). China excels in technology and innovation, whereas ASEAN offers a growing market with high growth potential. This cooperation enables technology transfer, knowledge exchange, and collaborative research between both parties.

According to Damayanti et al. (2018), the economic cooperation prospects between China and ASEAN are very promising. With the signing of the RCEP, a comprehensive cooperation framework has been established, opening new opportunities for trade and investment. Both parties continue to enhance dialogue and cooperation in various fields, including infrastructure development, tourism, agriculture, and energy. The future prospects of the economic partnership between China and ASEAN are bright and promising. Several factors that can influence the long-term prospects of this economic partnership.

The economic partnership between China and ASEAN is poised for a promising future, underpinned by strong growth potentials and strategic collaborations that are mutually beneficial. China, as the world's second-largest economy, offers a vast consumer market that is immensely attractive to the ASEAN countries. Conversely, ASEAN, with its 10 member countries and a combined population of around 650 million, presents a significant market

opportunity for China. This backdrop of mutual growth potential is instrumental in fostering enhanced trade, investment, and economic cooperation, benefiting both regions.

Recent years have witnessed a significant increase in trade between China and ASEAN, a trend further buoyed by the signing of the Regional Comprehensive Economic Partnership (RCEP). This agreement, which involves China and most ASEAN countries, is expected to further boost trade in the future. It aims to streamline trade processes, improve connectivity, and lower trade barriers, thereby fostering bilateral trade growth and making the economic relationship between China and ASEAN more dynamic and integrated.

Furthermore, Chinese investment in ASEAN has been on the rise, particularly in key areas such as infrastructure, manufacturing, technology, and energy. This influx of investment not only propels economic growth in ASEAN but also generates employment, contributing positively to the regional economy. ASEAN, in return, offers fertile grounds for Chinese companies, thanks to its expanding market and high growth potential, creating a reciprocal investment relationship that enhances the economic interdependence and prosperity of both regions.

An integral part of this evolving economic relationship is China's initiation of large-scale infrastructure projects, such as the Belt and Road Initiative (BRI). Aimed at enhancing connectivity between China and ASEAN countries, these projects encompass the development of transportation networks, energy, and telecommunications, thereby facilitating the flow of trade, investment, and economic interactions. This infrastructure development not only closely links the economies of China and ASEAN but also paves the way for broader regional integration.

Additionally, the partnership has evolved to include cooperation in innovation and technology. This collaboration allows for knowledge exchange, technology transfer, and joint research and development, leveraging China's

strengths in technology and innovation alongside ASEAN's rapidly growing market. Such cooperative efforts are poised to foster the development of advanced, technology-driven industrial sectors within ASEAN.

In essence, the economic relationship between China and ASEAN is characterized by shared opportunities for growth, increased trade and investment, infrastructural development, and technological cooperation. These elements collectively point towards a future of enhanced economic integration and shared prosperity, though it remains crucial to navigate the inherent challenges, including political, economic, and environmental considerations, to ensure sustainable and equitable growth for both regions.

However, the future prospects of the economic partnership between China and ASEAN also face several challenges, including political issues, economic competition, differences in regulations and policies, and environmental concerns. It is essential to continue enhancing dialogue, cooperation, and joint problem-solving to overcome these challenges and strengthen a mutually beneficial economic partnership between China and ASEAN.

CONCLUSION (CAMBRIA 12 Capital Letter)

The economic partnership between China and ASEAN has significantly contributed to the economic growth of both parties. China stands as one of ASEAN's largest trading partners, while ASEAN ranks as China's third largest. This mutual benefit extends to investments, trade in goods and services, and technology transfer. This partnership has also strengthened regional economic integration between China and ASEAN. Initiatives like the ASEAN-China Free Trade Agreement (ACFTA) have reduced trade barriers, facilitating the flow of goods and services between the two regions. This enhanced cooperation positively impacts tourism, investment, and infrastructure development. Bilateral trade between China and ASEAN has seen significant growth in recent years. Both parties have taken steps to deepen their trade

relationship, including in sectors like agriculture, manufacturing, technology, and services. China has become a key destination for ASEAN exports, while ASEAN is a major source of China's imports.

Bilateral investment has also been growing. China has become one of the largest investors in ASEAN, channeling funds into sectors such as energy, infrastructure, manufacturing, and finance. Conversely, ASEAN is an attractive investment destination for Chinese companies, offering access to emerging markets and skilled labor. However, challenges remain in this economic partnership. These include differences in regulatory standards, market access imbalances, and security and political issues that could affect bilateral relations. Continuous cooperation and dialogue are needed to overcome these obstacles. Overall, the China-ASEAN economic partnership has brought significant benefits to both sides. The growth in bilateral trade and investment, along with increased regional integration, has spurred economic growth and created new opportunities for cooperation across various sectors. By addressing existing challenges, this partnership has the potential to continue growing and support economic stability and prosperity in Southeast Asia.

BIBLIOGRAPHY

- Banlaoi, R. C. (2021). Counterterrorism cooperation between china, asean, and southeast asian countries: Current status, challenges, and future direction. *China Review*, 21(4).
- Bi, S. (2021). Cooperation between China and ASEAN under the building of ASEAN Economic Community. *Journal of Contemporary East Asia Studies*, 10(1). <https://doi.org/10.1080/24761028.2021.1888410>
- Breu, F., Guggenbichler, S., & Wollmann, J. (2008). Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Co-Operation Between the Association of Southeast Asian Nations and the People's Republic of China. *Vasa*.
- Damayanti, F., Putri, N. I. M., Wahyuni, R. S., Prayoga, M. R., & NW, G. K. (2018). ASEAN Di Tengah Rivalitas AS Dan Cina: Kerja Sama ASEAN Dengan RCEP

- Dalam Mengurangi Dampak Perang Dagang. Indonesian Perspective, 3(2), 145-158.
- Ed Hirs. (2019). China is Betting Big on Increasing Oil Production. Forbes. Retrieved from <https://www.forbes.com/sites/edhirs/2019/06/06/china-is-betting-big-on-increasing-oil-production/#510f83096371>
- Fenny Crosby Sinaga. (2017). Kepentingan Tiongkok terhadap Afrika melalui Forum On China-Africa Cooperation (FOCAC). JOM FISIP, 4(2).
- Ferrianta, Y., Hanani, N., Setiawan, B., & Muhaimin, W. (2012). Impact of Trade Liberalization ASEAN-China Free Trade Area (ACFTA) on the Performance of Indonesia Maize Economy. J. Basic. Appl. Sci. Res, 2(7), 6801-6809.
- He, M. (2021). Global Value Chain in the Post-COVID Era: Implications for Regional Cooperation of ASEAN and China. Open Journal of Political Science, 11(04). <https://doi.org/10.4236/ojps.2021.114047>
- Hennida, C., Wardhana, A., Sahab, A., Saadah, K., Pratiwi, F. I., & Ratmoko, E. (2020). Respons Negara-Negara Asia Tenggara Terhadap Dominasi China. Airlangga University Press.
- Hutagalung, J. N. (2017). Dampak Kebijakan Politik Luar Negeri China Terhadap Kepulauan Natuna di Laut China Selatan. Universitas Sumatera Utara.
- Jianren, L. (2016). The 21st century maritime silk road and China-ASEAN industry cooperation. International Journal of China Studies, 7(3).
- Julia Breuer. (2017). Two Belts One Road? The Role of Africa in China's Belt Road Initiative. Stiftung Asienhaus. Retrieved from https://www.asienhaus.de/uploads/tx_news/Blickwechsel_BRI-Afrika_01.pdf
- Kennedy, P. S. J., Sutrasna, Y., & Haetami, H. (2022). Geo-ekonomi: Dampak Terbentuknya Pakta Trilateral AUKUS terhadap ASEAN. Journal of Business and Economics Research (JBE), 3(2), 108-116.
- Kompas. (2020, December 15). CAFTA: Sejarah, Tujuan Dan Program. Retrieved from <https://www.kompas.com/skola/read/2020/12/15/090000869/cafta--sejarah-tujuan-dan-program#>
- Kulesa, Ł., Madej, M., Wyciszkiwicz, E., & Gradziuk, A. (2010). Implications of ASEAN-China Free Trade Agreement (ACFTA). Bulletin, 8(884).

- Ling, W. (2021). Creating Strategic Opportunities: The Concept and Practice of China-ASEAN Security Cooperation. *Social Sciences in China*, 42(3). <https://doi.org/10.1080/02529203.2021.1971406>
- Maulana, M. R. (2021). Perjanjian Kemitraan Ekonomi Komprehensif Regional (Regional Comprehensive Economic Partnership-RCEP) Dan Pengaruhnya Untuk Indonesia. *JISIP (Jurnal Ilmu Sosial Dan Pendidikan)*, 5(1).
- Meng, L. Y. (2017). "Sea of Cooperation" or "Sea of Conflict"?: The South China Sea in the Context of China-ASEAN Maritime Cooperation. *International Journal of China Studies*, 8(3).
- Santosa, B. (2013). Integrasi Pasar Modal Kawasan Cina - ASEAN. *Jurnal Ekonomi Pembangunan: Kajian Masalah Ekonomi Dan Pembangunan*, 14(1), 78. <https://doi.org/10.23917/jep.v14i1.162>
- Simaltoga, J. (2022). Peranan Partai PDI-Perjuangan Dalam Membangun Etika Politik.
- Wilantari, R. N., Oktaviana, F., Santoso, E., & Yunitasari, D. (2020). Ketidakpastian Kebijakan Ekonomi China dan Pertumbuhan Ekonomi Indonesia. *BISMA: Jurnal Bisnis Dan Manajemen*, 14(2), 147–154.