

China-ASEAN Cooperation: A Model of Good-Neighbourliness and Friendly Cooperation

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H.E. Ambassador Kesavapany,

Distinguished Guests,

Ladies and gentlemen,

First of all, I would like to thank the Institute of Southeast Asian Studies for the kind invitation extended to me. It is my privilege and honor to speak at the ASEAN Ambassadors Seminar at the Institute. The topic I am going to talk about today is China and ASEAN Cooperation.

I. Overview of the China-ASEAN Cooperation

To better appreciate what has been achieved in the China-ASEAN cooperation in the past 18 years, it would be helpful to recall briefly the history of China's relations with Southeast Asia. China and the Southeast Asian countries are

neighbors connected by land, mountains and rivers. Our people's contacts and cultural exchanges can be traced back to the 2nd century AD, which explains why today the largest overseas Chinese community is found in this region.

In the modern times, relations between China and Southeast Asian countries, however, experienced twists and turns, ups and downs. After the founding of the People's Republic of China in 1949, China adopted the independent foreign policy of peace. Against the Cold War background, China chose to unite with the Soviet Union and other socialist countries and actively developed friendly relations and cooperation with the Asian and African countries that had won national independence from colonial rule and foreign domination. During the early 1950s, China forged diplomatic ties with its neighboring countries, including Viet Nam, Indonesia, Burma (today's Myanmar) and later with Cambodia and Laos. In 1954, China, together with India, proposed the five principles of peaceful coexistence as the guiding principles of their international relations, which were later expatiated into the Ten Principles of Bandung Conference

and accepted by the Non-aligned Movement. This positive development, however, was ruptured by subsequent events in the midst of power rivalry and ideological confrontation between the East and the West. In the 1960s, tensions in the region further deteriorated the relations between China and some of its Southeast neighbors. When five Southeast Asian countries adopted the ASEAN Declaration at Bangkok in 1967, it was not perceived as a positive move towards China. It was only after China regained its lawful seat in the United Nations in 1971 and U.S. President Nixon visited China that situation in the region began to turn around. With Malaysia in the lead, three ASEAN member States, namely, Malaysia, the Philippines and Thailand established diplomatic relations with China in 1974 and 1975 respectively. Meantime in China, in the wake of Cultural Revolution the country soon adopted open policy and embarked on economic reforms. With the end of the Cold War, relations between China and its neighboring countries were further improved. Two months after China and Indonesia restored formal diplomatic relations in August 1990, China

established diplomatic relations with Singapore and one year later with Brunei Darussalam.

Even with formal diplomatic ties, China was fully aware of the suspicion and distrust that lingered on among Southeast Asian countries about China. It realized that it would require sincere and unremitting efforts of both sides to gradually build up mutual trust and mutual confidence. On China's part, it was considered essential to maintain good relations with its neighboring countries so as to guarantee a propitious international environment for its modernization drive and promote peace and common development of the region.

The year 1991 is the turning point in the relations between China and ASEAN. When Minister Ahmad Badawi as the Chairman of the ASEAN Standing Committee of the ASEAN Ministerial Meeting (AMM) extended an invitation to Mr. Qian Qichen, Chinese State Councillor and Foreign Minister to the opening session of the 24th AMM in Kuala Lumpur as an observer, the Chinese side responded positively. For five years in a row, Mr. Qian attended AMM sessions. With the

establishment of Joint Economic and Trade Committee and Joint Science and Technology Committee, the economic and trade between China and ASEAN countries developed rapidly and two-way trade increased at an annual average rate of over 20%. Politically, among others, consultation mechanism between senior officials of the two sides was instituted for regular exchange of views. Based on these positive developments, in 1996, the status of China-ASEAN relations was upgraded from Consultative Partnership to full Dialogue Partnership.

From 1997 to 2003, relations between China and ASEAN developed at even faster pace. In 1997, Chinese President Jiang Zemin attended the first China-ASEAN Summit (ASEAN + 1) and ASEAN-China, Japan and Korea Summit (ASEAN+3). The following year the two sides set up the overall structure of ASEAN-China dialogue mechanisms, composed of five committees and the ASEAN-China Cooperation Fund. In their joint statement on China-ASEAN Cooperation towards the 21st Century, they undertook to promote good-neighborly and friendly relations, increase high-level exchanges, strengthen the

mechanism of dialogue and cooperation in all areas to enhance understanding and mutual benefit.

During the 1997-1998 Asian financial crisis, China, despite its own financial difficulties, decided not to devalue its currency *renminbi* in order to help other Southeast Asian countries to obtain regional recovery. Later it actively participated in the *Chiangmai* Initiative and other financial arrangements. As part of the responses to the crisis, China-ASEAN free trade area was proposed. In 2001 upon the study of a joint expert group, the Summit decided to establish FTA within 10 years and signed the China-ASEAN Framework Agreement on Comprehensive Economic Cooperation. As a gesture of cooperation, China accepted an “early harvest” clause to start free trade of agricultural products between the two sides.

On the political side, in 2002 as a confidence-building measure China and ASEAN adopted the Declaration on the Conduct of Parties in the South China Sea, by which the parties undertook to exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and

stability in the region and to handle their differences in a constructive manner. Following on that, security dialogues between defense officials and think tanks, aside from others, were held. In 2003, China took the lead to accede to the Treaty of Amity and Cooperation in Southeast Asia and its two Protocols, demonstrating China's determination to maintain good-neighborly relations with the Southeast Asian countries. That year during the Bali Summit, leaders of China and ASEAN adopted the Joint Declaration on Strategic Partnership for Peace and Prosperity, thus raising China-ASEAN cooperation to a new level.

In the following years, under the Plan of Action for the Declaration for 2005-2010, a large array of programs and projects of cooperation were carried out. Currently China and ASEAN cooperation covers a broad range of areas. Under ministerial cooperation mechanism, programs are mainly related to foreign affairs, economy, transport, customs, law, youth affairs, public health, telecommunications, information, quality supervision and combating transnational crimes. The

China-ASEAN Cooperation Fund, together with the Special Asia Cooperation Fund solely funded by the Chinese side, will sponsor these projects. Under sectoral cooperation, 11 areas have been identified as priority areas, namely, agriculture, information and communication technology, human resources development, mutual investment, the Mekong Basin development, transport, energy, culture, tourism, public health and environment.

In the past 18 years, economic relations between China and ASEAN countries have made enormous progress. In 2008, the trade volume between China and ASEAN reached US\$231.12 billion, composing 9% of China's total trade volume, which was 29 times of the trade volume in 1991. Both ranked the 4th largest trade partner for each other. In the first seven months of this year, China-ASEAN trade volume is US\$107.4 billion. Although the figure has declined compared to the trade volume over the same period of the previous year, the range of decrease is gradually being narrowed. In terms of investment, the actual investment from ASEAN to China has reached US\$52 billion while Chinese

enterprises have invested US\$6.1 billion in ASEAN countries until 2008. With the signing of the three agreements on trade, service and investment, now China and ASEAN are ready to go on to the next stage to work on FTA starting January 1, 2010 as envisaged by our leaders ten years ago.

This time during the international financial crisis, China adopted a package of economic and financial measures to stimulate its economy and support regional financial situation. Early this year the Chinese Premier Wen Jiabao announced a comprehensive package of proposals for strengthening China-ASEAN cooperation. Among others under the package, China would set up a US\$10 billion China-ASEAN Fund on Investment Cooperation to finance major 10+1 investment cooperation projects in infrastructure, energy and resources, information and communication technology and other fields. In the next three to five years, China would provide ASEAN countries with US\$15 billion credit, including US\$1.7 billion in concessional loans, which was later increased to US\$6.7 billion. China would also provide a total of RMB270 million this year in

special aid to the less developed ASEAN countries, including Cambodia, Laos and Myanmar to help them meet pressing needs and get through this difficult time. Apart from continued support for sub-regional cooperation programs, such as GMS, BIMP-EAGA and Indonesia-Malaysia-Thailand Growth Triangle, China proposed to launch a number of programs and training courses to enhance food productivity and agricultural capacity of ASEAN countries. Some of the programs are already under way.

This is only a glimpse of what have been achieved in the past 18 years in China-ASEAN cooperation. In retrospect, we can proudly say that although China came last among ASEAN partners, its substantial cooperation with ASEAN has now come first.

II. Experiences Obtained Through the Cooperation

In the course of our cooperation, China and ASEAN countries have got to know each other much better and their mutual understanding and mutual trust have substantially enhanced through dialogues and mutual support. Among our

experiences, there are a few important aspects that should be mentioned.

1. Promoting mutual trust and mutual understanding is the basis to establish the strategic partnership for peace and prosperity. Ever since China started its dialogues with ASEAN in 1991, it has made tremendous efforts to improve its political relations with ASEAN and its Member States and to promote mutual trust and mutual confidence. Apart from political dialogues at various levels and confidence-building measures, China has strictly observed mutual respect and mutual benefit in its relations with ASEAN. China sincerely supports ASEAN community-building and its centrality in the East Asian cooperation. Among different layers of regional cooperation fora, it considers that ASEAN plus China should serve as the foundation of our cooperation.

It should be noted that in the past 18 years our mutual trust increased and our cooperation strengthened each time when we jointly overcame some crisis, proving "a friend in need is a friend indeed." From 1997 Asian financial crisis to 2008

international financial crisis, from SARS pandemic to a series of most devastating natural disasters, i.e. Tsunami, Cyclone Nargis, Sichuan Earthquake, Philippine typhoons, we reached out to each other with timely and generous support and assistance that touched the heart of our people.

China, like ASEAN, cherishes the principles of equality and diversity in unity and respects ASEAN and its Member States to choose their own development course. In dealing with our differences and disputes, China pursues sincere dialogues and advocates peaceful means for settlement. We are conscious that some of the existing disputes bear on the fundamental interests of the relevant countries and would, if not cautiously handled, seriously jeopardize our cooperation. Therefore, we have been exercising utmost restraint and caution in coping with our differences. I will come back to some of the issues later.

2. Leadership role and institutional support are the guarantees of success. From the inception of our contacts, the leaders of both sides have played a crucial role in promoting our dialogues and cooperation. When mutual trust was still delicate,

strong leadership from both sides would not only provide the vision and guidance but also give impetus to the cooperation.

For nearly two decades, multi-layer mechanisms of cooperation have been gradually built up between ASEAN and its partners, each with a different mandate. As ASEAN integration is an incremental, open and inclusive process, institutional framework has proven necessary and sustainable.

On China's part, we have also pushed forward cooperation between ASEAN with our coastal regions, western provinces and provinces bordering with ASEAN countries. China-ASEAN Expo in Nanning has run for six consecutive years and will serve as one of the key links between China and ASEAN. Down the road, we are expecting more initiatives from our local regions. Last month, during the China-ASEAN Summit, we signed the MOU on the Establishment of China-ASEAN Center. We hope that the Center will provide another useful vehicle to deepen our contacts and cooperation. In taking stock of what we have instituted, we see an instrumental and flexible framework to have taken shape, which encourages initiatives and

opportunities for cooperation.

3. Economic and trade development is the driving force of cooperation. China-ASEAN cooperation in essence is a South-South partnership, which means that development remains the first priority for both sides.

In terms of economic and social development levels, China and ASEAN Member States vary considerably in many aspects. There is large room where we can learn from each other. In the past thirty years, China has made rapid economic progress and would like to join ASEAN's efforts to narrow the development gap in the Southeast Asian region. As ASEAN has reiterated on many occasions, the final success of ASEAN economic community depends on the efforts to bring all the people on board for common development, which will test the political will of the leaders of ASEAN Member States as well as its partners. China through its own development experience fully understands the urgency and importance of the objective. In all the areas we work on, less developed countries and regions are always given favorable consideration and support.

The rapid development of economic and trade relations between China and ASEAN has brought the two sides closer than ever. The growing trade volume and mutual investment between the two sides provide increasing opportunities for our people. What we have got from our economic cooperation is not simply the growing wealth, expanding market and increasing job opportunities, but more importantly, an emerging interdependent communal identity. As your partner, China believes that China's economic prosperity depends on a prosperous economic community of ASEAN. It is with this conviction that China attaches importance to ASEAN development needs and concerns.

4. Cultural exchanges and people's contacts are the social foundation for China-ASEAN cooperation. I fully agree with Ambassador Severino when he said in his book on ASEAN Community about relations between China and ASEAN that "For the longer term, both sides could do much more in fostering greater mutual understanding, especially among the youth and the mass media, through more intensive exchanges,

training programs, and the establishment of promotion centers.”

Although China and ASEAN are neighbors with a long history of cultural exchanges, people’s contacts and social connections between the two sides are still far from enough. In recent years, we have stepped up our endeavors to promote cultural exchanges, tourism, education programs, language learning, youth projects and media exchanges.

Early this year when I assumed the post as Ambassador to ASEAN, I made my first trip to Guangxi and Yunnan to see their cooperation projects with ASEAN countries. I was deeply touched by their enthusiasm and expectation about China-ASEAN cooperation. Later I traveled to ten ASEAN member countries; in each country I felt at home right way. I realize that without our people’s endorsement and support China-ASEAN cooperation will not sustain, because after all they are the ones who will determine whether we can be friendly neighbors and whether our cooperation will bear fruit.

At the moment, however, our civil society on both sides in general is faced with many difficulties, institutionally and

financially, to carry out regular exchanges at international level. Government support and facilitation are still needed. On China's side, more social groups, NGOs, volunteers are participating in China-ASEAN cooperation. In this regard, we hope the China-ASEAN Center will provide more opportunities for people's contacts.

III. Challenges Ahead

In discussing our relations, Ambassador Severino pointed out, "For all the flurry of activity in ASEAN-China relations in a sprawling range of areas, much confidence building remains to be done between the two sides, precisely because of the growing relationship between them, as well as their geographic proximity and the rapid rise of China's political, economic and military power. China, for example, has to foster among the ASEAN countries a better understanding of its strategic outlook." In his analysis, Ambassador Severino listed some deeper issues of concern such as China's relations between major countries both within and outside the region, China's energy policy, transboundary water development, and above all, South China

Sea. I shall try to address them one by one.

On the relations with major countries, the primary concern is China-U.S and China-Japan relations. It goes without saying that today China-U.S. relations are very different from the Cold War times. As two of U.N. Security Council permanent members, both China and U.S. bear the primary responsibility to maintain world peace and security and both have great interest in the Asia-Pacific region. Indeed, as is asserted, today in dealing with major world affairs, no single issue can be adequately addressed without the two, the largest developed country and the largest developing country. A few days ago, U.S. President Obama just paid a visit to China. Such high-level meetings, either directly or indirectly, will certainly reinforce their strategic relationship. President Obama considers China both as a friend and a competitor. China welcomes cooperation with U.S. and is glad to see U.S. play a positive role in promoting peace and security in the Asia-Pacific region. Having said that, I should also add that this observation does not mean to endorse the so-called "G2" Theory. Chinese Premier Wen has

already made our position very clear on the idea.

In regard to Japan, relations between China and Japan have been significantly improved in recent years. I should mention that thanks to ASEAN + 3 cooperation mechanism, China and Japan have found an additional platform for cooperation. As one of its most important neighbors and trade partners, China always attaches great importance to its relations with Japan. Japan, as U.S., also regards China as a competitor, and more so in the region. Indeed, we have differences, particularly the history issue and maritime disputes, but both sides recognize that we also have much more common interests to work together. East Asia's development relies on joint efforts of China and Japan.

With respect to China's energy and environmental policy, the ongoing negotiations on the climate change for the Copenhagen Conference have drawn a great deal of attention. China has taken an active part in the whole process in the hope that developed countries will take up their responsibility to further their commitments at Copenhagen and not disappoint the international community. The legal basis is the "common but

differentiated responsibilities” as laid down by the Climate Change Framework Convention and the Kyoto Protocol. As a developing country China will speed up its efforts to reduce emissions, raise energy efficiency and develop alternative energies. These measures have already been integrated into our national development plan. At present, there are numerous programs in the field between China and the developed countries. We have also offered to work with ASEAN countries to develop alternative energy and improve energy efficiency.

On the issue of transboundary water development and management, the major concern is about the development projects on the upstream area of the Mekong River, the Lancang River. As an international lawyer, personally I can fully appreciate such apprehension from Mekong riparian States, because any project on transboundary rivers tends to give rise to such concerns of the downstream States. Under international law, there are soft law principles guiding States practice in the utilization and management of international waters, such as principles of equitable and reasonable utilization, not to cause

significant harm and international cooperation. Although they are not hard binding rules, China is paying more and more attention to these norms in developing water projects.

Early this year when I visited Yunnan, I made a point of visiting a water dam at the border area with Laos. I inquired experts there what environmental measures they had taken and whether they had had any contacts with the downstream countries. I was pleased to learn that they had conducted comprehensive environmental assessment and taken a number of measures to protect the water system and its ecological environment. Officials from Laos and Viet Nam had been to the site for inspection and I was told that they were quite impressed by the measures. Under China-ASEAN cooperation plan, there are more contacts between China and other riparian countries and donors. To enhance mutual trust and mutual understanding, we welcome dialogues and consultations. The Government will guide our power companies to issue more information to the neighboring countries as well as to the public.

Lastly, the South China Sea. Our official position on the

South China Sea has been asserted on numerous occasions, so I shall not restate it here. Currently the issue is two-fold. One is the present stalemate of negotiations on the follow-up guidelines for the implementation of DOC. The other is the dispute over actions taken recently by some claimant States in the area.

The South China Sea was not an international issue until late 1960s and early 1970s when new maritime resources were discovered. The 1982 U.N. Convention on the Law of the Sea establishes the EEZ regime and Continental Shelf regime, but with a few very general principles on maritime delimitation (articles 74 and 83), giving rise to many conflicting claims and territorial disputes. For the purposes of maintaining peace and stability of the South China Sea, China, while reiterating its territorial sovereignty over the South China Sea islands, has proposed to the relevant claimant States to put aside disputes and negotiate measures for common development. After nearly ten years dialogues and consultations among ASEAN Member States and China, in 2002 the Parties finally reached the agreement on the Declaration on the Conduct of Parties in the

South China Sea. The Declaration, succinct and constructive, is a very delicate balance among the Parties. It particularly provides that "the Parties concerned undertake to resolve their territorial and jurisdictional disputes by peaceful means, without resorting to the threat or use of force, through friendly consultations and negotiations *by sovereign states directly concerned*, (emphasis added) in accordance with universally recognized principles of international law, including the 1982 UN Convention on the Law of the Sea." Pending final settlement of their disputes, they will exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability in the region. With a view to building trust and confidence between and among them, the Parties agreed to continue their consultations and dialogues and carry out cooperative activities in a number of areas.

Although not all of the ASEAN Member States are involved in the disputes, China appreciates their collective efforts to promote peace and stability in the South China Sea. In the follow-up negotiations on the draft guidelines for the

implementation of DOC, the work got stuck mainly because of the difference over the modality of their consultations. The key issue is whether ASEAN Member States should consult among themselves first before they consult with China. ASEAN members insist on such a consensual approach towards China, while the Chinese side does not think this is in line with the understanding of DOC, where modalities, scope and location of bilateral and multilateral cooperation are left flexible to the parties concerned. Besides, to render the practice into a normative procedural rule would change the nature of such consultations. The whole issue of South China Sea is not a matter between ASEAN as an organization and China, but among the relevant countries. ASEAN could serve as a valuable facilitator to promote mutual trust among the Parties, but not turn itself into a party to the dispute.

In regard to the recent actions taken by some claimant States, the matter boils down to the question whether the Parties are genuinely observing DOC to exercise self-restraint not to complicate the situation and escalate the disputes. Territorial

disputes are concerned with fundamental interests of States and are extremely sensitive to the public. As the matter cannot be settled soon, China has proposed to start with confidence-building measures and agreed to embrace ASEAN's efforts. The current standstill is not helpful to any Party. We hope that with joint efforts of all Parties, we can soon break it up and move forward to work on the implementation projects.

One Chinese old saying goes: a good neighbor is better than a long-distant relative. Neighborliness has two sides. On the one hand, because of our geographic proximity, we have common desire and interests to live together in peace and harmony, and on the other hand, because of such proximity, we may face more practical issues and conflicts to solve. As both sides are striving for peace and common prosperity, we have every reason to believe that we not only have the political will to find solutions to our differences, but also the determination to work together for our common goals as a fine model of good-neighborliness and friendly cooperation.

I thank you for your kind attention.