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Where is China taking Asia?

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The recent upping of the ante by China in the disputed South China Sea and the flexing of its maritime muscle has underlined the dilemma faced by many countries in the region: how can countries in Asia expand and deepen economic links and interdependence when political tension is rising?



China is a very important source of economic growth, manufacturing and commercial activity for the region and beyond. Regional production networks and supply chains have intertwined China with other countries to the point that whatever happens in one part will soon have a knock-on effect in another. Therefore, recent action by China that has raised political and military tensions must be viewed seriously.

The hard stance taken by China earlier in the year on the disputed seas was thought to be an attempt to distract attention from internal problems such as the [burgeoning corruption](#) and the [widening income inequality](#). Rising nationalism, especially among young Chinese, is another factor influencing the actions of the Chinese leadership. It is not surprising then, that outgoing president, Hu Jintao, when speaking at the [18th National Congress](#) made a special call to 'resolutely safeguard China's maritime rights and interests, and build China into a maritime power'.

The smooth leadership transition has not reduced Chinese assertions over its strategic interests in the South China Sea. The new leadership announced that from 1 January 2013 police forces in the province of Hainan will board, search and seize ships entering what China considers its territorial waters. China will also send more maritime surveillance ships to patrol the South China Sea.

The policing of shipping will exacerbate earlier Chinese confrontations with [Vietnamese and Philippine vessels](#). Free and safe passage along international shipping lanes in the South China Seas is crucial for free flow of international trade because it is the artery connecting East Asia to the Indian Ocean. The United States may be compelled to respond if this shipping passage is disrupted. China further fuelled tensions recently when it issued new Chinese passports with a map of China that includes the disputed parts of the South China Sea.

Are all these moves just part of a [power transition](#), which might be expected to settle down in the first quarter of 2013? Although it is tempting to take this view and to hope for the best, it must be remembered that Chinese military actions could have long lasting economic impacts.

China is developing deeper and more extensive economic links with the region. The webs of interconnection are complex and widespread, with foreign companies establishing operations in China and investing in skills upgrading and technology transfers. China welcomes its integration with the global economy by facilitating production facilities and logistics, building infrastructure and providing labour.

China wants ASEAN to be its key economic partner and Nanning, the capital of South Guangxi Zhuang Autonomous Region, has been nominated to lead this initiative. The annual China–ASEAN Expo, attended by leaders from China and ASEAN, provides a venue for discussion on cooperation in trade, investment, infrastructure and tourism. In 2011, Malaysia established the Qinzhou Industrial Park in Nanning. Its sister park will soon be developed in Kuantan, forming part of a larger project to establish links between China and ASEAN via the development of the Pan Beibu region.

The expansion of the China–ASEAN economic relationship needs to be facilitated by deepening their free trade agreement. The present state of trade liberalisation is insufficient and more has to be done to open up trade in services, to agree on health standards and to improve trade facilitation. These additional commitments will help improve the effectiveness of the China–ASEAN FTA. As it is, studies have shown that awareness and uptake of opportunities in the FTA are not encouraging and Indonesia has raised concerns about the possible negative effect of liberalisation on its domestic industries. China and ASEAN have to work closely together to create an environment that will encourage stronger economic relations.

China sees itself as an integral part of, and source of growth and prosperity for the regional economy. In this context China should be mindful that it cannot [separate economics from strategic imperatives](#). By recklessly showing off its maritime power,

China will surely create an unsettled economic environment. An environment of peace and stability must be nurtured: economic and commercial activities can only grow in a climate free from tension.

The way that China advances economically and uses its military will have far reaching implications for the region. Other countries in the region too need to walk a fine line between economic interdependence and protecting their strategic interests. The decisions that the new Chinese leadership make will largely determine the region's future but other countries in the region, and their partners, will also have to play their card right.

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