SINO-ASEAN RELATIONS AFTER THE 1997 ASIAN FINANCIAL CRISIS:
THE IMPACT OF THE RISE OF CHINA ON THE DEVELOPMENT OF INTRA-ASEAN RELATIONS

THESIS
A thesis submitted in partial fulfillment of the requirements for the Master Degree from University of Groningen

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DECLARATION BY CANDIDATE

I hereby declare that this thesis, “Sino-ASEAN Relations after the 1997 Asian Financial Crisis: The Impact of the Rise of China on the Development of Intra-ASEAN Relations,” is my own work and my own effort and that is has not been accepted anywhere else for the award of any other degree or diploma. Where source of information have been used, they have been acknowledged.

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Date : 31 January 2015
ABSTRACT

ASEAN Way has been used intensively in the intra-ASEAN relations. The principle of non-interference as part of the ASEAN Way has been emphasized within the intra-ASEAN relations. Moreover, ASEAN has developed certain values, such as the promotion of human rights and democracy. It is found that ASEAN practices two methods of norm diffusion, socialization and conditionality, which were applied in intra-ASEAN relations and Sino-ASEAN relations. Myanmar is one example to learn about the process of adherence to the democratic system. On the other hand, the process of norm diffusion within Sino-ASEAN relations is not always working well. China respects the ASEAN values and norms; however, China will not change its political system into a democratic system. The development of democracy and human rights in China is really slow, if not, stopped by the Chinese government.

Regionalism has become one important issue in Southeast Asia. The 1997 Asian Financial Crisis has given unforgettable lessons for Asian countries, especially Southeast Asian countries. After the 1997 Asian Financial Crisis, ASEAN and China realized the importance of a good regional framework to avoid any geopolitical and regional instability. ASEAN leaders have prepared to integrate the region into a comprehensive community which is called the ASEAN Community. In the past decade, the growing presence of China in Southeast Asia has affected the intra-ASEAN relations. This thesis is conducted through qualitative methodology by using constructivism as the main concept. From the analysis, it can be concluded that the intra-ASEAN development has been challenged by the growing presence of China in Southeast Asia. To face the external power of China, ASEAN member states should increase the cooperation and solve the intra-ASEAN conflicts.

Keywords: Norms, Regional Identity, Constructivism, China, ASEAN
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Jakarta, 31 January 2016

Jasmine Lingkaran
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<table>
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<tr>
<td>ACFTA</td>
<td>ASEAN-China Free Trade Area</td>
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<tr>
<td>AEC</td>
<td>ASEAN Economic Community</td>
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<tr>
<td>ASEAN</td>
<td>Association of Southeast Asia Nations</td>
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<td>APT</td>
<td>ASEAN Plus Three</td>
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<td>EEZ</td>
<td>Exclusive Economic Zone</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>SEANWFZ</td>
<td>Southeast Asia Nuclear-Weapon-Free Zone</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>US</td>
<td>United States (of America)</td>
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<td>WWII</td>
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Sino-ASEAN Relations after the 1997 Asian Financial Crisis: The Impact of the Rise of China on the Development of Intra-ASEAN Relations

Jasmine Lingkaran

INTRODUCTION

The rise of the People’s Republic of China (PRC) has changed the global political economy, especially in the Southeast Asian region. China’s presence has intensely increased at the international and regional level, including the establishment of a regional framework, strategic partnership and free trade area with Southeast Asian countries. The relations between the Association of Southeast Asian Nations (ASEAN) and China lie in a distinct and unique position within the international relations of the Asia-Pacific region. The political and economic standing of ASEAN and China have been transformed by the remarkable economic growth, political changes, and unpredictable financial crisis.¹

The discussion on the rise of China and its outward strategy has raised concerns among Asian states, especially the neighboring countries. Several decades ago, the relations between China and Southeast Asia were considered as mediocre. During the Cold War, the diplomatic relations between China and the five founding members of ASEAN (Indonesia, Malaysia, Singapore, Thailand, and the Philippines) were not on good terms. The problem was that the Chinese government implemented an ideological alignment within the inter-state relations by supporting Communist movements in non-communist states while granting citizenship to ethnic Chinese when they entered China.² China was considered a threat for both domestic and regional security.

However, this point of view has been challenged over the past decade. China is trying to change this negative perception by approaching other countries that are using new strategies, such as soft power and economic cooperation. The new strategy uses diplomacy to maintain the Chinese relationship with other states. Economic relations remain an important part of ASEAN-China relations. China expands its economic activities within Southeast Asia.

Considering itself a developing state, China approaches Southeast Asia which comprises both developing and developed countries with different economic levels.

Despite the economic growth in the 2000s, the financial crisis which took place in 1997 has become a deep scar for Asian states, mostly Southeast Asian states. The 1997 Asian Financial Crisis has become a turning point in shaping the regional cooperation in Asia, especially in Southeast Asia which was deeply hit by the crisis. This crisis challenged ASEAN’s coherence in facing the crisis as one regional community. On the other side, China was also affected by the crisis. To overcome the problem, ASEAN proposed a new regional framework which was welcomed by the Chinese government. Both ASEAN and China agreed on the initiation of ASEAN Plus Three (APT), a framework which is arranged for the inclusion of three countries, China, Japan, and South Korea. It was created in order to intensify and strengthen the relations.

China’s economic integration into Southeast Asia has shaped a wider regional economic cooperation. Besides the APT Framework, the existence of the ASEAN-China Free Trade Area (ACFTA) which was negotiated in November 2001 and implemented in February 2010 can be seen as a form of advanced engagement in enhancing the relations. Foreign direct investment, foreign assistance, and trade are being used by China to approach ASEAN member states. Some ASEAN member states, such as Indonesia, Malaysia and Singapore, have big economic capacities. Considering ASEAN, the Chinese government seeks a political status proportionate with its economic capabilities.

As close neighbors, ASEAN member states and China had extensive interactions during the past decades. The interactions do not only include cooperation and agreements, but also several disputes and disagreements. The territorial disputes in the South China Sea have increased tensions between several ASEAN member states and China. In general, the territorial disputes always become the headline of the intra-ASEAN conflicts. The two groups of islands that are being disputed are the Paracel Islands which are contested by China, Taiwan, and Vietnam; and the Spratly Islands which are disputed by China and several

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4 Ibid.


ASEAN members, including Brunei Darussalam, Malaysia, Vietnam, and the Philippines.\textsuperscript{7} The occurrence of conflicts and disputes between ASEAN member states and China might impact the intra-ASEAN relations.

ASEAN’s regionalization process is unique and distinct compared to other regional organizations. Cooperation in East Asia is not as formal as in other regions.\textsuperscript{8} ASEAN does not have a legitimate organization structure which legally binds all the member states, and the leadership chair is rotated annually. Nevertheless, ASEAN has several values that are being respected. The values are officially written in the ASEAN Human Rights Declaration, noting the respect of human rights and democracy. In addition to the values, the so-called ‘ASEAN way’ or the communal norms are acknowledged among ASEAN member states. This set of norms has certain influence in shaping the relationship between ASEAN member states. China as a new guest in Southeast Asia might have been either influenced by the norm or is influencing the norm. Thus, this phenomenon will have a certain impact on the intra-ASEAN relations. This concept will be explained and elaborated on later chapters.

**Research Questions**

Frequent interactions between ASEAN and China have included the diffusion of international norms which have effects on states’ policies and political behavior. The purpose of this research is to analyze intra-ASEAN relations and region-building in the midst of the rise of China and its potential geopolitical impact on the region. Sino-ASEAN relations have influenced intra-ASEAN relations. In addition, China’s foreign policy and political behavior have certain unique patterns. In some way China’s behavior shows the indication to be a regional hegemon; however, China’s objective is still not clear.

The main research question which will be addressed here is formulated as follows: “To what extent have Sino-ASEAN relations after the 1997 Asian Financial Crisis affected the development of intra-ASEAN relations?” Several sub-questions will be focused upon:

- How is the development of intra-ASEAN relations specifically after the Asian Financial Crisis and to what extent has the ASEAN Way influenced intra-ASEAN relations?
- How does China maintain its relations with Southeast Asian states and to what extent does it integrate into the region?


- How does China influence the intra-ASEAN relations and to what extent does it affect the region’s integration and coherence?
- To what extent do ASEAN states accept China’s growing leadership role?

**Justification and Motivation for the Research**

The growing presence of China in the Southeast Asian region is remarkable. China has intensified the relations with ASEAN in the recent decades. The establishment of the so-called regional framework and strategic partnership between ASEAN and China has initiated a deeper relationship in the region. Moreover, the framework of APT has brought Sino-ASEAN relations to another level which also brought Japan and South Korea into the region. Recently, the topic of the relations between ASEAN and China has been covered in many articles and books. Hongyi Lai and Lim Tin Seng argue in “Harmony and Development: ASEAN-China Relations” that ASEAN-China relations have been transformed from a relationship covered by skepticism and suspicion to a friendly and dynamic partnership.\(^9\)

China has changed its approach to ASEAN steadily after two events: the country’s economic reformation and the end of the Cold War. Both ASEAN and China see that the partnership between them is important and significant for the state development and economic growth.

Practically, the rise of China has raised questions about the regional securitization in Southeast Asia and the position of China within the region.\(^10\) In one of his articles, Ong Keng Yong, the former Secretary General of ASEAN who also served as Singapore’s High Commissioner, states that ASEAN views China as a close neighbor with enormous potential and ASEAN is benefiting from China’s investments, while China supports ASEAN’s integration and region-building.\(^11\) Nevertheless, the conception of “the rising China” needs to be critically assessed. External forces play roles in constructing an opinion of one state, whether the state is considered a threat or a friend. Kalyan Kemburi (Rajaratnam School of International Studies in Singapore) assessed “the rise of China as a key source of demand and

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investment for Southeast Asia and the institutional capability of Beijing to leverage this economic competence in order to influence policies in the region”.

Most of the existing research has focused either on the rise of China or the development of ASEAN member states. However, the impact of the rise of China and the growing existence of China in the Southeast Asian region on the intra-relations between ASEAN member states have not yet been researched much. It is rare to find research on intra-ASEAN relations and the impact of China’s rising on ASEAN. Furthermore, several problems such as territorial disputes have taken place because of the geographical location and conflict of interests. The disputes do not only involve China-ASEAN relations, but also the intra-ASEAN member states. The explanation regarding the problems that are faced by the ASEAN member states will be explained in the later chapters.

The competition among the ASEAN member states might be increased after further engagement with China, for instance in receiving an investment deal. This will be assessed later in this thesis. Moreover, I will assess whether the rise of China is a perception which is constructed by China using the partnership with the member states in order to socially construct its imagery and influence in the region. After opening its state to the international society, China understands that the image of a state is important to gain trust from other states. Thus, in my research, I will focus on assessing China’s influence in the Southeast Asian region, specifically with regard to the relations between the ASEAN member states.

Research Methodology and Thesis Outline
In this research, I will use several concepts which serve as guidelines and tools of research. Constructivism will be used as the main theoretical approach. Constructivism comprehends that interactions between states might shape the way of a state to acknowledge another state. According to Wendt, the socialization process between states might form “collective identities and interests”. This concept can be applied to both relations between ASEAN and China, and in intra-ASEAN relations. Eberhard explains that constructivism apprehends the idea that the process of cooperation in inter-state relations has an impact on the state’s willingness to cooperate. Furthermore, the interaction between ASEAN and China may have an impact on the intra-ASEAN relations. The research will be limited to the period after

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the 1997 Asian Financial Crisis. This limitation will help the author to focus on this specific period. The author chose this period because of certain reasons. After the 1997 Asian Financial Crisis, ASEAN along with East Asian states, including China, formed a widespread regional framework to overcome the crisis. Thus, the decision to limit the period will guide the author to be more focused on this research.

In conducting the research, the qualitative method will be used. This research is based on literature review, primary sources, and secondary sources on ASEAN and China. Furthermore, the official websites of the governments, statements and other official sources will be used. To answer the research question, this thesis will be divided into several chapters. The first chapter will provide the theoretical framework as the basis of the research. It will assess the academic literature based on constructivism and other concepts such as norm diffusion and regional identity. These concepts will be explained thoroughly in this chapter.

The second chapter will provide an assessment of the Sino-ASEAN relations after the 1997 Asian Financial Crisis. Next, the construction of intra-ASEAN relations and the presence of China in the Southeast Asia will be investigated thoroughly. The ASEAN way, the communal norm in the region, plays a significant role in intra-ASEAN relations as it might be the key to enter the region. This concept will be analyzed comprehensively in this chapter. The intrusion might happen in the region as China increases its involvement with ASEAN member states. To support this research, China’s strategy in approaching ASEAN member states will be assessed. Therefore, I will answer the first and second sub-questions in this chapter.

In the third chapter, I will analyze the impact of Sino-ASEAN relations on intra-ASEAN relations. The existence of norm diffusion which might take place in Sino-ASEAN relations will be assessed in this chapter. Furthermore, Southeast Asian states and China have both bilateral and regional cooperation which have certain influence on intra-ASEAN relations. Accordingly, the third and fourth sub-questions will be answered in this chapter. The fourth chapter provides the theoretical implications of current Sino-ASEAN relations. It will explain what the contribution of the research is towards international relations studies. This chapter will answer the question to what extent this thesis does converge with or diverge from existing research on the topic. The last chapter will be the conclusion, which aims to deliver the answer to the research question.
CHAPTER I
THEORETICAL AND ANALYTICAL FRAMEWORK

In order to investigate the main research question “to what extent have Sino-ASEAN relations in the period after the Asian Financial Crisis affected the development of intra-ASEAN relations”, it is important to properly understand the main concepts which will be used. This chapter elaborates on the analytical framework used to assess the extent to which the relations between ASEAN and China affect the development of intra-ASEAN relations. This chapter discusses Constructivism as the main theory of the thesis. In addition to constructivism, this thesis will use norm diffusion and regional identity as the key concepts to assess and elaborate on Sino-ASEAN relations and intra-ASEAN relations, leading ultimately to answering the research questions.

I.1 Constructivism

“Nothing proceeds from itself. Nothing is given. All is constructed.”

– Gaston Bachelard

Norms have been considered as influential elements in the study of politics for more than two millennia. The study of politics revolves around human behavior and the ideas about justice and good. This concept can be traced back thousands of years ago, noting Aristotle and Plato. The theory of constructivism emphasizes the role of norms, identities, or shared understanding of individual and states. Humans and states as the main actors have their own way of thinking which is based on their distinct experiences, beliefs, ideas, and backgrounds of culture. This way of thinking leads to their respective actions. All perception is constructed. The perception or the way in which something is interpreted about ideas such as friends or enemies, justice, and others have become a key which determines state’s behavior.

17 Ibid.
Constructivism has been acknowledged as an opposite approach to both realism and liberalism which are categorized under the rationalist paradigm, while highlighting the role of interactive processes in shaping interests.\textsuperscript{20} Rather than a theory, it is identified as ontology. In its development, the constructivist worldview is inspired by the classical international theories of Kant, Hegel, and Grotius, which were quite dominant during the world wars, and currently are recognized as “Idealism”.\textsuperscript{21} Later, the development of constructivism in the international politics was triggered by the end of the Cold War. Mainstream International Relations theories had difficulties explaining the closure of the Cold War which was unpredictable by the international community.\textsuperscript{22} The fall of the Soviet Union was not foreseen. This occurrence was later analyzed by using constructivism. Constructivism explains about the occurrence which cannot be described by the other mainstream theories.

Using different methods of analysis, constructivism has several conceptions different from the rationalist theory of IR, realism and liberalism.\textsuperscript{23} It challenges the rationalist frameworks. Constructivism recognizes that government preferences may diverge and are endogenous to interactions with domestic affairs, other governments, and international norms regarding the appropriateness in the international society.\textsuperscript{24} Moreover, constructivism emphasizes that the practice of a policy tends to result from international norms, national identities, domestic cultural norms, and international institutions.\textsuperscript{25} Overall, constructivism has distinct characteristics compared with other mainstream International Relations theories.

In his article of “Collective Identity Formation and the International State”, Wendt explains that as a structural theory of the international system, there are several core concepts in constructivism.\textsuperscript{26} Firstly, he addresses that states are the primary units of analysis for international political theory.\textsuperscript{27} Secondly, rather than material, the main structures in the states system are considered as intersubjective and shared among people.\textsuperscript{28} Thirdly, these social structures have constructed state identities and interests, rather than being affected by

\textsuperscript{21} \textit{Ibid.}
\textsuperscript{22} \textit{Ibid.}
\textsuperscript{25} \textit{Ibid.}
\textsuperscript{27} \textit{Ibid.}
\textsuperscript{28} \textit{Ibid.}
external factors such as human nature or domestic politics. Wendy argues that the interaction of people is determined primarily by “shared ideas rather than material forces”. In other words, he explains that shared ideas have an influence to shape the action of individuals or states, including their behavior towards others. The social world is full of constructed entities; however, the most significant part in the social world is the ideas and beliefs. Both ideas and beliefs play important roles in constructing others’ opinions. The physical entities are secondary in this view. Wendy’s assessment of constructivism will be used as a basis of analysis in the later chapters.

The theory of constructivism explains that the way of thinking influences the action and that states and individuals live in the world that they construct. The theorist Nicholas Onuf coined the term of “constructivism”. International politics is a ‘world of our making’, instead of recognizing international politics as a dimension of recurrence and repetition. In recent periods, constructivism has been developed to be more of “a philosophically and theoretically informed perspective on and approach to the empirical study of international relations”. Many constructivists approve that states act in the pursuit of what they regard as their interests. By pursuing their interests, states and international actors put rhetorical behaviors into their action which are implemented in their foreign policy. In this particular approach, the international actors convince and persuade other actors using rhetoric, an art of discourse through a variety of domains. The theory of constructivism concerns the process of cooperation and dialogue which are practiced in the interaction between states; thus, this process may result in the willingness of a state to cooperate. One state is able to persuade other states using speeches or dialogues that lead to fulfilling one’s interests.

Furthermore, social constructivists identify that identity and the interest of actors are socially constructed. Wendy argues in his article “Constructing International Politics”, that critical theories of IR generally concern the socially constructed world politics. It is stated that material resources only derive meaning for individuals or states action through “the

29 Ibid.
32 Ibid, p. 856.
structure of shared knowledge” in which they are interpreted.\textsuperscript{37} For instance, the sale of 50 air-launched cruise missiles to Indonesia is less threatening to China than the sale of 10 air-launched cruise missiles to Japan. Social structures exist only in practices and process, not in the mind of the actors nor the material capabilities.\textsuperscript{38} Therefore, the perception of a state to other states affects the social structure.

In general, the international system is a rigid case for constructivism. While norms and law rule over domestic politics, international politics is controlled by self-interest and coercion.\textsuperscript{39} To explain this condition, there are three elements in the structure of the social system: material conditions, interests, and ideas which are differed as separated structures.\textsuperscript{40} It is stated that\textsuperscript{41}: “Without ideas there are no interests, without interests there are no meaningful material conditions, without material conditions there is no reality at all. In the end for any given social system there is just structure, in the singular. The task of structural theorizing ultimately is to show how the elements of a system fit together into some kind of whole.”

Compared with the rationalist theories, constructivism has a different perspective in viewing the international phenomenon. Constructivism is an approach that has the capacity to explain certain changes and phenomena regarding the relations between ASEAN and China. According to the constructivist approach, the diversity within Southeast Asia has shaped “the standard of behavior defined in terms of rights and obligations” or norms.\textsuperscript{42} Norms and identities have a central role in constructing the cooperation. In this case, the ASEAN way was formed after the historical and cultural background of the Southeast Asian countries in which the colonialist past and the post-colonial period urge the need of reforming the state’s system while pushing the economic development. At the same time, the regional reformation constructed a bond between ASEAN member states.\textsuperscript{43} Most of ASEAN member states, except Thailand, have been colonized and in the same situation and circumstance in the past.\textsuperscript{44} In a more recent case, the 1997 Asian Financial Crisis has triggered a shared burden between the Asian states.

\textsuperscript{37} Ibid, p.73.
\textsuperscript{38} Ibid, p.74.
\textsuperscript{40} Ibid, p.139.
\textsuperscript{41} Ibid.
\textsuperscript{44} Ibid.
To sum up, assessing the social construction of international politics is to analyze how interactions form the social structure, either cooperation or conflict, which shape the identities and interests of actors and their significance in the material forms.\textsuperscript{45} Hence, constructivism will be used to explain the attractiveness of ASEAN values to China and regionalism in the Southeast Asian region as well as the inclusion of China into the region. Constructivism provides all important aspects which are beneficial for this thesis’ analysis. This approach highlights that structures in the international community are formed by the experience, and the states’ action is able to alter the social structure.

Thus, several questions arise after this conceptual assessment. How is the constructivist approach able to provide a better explanation of the presence of China in the Southeast Asia region? To what extent have the international norms affected the foreign policy of ASEAN member states? To what extent do the intra-ASEAN relations develop after the 1997 Asian Financial Crisis? Do the intra-ASEAN relations become closer after the increase of China’s activities in Southeast Asia? The rise of China has been discussed intensely and it is interesting to analyze how China apprehends multilateralism. In this case, China is able to build a close relationship with ASEAN and plays along with the ASEAN way. The ASEAN way, a unique approach and code of conduct which is agreed among the ASEAN member states, will be elaborated further in the next chapter. Identities and interests have a great role in shaping China’s view towards ASEAN, and vice versa. The in-depth assessment about the ASEAN way will be explained in the next chapter.

I.2 Norm Diffusion

“Questions about norm diffusion in world politics are not simply about whether and how ideas matter, but also which and whose ideas matter.” - Amitav Acharya\textsuperscript{46}

The quote from Amitav Acharya, an IR constructivist, underlines the role of ideas in world politics. Norm diffusion is related with the conception of ideas. It is related to how those ideas are diffused into a state and whose ideas matter. In order to assess the concept of norm diffusion, we need to understand the idea of the so-called “norm”. Katzenstein, a well-known constructivist, elaborates on the definition of norms as “a standard of appropriate behavior for

\textsuperscript{45} Ibid, p.81.  
Norms are specifically constitutive or have the power to give organized existence to something. The concept of norms refers to the standards of behaviors. We only know what is appropriate and accepted by reference to the judgments of a community. In this research, ASEAN exists as the community where China enters.

The theory of norm diffusion has developed from several classic theories. By contesting the rationalists’ theories, constructivists create distinctive alternatives to the development of International Relations studies. Global politics has experienced a rapid change, looking at the process of globalization. Questions about normative change in global politics are not only about “whether ideas matter, but also whose ideas matter”. Roseanau’s linkage politics indicates that the diffusion process of a norm is an outcome from repetitive behavior of the actors within one system. Some transnational norms and ideas might get more acceptances in a particular place than in others. The norm might serve as standardization to conduct an action or to interact with others. One country is able to influence other countries using norms and interactions. This theory will help to explore the international interference that came from China into ASEAN, and vice versa.

In one of his books, Acharya elaborates on “how transnational ideas and norms produce institutional change”. ASEAN and Asian regionalism are the core topics of this literature. He underlines the contestation between “emerging transnational norms and pre-existing regional normative and social orders”. By understanding how local agents reconstruct foreign norms, we are able to certify that the norms are suitable with “the agents’ identities and way of thinking”. The local beliefs are part of a “legitimate normative order” that might allow the recognition of foreign norms. An institutional change might happen in the intensive relations between two states. To approach ASEAN states, China needs a strategy to be accepted into the region. Recently, China has increased its presence in the

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48 Ibid.
50 Ibid, pp.891-892.
51 Ibid.
Southeast Asian region. On the other hand, ASEAN states might try to accept or reject the growing existence of China in the region.

To apply the concept of norm diffusion into the analysis, there are two methods that can be used: socialization and conditionality. Socialization is defined as a process of preference formation and change through persuading and encouraging actors into the rules and norms of a particular community.\textsuperscript{57} Consistent practice and adherence of the internalization of new norms to actors is considerably important as a standard of successful socialization. Socialization implies that an agent changes from “following the logic of consequence to the logic of appropriateness and this implementation is quite independent of a particular structure of material incentives or sanctions.”\textsuperscript{58} The logic of appropriateness explains the perspective on “how human action is to be interpreted” which is driven by rules of appropriate and standard behavior, organized into institutions or organizations.\textsuperscript{59} The basic ideas of this logic are about what is socially defined as normal, good, and right in the society. Within the organized political institutions, there are some standards of rules and practices which will become the guideline in deciding which action is appropriate and can be accepted in the society or not. Norms and rules suggest what appropriate action is.\textsuperscript{60} As stated by March and Olsen, “action is rule based, but only partly so”. There are differences in human motivation, behavior, and their action.\textsuperscript{61}

Dissimilar with socialization, the conditionality in the concept of norm diffusion is defined as conditions where international institutions or donors offer assistance, aids or loans to recipient states as an international policy tool.\textsuperscript{62} International influences such as pressures from political conditionality may actually shift a state’s domestic politics. The socialization is considered a success if the new norms can be internalized in the state. For instance, if a candidate of ASEAN adheres to the norms or values which are respected, the norm diffusion is successfully internalized into the state.

In practice, the concept of norm diffusion has underlined the role of diverse actors as norm entrepreneurs who promote new international norms and take an action to lobby

\textsuperscript{59} March and Olsen, “The Logic of Appropriateness”, Oslo: Centre for European Studies University of Oslo, 2009, p.3.
\textsuperscript{60} Ibid, p. 7.
\textsuperscript{61} Ibid.
governments to adopt them. Consequently, I will make an adjustment of these concepts with the analysis of Sino-ASEAN relations as this particular case is different from other major cases of norm diffusion. The socialization process and the appliance of conditionality in the inclusion of China into the Southeast Asian region will be further assessed to define Sino-ASEAN relations. This concept will unveil whether socialization and conditionality are suitable to be applied as the approaches of the inclusion of China into the Southeast Asian region. Does norm diffusion take place in Sino-ASEAN relations and how does it affect intra-ASEAN relations? To what extent does the logic of appropriateness contribute to the intra-ASEAN relations? The next concept, regional identity, will explain the construction of ASEAN as a regional institution. A common identity will strengthen the communalities among the member states. Katzenstein states that norms will give actors their identity. As suggested by constructivists, identity is “a shorthand label for fluctuating constructions of nation and statehood”.  

### I.3 Regional Identity

In present time, regions are expected to be constructed from the inside by the respective states rather than constructed by outsiders. Before World War II, the region appeared as convenient classification of states which are created by outsiders. For example, China and Japan were classified as East Asian states, while Malaysia and Singapore were classified as Southeast Asian states. The classification of states reflected external strategic interests. The Western colonial powers created the classification based on the geographical location in order to make it easier for them to identify the states.  

A region is apprehended as both an ideational and material construct while existing as a social entity, “having its own rules of exclusion and inclusion”, along with its identity. Identity, as an ideational variable as opposed to a material variable, is a fundamentally contested concept for its indeterminacy and complexity which leads to several problems. Several problems are at defining the identity, measuring the identity, and to identify an identity to have a better understanding of its complexities, nature and distinctions. A key

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68 Amitav Acharya and Layug Allan, “Collective Identity Formation in Asian Regionalism: ASEAN
argument to this conception of a region is that, similar to a nation state, a region might be imagined and socially constructed”. According to Wendt, social identity is the sense of belonging of an actor to a certain social community in which the actor embeds and represents. As stated by Lebow, “Identity is one of those concepts whose meaning was always fluid but in recent years has become stretched to avoid the charge of essentialism”. Identity can draw upon several domestic attributes, such as historical, cultural, civilizational, and religious features which are shared among nations.

Regional identity as a collective identity has an important role within ASEAN’s region-building processes. Collective identity is defined as “a process and framework through which its member states slowly began to adapt to a regional existence with a view to reducing the likelihood of the use of force in inter-state relations”. It is categorized as a social classification which separates between the content and contestation. Content defines the meaning of a collective identity which takes the form of several categories, and is elaborated on as follows:

“Constuitive norms refer to the formal and informal rules that define group membership. Social purposes refer to the goals that are shared by members of a group. Relational comparisons refers to defining an identity group by what it is not, the way it views other identity groups, especially where those views about the other are a defining part of the identity. Cognitive models refer to the worldviews or understandings of political and material conditions and interests that are shaped by a particular identity.”

To understand the framework of ASEAN as a regional institution, we must comprehend several layers of identities inside the institution itself. Considering that identities of political actors are tangled to external influence outside the territory and “boundaries of community”, identity-building takes place when a group of states begins to share a common bond.

Collective identity can shape and redefine state interests and “shift them beyond the logic of

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75 Ibid.
76 Ibid.
power politics”. Each identity of ASEAN member states is unique and distinct. Developing a common identity will strengthen the regionalism in the Southeast Asia. To be precise, absorbing and adapting to the ASEAN norms and identities are the main keys to blend into the community of ASEAN. In this case, China as an outsider, out of Southeast Asia region, sets a strategy to engage with the ASEAN community. China’s recent foreign policy plays a major role in approaching its neighbors, the Southeast Asian states. These issues regarding China’s approaches to ASEAN and its policy will be analyzed and elaborated on in the next chapter.

**Conclusion**

Henceforward, the concepts about norms and identity borrowed from the theory of constructivism as well as the concepts of norm diffusion and regional identity are able to assist and help in answering the research questions. The main concepts will be used to assess how China maintains its relations with Southeast Asian states and the integration of China into the region as well as the influence of China within the region. The structural idealism of constructivism as developed by Wendt will be further assessed in analyzing the importance of ASEAN’s shared values and norms. There are several testable questions which will help this research. To what extent has the theory of constructivism applied in the research of Sino-ASEAN relations and intra-ASEAN relations? What are the ASEAN norms? Does China respect the ASEAN norms? To what extent are they respected by ASEAN countries themselves? To what extent does the rise of China affect ASEAN’s coherence? To what extent does regional identity play a role in Sino-ASEAN relations? How important is regional identity in the region-building in Southeast Asia? All of these questions will be answered throughout the research.

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CHAPTER II
INTRA-ASEAN RELATIONS AND THE RISE OF CHINA
AFTER THE 1997 ASIAN FINANCIAL CRISIS

“The new regionalism that is now emerging out of the ruins of post-World War II; and nationalism appears to have learnt from the errors of the past. A more sophisticated and realistic form of regionalism is being constructed, not as an end in itself but as the means towards a higher level of political, social, and economic organization.”79

Sinnathamby Rajaratnam, former Deputy Prime Minister of Singapore,
One of the founding fathers of ASEAN

In recent decades, the rise of China has been under the international spotlight. In this case, Southeast Asia as one of the closest neighbors has developed a more positive sentiment towards China over the years. Norms and identities which are highlighted by ASEAN play a role in adjusting to the region’s rule of games. One can assume that China knows the bloc’s rules of game. This chapter aims at deconstructing ASEAN and intra-ASEAN relations to analyze the regionalization and regional identity of ASEAN. The new form of regionalism is being constructed and developed into “a higher level of political, social, and economic institution”.80 I will thoroughly assess the so-called ASEAN Way which serves as the principle of ASEAN, and its limitation to ASEAN member states. Furthermore, I will observe the purpose of extensive Sino-ASEAN relations after the Asian Financial Crisis and China’s integration into the region. Thus, this chapter aims at answering the first and second sub-questions. In order to gain better understanding, I will divide this chapter into four sub-chapters.

II.1 Constructing Southeast Asia and ASEAN

In order to understand the intra-ASEAN relations, it is necessary to elaborate on the idea behind the construction of Southeast Asia and ASEAN. It is important to assess Southeast Asia as a region and later contemplate ASEAN as a whole. Traditional conceptions of the so-called ‘region’ are considerably based on “relatively fixed variables”, for instance geographical juxtaposition, shared linguistic and cultural appearances, and common heritage

80 Ibid.
or history. The concept of “Southeast Asia” previously resulted from the search of a convenient way to study a geographic region. Region-naming is unlike region-building. Southeast Asia “with shared features and continuous interactions” has its basis in its preceding history. Looking back at the history, the colonization has brought countries in the Southeast Asian region to form a common bond. Most of the countries of Southeast Asia were being colonized, except Thailand. Southeast Asian nation-states shared a common history that, arguably, is affected by the period of colonialism. This shared experience shaped the strong commitment to revive the region into a stronger region as well as to protect and guard the states’ sovereignty.

The diversity of the region’s political systems, ethno-social and geographical features has shaped the distinctiveness of Southeast Asia as a region. According to Wolters, constructing Southeast Asia means to assess not only the “cultural communalities”, but also the “intra-regional relationship”. The interactions between states and their socialization play roles in shaping the Southeast Asian region. Through interactions, nation states are able to “form collective identities and interests”. In this case, ASEAN has constructed a model of regional integration among its ten member states and challenged the citizens to embrace and adopt the regional identity.

The constructivist approach points out the existence of the constructivist perception of one member state to another. Southeast Asia was identified as a region which is located in the southeast of Asia. In this case, Nicholas Tarling argues that although the term “Southeast Asia” was used by “outsiders” to distinguish the region from other parts of world, in present, it has become a political and economic reality that has led to the creation of ASEAN as a regional organization. Instead of strengthening the security of its states vis-à-vis others, ASEAN is much more established as an organization which serves the region.

81 Amitav Acharya, “The Making of Southeast Asia: International Relations of a Region”, Singapore: Institute of Southeast Asian Studies, 2012, p.21. This book argues that Southeast Asia’s international relations are structured around a central premise: regions are socially constructed and that regional identity and intraregional patterns in the inter-state interactions are essential in the process of shaping the Southeast Asia as a region.
82 Ibid.
83 Ibid, p. 37.
84 Ibid.
85 Ibid.
86 Ibid, p. 11.
87 Ibid, p. 21.
91 Ibid.
Hence, the emergence of ASEAN has given a powerful boost to the conception of
Southeast Asia as a region. Founded on 8 August 1967 in Bangkok, Thailand, ASEAN serves
as a regional political and economic organization for the Southeast Asian region.92 Five
founding members, Indonesia, Malaysia, Philippines, Singapore and Thailand, signed the
Bangkok Declaration which became the foundation of ASEAN’s values.93 The main
justification behind ASEAN’s establishment was to protect the nation states in the region
from the external threats and to prevent (re-)colonization.94 These founding states formed the
association in order to safeguard the sovereignty which was just obtained after World War II.
During this period, regionalism might have had “a paradoxical influence and effect” on
Southeast Asian identity and unity.95 On the one hand, it brought together the non-communist
Southeast Asian states “under a political and security framework”.96 This framework was
prompted in order to face the common external and internal challenges. On the other hand,
regionalism is partly responsible for the ideological polarization of Southeast Asia.97

The changes of global political landscapes in Southeast Asia are noted by the end of
the Cold War which had a certain influence on the enlargement of ASEAN.98 By the end of
the Cold War, ASEAN experienced a crucial shift in the global affairs that was majorly
caused by the collapse of bipolarity between the United States and the Soviet Union, and the
emergence of multi-polarity, a wider distribution of power globally. All of these issues have
brought political and security uncertainties in the region. Vietnam was an ally of the USSR
and after the fall of the Soviet empire, it repaired its relations with other Southeast Asian
states. ASEAN member states at that time, before the Cold War ended –Indonesia, Malaysia,
Singapore, Thailand, the Philippines, and Brunei Darussalam- were against communism.
However, by 1995, Vietnam was accepted to join ASEAN. Later in 1997, Laos and Myanmar
joined Vietnam into the group. The admission of Cambodia was postponed from 1997 to
1999 because of the domestic violent conflict between Cambodian political elites. The
political condition in Cambodia was not stable at that time. After the inclusion of Cambodia,
ASEAN now has ten member states, adding Cambodia, Laos, Myanmar, and Vietnam into
the group.

93 Ibid.
94 Ibid.
95 Amitav Acharya, “The Making of Southeast Asia: International Relations of a Region”, p.149.
96 Ibid.
97 Ibid.
98 Ibid.
ASEAN’s expansion did not happen without any problems. The entry of new member states twisted ASEAN’s relations with external powers. Myanmar’s inclusion into the regional organization initiated a new test for ASEAN. The violations of human rights and military dictatorship within Myanmar’s political system sparked conflicts and disagreements with Western countries. Western values, such as human rights and democracy, were not in accordance with Myanmar’s values. It generated extensive tension with Western powers, especially the European Union, while drawing disapproval from non-governmental organizations. However, ASEAN refused to comply with the international pressure to reject Myanmar, by doing so ASEAN would be likely to violate its own principle of non-interference.

In addition, the enlargement of ASEAN has brought China closer to ASEAN geographically. Vietnam’s admittance has brought ASEAN’s diplomatic border to China. In this case, Indonesian and Malaysian suspicions of China’s naval power in South China Sea have brought fear to Vietnam which it shares with other ASEAN members. Henceforth, the construction of Southeast Asia has brought regionalism to the region. ASEAN serves as a manifestation of the ambitions of ASEAN leaders to integrate the region.

II. 2 Assessing Intra-ASEAN Relations and the ASEAN Way

Within its development, ASEAN was not exempted from any disputes between its member states. Southeast Asian nations have distinctive types of political systems, which range from “new and transitional democracies” to closed military regimes. The political systems of Brunei Darussalam, Vietnam, Cambodia, and Laos are considered as more-or-less authoritarian while Malaysia, Singapore and Myanmar are semi-democracies. Thailand is still struggling with the democracy, while Indonesia and the Philippines consolidated their democracy.

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100 Ibid.
101 Ibid.
102 Ibid.
103 Ibid.
104 Ibid.
107 Ibid.
The enlargement of ASEAN has reshaped regional economic integration and interdependence. Several decades after the establishment of ASEAN, the ASEAN Charter that serves as a legal basis and institutional framework entered into force on 15 December 2008 at the ASEAN Secretariat in Jakarta, Indonesia.\(^\text{108}\) Thus, it has become a legally binding agreement among the ASEAN member states.\(^\text{109}\) Within its institutional framework, the members of ASEAN have agreed upon a set of procedural norms and constructive engagement policies that embody the spirit of regional identity which is known as the “ASEAN Way”.\(^\text{110}\) It is suggested that the ASEAN Way is the approach which is applied by the association in dealing with conflict situations among its member states.\(^\text{111}\)

In order to understand the norms and regional identity within the Southeast Asian region, we need to thoroughly assess the ASEAN Way. ASEAN’s motto, “One vision, One identity, One community,” was formulated to affirm the regional identity shared among the member states.\(^\text{112}\) ASEAN’s core beliefs are consensus building, non-interference, and regional cooperation. According to the Treaty of Amity and Cooperation in Southeast Asia of 1976, concerning the relations of ASEAN member states, there are several fundamental principles which should be adopted:\(^\text{113}\)

> “First, mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations. Second, the right of every state to lead its national existence free from external interference, subversion or coercion. Third, non-interference in the internal affairs of one another. Fourth, settlement of differences or disputes by peaceful manner. Fifth, renunciation of the threat or use of force. Sixth, effective cooperation among themselves.”

This set of principles, the so-called “ASEAN Way”, serve as socially constructed norms which should be applied among ASEAN member states. These norms should be respected among the member states. Indonesian foreign minister Adam Malik stated during the founding of ASEAN that the latter was envisioned as “a region which can stand on its

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own feet, strong enough to defend itself against any negative influence from outside the region.”

Based on this statement, the principles of the ASEAN Way are indeed embedded as a specific pattern of diplomacy among ASEAN states. The ASEAN Way informally imposes non-intervention and non-binding consensus approaches which lead to regional cooperation and integration. The first, second, and third main principles of ASEAN heavily underline the importance of non-intervention. ASEAN’s people-centered orientation has brought the bloc a new challenge in redefining the meaning of the non-interference principle. Nevertheless, it is not easy to create shared values and identities after ASEAN Way. In this case, one state cannot enforce another state to accept one rule or condition. Moreover, ASEAN as a regional group does not have the enforcement power which would allow them to force measures on its member states. If norm specifies that a certain behavior ought to take place, in the sense of “commanding and controlling” the behavior, the actual behavior may or may not conform to the norm.

In addition to ASEAN norms, there are several Asian values which are embedded in the heart of ASEAN states. Norms has certain influence on Democratic values and human rights are two main values which are written in the ASEAN Declaration and must be respected by all ASEAN member states. Considerable attention has been given to the adoption of these international norms. These ASEAN values have become general guidelines which decide on what is good and what is forbidden in the community. It is adopted in the member states’ domestic policy and foreign policy.

In general, ASEAN’s regionalism and the conception of ASEAN’s norms and values are viewed as a “continuing process of identity building” which at the same time depends on the conventional principle of inter-state relations, the cultural and traditional types of socialization and decision making within the region. According to the constructivist approach, inter-subjectivity factors, such as ideas, culture and identities play a determining rather than substituting role in the foreign policy exchanges. It is important to note that the set of norms which are brought by ASEAN are guiding the member states to abide by specific

common rules. However, they do not specify certain goals of policy, such as protection of territorial integrity or forcing the member states to follow a certain rule. Instead, they advise and recommend several norms that are shared to manage the interactions between ASEAN member states.

Furthermore, the continuation of the commitment of ASEAN to integrate has led to the framework of the ASEAN Community. The ten ASEAN member states have formulated a planned integration among its member states, while challenging their citizens to embrace a regional identity. The heads of government of ASEAN have issued a major statement about the establishment of ASEAN Vision by 2020, a fully-integrated Southeast Asian region. In the roadmap for the ASEAN Community, it is stated the ASEAN Vision 2020 charts a future direction for ASEAN in a community that shares cultural heritage and bound by a common regional identity.

The inauguration of ASEAN Community in 2015 is a progressive step to a bigger plan of ASEAN Vision 2020 which underlines the construction of a comprehensive and integrated community in Southeast Asia. The so-called ASEAN Community is constructed on three pillars, the ASEAN Political Security Community (APSC), the ASEAN Economic Community (AEC) and the ASEAN Socio-Cultural Community (ASCC). These new integration projects show the initiative of ASEAN leaders to construct an integrated community which is better organized than before. This new integrated community will serve as regional political, economic, and socio-cultural integration with several key characteristics: competitiveness, single market, and equitable economic development. Until now, there is not any sufficient news about the development of the ASEAN Community. The study about the development of the ASEAN Community should be researched in future. This research does not contain any of the future predictions of the ASEAN Community.

Through these developments, ASEAN member states design plans to strengthen the region’s coherence and close the gap between member states. The ASEAN leaders realize that they need to develop faster to catch up with global development. Moreover, a strong political commitment and genuine political will be needed to construct strong community-building. In order for the regional integration to succeed, all ASEAN member states have

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120 Ibid.

committed to work on the ASEAN Community although not all member states have the same capacity in terms of politics and economy.

The aims of the ASEAN Community have been challenged even before it is implemented. There is a big gap between the political and economic performance of ASEAN member states; for example, Singapore which has become one the most prosperous countries in the world and Myanmar which just held its first democratic election since decades while repairing its economic performance. Compared to other regional frameworks, Southeast Asian countries form a more diverse region. Among the ASEAN member states, there are certain states which have a bigger influence in the region than other member states. Indonesia is an example of such a state. Indonesia, the world’s fourth most populous country with 249.9 million people, is considered a ‘leader’ in ASEAN.\(^{122}\) In addition to serving as the founder of ASEAN and as a regional leader, Indonesia has served as a critical player in managing intra-ASEAN relations which gives implication to the rise of its leadership status in the region.\(^ {123}\)

Figure 1 Gross Domestic Product in ASEAN, at current prices, in US dollars\(^ {124}\) as of August 2015

<table>
<thead>
<tr>
<th>Country</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei Darussalam</td>
<td>10,815.4</td>
<td>12,401.9</td>
<td>16,691.4</td>
<td>18,967.9</td>
<td>18,100.4</td>
<td>17,108.3</td>
</tr>
<tr>
<td>Cambodia</td>
<td>10,353.7</td>
<td>11,229.3</td>
<td>12,803.0</td>
<td>14,027.0</td>
<td>15,237.0</td>
<td>16,771.4</td>
</tr>
<tr>
<td>Indonesia</td>
<td>545,654.5</td>
<td>710,068.3</td>
<td>846,522.6</td>
<td>874,638.0</td>
<td>861,106.8</td>
<td>983,570.8</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>5,594.9</td>
<td>8,752.0</td>
<td>8,060.6</td>
<td>9,398.3</td>
<td>10,777.3</td>
<td>11,777.2</td>
</tr>
<tr>
<td>Malaysia</td>
<td>202,627.4</td>
<td>243,429.0</td>
<td>289,517.2</td>
<td>305,309.7</td>
<td>312,071.0</td>
<td>326,345.0</td>
</tr>
<tr>
<td>Myanmar</td>
<td>20,961.5</td>
<td>41,063.6</td>
<td>59,502.0</td>
<td>60,261.7</td>
<td>61,603.8</td>
<td>65,765.3</td>
</tr>
<tr>
<td>Philippines</td>
<td>100,043.9</td>
<td>199,975.9</td>
<td>224,107.6</td>
<td>250,003.0</td>
<td>269,024.0</td>
<td>264,910.1</td>
</tr>
<tr>
<td>Singapore</td>
<td>192,400.4</td>
<td>230,421.6</td>
<td>275,342.0</td>
<td>289,841.4</td>
<td>302,245.9</td>
<td>307,671.9</td>
</tr>
<tr>
<td>Thailand</td>
<td>294,049.9</td>
<td>319,276.5</td>
<td>345,625.5</td>
<td>366,126.6</td>
<td>367,573.8</td>
<td>373,225.1</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>106,018.3</td>
<td>116,299.9</td>
<td>135,541.1</td>
<td>155,620.0</td>
<td>171,219.3</td>
<td>166,223.6</td>
</tr>
<tr>
<td>ASEAN</td>
<td>1,533,318.7</td>
<td>1,895,858.4</td>
<td>2,219,514.7</td>
<td>2,343,196.3</td>
<td>2,409,215.9</td>
<td>2,573,585.3</td>
</tr>
</tbody>
</table>

In periods of crisis, ASEAN has often looked at Indonesia as the leader. Within the region, Indonesia is a giant-sized state with a vibrant and young democracy, growing economic performance and comparative military strength.\(^ {125}\) As shown by figure 1, Indonesia has the biggest gross domestic product (GDP), compared to other states in region. All these indicators have turned Indonesia into *primus inter pares* in the region and indeed within

ASEAN. However, Indonesia does not always achieve its objectives. One of the proofs is the failure in the 2004 bid to construct a so-called genuine regional security framework as projected in the ASEAN Charter. Indonesia proposed ASEAN to choose the option of “soft cooperation” which ended the vigorous security agreements that the Indonesian government wanted. By this decision, we can derive that ASEAN prefers a soft approach to avoid any further security measures. In this case, we see the application of constructivism.

As suggested by the theory of constructivism, the ASEAN norms and identity are important as they are created by the leaders’ minds to unify the region. ASEAN regional identity is a concept that is still being constructed by the leaders of ASEAN. Describing all characteristics of ASEAN member states with one common identity is difficult. A common identity will construct a shared feeling between ASEAN member states. ASEAN leaders develop the group to avoid conflict and build a regional stability as well as geopolitical stability. If the region is stable, the states are able to develop faster and are supported by an encouraging and beneficial environment. This hypothesis is confirmed by the Indonesian Foreign Minister, Marty Natalegawa, who stated that “ASEAN can proactively facilitate and engage itself appropriately in making conditions conducive to the peaceful settlement of disputes among its family members.”

In sum, non-intervention along with the peaceful settlement of disputes, quiet diplomacy, and sovereign equality form the so-called ASEAN Way. The concept of non-intervention gives limitations to the member states, in order to avoid dictating other states which is considered a violation to sovereignty. The constructed identities of ASEAN have managed to contribute to lowering the tension between ASEAN member states. Territorial disputes have remained the biggest obstacles to maintaining the stability in the region. In order to secure the regional peace, ASEAN leaders and policymakers constructed a regional security community in the framework of the ASEAN Community.

In practice, ASEAN leaders have publicized a great deal on regional commitment. However, the concrete results from the meetings, adding rhetoric, are not clearly visible. Internal cohesion within ASEAN is still weak because of the differences, adding bilateral tensions. One of bilateral tensions, between Thailand and Myanmar, dates back to the 1500s

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126 Ibid.
127 Ibid.
when both states still had the form of kingdoms. Thaksin Shinawatra, the former prime minister of Thailand, described the bilateral relations between both countries as full of confrontations and conflicts. The conflicts taking place between Thailand and Myanmar result from gaps in structural developments, flows of refugees, and domestic political issues. During that period, Thailand did not agree with the imprisonment of dissident Aung San Suu Kyi. This concrete example confirms that bilateral tensions exist within ASEAN member states.

Henceforward, intra-ASEAN relations cannot be separated from constructivism. The ASEAN Way as the embodiment of communal norms is stated in the ASEAN Charter. Moreover, the concept of non-intervention and consensus among member states are printed in the heart of ASEAN. The main purpose to integrate the region has been implemented by the framework of the ASEAN Community has been established by the end of 2015. After assessing intra-ASEAN relations, I will assess the relations between ASEAN and China in the period after the 1997 Asian Financial Crisis. The crisis has shifted the regionalism in Asia.

II.3 Sino-ASEAN Relations in the Period after the 1997 Asian Financial Crisis

In the past decades, the growing presence of China in ASEAN has brought a changing pace in the region. Chinese manifestations in the region have challenged the coherence of ASEAN. Several ASEAN states such as Myanmar, Laos, and Vietnam, have direct borders with China. Sino-ASEAN relations are a dynamic relationship. The rise of China as a superpower has changed its geopolitical position. In order to have regional stability, ASEAN realizes that it needs to embrace China, and vice versa.

Since the late 1990s, the governments of Southeast Asian states and three East Asian countries, China, Japan, and South Korea, have been meeting frequently at ministerial and presidential level. The main reason of these meetings was the financial crisis which occurred severely in Southeast Asian and East Asian states. The 1997 Asian Financial Crisis has been a turnabout event for Asian countries, especially ASEAN countries, including Thailand and Indonesia. This financial crisis set off when the Bank of Thailand devalued its national currency, the Baht, on 2 July 1997. Prior to its decision to float the Baht, the Thai

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government pegged its currency to a dollar-dominated currency for 13 years. Later, the Philippines central bank changed the policy on its currency, the peso, which was allowed to fluctuate. Several days later, the Philippines became the “first-crisis hit” state to receive aid financing from the International Monetary Fund (IMF). The unexpected crash on Thailand’s economy had turned it into a contagion phenomenon in Asia. By the end of August 1997, the currency of three Southeast Asian states, Indonesia, Malaysia, and the Philippines, had been devaluated drastically.

After the 1997 Asian Financial Crisis, ASEAN had been more united than before the crisis hit the region. They needed to overcome the crisis which severely hit most of the region. To ensure the unanimity in fixing the financial crisis, the APT was established. China, Japan, and South Korea as three additional states were invited to have a further discussion. Malaysia as ASEAN chair during 1997 decided to not invite non-Asian states to the inaugural APT summit. APT is noted as the first regional institution in Asia which excludes the United States (US) as its official member.

During the 1990s, Malaysia had a hard time with the US as the Malaysian proposal of the East Asian Economic Caucus (EAEC) was opposed by the US, which put pressure on Japan to decline the offer to join EAEC. Irritated by US’s disapproval and behavior, Malaysia boycotted the APEC summit meeting which was held in Seattle. During this period, the relations between Malaysia and the US were not on good terms. Although being opposed by US during 1990s, Malaysia proposed to China, Japan, and South Korea to have subsequent meetings after the APT summit in 1997. This new grouping has linked ASEAN member states with three key East Asian states, China, Japan, and South Korea. Behind the establishment of APT, there are the interests and needs for regional cooperation to construct common objectives and identity. In sum, the establishment of this group has paved the way for ASEAN leaders “to advocate for ASEAN centrality” in East Asian (North East and South East) cooperation.

133 Ibid.
136 Ibid.
137 Ibid.
138 Ibid.
One of the problems in the APT is the low profile of the ASEAN Surveillance Process.\textsuperscript{140} This organization lacks transparency and effective monitoring at the regional level. Effective crisis prevention would require effective financial and economic monitoring.\textsuperscript{141} An early warning system is required to avoid any further financial crisis in the future. Economics and politics are two issues that cannot be separated in the development of ASEAN. The meeting of APT Finance Ministers in May 2001 recognized the importance of enhanced monitoring of economic performance and condition in the region. However, it is highly doubted that the APT governments will be ready to publish relevant sensitive economic data in future.\textsuperscript{142} Within the APT framework, the highest authority is the sovereignty of each state. Therefore, no absolute authority can push the regional group or enforce member states to abide by the norms and rules.

Rising regionalism has taken place in this globalization era in response to global challenges and developments. The states integrate because they do not want to be left out in the global competition, such as for foreign direct investments, import-export markets. This crisis is marked as Asia’s wakeup call in order to catalyze some efforts towards integration. After the crisis took place, the governments of Southeast and Northeast Asia have closely taken part in exploring ways to prevent future financial crises while enhancing regional cooperation.

Addressing this incoherence, conflicting interests among the APT member states could restrain the extent to which the cooperation takes place in the group. Following this problem, several ASEAN member states currently compete directly with China in terms of low-wage labor-intensive export manufacturing industries.\textsuperscript{143} Thus, they may not wish to deepen and expand regional cooperation with their immediate rival. Furthermore, looking at Beijing’s strategy, it has used its expanding military capabilities to advance its interests in the South China Sea and East Asia. To reduce the tension, China makes some moves, including respect for the ASEAN Way. The clause of non-intervention is aligned with Chinese principles which address the principle of non-intervention on other states’ problems.

\textsuperscript{141} Ibid.
\textsuperscript{142} Ibid.
II.4 China’s Regional Approach to Southeast Asia

“China will continue to take its surrounding region as a priority in its diplomacy and foster a more peaceful, stable and prosperous neighboring environment that sustains development. The process towards peace starts with the surrounding region. Changes in China’s relations with the world could first be perceived in China’s relations with its neighbors.”

– Wang Yi, Foreign Minister of People’s Republic of China

Several statements have confirmed Beijing’s interest in focusing its diplomacy on the Southeast Asian neighbors. The statement above has confirmed the rhetorical behavior that China applies in its approaches towards ASEAN. China’s political and cultural influence is stronger in Asia and most of its foreign trade is conducted with Asian neighbors. The vast growth of trade and economic interchanges points out the cooperation between China and Southeast Asian states in the post-Cold War period. Moreover, the Chinese government also admits the changes in Beijing’s relations with the world and all of this new movement starts from the nearest neighbors.

After decades of exercising unassertive role, the People’s Republic of China currently plays a proactive and significant role in Asia. China has developed enormously and become one of the most powerful states in the world as its growing economic, political and military resources contribute to the alteration of the global order and international structures. The vast growth of the Chinese economy has caused shifts in its bilateral relations with other main actors in Asia which leads to a reinterpretation of “the balance of power in Asia” and China’s emerging role.

Within three decades after the economic reformation which was initiated by Deng Xiaoping, China has transformed from an under-developed state to one of the world’s largest economies. Throughout the reform period, Chinese governments concentrated on maintaining the international environment which was conducive to developing its economic

modernization.\textsuperscript{151} Since then, China has intensified its political, economic, and cultural relations with both developed countries and developing countries.\textsuperscript{152} Since 1990, China has started to implement its foreign policy, the so-called Good Neighborhood Policy, to improve its relations with the neighboring states in the Southeast Asian region. China’s rise in global affairs involves not only power calculations in terms of tangible economic and military assets, but also soft power, such as intangible attractiveness and imagery.\textsuperscript{153} A country’s good image will attract other countries to build a better relationship. In this case, China put some efforts to fix its malign image in order to reach its national interests, such as expanding its trading to Southeast Asia. After reforming its economy, China has actively participated in the international economic spheres by joining the World Trade Organization and other regional and international summit meetings, and China plays a more active role in international organizations such as the United Nations.\textsuperscript{154}

Over the past decades, Sino-ASEAN relations have transformed into more strategic and extensive relations. The first dialogue between China and ASEAN took place in July 1991, when Chinese Foreign Minister, Qian Qichen, attended the 24\textsuperscript{th} ASEAN Post-Ministerial Conference as a consultative partner.\textsuperscript{155} Through this dialogue, the Chinese government has shown an interest towards the development of Sino-ASEAN relations. Later, China and ASEAN agreed in the 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, dated on December 1997, that they:

“…affirmed that the Charter of the United Nations, the Treaty of Amity and Cooperation in Southeast Asia, the Five principles of Peaceful Coexistence and universally recognized international law should serve as basic norms governing their relations. They reaffirmed in particular their respect for each other's independence, sovereignty and territorial integrity and the principle of non-interference in the internal affairs of other states.”\textsuperscript{156}

\textsuperscript{\footnotesize{152}} Robert Sutter, \textit{Ibid.}\textsuperscript{153}
\textsuperscript{\footnotesize{154}} \textit{Ibid.}\textsuperscript{155}
\textsuperscript{\footnotesize{155}} Zha Daojiang, “Calmer waters: From security to the South China Sea, greater China-ASEAN cooperation is in everyone's best interest”, http://www.scmp.com/comment/insight-opinion/article/1871440/calmer-waters-security-south-china-sea-greater-china-asean (accessed 1 November 2015).\textsuperscript{156}
\textsuperscript{\footnotesize{156}} ASEAN, “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, Malaysia, 16 December 1997”.

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The present Chinese foreign policy under the leadership of President Xi Jinping focuses on the neighborhood countries. The Chinese government has published an official statement that “ASEAN is the priority of China’s diplomacy towards neighboring countries.” This multilateral relationship has become a high priority for Beijing’s neighborhood diplomacy. This new policy can be considered as a tool for improving the level of relationship between China and the neighboring countries.

The characteristics of Chinese foreign policy have always been adjusted depending on its leaders. Nevertheless, China tries to create a conducive and beneficial international environment to support its domestic development. ASEAN as China’s neighborhood is considered important for China. As a rising power at the regional and international level, China has always emphasized its “peaceful rise” or “peaceful coexistence” concept. This concept is related to the Chinese identity and interests. Presently, China exercises a wide range of diplomatic and economic approaches “to reassure the Southeast Asian countries that a stronger China will not bring harm or threaten their interests” Beijing’s rhetorical message to ASEAN should be thoroughly assessed. The Chinese government’s intention to actively participate in ASEAN’s framework shows its effort to fix its notorious image. However, one can presume that China will be stronger and get the benefit when the Southeast Asian region is stable and developing to the positive account. President Xi Jinping states that “China supports a more prosperous and stronger ASEAN, its member states and the grouping’s centrality in regional cooperation.”

It is interesting to observe how China uses bilateral and multilateral partnerships while pursuing a favorable state identity in the international community. We can presume that China has tried to intensify the relations in every aspect that China has continued to intensify its relationship with ASEAN while adapting itself with ASEAN’s norms and rules and acknowledges ASEAN’s identity. China uses the partnership as a diplomatic tool in


159 Ibid.
162 Zha Daojiong, “Calmer waters: From security to the South China Sea, greater China-Asean cooperation is in everyone’s best interest”, Ibid.
strengthening its influence in the region. The concept of partnership has emerged in Chinese diplomacy after the end of the Cold War.\(^{163}\)

Until now, multidimensional cooperation with both developed and developing countries has been initiated by the Chinese government in order to construct a multi-level partnership.\(^{164}\) A partner is generally defined as “collaborator in joint undertakings, who takes risks and receives benefits together”, while in international relations studies, partnership refers to “cooperation and coordination in relations that are established in order to seek common interest between states”.\(^{165}\) Thus, there are several concepts which are perceived as the basis of partnership: never behave hostile with each other, share a common understanding in establishing the partnership relations, cooperate for common interests, and implement practical measures to strengthen inter-relations while both sides treat each other with respect and equality.\(^{166}\)

Alongside the development of the international relations, the Chinese government has drawn the conclusion that “regional integration is the basis of globalization, while globalization is the stimulus for regional integration”.\(^{167}\) The basis for establishing regional integration is to maintain a secure environment around China; therefore, the government of China is able to focus on internal economic development.\(^{168}\) Furthermore, there are several main characteristics of partnership diplomacy:

“First, it is a new type of relationship between states instead of military alliances. Second, the conflicts and disputes are solved peacefully through dialogue and consultation. Third, both partnership countries are not allied to counter a third country. Fourth, both partnership countries help each other to establish normal relations with a third country. Fifth, both partnership countries have a vision towards the future.”\(^{169}\)

The characteristics above will be used to assess China’s engagement with ASEAN using the partnership diplomacy. Furthermore, the usage of the partnership to build a relationship with


\(^{165}\) *Ibid*, pp.35.

\(^{166}\) *Ibid*, pp.35-36.

\(^{167}\) *Ibid*, pp. 41.

\(^{168}\) *Ibid*.

\(^{169}\) *Ibid*, pp.36.
each ASEAN member state will likely form a more positive and friendly perception of China in the region. In this case, China wishes to soften its image to ease its prior image, a hard military power which wanted to spread Communism in the region. China uses partnership as a tool to strengthen its relations with ASEAN, especially in trade and economic relations. As I have explained in the previous sub-chapter, APT as a regional framework has become a tool that China used to approach ASEAN countries while ASEAN serves as a moderator to arrange a meeting between China, Japan, and South Korea.

Henceforth, it is proven that Beijing maintains a good relationship with ASEAN especially after the 1997 Asian Financial Crisis. Beijing has developed a new strategy, using the bilateral and multilateral framework to approach its neighboring states. Sino-ASEAN relations have been strengthened to a certain level, noting the creation of APT and ACFTA. In addition to the improvement of the bilateral relations, ASEAN and China recognize the territorial disputes that have the potential to ruin their partnership. Therefore, both ASEAN and China preserve cooperation and strategic partnership along with the recognition of ASEAN norms. Both ASEAN and China are aware of their interdependent relationship. Numerous meetings and discussions are held to sustain regional stability.

**Conclusion**

In sum, this chapter assesses three main issues: the construction of Southeast Asia and ASEAN, the assessment of intra-ASEAN relations and Sino-ASEAN relations after the 1997 Asian Financial Crisis, and China’s regional approach to Southeast Asia. This chapter has attempted to answer the first sub-question: “How have intra-ASEAN relations developed specifically after the Asian Financial Crisis and to what extent has the ASEAN Way influenced intra-ASEAN relations?” ASEAN member states have become closer after the Asian Financial Crisis in order to overcome the crisis and strengthen the region by constructing an integrated community, the so-called ASEAN Community. In this case, the ASEAN Way was formed to guide the interactions between ASEAN member states and construct the bloc’s rules of the game. ASEAN leaders know that a regional identity is required to increase the unity of the region.

To answer the second sub-question, “How does China maintain its relations with Southeast Asian countries and to what extent does it integrate into the region?” I assessed the

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170 Robert Sutter, “China’s Rise in Asia: Promises and Perils”,
Chinese regional approaches to Asia. In this particular issue, China practices rhetorical behavior in order to approach ASEAN; therefore, it uses both bilateral and multilateral partnerships to closely engage with the region. Beijing has acknowledged both bilateral and multilateral frameworks to optimally implement its foreign policy. In this case, APT has brought China closer to the region. Through its diplomatic practices with ASEAN, China highlights the concept of peaceful coexistence which is aligned with ASEAN’s shared norms. Thus, China’s foreign policy has been schemed to bring ASEAN closer to China, and *vice versa*. The next chapter will cover several related issues, including the conflict and cooperation between ASEAN and China.
CHAPTER III
THE IMPACT OF THE RISE OF CHINA WITHIN SINO-ASEAN RELATIONS IN
THE DEVELOPMENT OF INTRA-ASEAN RELATIONS AFTER THE 1997 ASIAN
FINANCIAL CRISIS

After assessing the core ideas of ASEAN and Southeast Asia, intra-ASEAN relations, and Sino-ASEAN relations, specifically after the 1997 Asian Financial Crisis, all these ideas will be applied to the analysis. Moreover, the explanation of China’s regional approach to Southeast Asia in the previous chapter will be further assessed to understand current Chinese foreign policy on ASEAN. This chapter will discuss the impact of the rise of China within Sino-ASEAN relations on the development of intra-ASEAN relations after the 1997 Asian Financial Crisis.

In addition to assessing the regional identity in Southeast Asia, the regional cooperation between ASEAN and China will also be explained. In order to answer the main research question, it is important to assess the influence of China on ASEAN and ASEAN member states’ response to China after the 1997 Asian Financial Crisis. Furthermore, I will identify the question of “to what extent ASEAN member states are prepared to accept China’s growing leadership role”. Thus, I will answer the third and fourth sub-questions in this chapter. The conclusion of all answers from the sub-chapters will lead to the answer to main research question. This chapter is divided into three sub-chapters.

III.1 Emerging Regionalism in the Southeast Asian Region after the 1997 Asian Financial Crisis: The Rise of China

Since the establishment of ASEAN, the regionalization process in Southeast Asia has emerged rapidly. After establishing the association, Southeast Asian states are able to sit together in a discussion room to maintain the regional stability in terms of political security and economic stability. These two issues are managed to be the main focus within the association. The issue of political security was intensively discussed especially after the Cold War. To avoid any types of conflict in Southeast Asia, reducing the tensions between the neighboring states, and maintaining the peace and regional stability within the region are the core ideas of forming the association. Regional cooperation has become one of the main schemes in upholding regional peace and development.
One significant initiative of ASEAN is adding several East Asian states into a regional framework, APT. In this multilateral framework, China actively participates in regular meetings. The inclusion of China into the APT is a grand strategy which is used by ASEAN to provide a discussion room for the nearest emerging powers, China, Japan, and South Korea. According to the constructivists, whether China poses a threat to Southeast Asia is not determined by its significant growth in military or economic sectors. China’s position towards other states is rather a perception which grows in certain ASEAN member states. China’s identity is significant in framing how ASEAN states interpret and acknowledge China’s rise. The establishment of APT has generated optimism towards an integrated East Asia, including both Northeast Asia and Southeast Asia. APT is expected to increase the level of trust and construct a cooperative environment among Northeast and Southeast Asian states.

The formation of APT was due to ASEAN’s acknowledgment of Southeast Asia’s future. It was once and for all tied to Northeast Asia which refers to the 1997 Asian financial crisis. Northeast Asian states, such as China, Japan and South Korea, play an important role in the emerging Asia. One of these countries, China gains a closer relationship with ASEAN, noting the establishment of a historical agreement to end international disputes in the South China Sea, the creation of ACFTA, and China’s growing leadership role in APT.

Within the emerging regionalism in Southeast Asia, state sovereignty remains the most important. The principle of non-interference has surely dominated the ASEAN Way which serves as the guideline for the implementation of foreign policy of ASEAN member states. I have explained in the previous chapter that the principle of non-intervention and non-legally binding agreements have made it difficult to form a shared identity. The non-intervention rule has become the most acknowledged ASEAN norm and tool to maintain the regional peace and stability in order to avoid any conflicts with one another. ASEAN member states acknowledge “the right of every state, small or large, to lead its existence free from outside interference in its internal affairs” which implicates the freedom, independence, and integrity of the nation.

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Constructivists argue that “this lasting peace is the result of community, and that ASEA

n is therefore a security community.” Acharya and Layug explain that ASEAN has becom

a security community for all Southeast Asian states that acknowledged themselves as a re

gional grouping. ASEAN cooperation emphasizes the importance of regionalism while s

trengthening the regional identity of Southeast Asia. ASEAN regional identity has a cer

tain role to support the development of the integration of the regional grouping.

Certainly, ASEAN states have a common agreement on the use of dialogues to avoid conflicts. In order to focus on the national development and economic growth, the association tries to manage its authority among the states and solves intra-ASEAN conflicts. One of the most frequent strategies to solve the conflicts among ASEAN states is by using quiet diplomacy. This kind of diplomacy is not disclosed to the public and maintains its secrecy which is distributed only among government officials. The quiet diplomacy is used to avoid any interference from outsiders. For that reason, ASEAN member states use this kind of diplomacy.

By analyzing the foreign policy of ASEAN member states, it can be found that ASEAN identity is not the main priority of the regional group when it comes to the actual policy choices. In this case, national interests remain the priority of each ASEAN member state. Moreover, the principle of non-interference as one of the norms has made it difficult for ASEAN to interfere and to make comments on other states’ actions and behaviors. There are many obstacles for the development of ASEAN that arise from a number of differences among Southeast Asian states. It can be seen from the territorial disputes in the South China Sea. The real definition and clear explanation of the so-called “regional identity” is arguably still vague and biased. One cannot choose between one culture and another culture.

China’s willingness to accept and respect the ASEAN Way has majorly contributed to its extensive presence among ASEAN member states. To be clear, the Constructivist view is the main foundation of the analysis in this research. As constructivism suggests, the idea of state sovereignty and the norm of non-interference have become embedded as the identity of ASEAN. Constructivism addressed “the constitutive role of norms, identities, or shared

175 Ibid.


understanding between states”.\textsuperscript{179} It is also addressed by Nicholus Onuf in his book “World of Our Making”.\textsuperscript{180} The international society is formed by the states which lead to the premise that international politics is “a world of our making”.\textsuperscript{181} International institutions help the states arrange the rules and behavior of political actors. Onuf argues that ideas, beliefs, and values shape social identities of political actors.\textsuperscript{182} In sum, constructivism underlines the influence of ideas in shaping one state’s perception of another state.

In this research, the methods of norm diffusion are used to find out the role of ASEAN in directing and maneuvering the rules of the game in global affairs, especially in Asia. Norm diffusion consists of two methods, socialization and conditionality. Using this concept, I will identify the usage of ASEAN’s shared norms as a regional way to conduct and its role within China’s integration into the region. In this case, ASEAN’s shared norms are the written rules which are stated in the ASEAN Declaration. It works as the rules of the game in the region. Firstly, the process of socialization involves intensive meetings and interactions. This process has been practiced not only to outsiders, but also to Southeast Asian states that are eager to join the association. Noting Cambodia, the latest member of ASEAN, has become evidence of how ASEAN practiced the concept of norm diffusion. ASEAN norms are stated in the ASEAN Declaration. The declaration implies numerous limits and standards for action and behavior in the association.

Before Cambodia’s entry into ASEAN during the 1990s, it refused an offer from ASEAN to join the association. The invitation to join ASEAN was rejected by Cambodia for some reasons. The anxiety of the Cold War and doubts about the objective of the association became the reasons for Cambodia to reject the membership invitation. After periods of domestic conflicts, genocide, and war, Cambodia regained political stability in the 1990s. The Cambodian government tried to improve the political stability and economic development to catch up with other Southeast Asian states. During this period, Cambodia supposedly has joined ASEAN along with Laos and Burma, however, the entry was postponed. The delay was caused by the internal political struggle.

Certain ASEAN values must be respected to avoid any further conflicts between the member states. The general values such as protection of human rights and freedom, non-confrontation, and freedom of movements were not fulfilled by Cambodia. In addition to the

\textsuperscript{181} Qianqian Liu, \textit{Ibid}.
\textsuperscript{182} \textit{Ibid}.
never-ending conflicts, there were many violations against human rights during the civil war and the rule of Communist government. The political executions, starvation, diseases and forced labor in Cambodia with two million people died were considered as genocide. In cooperation with UN and ASEAN, the Cambodian government took efforts to stabilize its internal politics. ASEAN also assisted Cambodia in stabilizing its government and opening it to the world. ASEAN supported the restoration of a democratic government and the general elections in Cambodia. These two issues were important to transform Cambodia into a more stabilized state. Since the accomplishment to organize an election, Cambodia established bilateral relations with ASEAN.

Following the stabilization of Cambodian domestic politics and government, in 1999, Cambodia was accepted as the tenth member of ASEAN. The acceptance of Cambodia in the association showed ASEAN’s effort to expand the regional integration in the Southeast Asian region. The socialization process was successfully done. The main objective of the socialization was for Cambodia to fulfill all standards which were given by ASEAN and join the association. The expansion of the integrated area aimed at consolidating the regional security and stability. In addition to internal affairs within the very same region, ASEAN has practiced its process of norm diffusion to an external power, China. In this stage, China was introduced to ASEAN’s rules and regulations.

The engagement between ASEAN and China has improved drastically, especially after the 1997 Asian Financial Crisis. The most decisive thing has been “the changes of China’s policies towards regional multilateralism”. Within Sino-ASEAN relations, ASEAN member states have underlined “an engagement approach” to the Chinese government. ASEAN’s approach is characterized by a multiplicity of interaction in wide categories: economy, politics and social; formal and informal; bilateral and multilateral, over varied issues. ASEAN’s efforts to socialize its norms to China have shown the eagerness of ASEAN to receive China in the community. Conforming China, a larger power to ASEAN, has always been the focus of ASEAN in Sino-ASEAN relations.

Within its practice, ASEAN acts as a norm entrepreneur, a term coined by Cass Sunstein. He explains that there are categories of people who are interested in changing social

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185 Ibid.
186 Ibid.
norms. It socializes an accepted standard of behaving and taking action. Norm diffusion is the process where the norm entrepreneur changes the social norms. ASEAN leaders aim at applying ASEAN’s social norms to the interactions with other states, such as China, to maintain a stable relationship.

Socializing China does not mean changing China to be the same as ASEAN states. Instead, the socialization takes place to adjust China’s behavior towards the ASEAN Way which highlights three major points, restraint, respect, and responsibility. ASEAN aims at changing China’s perception or opinion about the regional multilateralism and responsiveness to ASEAN concerns. China’s presence in Asia becomes stronger as gaining greater economic power. The territorial disputes in South China Sea also become ASEAN’s concern about keeping the stability within the region. Therefore, strengthening its ties with China could be the key to reduce the tensions in the region. ASEAN’s engagement with China is considered to be a success in terms of the intensity of the cooperation between them. China’s participation in ASEAN multilateral frameworks has increased rapidly, noting the establishment of ACFTA, APT, and several Asian conferences which are actively participated by ASEAN and China. I will explain more about this free trade area in the next sub-chapter.

The promotion of the ASEAN values, such as democracy and human rights are officially written in the ASEAN Charter. In 2007, all ASEAN member states signed the ASEAN Charter. This charter underlines several important issues, such as the principle of democracy, the rule of law and good governance, respect for and protection of human rights and fundamental freedoms. ASEAN has not been socializing any of these values to China. This lack of action has received many negative criticisms from Human Rights Watch and other democratic actors, such as the United States. ASEAN as a group has displayed an antipathy in improving their human rights records which has also happened with China. The principle of non-interference affects the enforcement of the values to the ASEAN member states. However, in the national context, ASEAN member states have inserted the issue of human rights as part of their national agenda. This action has brought up the optimism to

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the prospects for promoting human rights in Southeast Asia. Therefore, enforcing the ASEAN Way to China is not of great significance, however, promoting the ASEAN values such as democracy and human rights to an external power, such as China, is difficult. The enforcement of democracy and human rights in Southeast Asia requires a serious effort to implement the ASEAN Charter into practice.

The second method, conditionality, can be seen in the intra-ASEAN relations. The conditionality within intra-ASEAN relations was proven by the case of Cambodia. The background of the acceptance of the state into the association has been explained in the previous section. Conditionality is the bargaining power in order to be given aid or assistance for nation-building. In this case, Cambodia was a less-developed country which did not have a stable political regime. International organizations such as the United Nations (UN) gave Cambodian government assistance with its peacekeeping missions. ASEAN as the nearest regional grouping thought about helping its neighboring state. After assisting the peace operation along with the UN, ASEAN pointed out a lot of benefits for Cambodia if Cambodia became one of the ASEAN members. Political assistance and economic aid were the incentives for Cambodia to build its nation again. The Cambodian government has agreed with the ASEAN Way. Therefore, the offer to be assisted by ASEAN was a good opportunity for Cambodia. After joining ASEAN, Cambodia has politically and economically improved compared to previous conditions when the state was in war and coup d’état.

Hence, norm diffusion appeared within Southeast Asia. The ASEAN Way has important ideas to guide the behavior and actions of the ASEAN member states. The principle of non-interference has been applied to the intra-ASEAN relations; therefore, a member state should not interfere with the domestic policy of other states. The rise of China, especially after the 1997 Asian Financial Crisis, has increased the importance of approaching China to build the region. China has been considered a friend rather than an enemy to ASEAN states. Maintaining a good diplomatic relationship with China will benefit both China and ASEAN. However, obstacles such as disputes between China and ASEAN states cannot be avoided. It is important to elaborate on the conflict and cooperation which took place in Sino-ASEAN relations in order to understand China’s influence on states in the region and the response of ASEAN to China. For that reason, I will explain the topic thoroughly in the next sub-chapter.
III.2 Conflict and Cooperation within Sino-ASEAN Relations and Intra-ASEAN Relations after the 1997 Asian Financial Crisis

China’s regional strategy in Southeast Asia has caught global attention, especially Asian countries. The question whether regional cooperation has certain impact on China’s conception of sovereignty has appeared in the relations between ASEAN and China. Engaging with China has become the main security objective of ASEAN. The cooperation between ASEAN and China has covered wider issues, from political security to economics and socio-cultural issues. In order to simplify the structure of this chapter, I will divide this sub-chapter into two parts: one part explains the political security issues and cooperation while another part explains the economic issues. Both sub-chapters will cover the development of Sino-ASEAN relations in the respective issues, political-security and economic conflicts and cooperation. Those two pillars have been the main focus of ASEAN in order to develop and support the member states’ economic development and nation-building. Thus, the development of political security and economic relations between ASEAN and China will become the focus in the following sub-chapters.

III.2.1 Political Security Relations

The Chinese government has influenced intra-ASEAN relations in using its newest foreign policy, the Neighborhood Policy. This policy has been explained in the previous chapter. To be precise, I will analyze Sino-ASEAN political relations and the implication of the Chinese strategy for intra-ASEAN relations. Sino-ASEAN relations have been the main focus of ASEAN to develop its multilateral framework. Sino-ASEAN relations are based on several agreements, including a treaty, the Treaty of Amity and Cooperation. The Treaty of Amity and Cooperation which was established in 1976 has been used as a set of norms or a code of conduct of states’ interactions among ASEAN member states. This treaty is considered as the first political undertaking to build mutual confidence and trust and to prevent conflicts. This treaty is a peace treaty which has become “the important component in the ASEAN Security Community”. It emphasizes ASEAN’s commitment to resolve all differences,

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193 Edy Prasetyono, “Traditional Challenges to States: Intra-ASEAN Conflicts and ASEAN’s Relations with External Powers”, this paper was presented at the ASEAN 40th Anniversary Conference, “Ideas and Institutions: Building an ASEAN Community?” jointly organized by the Friedrich Ebert Stiftung (FES) and the S. Rajaratnam School of International Studies (RSIS), in Singapore on 31 July – 1 August 2007.

conflicts, and disputes peacefully. The main purposes of this treaty are to supervise the pacific settlement for all regional disputes and to maintain regional cooperation and amity among Southeast Asian states in accordance with the Charter of the UN. The draft of the ASEAN Community states several blueprints for three pillars, including the blueprint for ASEAN Political Security Community (APSC).

The APSC envisions ASEAN’s clear objective to be “a rule-based Community of shared values and norms” in an increasingly interdependent and integrated global community. This statement explains the existence of ASEAN as a social grouping which emphasizes the roles of shared values and norms. This treaty was later signed by China in 2003. It has shown China’s growing trust to regional multilateralism which is offered by ASEAN. The ASPC will shape and share norms which aims to lead any conflict and dispute to peaceful settlement. It is stated in the ASPC blueprint point 2A that all ASEAN cooperation in political development aims “to enhance good governance and the rule of law, to strengthen democracy, to promote and protect human rights and fundamental freedoms” with regard to the rights and responsibilities of the ASEAN member states. When two states or more in the region have disputes, it will affect the regional stability, both politically and economically.

Another set of norms—which is constructed to limit a geopolitical issue—is the Treaty on a Southeast Asia Nuclear Weapon-Free Zone (SEANWFZ), which underlines ASEAN’s global commitment to nuclear non-proliferation. The zone which is stated in the treaty is the area comprising the states’ territories, states’ continental shelves, and their Exclusive Economic Zones (EEZ). This treaty is limited to ASEAN member states. It entered into force to prohibit any member states to develop or possess any nuclear weapon. China did not sign this treaty and neither did the other nuclear-weapons-states. Therefore, this treaty was established to ensure the prohibition of nuclear weapon among ASEAN member states.

The rise of China and its regional strategy have aroused certain concerns within ASEAN member states. The ASEAN-China strategic partnership has rapidly emerged and put the cooperation into a higher level. In 1997, ASEAN and China agreed to establish “a good neighborly partnership of mutual trust” which laid the foundation for promoting

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195 Ibid.
196 Ibid.
198 Edy Prasetyono, “Traditional Challenges to States: Intra-ASEAN Conflicts and ASEAN’s Relations with External Powers”, Ibid.
maritime cooperation between them. Most of the ASEAN member states are maritime states. Water territory is the common bond for ASEAN and China. Therefore, the Chinese government put an expectation to enthusiastically develop maritime partnership with ASEAN in a joint program to build “the silk road of the 21st century”. Strengthening ASEAN-China maritime cooperation helps to reduce the conflict of interests in the South China Sea and also contributes to the regional peace and stability.

In order to facilitate the emerging partnership, there are several cooperation mechanisms in the ASEAN-China partnership: The ASEAN-China Summit (attended by heads of state), ministerial meetings, senior officials’ meetings, and the ASEAN-China Joint Cooperation Committee (ACJCC). There are two factors which influence Beijing’s positive perception of ASEAN: its flexibility and non-binding ASEAN Way, and its openness to cooperate with Beijing which contributes to regional security, specifically in the South China Sea. The ASEAN Way refers to an approach which is used by ASEAN leaders to solve issues among member states. The flexibility and non-binding rules in the ASEAN Way have been appreciated by the Chinese government and its Communist party.

Liu Zhenmin, Vice Foreign Minister of the People’s Republic of China, stated that those vibrant and dynamic multilateral frameworks, such as ASEAN+1 and APT, have brought the region closer. Furthermore, Zhenmin stated that “Beijing is fully aware that its peace and development is closely tied to the Asia Pacific region, including the Southeast Asian region”. It is important to arrange an East Asian partnership “based on win-win cooperation” and to be able to build a long-term regional stability in Asia. Both ASEAN and China try to separate these two issues, on the one hand political, economic, and socio-cultural issues, and on the other hand territorial disputes within Sino-ASEAN relations.

Although China has a growing positive sentiment towards ASEAN, the involvement of Beijing in the regional scheme is not without problems. Beijing’s friendly image project to ASEAN states is unlike its aggressive behavior and claims in the South China Sea. Beijing’s aggressive behavior has been shown by its military patrols around the South China Sea and

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200 Ibid.
201 Ibid.
204 Ibid.
the development of artificial islands in the disputed territory. Beijing has always underlined its interpretation of state sovereignty and usage of force for any breach of sovereignty, including trespassing into its territory.

The South China Sea has become one of the obstacles in uniting the region. Thus, both ASEAN and China tried to arrange an agreement to avoid any escalated disputes. In 2002, ASEAN member states and China agreed on a common code of conduct in the South China Sea. This agreement set a new achievement to manage the conflicts between ASEAN and China. As constructivism suggests, the idea of the norm of non-interference and the concept of state sovereignty have become embedded as the ASEAN regional identity. These two ideas have constituted a strong normative framework for ASEAN. China respects the way ASEAN member states collectively practice according to these two ideas. China maintains a good relationship with ASEAN with respecting and abiding to the norms which are used among ASEAN states.

The Secretary General of ASEAN, Le Luongb Minh, expressed apprehension in regard to a wider discrepancy between political commitments and actual actions which refer to a real situation in the territorial dispute in the South China Sea. The political commitments which have been agreed upon are not implemented in the disputed territory. The territorial dispute in the South China Sea involves China, Brunei Darussalam, Malaysia, the Philippines, and Vietnam. While other ASEAN member states such as Indonesia and Singapore are not claimant states, the stability in the South China Sea is significant for the economy and politics of all ASEAN member states.

China has responded the call to stick to the common agreement in regard to the peace and stability in the South China Sea. In the 48th ASEAN Ministerial Meeting which was held on 4-6 August 2015, Chinese foreign minister, Wang Yi, attracted the attention as he called an official press conference to announce China’s commitment to the South China Sea Issue. There are five important commitments which are addressed by the Chinese government: maintaining peace and stability in the South China Sea, peacefully solving disputes through negotiation and consultation, controlling differences through rules and

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regulations, maintaining freedom of navigation and over flight in the area, and gaining mutual benefits through cooperation. These five actions seem to be strategically composed by Chinese governments to avoid the territorial disputes. However, we should thoroughly assess the real situation in the South China Sea.

Among all ASEAN states, China’s tightest connection has been with Myanmar, Laos, Thailand, and Cambodia. All these ASEAN states are located near China, therefore, the political and economic stability of the states are closely related with Beijing. In addition, before joining ASEAN, Cambodia was a Communist state which adhered to China’s rule and values. Because of this past, Cambodia has a deep connection with China. Moreover, these states served as coordinators of ASEAN-China relations from 2012 until 2015 which influenced the construction of “a rather uncritical perception” of Beijing’s foreign policy. This position to be a coordinator has improved the trust among China and ASEAN states. The main task of the coordinator is to maintain a peaceful and stable relationship between ASEAN and China. The pacific settlement is the favorite way to solve a conflict between ASEAN member states or between ASEAN and China.

Currently, Beijing practices soft diplomacy in its relations with ASEAN member states. As I have explained in the previous chapter, China uses its strategic partnership diplomacy as a way to strengthen its relationship with respective partner countries and to change the negative perception which was embedded in the mind of ASEAN leaders. ASEAN states have got used to the quiet diplomacy which is practiced by China. Quiet diplomacy allows ASEAN states and China to communicate without bringing the meeting and discussion into public. Strategic partnership diplomacy has become the strategy to expand Chinese influence in Southeast Asia. This strategy has increased China’s level of relationship with other states.

The ASEAN governments and the Chinese government have agreed on a joint declaration of strategic partnership for peace and prosperity. This joint declaration is based on the principles set by “the Declaration on the Conduct of Parties in the South China Sea”. Under the framework of the Declaration on the Conduct of Parties in the South China Sea, ASEAN and China have agreed to solve conflicts in the South China Sea through negotiation.

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208 Ibid.
210 Ibid.
and consultation with relevant parties.\textsuperscript{212} This declaration is implemented with standard terms in accordance with international norms and international laws. This agreement is still being adapted to the real situation. However, there are some problems with the implementation of the agreement.

Firstly, there is not any higher authority which is able to punish or push the states to obey the rules. All ASEAN member states and China are treated in the same manner as each state is independent and state sovereignty is the highest rule among the states. Secondly, both ASEAN and China fail to focus on achieving progress during the implementation. On the contrary, the maritime conflicts have escalated. Moreover, there is the issue of determining “the level of cooperation”.\textsuperscript{213} The Chinese government has consistently demonstrated its seriousness about the political cooperation. However, the operation of the cooperation is arranged in an unstructured way. The structural problems have reduced the efficiency and the efforts to strengthen maritime cooperation.

The rise of China triggers the potential geopolitical impact on Southeast Asia. It leads to discussions on how ASEAN member states should react on this issue. ASEAN leaders know their strategic position to help maintaining stability in the region. During the implementation, ASEAN applies a dual strategy of “balancing and bandwagoning”.\textsuperscript{214} Stephen Walt, an International Relations theorist, in his book ‘The Origins of Alliances’ explains that states use one of either balancing or bandwagoning to challenge external threats.\textsuperscript{215}

ASEAN uses these two strategies to contain the rise of China. The strategy of balancing leads ASEAN to create alliances with the weaker sides or the opposite of stronger power in order to prevent China from dominating the region. The balancing strategy gives ASEAN a chance to cooperate with other states to contain the common threat. On the other hand, the bandwagoning strategy allows ASEAN to seek security by making an alliance with the threatening state or coalition. The alliance such as APT has kept the geopolitical stability in Asia. APT manages to unite Southeast Asian states and East Asian states to sit in the same room to have a meetings and discussions.

Within the intra-ASEAN relations, ASEAN governments promote the central role of ASEAN to provide a platform for integrated dialogue and a wider regionalism. The ASEAN

\textsuperscript{212} Ibid.
\textsuperscript{213} Ibid.
model of integration is different from any other integration model, such as the European Union, as the association is based upon a non-legally binding foundation and the concept of *musyawarah* (discussion/colloquy) and *mufakat* (consensus). ASEAN leaders draw upon common understanding on code of conducts within the interaction with one another. The association has been developed into a comprehensive regional grouping which has an extensive agenda and holds meetings. However, the efficiency and the effectiveness of the association are still in question.

The implementation of the integration within Southeast Asia is quite difficult. The meetings which are held regularly are not as effective as they seem. It is a long way to go to achieve one united ASEAN as an integrated region. Undeniably, several issues will arise during the implementation of integrated regionalism within ASEAN, including ASEAN Way that underlines consensus decisions and the principle of non-interference in the internal affairs among the member states. The sense of belonging between the member states is still very low. Citizens of ASEAN states will not call themselves ASEAN citizens, rather they will call themselves citizens of their own countries.

As constructivism suggests, the norm of non-interference and the importance of state sovereignty have become the common identity of ASEAN states. This identity constitutes the perception of ASEAN states towards any kind of interference which will be interpreted as a threat for them. ASEAN member states do not set out “to change the world and their neighbors”.216 The basic culture of ASEAN is that the states do not interfere in any kind of other states’ issues and respect any kind of decisions which are created by other states. This norm has been the important reason which keeps all ASEAN members together. Intra-ASEAN relations have overcome many obstacles in the process towards regional integration and coherence.

In summary, Chinese foreign policy has changed to adapt to the pace of globalization. The political security cooperation with ASEAN has been seen as an opportunity for China to maintain the regional stability. It is important to manage the regional stability to avoid the repetition of the 1997 Asian Financial Crisis. China has an important influence on ASEAN member states. The growing presence of China in the South China Sea increases the ASEAN cooperation to strengthen the regional security. In this case, ASEAN member states increase the level of cooperation to preserve the region’s integration and coherence.

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III.2.2 Economic Relations

In addition to political relations, China has actively participated in the economic cooperation with ASEAN. ASEAN as a regional grouping has an influence on the Asian economic development. ASEAN has been the driving force in the process of wider security and economic multilateralism in the Asia Pacific, noting the APT which was established to overcome the 1997 Asian Financial Crisis. Some ASEAN member states, such as Indonesia, Malaysia, and Singapore, are considered as emerging economies in regard to their economic capacities and development. I will elaborate on the Chinese influence on ASEAN’s regional development and later assess the intra-ASEAN economic relations.

The rise of China cannot be separated from the Chinese reformation movement. Previously, during the Chinese early reformation period in 1978, China saw regional cooperation as an entity that could disrupt its own sovereignty. The Chinese have a rather negative perception of regional cooperation. However, over the years, China gradually noticed that regional cooperation is a valuable and convenient diplomatic practice which is able to promote its foreign policy objectives.217 After the 1997 Asian Financial Crisis, China understands well that regional stability is important and has certain influence on the nation’s development and stability.

The economic crisis hit the region severely, causing intense political and regime changes in some Southeast Asian states. During the crisis, China decided not to revalue its currency, the Yuan, which was appreciated by Southeast Asian states not only for economic benefits, but also because it was understood and perceived as a confirmation of regional cooperation and goodwill based on regional solidarity.218 The 1997 Asian Financial Crisis shows a domino effect on states’ economic conditions. Whenever one state collapses, the neighboring states will likely follow the collapse. Whenever the economy of the state collapses, it has certain impact on the domestic political stability. Thailand and Indonesia are big states considering their economy size, area, and population. However, both Thailand and Indonesia could not avoid the major implications of the economic crisis on their domestic political stability. Thailand and Indonesia suffered a turn-about event which shifted their political system.

After the financial crisis, both ASEAN and China realized that they need to cooperate to avoid any future crisis. With this objective, a historical agreement took place at the very

same time of the settlement of territorial disputes in the South China Sea between ASEAN and China. China has expanded its economic cooperation with ASEAN. In 2002, in the same year when the political declaration was signed, China became the first non-Southeast Asian state to reach an agreement with ASEAN on a framework agreement which led to bilateral economic cooperation towards the actualization of “a phased free trade agreement”. At the sixth ASEAN-China Summit, the leaders of ASEAN and China signed the Framework Agreement on China-ASEAN Comprehensive Economic Cooperation which was held in November 2002. The signed framework agreement has highlighted the commitment of ASEAN and China in increasing their economic cooperation.

The economic cooperation which takes place between ASEAN and China can be seen within the ACFTA. It is an ambitious plan that is being implemented and has developed fast in recent period. After the implementation of the first stage of the ACFTA in July 2005, the total trade of ASEAN and China reached US$ 139.96 billion, a significant increase of 72.6% compared to 2003. The tariff reduction and elimination of trade barriers resulted in unprecedented expansion of bilateral trade in goods between ASEAN and China in 2010. Since the full implementation of the ACFTA in 2010, ASEAN’s goods trade with China has shifted from a surplus to a deficit that extended to US$45 billion in 2013. ACFTA has given a significant improvement to ASEAN-China trade relations.

Furthermore, ACFTA is the largest free trade area in terms of population in Asia, noting more than 600 million people in Southeast Asia and more than 1.3 billion people in China. To be precise, ACFTA is the third largest in the size of GDP nominal, behind the European Economic Area and the North American Free Trade Area. Recently, ASEAN has emerged as Beijing’s third biggest trading partner. Only within several decades, China has become an important trading partner for ASEAN member states, and vice versa.

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224 Ibid.
ASEAN and China consist of emerging economies. The economic growth is quite fascinating, for instance, one of the ASEAN leaders, Indonesia noted an average of 5-6% GDP growth annually from 2010-2014.\textsuperscript{225} Moreover, China itself recorded around 7-10% growth annually from 2010-2014.\textsuperscript{226} ACFTA has increased exports and imports between ASEAN and China. After the implementation of ACFTA, China’s exports to ASEAN rose by 30.1 per cent while ASEAN’s exports to China grew by 44.8 per cent.\textsuperscript{227} Because many Chinese manufacturing industries rely heavily on intermediate goods and raw materials from Southeast Asian states, the implementation of ACFTA substantially reduced the production costs for these industries.\textsuperscript{228} The increasing trade relations have also experienced a rapid development not only of trade in goods, but also within trade in services. Both ASEAN and China have constructed strategies to develop investment liberalization, transparency and facilitation which aim to improve the investment environment in ASEAN and China.

The regional economic integration between ASEAN and China has improved especially in the past decade, because of closer economic ties which have been shown from the vast trade expansion “to sustaining high economic growth”.\textsuperscript{229} This regional integrated framework will direct both ASEAN and China towards their main interests. Regional competitiveness and connectivity are two main issues which are often emphasized by both ASEAN and China. ASEAN and China have slightly optimistically categorized the ten year period beginning in 2014 as “a diamond decade” for Sino-ASEAN relations.\textsuperscript{230} Beijing’s relationship with ASEAN is a high priority for Beijing’s neighborhood diplomacy. The latest high-level visit of Chinese Premier Li Keqiang notes the initiation of the new phase for cooperation between ASEAN and China.\textsuperscript{231}

\textsuperscript{226} Ibid.
\textsuperscript{227} Liao Shaolian, “China”, \textit{Ibid}.
\textsuperscript{228} Ibid.
\textsuperscript{231} Ibid.
Looking at the figure 2 and 3, the dynamic of Sino-ASEAN relations has gained further momentum with the coming into force of ACFTA.\textsuperscript{234} The trade volume between


ASEAN and China has rapidly increased. In Figure 3, it can be seen that the ACFTA has accelerated the growth of trade between ASEAN and China.

Despite the increase in bilateral trade relations, the development of ACFTA arouses some concerns. The focus of concern in ACFTA has been directed to imports from China to ASEAN states. Chinese manufacturing industries have advantages because of economic scale and the highly competitive production. In addition, the Chinese government has given sufficient aid to support the Chinese businesses. Chinese imports to ASEAN have been rapidly increased since the establishment of ACFTA. Moreover, many Chinese businesses do not clearly understand the business environment in ASEAN. Frequent and intensive contacts between business associations and chambers of commerce between ASEAN and China have not yet been formed. The heterogeneity and differentiation of ASEAN manufactured goods have opened a big opportunity for Chinese businesses to expand their potential. ACFTA has opened a big opportunity for ASEAN and China to explore their potential in regard to economy and trade.

FIGURE 4 Trend of ASEAN Total Trade and Intra-ASEAN Trade, 1993-2013

As Figure 4 shows, the ASEAN total trade has significantly increased. The intra-ASEAN trade increased at a faster rate than extra-ASEAN trade, with annual growth averaging 10.5%. In order to facilitate the emerging regional integration, ASEAN constructs a new plan to integrate the region. The initiative on establishing an ASEAN Economic Community (AEC) aims to create a single market and production base for all

source: ASEAN Trade Statistics Database, as of 24 July 2014.

236 Ibid.
ASEAN member states. AEC will be implemented within intra-ASEAN relations. It will bind ASEAN member states into a common regional framework. This plan has increased ASEAN’s potential to discover a new trade opportunity without any barriers with other ASEAN states.

The establishment of AEC has become a major milestone in the regional economic integration agenda in Southeast Asia. AEC was collectively the third largest economy in Asia and the seventh largest in the world.\textsuperscript{238} China has seen this project as a golden opportunity. If China successfully enters ASEAN’s single market, China will have an integrated market with more than 600 million consumers. The creation of AEC aims to improve the investment environment in ASEAN and to strengthen regional economic integration. In the past decade, ASEAN is seen as “a prime investment destination, influencing corporate strategies in the region, and attracting investments in Southeast Asia”.\textsuperscript{239} To be precise, ASEAN has become a magnet for foreign direct investment (FDI). The FDI into ASEAN has risen for the third consecutive year, increasing from $117.7 billion in 2013 to $136.2 billion in 2014.\textsuperscript{240}

The regional stability is important for China. Therefore, China wants to maintain good relations with ASEAN. Southeast Asia is the nearest region which has certain significant impact on China’s economic development. The stronger presence of China in Southeast Asia has formed stronger intra-ASEAN development. ASEAN member states come together as a multilateral grouping which makes use of all the existing opportunities given by China’s growing presence. China as a big economic power has economic advantages to bargain with ASEAN member states.

At one of the annual summits of Asia Pacific leaders in Malaysia, the Chinese government pledged to increase the amount of ASEAN infrastructure loans up to US$ 10 billion.\textsuperscript{241} China has funded infrastructure building in Southeast Asia. The Chinese government has commenced an investment and fund bank, the Asian Infrastructure Investment Bank (AIIB), with US$100 billion share capital.\textsuperscript{242} Beijing tries to provide investments and funds which are needed by ASEAN states. Most of the ASEAN states need

\textsuperscript{239} Ibid.
\textsuperscript{240} Ibid.
investments and funds to build better infrastructure. In response to this issue, Chinese Premier Li Keqiang pledges to increase the amount of grants to South East Asia’s less developed states.\textsuperscript{243} In another occasion, Chinese Vice Premier Zhang Gaoli proposed faster construction of major infrastructure in the ASEAN states.\textsuperscript{244} These commitments have been announced by Beijing to ensure its participation in the Southeast Asian region. This region has attracted offers of loans from several states, including Japan, China’s nearest neighbor.

Hence, ASEAN economic relations with China are as important as the political and security issues. However, the Sino-ASEAN economic relations are in a better state than their political and security issues. Both ASEAN and China need each other to invest and develop their trade and industries to boost the economic growth. The increase of economic growth will lead to better state-building. Infrastructure investments are needed by ASEAN member states to improve the state welfare. Intra-ASEAN relations have developed into mutually beneficial relations. Both ASEAN and China understand that the development of a state will affect the development of other states. In addition, China faces a period of economic recession in recent years, although it is not as severe as in most European states. The recession has affected several ASEAN member states, such as Indonesia and Malaysia.

III.3 The Aftermath of the 1997 Asian Financial Crisis: ASEAN’s Strategy on China’s Growing Leadership Role in the Region

The growing presence of China has been carefully noticed by ASEAN member states. Beijing states that it will respect the ASEAN Way and its implementation. The ASEAN Way has become a condition which is offered by ASEAN to be received by the community. As previously explained, ASEAN regional identity is still being developed. It is argued that it is difficult to identify and decide one common-regional identity for ASEAN. After the 1997 Asian Financial Crisis, ASEAN maintains a stronger relationship with China, in terms of political and economic relations. In addition, ASEAN is aware of the importance of China which possesses abundant source of investment and a gigantic market.

The 1997 Asian Financial Crisis has become the most significant event among Asian states, including ASEAN member states. It is argued that the economic liberalization of domestic financial markets in Asia was not accompanied by necessary and good levels of regulation and transparency. Bad financial structures and governance problems such as

\textsuperscript{243} Ben Bland, “Japan and China Step up Fight for Asean Infrastructure Contracts”, \textit{Ibid.}

corruption, nepotism, and excessive degrees of government involvement triggered the financial crisis. The responses in the region to the financial crisis varied. Thailand and Malaysia protected their currencies before giving up. The other Southeast Asian states did not defend their currencies and it was the better option that applied defense on the currency. In the first year after the crisis, there were some opinions from the West to Asia to reform the international monetary and financial system.

After the 1997 Asian Financial Crisis, institutional reforms were necessary to protect economies from any future crises. With the exception of Indonesia, the other Asian economies such as Thailand and Malaysia have recovered from the financial crisis, consecutively in 1999 and 2000. It was far faster than the predictions from many forecasts, including the International Monetary Fund (IMF). The failure of the domestic financial policies led the Asian states into a despair of crisis. The world economy is now facing a new challenge. The global imbalance will lead to great risks for the respected states. China as ASEAN’s neighboring state has shown good response to give assistance to ASEAN states to exit the unsustainable financial imbalance. The regional financial stability is significant to maintain the economic development.

Beijing has major reasons to manage its good relationship with ASEAN. ASEAN maintains peace-oriented policies which are favored by Beijing, compared with the more confrontational approaches applied by Japan and the United States. Beijing needs ASEAN to enhance its acceptability and legitimacy as a leader in Asia. ASEAN as a group of states will help Beijing achieve its main interests and maintain regional stability. Beijing understands the importance of regional stability and ASEAN is the important player in Asia. The territorial disputes with several ASEAN states have shown the aggressiveness of China in defending its sovereignty. Beijing’s strategy to establish a partnership with all ASEAN states has shown the eagerness of Beijing to cooperate with ASEAN states. At the same time, it shows that Beijing wants to be involved in all matters which happen in the region.

According to Article 31 of the ASEAN Charter, the ASEAN chairmanship shall rotate annually, based on the alphabetical order of the name of the member states in English. Malaysia is the Chair of ASEAN for 2015, after the annual ASEAN rotating chair from Myanmar in the previous year. Malaysia’s chairmanship underlines the theme of ASEAN, Beijing has major reasons to manage its good relationship with ASEAN. ASEAN maintains peace-oriented policies which are favored by Beijing, compared with the more confrontational approaches applied by Japan and the United States. Beijing needs ASEAN to enhance its acceptability and legitimacy as a leader in Asia. ASEAN as a group of states will help Beijing achieve its main interests and maintain regional stability. Beijing understands the importance of regional stability and ASEAN is the important player in Asia. The territorial disputes with several ASEAN states have shown the aggressiveness of China in defending its sovereignty. Beijing’s strategy to establish a partnership with all ASEAN states has shown the eagerness of Beijing to cooperate with ASEAN states. At the same time, it shows that Beijing wants to be involved in all matters which happen in the region.

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“Our People, Our Community, Our Vision”. The repetition of the theme over the years of different chairmanships has underlined the importance of the coherence within the group. Along with the entry into force of the ASEAN Charter on 15 December 1998, the association has taken a major step to moving on its community-building process.

Overall, the intra-ASEAN relations have been strengthened by the establishment of the ASEAN Community. This ambitious idea facilitates the need of a more integrated regional framework. By the end of 2015, ASEAN leaders have pointed a target to establish a common market in Southeast Asia. This common market will address the global norms, such as freedom of speech, freedom from want, and freedom from fear, as part of its fundamental agreement. Later, free flow of skilled labor will be attached to the implementation. This ambitious idea seems too good to be true; however, this plan needs to be implemented step by step, as stated by former Secretary General of ASEAN, Surin Pitsuwan. He explained that the specific industrial strengths of each state will lead to “a natural selection process”. It can be analyzed from current economic activities, such as financial and logistical industries will go to Singapore while extracting natural resources will be taken care of by Indonesia.

Regarding the free movement of labor, Joseph Stiglitz, a Nobel Laureate in economics, argues that economic immigration from rich nations to poorer countries should be “a real concern” for ASEAN. Several ASEAN member states such as Myanmar and Cambodia are categorized as less-developing states which need assistance from ASEAN and other donors, such as China. The problem with economic immigration presents itself when states invest in labor force that later will move to another state. The free movement of labor will attract many labor forces that come from poor states moving to richer states. It will create instability in the distribution of employment.

If the ASEAN states use the opportunity to develop the new framework, more businesses will be created. The free market ensures the competitiveness and brings new investments. At this level, ASEAN has accepted China’s growing role. ASEAN states will compete with Chinese industries and businesses while they cooperate to increase the profit. The ACFTA first proposed by China’s Prime Minister Zhu Rongji in 2000, was driven by political considerations. Previously, the rise of China as a global economic power was seen

\[247 \text{Ibid.}\]
\[250 \text{Ibid.}\]
\[251 \text{Ibid.}\]
“as a threat to ASEAN”. Currently, the involvement of China in Southeast Asia is considered important in creating support for the sustainable regional stability.

**Conclusion**

Hence, the answer of the fourth sub-question “to what extent ASEAN member states accept China’s growing leadership role” is that ASEAN member states recognize Beijing’s growing leadership role and cooperate with Beijing to optimize nation-building. ACFTA and APT are two pieces of real evidence to analyze the interaction between ASEAN and China. Those multilateral frameworks have been appreciated by the Chinese government to bring stability to the region. Moreover, the trade relations between China and ASEAN states have increased with the establishment of ACFTA.

Through frequent and growing interaction, ASEAN and China have developed a constructive relationship for the advancement of their states. The ACFTA is able to form a sense of community between ASEAN and China. The Chinese government also actively adopts measures to encourage their companies to participate in the ASEAN regional cooperation. The establishment of ACFTA is beneficial for quickening the pace of restructuring and improving competitive and productivity capacity. Nonetheless, China’s growing leadership in the Southeast Asia gives caution to ASEAN member states to improve the coherence and the solidarity among the member states.

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CHAPTER IV
THEORETICAL IMPLICATIONS

Alexander Wendt through his Social Theory of International Politics elaborates on an analytical framework that emphasizes the significant role of norms and shared ideas or values in shaping state behavior. The international relations studies provide wide analysis of states and their interactions. The emergence of cooperation between ASEAN and China is the main highlight of this research. To be precise, this chapter will try to find the answer to what extent this thesis converges with or diverges from existing research on the topic.

In this research, three concepts are used accordingly: constructivism, norm diffusion, and regional identity. The development of ASEAN integration is identified using constructivism. The theory of constructivism provides a theoretical framework which supports the process of this research. According to constructivism, all significant aspects of international relations are socially constructed. Several ideas from Wendt and Onuf are used to explain the occurrence in the research topic. Both constructivists underline the application of the new approach to the practice and interaction between states. In this case, the main notion is that “states are the primary units of analysis for international politics”. By looking at the practice of Sino-ASEAN relations, it is proven that the notion of state sovereignty is the most important aspect for ASEAN states and China.

The theoretical framework of constructivism is suitable to analyze the interaction of intra-ASEAN and Sino-ASEAN relations. In this case, governments have the primary role in economic development among Asian states, including ASEAN member states and China. The distinctive characters of ASEAN are reflected upon in constructivism. The practice of ASEAN policy tends to reflect national identity and international norms. For instance, the ASEAN Way is practiced by ASEAN states. This kind of diplomacy reflects the Asian values which emphasize pacifism to solve a dispute and regional peace. The ASEAN Way, ASEAN’s pattern of diplomacy, is unique and based upon consultation (musyawarah) and consensus (mufakat) which are introduced as Southeast Asian diplomacy. The ASEAN Way is about the conflict management and elimination of problems in the region. The consultative process in ASEAN is motivated by the desire to have a regional stability.

The existing research gives wide insight to this research. Amitav Acharya, an IR constructivist, provides a useful analytical framework for this research. It is impossible to stand alone in this multipolar world, therefore, ASEAN must hold together as a group. The
main sources of intra-ASEAN conflicts are struggle for regime survival; compulsion for political change against authoritarian regimes; the lack of acceptable union between the territorial boundaries of the nation-states; and the ethnic composition of their populations (one state might contain many different ethnic groups, while another state contains one specific ethnic group which dominates the state). Domestic conflicts and problems not only challenge intra-ASEAN stability, but also regional stability as a whole. Moreover, ASEAN has one core problem which must be overcome to achieve an integrated regional grouping. ASEAN member states must put off their national interests to pursue regional interests. However, it has not materialized yet. ASEAN states are still not fully integrated.

In addition to constructivism, another concept, norm diffusion has assisted the researcher to analyze the ASEAN’s strategy to impose its values on its member states and other states, such as China. Using this concept, we learn to understand the strategy of ASEAN to reduce disputes and tensions among its member states and China using its own norms and values. Norms, identities, and shared understanding of individuals and states are important in the relations between states. In a regional grouping, one state must abide by the common agreement which has been formed majorly to avoid disputes and war. The principle of seeking agreement and harmony, non-confrontation, the principle of quiet diplomacy are among the values which are regarded as important by ASEAN. Asian values clearly emphasize communalism rather than individualism and a consensual approach within the relations with other states. The willingness of Beijing to provide assistance and support to the failing ASEAN economies such as Indonesia and Thailand during the 1997 Asian Financial Crisis has impressed ASEAN member states. It leads to the shifted perception of China as a threat. After providing support and assistance, China creates a better perception about their presence in Southeast Asia and within the global framework. To enter the region, China respects the ASEAN Way and underlines the strategic partnership. The principle of non-interference has become the most respected principle in the region. However, China is not able to adhere to the ASEAN Declaration which contains the promotion of human rights and democracy. China is not able to subscribe to all the values and norms of ASEAN.

The process of socialization and conditionality as the methods of norm diffusion are applicable to analyze the role of the ASEAN values and norms. The entry of Cambodia into ASEAN and ASEAN external relations such as the relations with China served as two cases to identify the existence of norm diffusion within the research topic. When the process of norm diffusion can succeed through two methods of socialization and conditionality, it can also fail at the same time. It is considered as failed if the norm is not fully diffused into the
state system. On the other hand, if the norm is well-received and implemented by the recipient state, it is considered a success.

By doing this research, we find that the theories are applicable to the case of intra-ASEAN relations and Sino-ASEAN relations. This research has three implications. Firstly, the studies of Sino-ASEAN relations and intra-ASEAN relations respectively have not been studied by many researchers. The increase of the studies only took place after the financial crisis. The 1997 Asian Financial Crisis shows the importance of these studies to avoid any risks of regional instability and financial crisis. Secondly, the ASEAN Way and its values are significant components in building the ASEAN Community. In this case, external relations remain important, noting the relations between ASEAN and China. All ASEAN member states understand the importance of external powers to maintain a geopolitical strategy and a geopolitical stability. Thirdly, the theoretical framework provides a way to analyze the development of Sino-ASEAN relations and more importantly, intra-ASEAN relations. Constructivism contributes to the analytical framework which is applicable to the analysis of the research topic. ASEAN regional identity has not been studied by many researchers as ASEAN does not have a clear common identity. It is difficult to draw, for instance, a certain example of ASEAN identity. The diversity of cultures and national identities leads to an unsynchronized identity in the region.

In summary, this research partly converges with existing research. Because of the emergence of Asian power, the international community has shifted its focus to Asia. The Southeast Asian region grows to become a security community and foster a geopolitical stability. However, the ASEAN member states are unwilling to put their national interests aside for the bigger impact of regional interest. If this problem persists, ASEAN will have a problem with its plans for regional integration.
CHAPTER V

CONCLUSION

John F. Kennedy once said, “A man may die, nations may rise and fall, but an idea lives on”. The idea to reconcile all the states of Southeast Asia brought the region to support a plan for an integrated regional grouping. ASEAN was created from an idea to ensure regional political stability. On 8 August 1967, five founding members, Indonesia, Malaysia, the Philippines, Singapore, and Thailand, formed ASEAN to manage the cooperation among Southeast Asian states. Political security and economy have become two main issues in the region. This vast growth of regionalism was embedded in the heart of the region.

Tun Abdul Razak, the Malaysian Prime Minister who ruled from 1970-1976, was one of the five founding fathers of ASEAN. He illustrated the importance of a new perspective to the emerging world. In this case, the states are bound together by partnership and goodwill which shape the future of the states. However, in practice, the development of ASEAN integration is rather slow. There are no legally binding rules that can tie the ASEAN member states together. For example, if a state breaches the common agreement, other states cannot impose any consequences on that action. ASEAN can only impose a warning about the breach. The process of becoming an integrated regional group is difficult, just as of having the same identity and vision. The establishment of the ASEAN Charter has given optimism to the integration of the region. With the entry into force of the ASEAN Charter, ASEAN henceforward operates under a new legal framework while forming new institutions to increase the community-building process.253

Acharya explains that a community is a group with a shared identity and common norms.254 The constructivist argues that the “lasting peace” in the region is the result of community building. Since the establishment of ASEAN, no major wars have taken place in Southeast Asia. It may prove the effectiveness of a community to resolve conflicts or disputes. The founding members had a vision that it would be impossible for ASEAN states to be an integrated region if they did not share one regional identity. Acharya argues that a logic of appropriateness has driven ASEAN’s founding states to adopt the principle on non-

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interference, although this decision was also partly due to the concerns of the ASEAN leaders about internal stability under the threat of communist insurgency.\textsuperscript{255}

ASEAN regionalism is unique and different compared to other regional frameworks. ASEAN’s construction was based on its own values and norms. The regionalism in Southeast Asia has been effectuated during the past decades. After the end of World War II, most of ASEAN states achieved their independence and became a sovereign state. Some states, such as Cambodia and Myanmar, achieved their independence after numerous civil wars. The process of becoming independent is not easy. In order to maintain the process of state-building, the ASEAN member states earn legitimacy through economic growth. The push for prosperity and peace in the region has brought the Southeast Asian states to strengthen the cooperation and solve the internal conflicts.

Multilateral cooperation among ASEAN member states has attracted other states to join the ASEAN cooperation. After the end of Cold War, China entered the Southeast Asian region with its own agenda, including upholding geopolitical stability and increasing international trade. Looking at China’s entry to Southeast Asia, ASEAN has never planned to exclude external powers from the region. ASEAN leaders understand that the geo-political position and the geo-strategic significance of Southeast Asia have made the region interconnected with other major powers, including China. This research gives particular attention to two sets of relations: Sino-ASEAN relations and intra-ASEAN relations.

Xi Jinping, the current President of the People’s Republic of China, once said: “It is the responsibility of China to lead the whole party and Chinese people to work hard for the great renewal of China”\textsuperscript{256}. He explained that China would stand firm to make a greater contribution to mankind. This rhetoric speech is translated in several actions performed by China, such as the increase of trade and investments with ASEAN member states, the establishment of a strategic partnership, and assistance for several less-developed ASEAN states, such as Cambodia. Nevertheless, the author finds that the rise of China has also produced a certain negative impact on intra-ASEAN relations.

China’s presence in Southeast Asia has two sides. China can be seen as a friend in terms of developing the region. On the other hand, considering its aggressive behavior in the South China Sea and its strategy in extending its influence, China is identified as a threat. These two issues are very closely related although they seem different. China’s growing role


in the region has increased the awareness of all ASEAN member states. The territorial dispute in the South China Sea has arisen among ASEAN member states. In this particular case, the concept of norm diffusion is used to analyze whether the ASEAN norms and values are diffused into the interactions in the internal affairs of ASEAN and its external affairs.

The application of norm diffusion can be done through the democratization process in Cambodia. Led by Pol Pot, the Communist Party of Kampuchea or the so-called Khmer Rouge, Cambodia was shut off from the international community. During the reign of the Khmer Rouge, the international community such as the UN defined its logic of appropriateness to oppose the interests of Cambodian elites and corrupt government. Some universal values are shared among cultures. The genocide during the reign of the Khmer Rouge was considered a violation against several universal values, such as human rights and freedom of fear. After the successful Vietnamese attack, the Khmer Rouge lost its power and Cambodia shifted from a communist regime to a democratic regime. Later, the remaining leaders of the Khmer Rouge were either surrendered or captured. Actually, during the Cambodian-Vietnamese War, China supported the Khmer Rouge against Vietnam. It happened because China tried to counterweight the dominating influence of Vietnam in the northern part of Southeast Asia. After the entry of Cambodia into ASEAN, the tensions in Southeast Asia have reduced. Until recently, China has maintained good bilateral relations with the Cambodian ruling government.

Concerning ASEAN’s external relations, China has grown closer to ASEAN member states. The Chinese officials have expressed their respect to the ASEAN norms and values. But in practice, there is some inconsistency. China might respect the ASEAN norms which were written in the ASEAN Declaration; however, it does not apply the ASEAN values into its practice. The promotion of human rights and democracy still become issues for the norm diffusion. Socialization and conditionality are the methods that are used by ASEAN to diffuse its norms and values. As a result of the ASEAN Declaration, ASEAN still has many tasks to tackle to ensure that the Declaration is in accordance with the development of universal values, such as human rights and democracy. ASEAN still has problems with the promotion of these values. For instance, Indonesia as one of leading democracies still improves its governmental system, concerning democracy. As opposed to China, most of the ASEAN states use the democratic system as its state system. Myanmar and Cambodia, the former Communist and military regimes, still develop their governmental system. The situation concerning democracy and human rights in ASEAN is different from the situation in China. China is a communist state which only has one major party. The Chinese citizens are not able
to defend their basic rights and fundamental freedoms, such as freedom of speech and rights to participate in an organization, because the Chinese government has almost full control on its citizens. Therefore, the ASEAN norms and values have not been diffused into China’s behavior.

The ASEAN Declaration on human rights still has flaws which could weaken the universal concept of human rights and fundamental freedoms. Human Rights Watch (HRW) expressed a deep concern regarding the recent ASEAN Human Rights Declaration which fails to include several basic rights and fundamental freedoms, including the right to be free from enforced disappearance and the right to freedom of association. In this case, the governments still have power to control the individuals or citizens to oblige their national law. Moreover, civil society groups in ASEAN reject the content of the ASEAN Human Rights Declaration, because the Declaration on human rights is below international standards. The socialization process towards China does not look good either. Both China and ASEAN have bad records in human rights violation. Paradoxically, this issue has made it easier for China to subscribe to ASEAN norms and values. The implementation of any declaration on human rights of ASEAN still needs improvement to reach the global standards.

This thesis aims at answering the main research question: To what extent have Sino-ASEAN relations in the period after the 1997 Asian Financial Crisis affected the development of intra-ASEAN relations? From four sub-research questions that have been answered, the author can conclude that in some extent, Sino-ASEAN relations have a certain impact on intra-ASEAN relations. Previously, before the 1997 Asian Financial Crisis, the development of intra-ASEAN relations left to be desired. The 1997 Asian Financial Crisis has given enlightenment for ASEAN member states to cooperate for ensuring the regional political and economic stability. During the crisis, China gave some assistance and contributions in order to overcome the crisis. The juxtaposition of the financial crisis and Sino-ASEAN cooperation leads to exploration of the intra-ASEAN development.

APT as a regional framework is used by ASEAN to include China in the Asian regional integration and multilateral cooperation. APT provides a comprehensive framework to pursue the ambitious goal of ASEAN and China to build a comprehensive region. In its 2013-2014 investment report, ASEAN declared that the integration efforts are pursued through several regional measures, noting enhancing investment protection and liberalization.

regimes, ASEAN integrated production and investment networks and investment cooperation between ASEAN member states.\textsuperscript{258} China’s growing role as a leading player in Asia-Pacific has been largely accepted by ASEAN member states. Most of the ASEAN member states acknowledge the Chinese economic power, which has developed enormously into one of the biggest economies in the world. Nevertheless, there are several ASEAN states which are having conflict with China in the South China Sea. Beijing’s aggressive behavior in the South China Sea has the potential of further escalation, noting the increase of Chinese army patrols around the sea. These occurrence leads to the reinforcement of intra-ASEAN cooperation. All ASEAN member states put some common target, such as ASEAN Vision 2020, in order to tackle any threat from external affairs, including its relations with China.

ASEAN still needs to make improvements in order to be an integrated regional grouping. In addition to territorial disputes with China, ASEAN deals with internal territorial disputes among its member states. The Philippines, Vietnam, Brunei, and Malaysia have disputed maritime waters in the South China Sea. Resolving these internal disputes will help ASEAN to advance their agenda towards China. Negotiations are required to achieve a common agreement which can resolve the disputes. By resolving the intra-ASEAN disputes in the South China Sea, ASEAN is able to process the future negotiations with China. The intra-ASEAN development has been challenged by the growing presence of China in the region.

In addition to the political security issue, ASEAN increases its economic integration efforts through the ASEAN Community. By accelerating the pace of its trade facilities through a single market, ASEAN tries to boost its economic development with the rest of the world. Sino-ASEAN economic cooperation has become one of the most strategic businesses in the region. ACFTA is one of the examples of how ASEAN and China combine their economic power to achieve a greater result. Economic development has been one of ASEAN and China’s main objectives to reduce poverty. Along with Sino-ASEAN economic cooperation, the commitment to boost intra-ASEAN trade and investment represents a golden opportunity for ASEAN member states to challenge themselves to create a single market.

ASEAN can learn from the European Union how to integrate the regional system in a proper manner. The normative system which is used by the European Union might not be perfect, but it is certainly better than ASEAN’s system. In this manner, the fundamental

values such as human rights and democracy can be achieved. At the same time, the ASEAN Way can still be preserved. If the governments of the ASEAN member states are willing to improve the implementation of the ASEAN values in the right manner, any rejection from civil society groups and the international community could be avoided, thus ensuring stability in the states and the region.
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