

Trend in ASEAN-China Relations in Coming Years

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Abstract: Over the past few decades, ASEAN-China relations have achieved significant milestones. This article aims to identify the factors that affect ASEAN-China relations in the political, diplomatic, security, defense, and economic dimensions. The challenge to the development of political and diplomatic relations between ASEAN and China is the imbalance and lack of trust in their relationship. Based on these factors, the article analyzes and predicts the future trend of ASEAN-China relations. The future of ASEAN-China relations will be determined by international and regional factors, the internal situations of ASEAN countries, ASEAN's motivations for cooperating with China, ASEAN's centrality, and China's Southeast Asia policy. It is expected that ASEAN-China relations will continue to develop through bilateral and multilateral mechanisms. ASEAN-China economic relations are forecasted to have significant opportunities to expand. However, the prospects of ASEAN-China relations face significant challenges arising from the internal situations in both ASEAN and China, as well as external economic, political, and security environments.

Keywords: ASEAN, China, relations, trend.

Subject classification: Economics.

1. Overview of ASEAN-China relations recently

After the end of the Cold War in the early 1990s, ASEAN and China recognized the need to promote cooperation between the two parties. Over the past 30 years, ASEAN-China relations have witnessed remarkable developments in several fields (ASEAN Secretariat, 2020). In this article, we will focus on ASEAN-China relations in the political and diplomatic, defense and security, and economic realms.

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In terms of political and diplomatic relations, the ASEAN-China dialogue was initiated with the participation of the Chinese Foreign Minister at the opening ceremony of the 24th ASEAN Foreign Ministerial Meeting (AMM) in Malaysia in 1991. China officially became ASEAN's dialogue partner at the 29th AMM held in Indonesia in 1996. In 1997, China and ASEAN collaborated in responding to the Asian financial crisis, and they subsequently decided to establish a good neighborly partnership for the 21st century. In October 2003, ASEAN and China signed the Joint Declaration on the ASEAN-China Strategic Partnership for Peace and Prosperity, with China becoming ASEAN's first strategic partner (Li, 2021). In September 2012, China appointed its first ambassador to ASEAN. Since 2010, the ASEAN-China partnership has gained new momentum with the adoption of Five-Year Action Plans in different phases (2011-2015, 2016-2020, and 2021-2025). On the 15th anniversary of their strategic partnership in 2018, the two sides adopted the ASEAN-China Strategic Partnership Vision 2030. Notably, in November 2021, ASEAN and China announced the establishment of a Comprehensive Strategic Partnership.

Regarding security and defense relations, China has consistently declared its support for ASEAN's central position in regional cooperation, as well as ASEAN's greater role in multilateral forums worldwide (Hoàng Thị Tuấn Oanh & Nguyễn Quỳnh Trang, 2021). ASEAN and China have actively promoted political and security dialogue and cooperation through various ASEAN+1 mechanisms, including summits, ministerial-level meetings, and ASEAN-led frameworks such as the ASEAN Regional Forum (ARF), ASEAN+3, East Asia Summit (EAS), ASEAN Defense Ministers' Meeting (ADMM), and ADMM+. In 2003, China announced its accession to the Treaty of Amity and Cooperation (TAC) in Southeast Asia, becoming the first dialogue partner to join this mechanism.

Concerning the East Sea (also known as the South China Sea) issue, China and ASEAN signed the Declaration on the Conduct of Parties in the East Sea (DOC) in 2002 and adopted the Guidelines on the Implementation of the DOC in 2011. In 2016, both regions approved the Joint Statement of the ASEAN-China Foreign Ministers, emphasizing the full and effective implementation of the DOC. ASEAN and China have also conducted consultations within the Joint Working Group on the implementation of the DOC (JWG-DOC) to maintain dialogue and advance negotiations on the Code of Conduct for the East Sea (COC). The first draft of the COC has been completed, and efforts are underway to progress to the second draft (Trần Thường, 2022).

In the economic field, ASEAN and China signed the Framework Agreement on Comprehensive Economic Cooperation in 2002. By 2004, they implemented tariff reductions for over 500 items, primarily agricultural products, through the "Early Harvest" program (Chiang, 2019). Building upon this framework, ASEAN and China continued to negotiate and sign agreements on trade in goods, services, and investment, leading to the establishment and operation of the ASEAN-China Free Trade Area (ACFTA). Notably, this was the first free trade agreement (FTA) in which China negotiated with an external country, and China was the first external partner to negotiate an FTA with the ASEAN

region. In November 2020, China, ASEAN, and other participating members signed the Regional Comprehensive Economic Partnership (RCEP), which officially took effect in January 2022. According to RCEP commitments, member countries will eliminate at least 92% of each other's import tariff lines within 20 years and establish common rules for e-commerce, trade, and intellectual property rights (An Châu, 2021). The RCEP is expected to foster trade and investment exchanges between participating countries, including ASEAN-China economic relations.

These cooperation agreements and initiatives have played a crucial role in promoting ASEAN-China economic cooperation. The total trade in goods between ASEAN and China has significantly increased, from USD 89.2 billion in 2004 to USD 508.0 billion in 2019. Despite the impact of the COVID-19 pandemic, ASEAN-China trade volume experienced encouraging growth, reaching USD 518.0 billion in 2020 and USD 870 billion in 2021 (Hữu Hưng, 2022). As a result, China has become ASEAN's largest trading partner since 2009, while ASEAN has become China's most important trading partner since 2020. ASEAN and China have also become significant partners in the investment field. Foreign direct investment (FDI) from China into ASEAN increased from USD 3.49 billion in 2010 to USD 7.73 billion in 2020 (Đàm Huy Hoàng & Trương Quang Hoàn, 2022). China is ASEAN's fourth-largest external investor. In the opposite direction, ASEAN's outward FDI into China grew from USD 3.04 billion in 2004 to USD 6.3 billion and USD 7.88 billion in 2010 and 2019, respectively (Ministry of Commerce of the People's Republic of China, 2020). ASEAN is China's second-largest investment partner, following the Hong Kong Special Administrative Region, and has made significant contributions to China's rapid economic development lately (Đàm Huy Hoàng & Trương Quang Hoàn, 2022).

However, alongside these achievements, ASEAN-China relations since the establishment of the "Strategic Partnership" have encountered limitations and challenges. These include unfavorable impacts on the economic, political, diplomatic, and security environments in the ASEAN region due to its increasing multi-faceted dependence on China.

2. Factors affecting trend of ASEAN-China relations in coming years

2.1. Regional and international factors

First, relations between the United States (US) and China continue to be both competitive and cooperative. The US has intensified its global strategy to maintain its position as the world's most powerful country. This superpower has implemented various measures to contain China, including strengthening cooperation with Japan, Australia, and India. However, this objective faces several challenges. The economies of the US and China are highly interdependent, resulting in a significant cost of implementing such a

containment policy. Moreover, the success of containing China relies on the US' ability to establish a network of sustainable, trust-based partnerships (Arase, 2019). Nevertheless, China is a crucial economic partner for many Asian countries, making it unlikely that any country would openly advocate for the US and challenge China directly and unequivocally. Additionally, when China perceives strategic initiatives such as the Open Indo-Pacific Strategy (FOIP) or the trilateral security partnership between Australia, the United Kingdom, and the US (AUKUS) as methods employed by the world's largest economy and its allies to contain and encircle China, Beijing is likely to respond with even stronger protest actions. Consequently, political disagreements, tensions, and even military conflicts in the region may escalate to new levels in the future.

Nevertheless, it is improbable that we will witness an uncontrolled escalation of fierce conflicts in US-China relations in the region, at least in the short and medium term, as both countries need to cooperate with each other. China recognizes that the US possesses overwhelming military superiority, and this will remain true in the short and medium term. China also relies on the US for access to markets, technology, and knowledge of modern business management practices to advance its development over the next decade. Conversely, the US also requires cooperation from China to address pressing global issues such as climate change, international terrorism, nuclear proliferation, humanitarian assistance, natural disasters, and epidemics. Considering these factors, it is likely that US-China relations will continue to be both competitive and cooperative in the near future, with the competitive aspect appearing to be more pronounced. This rivalry presents opportunities for development as well as challenges for ASEAN's centrality and its relationships with the US, China, and other major countries.

Second, China-India relations continue to be both competitive and cooperative. Lately, India has encountered a significant challenge from China's growing influence, particularly through extensive infrastructure loans within the framework of the Belt and Road Initiative (BRI) in South Asian countries like Pakistan, Sri Lanka, Maldives, and Nepal. India has also expressed concerns about the increasing presence of the Chinese navy in the Indian Ocean region (Li, 2020). Additionally, India and China have long-standing territorial disputes (Liu, 2019). The United States, viewing India as a key player in the region and a partner in containing China, has further motivated India to compete with China, particularly in South Asia, which has traditionally been an area of Indian influence. However, due to limited capabilities, India currently faces difficulties in directly challenging China, but it aims to implement a rebalancing strategy by enhancing cooperation with the US, Japan, Australia, and countries in South Asia and Southeast Asia. This implies that ASEAN's role in India's foreign policy will become increasingly important and a factor that China must consider in its efforts to expand its influence in Southeast Asia.

Apart from the competitive aspect, India also has several reasons for strengthening cooperation with China. Economically, China is a significant trading partner for India and

has the potential to become a significant investor and tourist market in the future. From a strategic perspective, India needs to establish ties with China to enhance its position while demonstrating independence in its foreign policy with the US. Moreover, India's collaboration with China is crucial in addressing emerging challenges such as terrorism, humanitarian assistance, and regional connectivity.

Third, the prospect of global economic development faces many risks.

The medium and long-term outlook for global development remains uncertain. The COVID-19 pandemic continues to impact the global economy. There is a projected decrease in potential growth due to reduced productivity, investment, and the aging global workforce (World Bank, 2018). Furthermore, the world economy faces other risks. Tightening global financial conditions can lead to capital outflows from emerging and developing economies. Increased protectionism, geopolitical tensions, and armed conflicts contribute to the growing risk of economic fragmentation between regions. The ongoing military conflict between Russia and Ukraine further complicates the prospects for global economic development. Given China and ASEAN's dependence on external markets as open economies, the outlook for world economic growth directly affects their economic development and cooperation.

The combination of strategic and commercial competition among major powers, advancements in technology, and the COVID-19 pandemic has prompted the restructuring and repositioning of global supply chains. Several trends characterize this restructuring. The first trend is the shortening of supply chains by relocating parts or the entire production process to the home country or nearby countries in the region. The second trend involves decentralization and risk diversification through the relocation of high-tech components and critical stages of production from China to markets in close geographical proximity (Lê Hải Bình, 2021). These trends have a direct impact on the economies of China and ASEAN and the future prospects of ASEAN-China relations.

Fourth, the Fourth Industrial Revolution (or Industrial Revolution 4.0) will significantly impact the balance of power in international relations. The nature of the Fourth Industrial Revolution is based on digital technology and the integration of all smart technologies to optimize production processes and methods. The United States, along with several advanced nations and countries with significant economic potential, such as China, Germany, the United Kingdom, and Japan, are dominating this revolution.

The Fourth Industrial Revolution also presents an opportunity for middle powers and emerging countries to narrow the gap with major powers, thereby improving their position in the world order. On the other hand, developing countries with limited sci-tech backgrounds are at risk of becoming increasingly dependent on advanced countries as the Fourth Industrial Revolution advances rapidly (Nghiem Tuấn Hùng & Vũ Văn Anh, 2021). This fact indicates that the Fourth Industrial Revolution could further increase Southeast Asia's dependence on China.

2.2. Internal situation in ASEAN countries

The trend in the ASEAN-China relationship is sharply influenced by the situation within ASEAN countries. The ASEAN region continues to grapple with internal problems. In Myanmar, political turmoil lately has had a significant impact on its socio-economic development and foreign relations. ASEAN member states are somewhat divided over the issue of Myanmar. Meanwhile, the US and some other Western countries have imposed sanctions on individuals and entities connected to the Myanmar military. In response to external pressure and criticism, Myanmar's military junta has leaned towards developing relations with China.

In Cambodia, Prime Minister Hun Sen's government has consistently maintained a close relationship with China over the years. However, Cambodia's relations with the US and the European Union (EU) have made limited progress. In Thailand, the government led by Prime Minister Prayut Chan-o-cha is facing a decline in public confidence, which has worsened significantly during the pandemic. In terms of foreign affairs, Thailand is under pressure to strike a balance between its relations with China and the US. Similarly, balancing the influence of China and the US remains a major challenge for foreign policymakers in other ASEAN countries.

Additionally, disputes over sovereignty in the East Sea and disagreements regarding resource exploitation in the Mekong sub-region, particularly in relation to hydropower projects, persist among several ASEAN countries. These issues can exacerbate differences and contradictions among ASEAN member countries, including their varying perspectives on cooperation with China. This negatively impacts ASEAN's unity and its position in international relations, as well as the trends in the ASEAN-China relationship.

In the economic realm, ASEAN economies have suffered negative repercussions from the COVID-19 pandemic. In response, ASEAN countries have implemented measures to support and revive their economies, particularly in the business sector. ASEAN countries are also pushing for the development of the digital economy. However, the pace of recovery and the prospects for post-pandemic development differ significantly among member countries. Vietnam, the Philippines, Malaysia, and Indonesia have shown relatively strong recoveries, while other countries have experienced slower recovery momentum. These disparities will significantly affect each ASEAN country's needs and capacity to cooperate with China, as well as ASEAN's central position in relation to major countries, including China.

2.3. ASEAN's need to cooperate with China

Cooperation between ASEAN and China across all sectors is highly significant. In the economic field, ASEAN has a strong motivation to collaborate with China. China's growing trade, investment, and development assistance activities provide opportunities for

Southeast Asian countries to access the vast Chinese consumer market, thereby promoting further growth in ASEAN's production and exports. Chinese investment capital, development assistance, and tourism have become increasingly crucial for Southeast Asia's economic development. Moreover, China continues to hold a central position in regional and global production and supply chains. Therefore, an enhanced economic partnership with China is expected to support the participation of ASEAN enterprises in international production networks and value chains, particularly during the post-COVID-19 socio-economic recovery period.

From a geopolitical perspective, strengthening cooperation with China is seen as a necessary counterweight to help ASEAN implement and maintain its policy of balancing power among major countries, thus reinforcing ASEAN's centrality in regional cooperation frameworks. Major countries in the Indo-Pacific region desire ASEAN's participation as a partner to manage China's rise. In turn, China also seeks the support or at least the neutral stance of ASEAN and its member states in multilateral platforms such as the Indo-Pacific strategy to navigate increased pressure from the US and its allies.

2.4. ASEAN's central role

Given ASEAN's crucial geopolitical and geoeconomic position, competition between major countries can help ASEAN improve its position and centrality in regional and international affairs. Mechanisms led and supported by ASEAN are well received by major powers and regional partners. At the national level, some ASEAN countries have been capitalizing on their strategic competition, geopolitical position, and other unique advantages to play a larger role in the process of building regional economic cooperation architecture. The increasing frequency of cooperation, including military cooperation and the promotion of regional connectivity between the US and its allies under the framework of the Quadrilateral Security Dialogue (QUAD) in the ASEAN region, clearly demonstrates ASEAN's growing role and position in the foreign policies of major countries (Truong Quang Hoàn, 2021a).

ASEAN's regional and international role was reaffirmed at the ASEAN Summits, EAS, and related meetings in Cambodia in November 2022. ASEAN established a comprehensive strategic partnership with the US and India. The US and India are the third and fourth partners, respectively, after China and Australia, to establish such relationships with ASEAN. A comprehensive strategic partnership relationship indicates a high level of development in diplomatic relations, reflecting the depth of cooperation and political commitment between ASEAN and its partners. With upgraded relations, the US and India are expected to promote strategic engagement with ASEAN, including their support for the realization of the ASEAN Outlook on the Indo-Pacific (AOIP) through new cooperation areas or deepening existing ones. For the US, the summit meeting in Cambodia in November 2022 was President Biden's second summit after the US-ASEAN Special

Summit in May 2022. The US has also appointed a new Ambassador to ASEAN (Seah, Lin & Martinus, 2022). These events demonstrate ASEAN's increasing position in US foreign policy. For India, although Prime Minister Modi did not attend the meeting in Cambodia, India is expected to align its strategic relationship with ASEAN in the Indian Ocean and balance China's increasingly aggressive actions in the East Sea region. Additionally, the participating member states agreed to admit Ukraine, Denmark, Greece, the Netherlands, Oman, and Qatar to the TAC, bringing the total number of countries participating in this platform to 50 (Hun Sen, 2022). This event further affirms that ASEAN-led mechanisms and forums can provide a positive foundation for dialogue between countries, including large, small, and medium countries.

Nevertheless, maintaining and consolidating ASEAN's centrality in regional cooperation platforms faces significant obstacles. It can be argued that the regional cooperation model advocated by ASEAN is incompatible with the confrontation and competition model between major countries. In particular, ASEAN, located at the center of regional integration, does not yet have the necessary strength and mechanisms to reconcile conflicts between different parties (Wu, 2019). Additionally, ASEAN's centrality is greatly influenced by differences in economic development and political stability within each member state, thereby affecting the trend of ASEAN-China relations.

2.5. China's Southeast Asian policy

Southeast Asia is believed to continue playing a vital geopolitical role for China. It serves as the intersection between Asia and Oceania, the Pacific and Indian Oceans, and is located at the heart of the Indo-Pacific region. The Malacca Strait, in particular, holds significant importance as the world's busiest commercial area. Trade activities, particularly in energy and minerals involving major powers like China, India, Japan, and smaller economies in East Asia, mainly occur through sea routes in Southeast Asia. Furthermore, ASEAN's important geopolitical position makes it difficult for Western countries to effectively prevent and contain China's rapid rise without ASEAN's participation (Wu, 2019). Consequently, China positions itself strategically in Southeast Asia to secure its influence and limit the influence of the US and its allies in the region. China's Southeast Asia policy is also influenced by its domestic situation.

Economically, China actively implements the "Western Development Strategy" to reduce the development gap between its western regions and the eastern coastal provinces, and to advance the BRI following the 19th National Congress. In pursuit of this strategy, China advocates for stronger cooperation between its western provinces and resource-rich, underdeveloped ASEAN countries such as Myanmar, Laos, and Cambodia. Overall, Southeast Asia's future economy is expected to maintain a positive growth rate, enhancing its position in the global economy. Additionally, ASEAN has become China's most important trade and investment partner. In China's "dual circulation" strategy, which

prioritizes domestic circulation but also recognizes the importance of international circulation to support it, Southeast Asia remains a key focus in the years to come. China also promotes the development of the digital economy, artificial intelligence, and other foundations of the Fourth Industrial Revolution while strengthening the internationalization of the Chinese Yuan (CNY). Consequently, China's foreign economic policy will continue to prioritize the Southeast Asian region, especially as Beijing gradually opens up its economy following the COVID-19 pandemic.

In terms of security and defense, China is accelerating the development of its defense capabilities, necessitating a stable environment and positive relationships with Southeast Asia. However, concerns arise regarding rising nationalism in China, which may prompt Beijing to use its defense power to protect its perceived interests, such as in the East Sea issue or the Taiwan Strait issue. It is not implausible that China may employ its defense power as a means to deter other countries, including Southeast Asian nations, from participating in US-led initiatives and strategies aimed at encircling and containing China. These factors will have intertwined impacts on China's Southeast Asia policy in the years ahead.

3. Assessing and forecasting trend in ASEAN-China relations

3.1. In terms of political-diplomatic, and defense-security relations

Given the above analyses of regional and international contexts, ASEAN's central role, and China's Southeast Asia policy, it is expected that ASEAN-China relations in the political-diplomatic and defense-security aspects will be maintained and further developed in the coming years. A stable relationship with China is a vital factor in ASEAN's economic development and the balance of power competition among major countries in the region, especially China-US competition. ASEAN will certainly make further efforts to reduce pressure in choosing a side in the US-China competition and maintain ASEAN's centrality in future regional cooperation frameworks.

On the other hand, considering ASEAN's geostrategic position and growing economic power, China also wishes to deepen its relations with ASEAN. China expects ASEAN to at least refrain from pursuing a policy of advocating for the US and its allies to contain Beijing.

The upgrading of ASEAN-China relations to a comprehensive strategic partnership at the ASEAN-China Summit in November 2021 demonstrates increased political and diplomatic trust and cohesion between the two sides. During this meeting, China pledged to continue considering ASEAN a focal point of its periphery foreign policy, supporting ASEAN to play a central role and hold an increasing position in the region and the world. ASEAN and China pledged to fully and effectively implement the Declaration on the Conduct of Parties in the East Sea (DOC) and strive to promote an effective and

substantive Code of Conduct (COC) following international law and the 1982 United Nations Convention on the Law of the Sea (UNCLOS).

ASEAN and China are expected to maintain cooperation in multilateral treaties and dialogue mechanisms to enhance mutual trust. In particular, the cooperation between the two sides is likely to focus on security and political mechanisms initiated by the ASEAN region. ASEAN and China will foster cooperation on non-traditional security issues, such as food and water security, climate change, and disaster management. This cooperation can take place in various forms, including joint exercises to address non-traditional security challenges, the exchange of information and experiences between specialized agencies of ASEAN and China, the formation of joint working groups, and the establishment of joint investment funds to adapt to crises.

Cambodia is likely to maintain the most enthusiastic support for China's presence in the ASEAN region. Several factors shape this trend. Difficulties in relations with the US and the EU have compelled Cambodia to develop close ties with China to balance its relations with major countries. Furthermore, Cambodia needs China to continue modernizing its military forces, thereby strengthening its security and defense capabilities. The close foreign policy towards China also stems from the fact that Cambodian Prime Minister Hun Sen and his relatives are likely to retain power after the upcoming election in 2023. Prime Minister Hun Sen has consistently emphasized the importance of and trust in partnerships with China. Thus, in the coming years, Cambodian leaders are expected to maintain a close foreign policy towards China. For China, this Northeast Asian nation will continue to consider Cambodia an important link in its strategy to expand influence in Southeast Asia and the ASEAN bloc (Trương Quang Hoàn, 2021a). Given the competition from the US, China is willing to boost investment in Cambodia, especially in strategic positions, intending to turning Cambodia into a successful model for its strategic initiatives.

However, the prospect of building closer ASEAN-China relations in the coming years will face significant challenges.

The first and greatest challenge to the development of political and diplomatic relations between ASEAN and China is the imbalance and lack of trust in their relationship. ASEAN has made efforts to entice China to engage in multilateral exchanges and cooperation. However, it remains uncertain whether ASEAN's pursued values, such as centrality, or China's strategic priorities and interests will play a dominant role in the ASEAN-China relationship in the coming years. China claims to support regional cooperation in all areas, but this commitment appears to be primarily driven by Beijing's strategic interests, including economic development, illegal sovereignty claims in the East Sea, stability, and the absence of other major powers in its periphery. On the other hand, ASEAN's key security objectives include engaging major powers to counterbalance China's growing influence and promoting regional stability by demonstrating a more proactive role for ASEAN. These objectives partially overlap or even conflict with each other. Furthermore, a significant long-term issue is the increasing power imbalance

between China and ASEAN. Although China's economic growth may not be as impressive in the coming years, its economy will continue to expand and has the potential to surpass the US, becoming the world's largest economy. This implies that ASEAN's economic development is closely tied to the Chinese economy, further widening the imbalance in the ASEAN-China relationship.

While a close relationship with China is deemed necessary for ASEAN's development, the key obstacle lies in ensuring that this development is not hindered by China's strategy to contain the influence of other major countries in the ASEAN region. In other words, ASEAN may support or at least not oppose the trend of China's increasing influence in the region, but it must also build its own capacity and willingness to the extent that China considers the bloc's position when necessary, such as in the case of an armed conflict in the East Sea.

The second obstacle is the difference in the level of support for China among ASEAN member states. It is believed that the relationship between ASEAN countries and China can be categorized into the following groups. The first group shows clear support for China's relations and presence in the region, including Cambodia, Myanmar, and Laos. Among them, Cambodia has displayed the most supportive attitude toward China. The second group tends to pursue a balanced relationship with China and other major countries. This group includes Indonesia, Malaysia, and Thailand. The third group cooperates and faces challenges with China regarding the East Sea issue, including Vietnam and the Philippines. Many ASEAN countries have developed relationships with other partners, such as the US, Japan, the EU, and India, to utilize external economic resources and enhance their leverage in their dealings with China. Differences in relations with China may undermine ASEAN's solidarity, collective strength, and centrality, thus increasing the burden on ASEAN to establish a more balanced relationship with China.

The third challenge arises from the need to effectively manage the resources of the Mekong sub-region between China and ASEAN countries. China maintains a dominant position in the region, especially in power generation, food exploitation, and cargo transportation. However, mining activities in the Mekong sub-region have raised significant concerns about their environmental impacts, impact on livelihoods, and access to underwater resources. Moreover, China and Myanmar have yet to participate in the Mekong River Commission (MRC), which poses ongoing difficulties for the remaining countries, including Vietnam, Cambodia, Laos, and Thailand, in effectively managing resources and addressing emerging issues in the region.

The fourth challenge lies in the predicted increasing strategic rivalry between the US and China, placing greater pressure on ASEAN to maintain its centrality. Both the US and China have pledged to support ASEAN's centrality and refrain from pressuring ASEAN countries to choose sides. However, the ongoing tension in the US-China relationship continues to create pressure on ASEAN to balance its relations among major countries and uphold its centrality in the region. Without formulating appropriate responses and actions

to address the regional competition among major powers, ASEAN-China relations will struggle to develop in a more balanced direction.

The fifth challenge stems from the security and defense sector. The potential risk of conflict in the East Sea between China and certain ASEAN countries persists. Although progress has been made in the negotiation of the Code of Conduct (COC) between ASEAN and China, the process remains generally slow and unlikely to be concluded in the near future. Disagreements and differences persist between China and ASEAN in the COC negotiation process, pertaining to the scope of application, the role of third parties, the nature, and functions of the COC, and the subjects of negotiation. These differences create a potential risk of military conflict among the parties involved in the East Sea issue. China's recent military exercises in response to the visit of the Speaker of the US House of Representatives to Taiwan (China) may indicate Beijing's willingness to employ military force as a "threat" against smaller countries/territories regarding territorial sovereignty matters.

3.2. In terms of economic relations

ASEAN-China economic relations are forecasted to have significant opportunities to expand, which are based on the following foundations:

Firstly, the need for economic cooperation between China and ASEAN remains high in the years to come. China and ASEAN are important economic partners, and their economies complement each other. Strengthening the economic relationship with China allows ASEAN to access and tap into the vast Chinese consumer market, thereby promoting ASEAN's production and export activities. China's regions and provinces exhibit diverse levels of development, income, and consumer demand, factors that facilitate exports from different ASEAN countries with varying production capacities. The post-pandemic period is expected to witness a rapid recovery in ASEAN's tourism industry, with an increase in Chinese visitors to the region. Furthermore, China serves as a crucial source of inputs for the manufacturing sector in ASEAN countries. Conversely, ASEAN's economic size and middle class are projected to grow rapidly in the future, presenting significant opportunities for Chinese enterprises to expand their investments and business operations in the region.

Secondly, the elevation of ASEAN-China relations to a "Comprehensive Strategic Partnership" is seen as a means to leverage economic expansion between the two sides. The trade exchange between ASEAN and China is driven by the growth of each market and by promoting trade facilitation and production through the exploitation of input complementarity. Moreover, the relocation of certain industrial and processing production chains from China to ASEAN countries can contribute to increased trade and investment exchanges between the two regions.

Lastly, achieving a more balanced development in ASEAN-China economic relations serves as a way for ASEAN to balance the influence of major powers in the region. Through

deeper integration and greater interdependence, major powers will need to take into account ASEAN's economic strength and centrality in order to expand their regional presence.

The economic cooperation between ASEAN and China is projected to focus on the following areas:

First, China and ASEAN will promote the upgrading of the ACFTA with broader commitments, creating new momentum for economic cooperation between the two sides. Alongside the ACFTA upgrade, the implementation of RCEP commitments will provide additional incentives for ASEAN and Chinese products, thereby boosting trade between the two regions.

Second, China and ASEAN will make more efforts to foster an investment relationship that is on par with their trade relationship. Although there have been improvements, the investment gap between China and other major countries like the US and Japan in ASEAN remains significant. Consequently, China will continue to invest in ASEAN, particularly through initiatives like the BRI and the Asian Infrastructure Investment Bank (AIIB). Additionally, China will encourage its western region to strengthen economic cooperation with ASEAN. Conversely, ASEAN, primarily Singapore, is expected to continue investing in China to take advantage of its market benefits.

Third, ASEAN and China will further enhance their cooperation in economic recovery following the COVID-19 pandemic. The pandemic has underscored the importance of maintaining secure production and supply chains. Given their geographical proximity, trade, and investment relations between ASEAN and China are anticipated to strengthen as both regions strive to recover from the economic impact of the pandemic. Cooperation between the two regions will prioritize the promotion of automated production activities, participation in new global value chains, development of digital technology and commerce, and adoption of green energy.

Fourth, ASEAN and China are expected to promote digital economic cooperation and develop foundations for the Fourth Industrial Revolution. Digital connectivity, the digital economy, and artificial intelligence are crucial pillars for the successful implementation of the Fourth Industrial Revolution. These areas are prioritized in the economic development strategies of both China and many ASEAN countries. Given China's leadership in the development of 5G networks and artificial intelligence, there is immense potential for cooperation between ASEAN and China in this field.

Fifth, China will continue to push for the internationalization of its domestic currency, aiming to challenge the US dollar's dominance as the world's primary currency. As part of this strategy, China will seek to increase the usage of its domestic currency in cross-border transactions with ASEAN countries. To achieve this, China is expected to further develop infrastructure and services that facilitate transactions in Chinese currency. This trend may eventually lead to some ASEAN countries accepting payments in Chinese currency in the medium and long term.

However, the prospect of developing ASEAN-China economic relations faces many issues as follows.

First, the international political and economic environments face potential volatility, which could impact the economic development of China and ASEAN. Future global economic and political fluctuations, such as the slow recovery of the Chinese economy, spillover effects from the conflict in Ukraine, and economic tensions caused by global financial tightening, can have significant consequences. The negative impact of the COVID-19 pandemic and slow economic reopening also affect China's economic growth, which in turn clouds the prospect of ASEAN-China economic cooperation. While the direct effects of the Russia-Ukraine conflict on the economies of China and ASEAN are limited due to modest trade and financial linkages, there are indirect spillover effects such as high inflation, current account deficits, and capital outflows. As a result, the potential growth of China and ASEAN's economies may be lowered, impacting the prospects of ASEAN-China economic cooperation.

Second, ASEAN is concerned about the increasing economic dependence on China as economic ties between ASEAN and China expand. ASEAN's trade deficit with China has grown significantly over the past decade and remains large. As more extensive trade and economic agreements are implemented, coupled with China's advancements in the Fourth Industrial Revolution and its production resource advantage, the trade deficit between ASEAN and China, and the overall imbalance in the relationship between the two regions, may worsen. This could significantly restrict ASEAN's potential benefits from increased economic ties with China.

Third, while China's growing economic influence brings benefits, it also raises concerns for ASEAN. There are concerns about the erosion of ASEAN's centrality and unity as China's bilateral approach may undermine ASEAN-led regionalism. Furthermore, there are concerns about China using economic leverage for strategic purposes, potentially weakening the domestic economy, national independence, sovereignty, and foreign policy in ASEAN countries. The risk of falling into a debt trap with China and environmental issues associated with Chinese investment projects are also areas of concern.

Fourth, potential conflicts in regional hotspots such as the East Sea, Taiwan Strait, and the Korean Peninsula could have a negative impact on ASEAN-China economic relations. With increasing dependence on regional production and supply chains, any political or armed conflict has the potential to disrupt trade and investment activities in the region, thereby adversely affecting ASEAN-China economic cooperation.

4. Conclusion

Since the establishment of the dialogue partnership relationship in 1991, ASEAN-China relations have experienced substantial development across various fields. The future trajectory of ASEAN-China relations will be shaped by international and regional factors, including the competition between the US and China, the impact of the Fourth Industrial

Revolution, the prospects of global economic development, ASEAN's cooperation needs with China, the internal dynamics of ASEAN countries, ASEAN's central role, and China's Southeast Asian policy. In the coming years, ASEAN and China are expected to further enhance their relations through both bilateral and multilateral mechanisms. However, the outlook for ASEAN-China relations is accompanied by significant challenges arising from the ASEAN and China themselves, as well as the uncertain economic, political, and security environment in the region and the world.

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