

ASEAN, China and Malaysia: Cautious Diplomacy, Trade, and a Complex Sea

*Vivian Louis Forbes**

School of Earth Science and Environment,
University of Western Australia

Abstract

During 2014, the Governments of the People's Republic of China (PRC) and Malaysia celebrated the 40th Anniversary of the formal establishment of diplomatic relations. The 1974 event was a milestone and significant during a period of the thawing of the Cold War era. The benefits of the past 40 years are witnessed in the sound bilateral investment and trade relations with cautious diplomacy. However, the Governments of the two nations, in recent years, grapple to find resolutions to their respective sovereignty disputes in the South China Sea and solutions on how best to collectively manage the marine biotic and mineral resources therein and the maritime space and jurisdictional issues. This study highlights the creative diplomacy against the backdrop of the contemporary disputes within the South China Sea with a special emphasis on Malaysia and the PRC in the context of the Asia-Pacific in the 21st century. During 2015, Malaysia holds the Chairmanship of the Association of South East Asian Nations (ASEAN) a regional bloc whose objective is to get closer to the 600 million people and the population of China which presently stands in excess of one billion.

Keywords: *Malaysia-China Relations, South China Sea, ASEAN, ASEAN-China Relations*

1. Introduction

Despite criticisms made against the effectiveness of Association of South East Asian Nations (ASEAN), it is clear that cooperation within ASEAN is now firmly entrenched. ASEAN will not lose its dynamism, viability and relevance that is the belief. On the contrary, increasing interest towards ASEAN and requests made for sectoral dialogue partnership by a number of Asian, African, and Latin American countries, reflect the high esteem accorded by

them to ASEAN as a regional organisation. The Government of China (PRC) is especially aware of the potential benefits that can be accrued especially with the concept of the Maritime Silk Route that is being espoused in academic literature and electronic and print media. Indeed, Malaysia's recommendations for the planned economic route have been incorporated into China's equation and developmental projects (*The Star*, 28 January 2015, p. 10).

The Government of Malaysia believes that the existence of ASEAN has encouraged patterns of behaviour that reduce risks to security by enhancing bilateral relations as well as fostering habits of open dialogue on political and security matters including establishing confidence building measures. The dialogue through the ASEAN Post Ministerial Conference (ASEAN-PMC) process and ASEAN Regional Forum (ARF), in which ASEAN functions as the core group, adequately serves the purpose (Yu, 2005; Kim, 2007; and Lai, 2007). Besides ASEAN, the Government of Malaysia places great emphasis on its foreign relations with countries in North East Asia. As a strong proponent of regional cooperation, China has always been a staunch friend of ASEAN. The China-Malaysia historical (in the period between 1949 and 1983) bilateral relations has been aptly described in the volume edited by R.K Kumar (Jain, 1984), in the series *China and Southeast since 1949*, Volume 2. It was the Government of China's unflinching support that helped the region overcome the financial and economic crisis of 1997. That country is expected to play a significant and positive role in strengthening ties between ASEAN and North East Asia. Malaysia's adoption of the "One China Policy", whilst pursuing close economic relations with Taiwan, bears no paradox but reflects its pragmatism in the face of certain realities (Sheng, 2007).

In the formulation of foreign policy, every country has its own objective. In the case of the Government of Malaysia, it is as simple as the pursuit of Malaysia's national interest at the international arena. Developing close bilateral relations with its neighbours remains a high priority for the Government of Malaysia. A cautious and constructive approach has been taken to resolve outstanding problems including those related to overlapping territorial claims and the determination of land and maritime boundaries. Every diplomatic effort has been, and is being made, to ensure that bilateral relations do not become adversely affected on account of such problems with all its neighbours. For example, agreeing to refer to the International Court of Justice (ICJ), regarding the overlapping territorial claims that Malaysia had with Indonesia and Singapore, in separate instances, revealed the extent to which the Government of Malaysia was prepared to go in achieving solutions to bilateral problems.

Territorial disputes between Malaysia and its maritime neighbours continue to linger as an under-current in diplomatic relations within the Southeast Asian region during 2014 and well into 2015 due to the complexity

of the issues at hand. The disputes are with China, Indonesia, the Philippines, Singapore and Vietnam, and generally relate to the sovereignty over marine features and management of marine resources and jurisdictional space mainly in the South China Sea and to a lesser extent in the Malacca Strait (Hamzah and others, 2014: 207-226) and in the western sector of the Sulawesi Sea with Indonesia and the Philippines. The Indonesia-Philippines Exclusive Economic Zone (EEZ) Agreement of 23 May 2014, signed in Manila may be a useful teaching manual for the South China Sea claimants to employ.

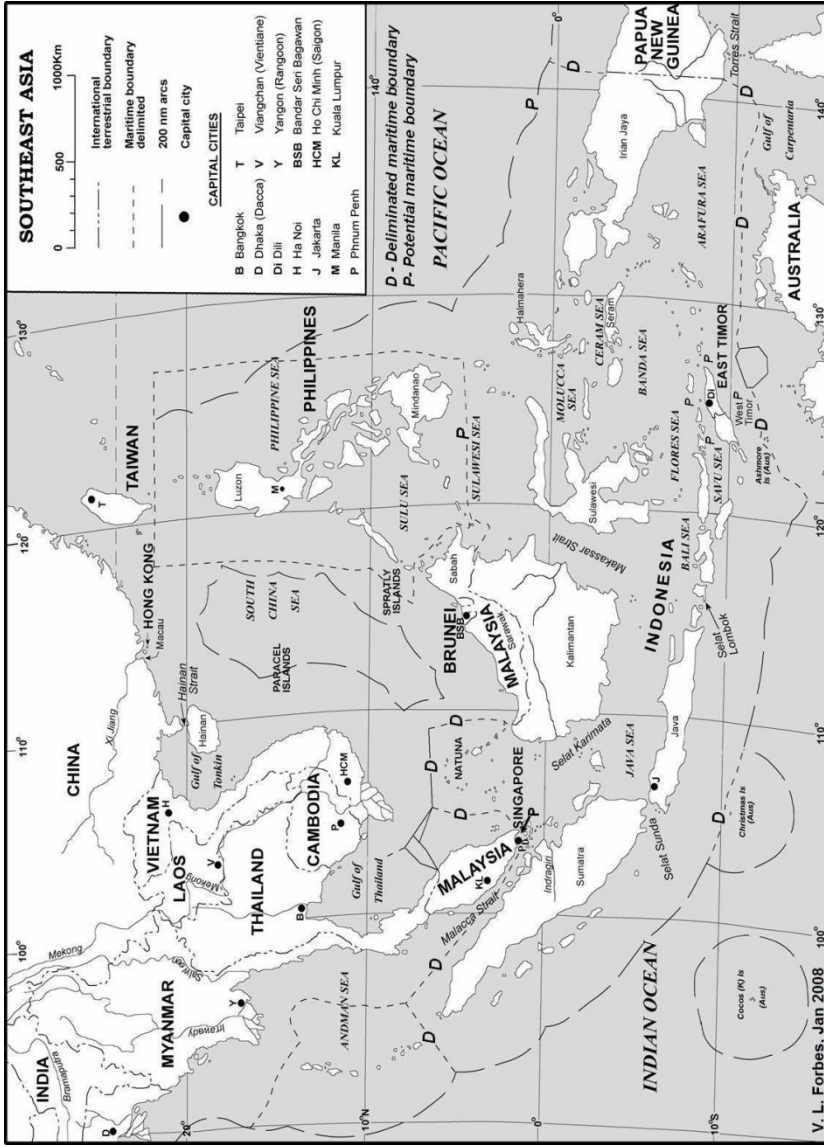
The People's Republic of China (PRC) and Malaysia are not land neighbours, since the distance between China's international border and Malaysia along the meridian of Longitude 100° E. is nearly 3,350 km; however, they share a potentially lengthy maritime boundary in the southern sector of the South China Sea (see Figure 1). A dispute over these maritime borders concerns the Government of Malaysia particularly because of the PRC's apparent claim to all of the marine features in the South China Sea, as shown on Chinese maps that depict the "nine-dashed" line, an area that is approximately 2,225,420 km² in size (Forbes, 2013: 155). Four other states, if Taiwan is included, have disputes with the PRC and amongst themselves with reference to the insular features of the South China Sea (Elleman, Kotkin and Schofield, 2013).

2. The Governments of China (PRC) and Malaysia

In June 2009, Malaysian Prime Minister, Najib Razak, made a four-day trip to Beijing to mark the 35th anniversary of China-Malaysia diplomatic relations. It was a significant event as the two countries had enjoyed friendly relations and economic benefits that provided an impetus for growth (Lim, 2009). The Malaysian Prime Minister during that visit encouraged Chinese companies to invest in Malaysia and identified five key sectors for cooperation: infrastructure, energy, manufacturing, services and finance. He also proposed a broadening of bases of trade between the two countries and to increase the share of higher value and high-technical products and services (Leong, 2007).

The Governments of the People's Republic of China (PRC) and Malaysia, in 2014, celebrated the 40th anniversary of the formal establishment of diplomatic relations, which was the initiative of the then Prime Minister, Tun Abdul Razak, when he visited Beijing in 1974. The 1974 event was a milestone especially as Malaysia had just experienced major ideologically issues with its neighbours Indonesia and Singapore and it was the recipient of a number of refugees from Cambodia and Vietnam arriving illegally by sea. It was also significant that the two Governments met during a period of the thawing of the Cold War era. The benefits of the past 40 years are witnessed in the bilateral investment and trade relations. Indeed, one impressive statistic

Figure 1 Map of China and Malaysia in a Regional Setting



Note: "D" placed on a dashed line represents a delimited maritime boundary; the longer dashes infer the EEZ limits. Source: Present author's collection of personally compiled maps.

infers that nearly 40 per cent of tourists visiting the State of Sabah come from China due to historical migration linkages (*The Star*, 24 July 2015). However, both nations grapple to find a resolution to the sovereignty disputes in the South China Sea and solutions on how best to manage the marine biotic and mineral resources therein. This study also focuses on the broader scope of the Asia-Pacific in the 21st century in the context of ASEAN as cohesive political bloc and of regional importance. The aim of this study is to highlight the cautious diplomacy against the backdrop of the contemporary disputes within the politically complex South China Sea with a special emphasis on Malaysia and the PRC.

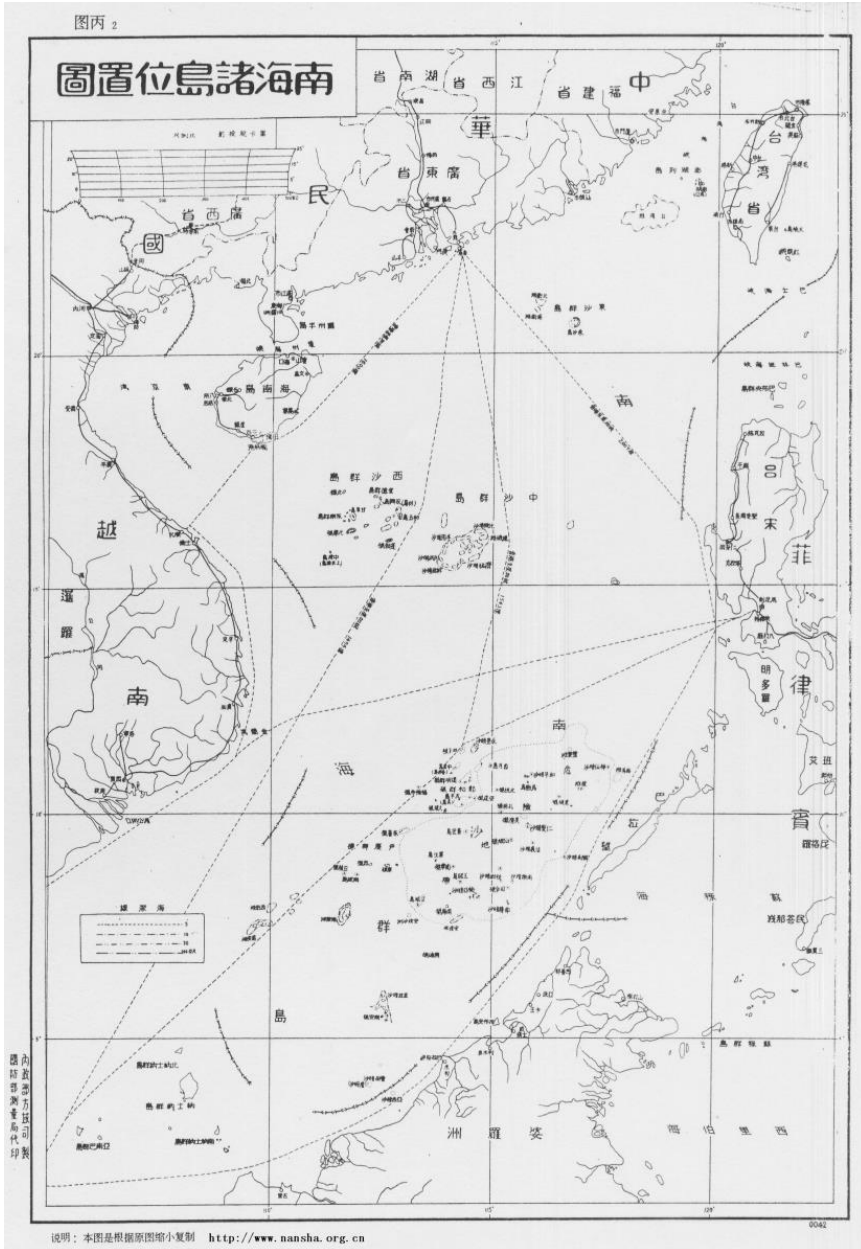
China and Malaysia have yet to delimit their maritime boundaries and resolve their territorial dispute in the South China Sea. In particular, they must first determine sovereignty over the Spratly Group (islands, rocks and reefs), which include numerous small features encompassing a collective 7.8 km² of land scattered over 240,000 km² of maritime space. Determining sovereignty over these highly disputed islands, islets, reefs, and sand cays encompassed by the Nine-dash line (also referred to as the “Nine dotted line”, “U-shape line” or “Cow’s tongue line”) is the first step in resolving this complex border problem. The original map of 1947 depicted 11 dashes (See Figure 2 which delineates the 11-Dashed Lines).

The map of 1st December 1947 was published by the Kuomintang Government of the Republic of China (1912-1949) to justify its claims in the South China Sea. When the Communist Party of China seized administrative control over mainland China and formed the PRC in 1949, the map was adopted and the number of lines was reduced to nine and endorsed by the then Premier, Zhou En Lai. Two of the lines in Gulf of Tonkin were removed from the map. The Republic of China (Taiwan) continues its claim, and the nine-dashed line remains as the rationale for that country’s claim to the Paracel and Spratly Islands. During 2013, the PRC extended its claim with a new ten-dash line map and included the image in all new passports issued by that Government. The tenth line is located to the east of Taiwan, and not in the South China Sea.

3. The Regional Dispute and Cooperative Avenues

Whilst the PRC had previously never used the map as an inviolable boundary to its sovereignty, the submission of the map to the United Nations on 7 May 2009 as a *Note Verbale* in protest to the joint submission of an extended continental shelf by Malaysia and Vietnam to the Commission on the Legal Continental Shelf heightened concerns and drew protests. In response to the lodgement of the map by the PRC, Indonesia, Japan and Vietnam registered their respective protests against the claim by the PRC.

Figure 2 The 1947 Map Depicting the “11-dashed lines” Inferring China’s Claim



The contested area includes the Paracel Group of marine features that are administered and occupied by the PRC but claimed by Vietnam; Macclesfield Bank and Scarborough Shoal claimed by four States; and the Spratly Group of marine features, most if not all, claimed by the PRC, Taiwan and Vietnam; and many of the southern features disputed by Brunei, Malaysia, the Philippines, Vietnam and potentially Indonesia (Elleman, Kotkin and Schofield, 2013).

Despite their maritime and territorial disputes in the South China Sea, recent political and economic relations between China and Malaysia have been warming. The PRC's impressive economic growth has been linked to China's strengthening international profile, in league with the PLA's (People's Liberation Army) expanded military might. Malaysia has also experienced stable economic growth, notwithstanding external negative factors such as the financial crash in 1997 and the global financial crisis of 2008. However, by 2011, Malaysia's foreign trade with China reached US\$74.2 billion, reflecting an annual growth rate of about 23 per cent since 2000, thus making Malaysia China's largest Southeast Asian trading partner. According to Malaysia's Ministry of International Trade, China was Malaysia's largest trading partner for the fifth consecutive year in 2013. Tourism numbers were equally positive, with 1.79 million people visiting from China in 2013 – an increase of 14.9 per cent from the previous year. Closer cultural and economic ties, throughout 2013-14, brought about by the Government of China's financial reforms coupled with the promotion by the Government of Malaysia encouraged companies in China to establish their base and expand the Malaysian market. The financial reforms now make Chinese companies more efficient and this in turn has indirectly assisted Malaysian companies to become more profitable. However, an incident that has caused a minor rift between the two nations – not so much at administrative echelons but rather by the populace of China – was the loss of Flight MH370, a Malaysian Airline plane enroute from Kuala Lumpur to Beijing, in early March 2014 – details of which was given wide coverage in the electronic and print media at local, regional and international levels. Whilst the administrators of the nations had endeavoured to keep the relationship on an even keel, the memories of lost family members had reversed the kind thoughts of the relatives towards the Malaysian Government and its national airline.

Regional cooperation has been Malaysian Government's major pre-occupation and in 2015 it has the opportunity to demonstrate that commitment. ASEAN remains its cornerstone and the Malaysian Government attaches vital importance to its relationship with the countries in the region. ASEAN is the predominant forum for maintaining regional peace and stability through dialogue and cooperation. Indeed, what distinguishes ASEAN from other regional organisations is the level of commitment towards achieving a

community. This is just one of the challenges that Malaysia, as Chair of the organisation accepts in 2015 (Majid, 2015: 15). The peace, prosperity and stability that Malaysia enjoys presently (in 2015) are to a large extent, due to ASEAN's role as an organisation that fosters confidence and trust amongst its member states and through its dialogue partners.

4. Malaysia's Foreign Policy: 1957-2014

Malaysia's foreign policy is premised on establishing close and friendly relations with countries in the community of nations. The policy continues to respect the internal affairs of other nations and advocates a commitment to non-interference and recognising the sovereignty of nations. Since independence in 1957, successive Government administrations' vision in foreign policy has remained consistent in order to safeguard the nation's interests as well as to contribute towards a just and equitable international community. This has been achieved by upholding the country's sovereignty and promoting universal peace and fostering friendly relations; however, protecting the nation's interests in the regional and international arena has been of prime importance. The Government's policy is to consolidate its relations with other countries and international organisations, both at the regional and international level.

The nation's foreign policy has undergone several phases of significant transition with different emphases under five previous leaderships. The policy has been largely determined by the established national characteristics and succession of political leadership as well as by the dynamic regional and international environment. Tunku Abdul Rahman, the first Prime Minister of Malaysia (from 1957 to 1971), held a markedly anti-Communist and pro-Western posture as the era witnessed that the country and region was threatened by the Communist insurgency. The foreign policy during this phase took into consideration the bi-polar power struggle between opposing ideologies of communism and democracy. Under the tenure of Malaysia's second Prime Minister, Tun Abdul Razak (from 1971 to 1976), Malaysia's foreign policy began to shift towards non-alignment and internationalism with Malaysia joining the Organisation of Islamic Conference (OIC) and Non-Aligned Movement (NAM). A period of consolidation ensued under the third Prime Minister Tun Hussein Onn (from 1976 to 1981) with ASEAN becoming the cornerstone of Malaysia's foreign policy following the collapse of Saigon (now Ho Chi Minh City) in 1975, the withdrawal of the US military presence from Southeast Asia and the invasion of Kampuchea (now Cambodia) by Vietnam.

During the premiership of Tun Dr. Mahathir (from 1981 to 2003), Malaysia was forthcoming to foster relations with more nations and showcase the country as a developing nation on the rise. Under the Mahathir's

stewardship, a shift of attention to the “Look East” policy greatly influenced and enhanced Malaysia’s economic development. The Government’s foreign policy adopted a much greater economic orientation in the country’s external relations while championing the rights, interests and aspirations of developing countries. The country became the voice of the developing world and was a role model for many developing countries as it became well known for its active stance at the UN and other international conferences. Malaysia’s participation in peacekeeping missions under the UN is also a testimony of the nation’s seriousness in instilling the will of the international community.

The fifth Prime Minister of Malaysia, Tun Abdullah Ahmad Badawi (from 2003 to 2009), continued to ensure that Malaysia was active in the international arena. During his tenure, Malaysia played an instrumental role in the formulation and adoption of the ASEAN Charter which was ratified by all ASEAN member states and subsequently entered into force on 15th December 2008. During this period, Malaysia was also active in expanding the focus of OIC from being an organisation focused solely on political issues into one which focuses on the socio-economic development of Islamic countries. Under the leadership of the present Prime Minister (from 2009 to the present), Dato Seri Najib Tun Razak, Malaysia continues to project a positive, forward-looking and pragmatic foreign policy to attract foreign investment, facilitate trade with China and its immediate neighbours, as well as projecting Malaysia as a stable and peaceful country. The Prime Minister has often stressed that Malaysia’s foreign policy under his administration is shaped significantly by the “1Malaysia: People First, Performance Now” concept.

Malaysia has also maintained excellent relations with other countries, bilaterally and multilaterally, through existing regional and international mechanisms of ASEAN, UN and other organisations. Malaysia’s foreign policy is structured upon a framework of bilateralism, regionalism and multilateralism. ASEAN forms the core priority of Malaysia’s current foreign policy, in consideration of its neighbours as closest allies. Malaysia gives importance to the solidarity of the *Ummah* and the spirit of cooperation among the member states of OIC. Its status as a developing nation makes it imperative for the country to engage actively in the Non-Aligned Movement (NAM), the Commonwealth of Nations, Group of Seventy Seven (G77), Developing Eight (D8), Asia Middle East Dialogue (AMED), Far East Asia Latin America Cooperation (FEALAC), Indian Ocean Rim Association for Regional Cooperation (IOR-ARC), Asia Europe Meeting (ASEM) and Asia Pacific Economic Cooperation (APEC). No less important is the country’s continued active participation in the Commonwealth, the United Nations and other international organisations.

Malaysia also advocates the “Prosper thy neighbour” policy to enhance economic relations and cooperation with neighbouring countries through

the Brunei-Indonesia-Malaysia-the Philippines East ASEAN Growth Area (BIMP-EAGA), the Indonesia-Malaysia-Thailand Growth Triangle (IMTGT) and other trade initiatives. Malaysia continues to play a significant role in the various multilateral issues that affect its national interests and international standing. These issues include disarmament, counter-terrorism, trafficking in persons, climate change and environmental issues. As a member of the UN, Malaysia is a firm believer of international peace and security and an upholder of international law. Malaysia contributes to the UN peace-keeping force programmes. Malaysia's election as the President of United Nations Economic and Social Council (ECOSOC) for 2010 and the Chairmanship of the Board of Governors of the International Atomic Energy Agency (IAEA) are further testimony of Malaysia's positive international image. Malaysia's foreign policy continues to engage with like-minded nations, both in the region and beyond in ensuring its sovereignty and economic wellbeing are preserved and protected. The policy continues with the principles of engagement and cooperation rather than isolationism and unilateral action.

5. Malaysia-China Mutual Investment and Trade: Gaining in Strength

Trade and investment opportunities are continually explored with the traditional trading partners and at the same time developing strategic partnerships for trade and investment with countries in the other parts of Asia and further afield. In the decade leading up to 2020, the Malaysian Government would have to deal with great changes in the global environment whilst improving and upgrading the country's domestic conditions. In recognising this challenge, Malaysia's foreign policy continues to focus on protecting national interests while responsibly and effectively contributing towards the building of a fair and just world and in particular, ensuring peace and stability in the region. The fundamental principles of sovereign equality, mutual respect for territorial integrity, peaceful settlement of disputes as well as mutual benefit in relations are the guiding principles that would continue to guide the present Government's relations with other countries. These principles have stood the test of time. Indeed, Malaysia's steadfast adherence to these principles, supported by a consistent foreign policy, has established for itself a credible image in the eyes of the international community.

After four decades of positive political affiliation, Malaysia-China economic ties are flourishing, and are expected to grow exponentially in the next few years, as both countries remain committed to taking the relationship to a higher level. Commodities are no longer the major source of goods traded. As much as 50 per cent of trade now comprises manufactured products, and other higher value-added goods. Malaysian businesses also made over US\$6bil in investments in China in 2013. About US\$1bil in

Figure 3 The Prime Minister of Malaysia Witnessing the Exchange of MoUs with China in May 2014



investment was posted by Chinese businesses in Malaysia during the same period.

Prime Minister Najib and China's President Xi Jinping agreed to upgrade bilateral ties to a comprehensive strategic partnership, when the latter visited Kuala Lumpur in October 2013. Among the objectives set between both leaders was to increase Malaysia-China bilateral trade to US\$160bil by 2017. To add to the mutual agreement, Najib on his return visit to China in June 2014 signed a joint communiqué with Chinese Premier Li Keqiang which, among others, touched on increasing cooperation in trade and the people-to-people relationship. The communiqué was signed during the grand celebration of Malaysia-China bilateral relation's 40th anniversary. Another key point in the communiqué was cooperation between the central banks of both countries to further accelerate the use of local currencies as settlement for trade and investment as well as promoting the development of the necessary supporting infrastructure. To realise all the resolutions and understanding agreed upon, a special committee would be set up to monitor and take the necessary follow-up action. The Government of Malaysia would invite the relevant ministries to establish a committee to coordinate all the action necessary in a timely manner. The committee would meet periodically when necessary but at least twice a year. The Prime Minister would chair a joint committee for the

development of the Malaysia-China Kuantan Industrial Park (MCKIP). Both the Federal and Pahang governments have allocated US\$120m (RM700m) for the development of the park. The park, part of the “Two Country Twin Park” project, is aimed at wooing more Chinese investments into Malaysia and to address the imbalance in the investment gap between Malaysia and China. The trade gap now stands at a 6 to 1 ratio, favouring the Chinese.

The MCKIP offers special incentives tailored to Chinese investors keen to invest in Malaysia. Malaysian efforts to attract more Chinese investments also received positive response from the Chinese leaders. Both President Xi and Prime Minister Li gave a commitment to encourage investments by Chinese companies in Malaysia. The Chinese government is also giving priority to the Twin Park project, whereby, it has approved a US\$0.4bn (2.4 billion yuan) development fund for the Qinzhou (Chingchou) Industrial Park on top of the one billion yuan already pledged by the government of Guangxi province. Apart from bilateral relations, Najib said Malaysia and China are also working together to take the ASEAN-China free trade agreement to the next level. At the opening ceremony of the China-Malaysia High Level Economic Forum, he said both countries are striving to deliver the Regional Comprehensive Economic Partnership, an FTA between ASEAN countries and its existing partners, in 2015. During his visit to China, Najib also witnessed the signing of six government-to-government and 11 business-to-business agreements.

Malaysia’s exports to China contracted by 14 per cent to RM8.52bn during 2013 due to lower exports of metal, petroleum products and crude natural rubber. This was partly attributed by the International Trade and Industry Ministry to the significant drop in China’s global imports in November 2014. However, Malaysia recorded a trade surplus at the same time. There was no concern as the trade balance will adjust automatically as lower exports translate into lower imports. China has the policy flexibility to stimulate its economy and consequently offer some support to the global demand scenario, and this is where ASEAN, and in particular, Malaysia, can expect opportunities for further development with the northern neighbour. The Bank of China has predicted a GDP growth of 7.2 per cent for China during 2015; the Malaysian economy can expect a five per cent growth in the same year (Murad and Bedi, 2015: 6).

Reclamation of the sea is not necessarily an evil concept. During the week ending 17 January 2015, much attention was devoted in Malaysia (“Starbizweek”, *The Star*, 17 January 2015, p. 2) to the news that approval was given by the Malaysian Department of Environment (DOE) for the development of “Forest City” in the western sector of the Johor Strait (*Selat Johor*), Malaysia. The original plan was to reclaim about 5,000 acres in the Strait and develop the land that would accrue a gross development value of about RM600bil over 30 years. While details are scant, there are indications

that the project will be scaled down. Nevertheless, this is a massive project in the Malaysian context. It is a joint venture between the Johor State Government and China's Country Garden Pacific View (CGPV) in which there will be water-fronting properties. Developments in an area known as Danga Bay include 9,000 high-rise condominiums by CGPV during 2014 known as "Aqiant Danga Residensi" and another major Chinese investor/developer, Guangzhou R&F plans to create some 30,000 condominiums over the next few years. There are many projects on the drawing board or in developmental stages that include the establishment of a university at Sepang which will be funded by Xiamen University; a hotel in Petaling Jaya to be built by a Chinese enterprise and investment in petro-chemical hubs planned for establishment on the shores of Malaysia within the Straits of Singapore.

Premier Li Keqiang of China was prompt to assure delegates and the international community at the World Economic Forum (WEF) in Davos, Switzerland in January 2015 that China will avoid a hard landing and that it was focused on ensuring long-term medium-to-fast growth. China would not have systematic financial risks and would endeavour to improve the quality of growth to ensure a steady pace of expansion. The country would pursue a prudent monetary policy and proactive fiscal policy. The nation's savings ratio is as high as 50 per cent and this is seen as providing strong support for growth (Bloomberg, 2015: 9).

6. ASEAN-China Exchanges and Linkages: Good Opportunity for Development

January 2015 marked the fifth anniversary of the establishment of the China-ASEAN Free Trade Agreement (FTA). Major changes have been witnessed during the past half-decade, importantly, in the way of public transportation. Prior to 2010, infrastructure and logistical issues equated to poor business transactions. However, with the establishment of the FTA for the region, zero-tariff status was accorded to the export/import of fruit (*Xinhua*, 5/1/2015, p. 5).

The China-ASEAN FTA is the biggest trading agreement among the developing countries, covering the largest population in the world. It is the third largest in terms of nominal gross domestic product (GDP). The top two are the European Economic Area and the North American Free Trade Area. A billboard in the city precinct of Kuala Lumpur along Jalan Ampang displays (during January 2015) the following facts:

ASEAN covers 4.46 million sq km of the World; We will find opportunities together

ASEAN conducts US\$598 billion in trade; Let us increase that figure together.

Nearly 60 per cent of the ASEAN population is under 40 years of age, hence is an attractive avenue for foreign direct investment (FDI). Generally, countries with younger population have more opportunities. Youth in Malaysia could play an important role and increase the country's prominence and ensure ASEAN's objectives are achieved. The Malaysian Association of ASEAN Youth Entrepreneurs (MAAYE) is an offshoot of ASEAN and was conceived by Malaysia.

The China-ASEAN FTA initial framework agreement was signed in Cambodia in 2002, when trade volume between ASEAN and China was valued at US\$54.8bil. Trade statistics for the year 2013 illustrate an increase to US\$443.6bil (or about Malaysian Ringgit 1.58 trillion). During the first 11 months of 2014, trade volume increased at an impressive rate of nearly eight per cent, perhaps reflecting the steady rate of economic growth in China. This FTA has assisted to strengthen the exchanges between China and ASEAN. Indeed, per capita Gross Domestic Product (GDP) has doubled in the States covered by the FTA. The movement of people between China and ASEAN rose from 3.87 million to 18 million.

In 2009, ASEAN leaders decided to establish the ASEAN Community 2015 with the objective of strengthening regional peace and stability and to transform ASEAN into a competitive region with equitable economic development as well as to promote a people-centred and socially responsible community (Zulfakar, 2015: 22). There are more than 600 action plans on the drawing board that make up the ASEAN Community – economic, socio-cultural and political/security. All three pillars have achieved more than 80 per cent of the implementation rate – impressive, given the diversity of political thoughts and ideology within the 10-nation bloc.

A prediction made in Davos, Switzerland in January 2015, was that ASEAN will officially term itself as a “single market” by the end of the year with tariffs abolished and freer movement of goods and services, and free movement of skilled workers, however, issues such as “seamless” travel for tourists within the regional bloc is forecasted to be in place by 2020.

7. Issues that Strain the Bonds of Friendship with China

Bonds of Friendship between the Government of China and the ASEAN administration are strained due to the Declaration on the Code of Conduct over the sovereignty of the marine features in the South China Sea. The official statement uttered by China is that ASEAN is not a party to the South China Sea dispute. However, as a regional grouping ASEAN is of the opinion that China was a signatory to the Declaration in 2002 and hence should adhere to the principles adopted by ASEAN. With reference to China's relations with Vietnam, the major issue in 2014 was the locating/positioning of an

oil-drilling platform some 19 nautical miles (M) south-west of Triton Island of the Paracel Group, or about 120M off the coast of Vietnam during the months of May and June 2014. In the case of relations with the Philippines, it is due to the action taken by the Philippines, in January 2013, to request the Permanent Court of Arbitration (PCA) to adjudge on China's unilateral claim to the South China Sea as depicted by the 'Nine-dash Line' map published in various versions between 1947 and 2014.

China's assertiveness in the South China Sea resulted in a clash of naval vessels and work boats at sea and anti-Chinese protests in cities in Vietnam resulting in deaths, injuries and arrests and a temporary slump in trade between the two countries. In December 2014, Vietnam made a submission in support of the Philippine's case at ITLOS over the dispute in the South China Sea. China, for its part, has refused to participate in the arbitration and stressed that its sovereignty over the sea and the marine features encompassed by the 9-dash lines on the map it publicises was formed over a long course of history (Tho, 2015: 22).

In late-November 2014, Chinese authorities issued *Notice to Mariners* (NTM) indicating the intentions to position oil platforms in locations in waters continental shelf claimed by Brunei and Malaysia (NTM, No. of 2014). Such actions are of concern to authorities not only in Brunei and Malaysia but also with Vietnam as at least eight locations in the southern sector of the South China Sea were made public. Perhaps of greatest concern is that of the extensive reclamation work on Johnson South Reef and at least two other marine insular features in the Spratly Group during 2014. This is akin to refashioning of geography to justify territorial gain (Forbes, 2012). The reclamation is massive and has been referred to as island factory in the South China Sea and evident in images captured by satellite as well as photographs taken by civilians and military personnel. The activities are seen as clear violation of the 2002 Code of Conduct between ASEAN and China which was formulated to prevent armed conflicts over the disputed islands and reefs.

In a statement by Malaysian Prime Minister, Najib Razak, delivered at a meeting of 26th ASEAN Summit on 27th April 2015, he devoted a mere two paragraphs to tensions in the semi-enclosed, allegedly hydrocarbon-rich sea, but stopped short of taking sides in overlapping maritime claims and territorial and associated potential jurisdictional expansion through the activities of transforming reefs and sand cays into fully-fledged recognised islands suggesting ASEAN must address such developments in a proactive, positive and constructive manner. Furthermore, he urged that respect for international law, which included the 1982 United Nations Convention on the Law of the Sea, must be the basis for the rules of engagement and activities in the South China Sea. To that end, Malaysia, as Chair of ASEAN for 2015

will endeavour to achieve progress in its efforts towards an early conclusion of a Code of Conduct.

Surprisingly, for the present author, very little attention was made on two issues that reared since November 2014. The first, was an announcement in a Chinese edition of *Notice to Mariners*, as mentioned above, which listed a series of geographical coordinates of actual or planned location of “platforms” on the continental shelf just north of the coasts of Brunei and Sarawak and further northwest off the coast of Palawan Island. The second, is an image (photograph) of an alleged “island” which appeared in the media in early-June 2015, in the location of a feature named on nautical charts as South Luconia Reef and/or South Luconia Shoal which is on Malaysia’s natural continental shelf and obviously claimed by Malaysia. However, the feature is located with China’s unilateral claim as inferred by the extent of the U-shaped line. When and how the “island” evolved is open to conjecture and if its status as a feature has changed it should be recorded on the official appropriate-scaled charts and all other national and international documents accordingly.

The reclamation projects are not just minor adjustments but are designed to change the status quo of the marine features from the “reef” and /or “rock” into an “island” to accord with Article 121 – Regime of Islands – of the 1982 UN Convention on the Law of the Sea. The work on Johnston South Reef (named *Mabini* by the Philippines and *Chigua* by the Chinese) has transformed by January 2015 into an elongated sandy island measuring about

Figure 4 Alleged Reclamation by China on What is Internationally Recognised as Johnson South Reef in the South China Sea.



Photo: AFP, c. Nov. 2014

two kilometres in length and one kilometre in width. Intended use: an airstrip! Malaysia, Vietnam and the Philippines have protested this reclamation work, the loudest naturally, from the last named country.

Although China and Malaysia both claim sovereignty over several territorial features and maintain overlapping resource rights claims over thousands of square kilometres of maritime space, they generally avoid any outward shows of confrontation as they pursue a special relationship.

Such reclamation work of the sea and modifying geography is obviously to justify an extension to territorial expansion and solidifying sovereignty over specks of “land” in the South China Sea. The modified features are also designed to be utilised as military bases and refuelling depots as illustrated in Figure 5. The Government of China has stated that the transformation of the marine features into islands is for a common cause as the developed once established islands with personnel stationed thereon will assist in search and rescue operations; monitoring of weather and climate; establishing a data base on marine species; and, yes, used as military bases capable of landing moderately large military aircraft and anchorage facilities of China’s expanding “blue-water navy”. There is a school of thought in Malaysia that suggests that China’s actions will eventually benefit the fisheries sector and

Figure 5 Transforming a Reef System into a “Militarised Base”



Source: <http://www.scmp.com/news/china/article/1688651/philippines-accuses-china-widening-reclamation-works-disputed-south-china>

provide aids to navigation and thus safety at sea and hence one should not be alarmed but rather accept the historical facts that Chinese fishers and sea-traders plied the trade routes of the South China Sea. Such facts are accepted, however, that in itself is not sufficient to claim sovereignty over all the marine features and the semi-enclosed sea. The concern on the negative side, is that if the Government of China imposes restrictions to freedom of navigation and overflight these will be contrary to international law. Thus China should abide by the rules on international law and strictly adhere to the strict interpretation of the provisions contained in the 1982 UN Convention on the Law of the Sea.

8. Conclusion

The Government of Malaysia will play an important role during 2015 in the socio-economic development of the region as Chair of ASEAN. Its attitude towards China whilst demonstrating its adherence to the “ASEAN Way” of geopolitics will showcase a very visible change in international and domestic sectors. Fora to promote ASEAN and Malaysia to help explain trade opportunities will no doubt see a greater participation by delegates from China to share ideas and allow for greater networking.

As ASEAN Chair in 2015, the Government of Malaysia is in the fore to guide the regional bloc in the direction it needs to head to 2025. Malaysia’s foreign policy towards the Government of China will depend not only on the excellent trade and economic exchanges that have been established in the past 40 years but also how it negotiates with its northern neighbour, and indeed with the Philippines and Vietnam on the sovereignty issues of the Spratly Group of insular marine features and the management of maritime space in the semi-enclosed South China Sea.

In 2009, ASEAN leaders called for the establishment of an ASEAN Community 2015 with the objective of strengthening regional peace and stability and for the transformation of ASEAN into a single market to create a competitive region with equitable economic development as well as to promote a people-centred and socially responsible community. Such a dream is being realised with the assistance of China. The only stumbling block is that of the sovereignty issue and territoriality of the South China Sea between China and a few members of the regional bloc known as ASEAN. Statements issued by officials from Malaysia on the issues of the South China Sea will be closely monitored only because of its cautious diplomacy so as to not only promote by safeguard its privileged economic trade relations with its distant, yet historic, neighbour, China.

The Government of Malaysia’s confidence in China, as a neighbour of the region, is based on traditional friend and on a trading relationship dating back

thousands of years, with particular reference to sea-borne trade. The PRC and Malaysia acknowledge that they are good neighbours, and that the peoples of these countries share a long history of friendly exchanges. During the last four decades, and especially since 2009, political trust has been deepened and economic and trade cooperation has yielded remarkable results, bringing substantial benefits to both nations. Malaysia's adoption of the "One China Policy", even while pursuing close economic relations with Taiwan reflects commercial expediency in the face of political realities. Every diplomatic effort is being made to ensure that bilateral relations do not become adversely affected by these territorial problems. The Government of Malaysia's 2009 joint submission with Vietnam for a joint continental shelf claim to the UN Commission on the Limits of the Continental Shelf will almost certainly interfere with China's apparent claim to the entire South China Sea, as per its "nine-dashed" line map. If the competing claims to sovereignty are not resolved it is hoped that cooperation rather conflict and/or prolonged legal hearings over issues connected with these territorial claims. Hints of Malaysian dissatisfaction with China's actions have, however, been getting clearer and more frequent since 2013. It was discernible in the ASEAN expressions of collective "serious concern" about land reclamation at two meetings chaired by Malaysia in 2015, following China's deployment of an oil rig to disputed waters in May 2014. Other examples include publicly announced diplomatic representations over Chinese activities at James Shoal and Luconia Reef, and upgrades to military hardware and facilities on artificial "islands".

Note

- * Vivian Louis Forbes is Adjunct Professor at the School of Earth and Environment at the University of Western Australia. In addition, he also serves as a Guest Professor at Wuhan University and Xiamen University in China, an Adjunct Research Professor at the National Institute of South China Sea Studies at Haikou in China, and a Senior Visiting Research Fellow at the Maritime Institute of Malaysia.

References

- Anon (2004), "Malaysia-China Forum 2004", Asia Strategic and Leadership Institute and Malaysia-China Business Council.
- Bloomberg* (2015), "Don't Worry about China Slowdown, Premier Li says", 23 January 2015, p. 9.
- Elleman, Bruce, Stephen Kotkin and Clive Schofield (eds) (2013), *Beijing's Power and China's Borders*, Armonk, NY: ME Sharpe.
- Forbes, Vivian Louis (2012), "Refashioning geography for terrestrial increase and incremental maritime jurisdictional creep", *MIMA Bulletin*, Vol. 19 (2).

- Forbes, Vivian Louis (2013), "Malaysia and China: Economic Growth Overshadows Sovereignty Dispute", in Bruce Elleman, Stephen Kotkin and Clive Schofield (eds), *Beijing's Power and China's Borders*, Armonk, NY: M E Sharpe, pp. 155-168.
- Hamzah, B.A., Vivian Louis Forbes, J.A. Jalil and Nizam Basiron (2014), "The Maritime Boundaries of Malaysia and Indonesia in the Malacca Strait: An appraisal", *Australian Journal of Maritime and Ocean Affairs*, Vol. 6, No. 4, pp. 207-226.
- Jain, R.K. (1984), *China and Malaysia 1949-1983*, Delhi: Radiant Publishers.
- Kim, Yong Gan (2007), "China-ASEAN Relations: a Key to the Region's Stability and Prosperity", in Lai Hongyi and Lim Tin Seng (eds), *Harmony and Development: ASEAN-China Relations*, Singapore: World Scientific, pp. 3-5.
- Lai, Hongyi (2007), "China's Evolving Relations with Southeast Asia: Domestic and Strategic Factors", in Lai Hongyi and Lim Tin Seng (eds), *Harmony and Development: ASEAN-China Relations*, Singapore: World Scientific, pp. 17-35.
- Leong, Stephen (2007), "Malaysia-China Relations: Looking Beyond Fears and Inadequacies", in Lai Hongyi and Lim Tin Seng (eds), *Harmony and Development: ASEAN-China Relations*, Singapore: World Scientific, pp. 145-148.
- Lu, Jianren (2007), "China's Economic Growth and Its Impact of the ASEAN Economies", in Lai Hongyi and Lim Tin Seng (eds), *Harmony and Development: ASEAN-China Relations*, Singapore: World Scientific, pp. 107-116.
- Lew, K.P. (2015), "ASEAN a Youthful Market", *The Star*, 15 January 2015, p. 15.
- Lim, Jarod (2015), "Opportunities in the East", *The Star*, 10 January 2015, p. 40.
- Lim, T. S. (2009), "Renewing 35 Years of Malaysia-China Relations: Najib's Visit to China", *EAI Background Brief* No. 460.
- Majid, Tan Sri Muni (2015), "ASEAN Community – A case for mistaken identity", *The Star*, 31 January 2015, p. 15.
- Murad, Dina and Bedi, R.S. (2015), "Geopolitics and the Economy", *The Star*, 1 January 2015, p. 6.
- Sheng, Lijun (2007), "China's Peaceful Rise and Its Political and Security Implications for South East Asia," in Lai Hongyi and Lim Tin Seng (eds), *Harmony and Development: ASEAN-China Relations*, Singapore: World Scientific, pp. 36-48.
- The Star* (2015), "Latest Trade Data Show Worrying Trends", 10 January 2015, p. 13.
- The Star* (2015), "China's Land Reclamation Now Massive, Says Manila", 22 January 2015, p. 41.
- The Star* (2015) "Malaysia in on China's Silk Road Plan", 28 January 2015, p. 10.
- The Star* (2015) "Book on history of Chinese migration to Sabah launched", *Starmetro* p. 12, 24 July 2015.
- Tho, Xin Yi (2015) "Catching Tigers and Flies – Made in China", *The Star*, 2 January 2015, p. 22.
- Xinhua* (2015), "Change and Hope after Establishment of China-ASEAN FTA", *The Star*, 5 January 2015, p. 5.
- Yu, George T. (2005), "Political Change and Reform in China", in K.C. Hou and K.K. Yeoh (eds), *Malaysia and Southeast Asia and the Emerging China: Political, Economic and Cultural Perspectives*, Kuala Lumpur: Institute of China Studies, University of Malaya, pp. 91-104.
- Zulfakar, Mergawati (2015), "Host of ASEAN Issues to Ponder on at KL Meets", *The Star*, 26 January 2015, p. 22.