

Original Research Article

**CHINA'S GEOECONOMIC STRATEGY FOR SOUTHEAST ASIA UNDER THE
LEADERSHIP OF XI JINGPING**

Abstract

Southeast Asia is becoming increasingly important in China's global strategies. Under Xi Jinping, China has intensified the implementation of its "The Good Neighbor Policy" foreign policy with countries in the Southeast Asian region to protect its "core interests" and build a belt of peace and stability beneficial for China's development. This article analyzes China's economic geoeconomic shift towards Southeast Asia with the following content: (i) China's geoeconomic strategic perspective on Southeast Asia; (ii) The objectives of implementing China's geoeconomic strategy in Southeast Asia; (iii) The methods used to implement China's geoeconomic strategy in Southeast Asia; and (iv) The reactions of countries in the Southeast Asian region to China's geoeconomic strategy under the leadership of Xi Jinping.

Key words: China, Southeast Asia, geoeconomic strategy, economic diplomacy

1. Introduction

After 45 years of reform and opening up, China has transformed from an economically backward and slow-developing nation into the world's second-largest economy, behind the United States. This remarkable success in Beijing has been achieved through the prudent application of an "economic and social development strategy", particularly the role of its geoeconomic strategy in relation to countries around the world, including the Southeast Asian region. In the process of implementing this strategy, through the theoretical frameworks established by leaders of different eras, China has taken flexible steps to achieve the fundamental goals set by its geoeconomic strategy in areas such as trade, investment, and foreign aid.

China has gradually turned Southeast Asia into a vast market for affordable goods consumption, while also becoming a key supplier of raw materials and input factors for domestic production. Furthermore, with its geoeconomic strategy closely tied to economic diplomacy through various development assistance programs and financial institutions, China has to some extent solidified its position in the Southeast Asian region today.

It must be affirmed that the benefits of China's geoeconomic strategy for the Southeast Asian region are significant. Various policies and support packages, as well as investments, have rapidly transformed the economic livelihoods in many localities within countries in the Southeast Asian region. However, limitations stemming from environmental crises, unequal resource distribution, conflicts in construction activities, and resource extraction have negatively impacted China's image as a great and friendly neighbor, which Beijing is striving to build.

From the perspective of governments, China is generating concerns and apprehensions among the governments of Southeast Asian nations. This could be highly disadvantageous for China as it seeks to expand its influence on global development.

2. The role of Southeast Asia in China's geoeconomic strategy

At the 3rd ASEAN+3 Summit in Manila, Philippines in November 1999, Chinese Premier Zhu Rongji declared: "China cannot develop without East Asia, and no East Asian country can prosper without China" (Anh, 2018). This statement clearly underscores Beijing's perspective on the vital role of East Asia in general and Southeast Asia in particular in China's economic development.

Developing relationships with Southeast Asian countries has helped China secure a large source of raw materials and energy to meet its domestic production needs. It has also opened up access to a potential market with a population of over 688 million people. Through economic cooperation, China has aimed to increase its influence and competitiveness against the United States while also bolstering security in the southern region. Furthermore, Southeast Asia holds a pivotal position in China's global expansion strategy through economic connectivity. Situated between the Pacific and Indian Oceans, Southeast Asia serves as a gateway through the Malacca Strait, which is the world's second-largest maritime route (after the English Channel) and the second most common route for transporting oil (after the Strait of Hormuz). Being the world's largest consumer of crude oil, China needs to transport approximately 80% of its oil imports through the Malacca Strait, which equates to over 200 million tons annually. Statistics also show that more than 60% of ships passing through the Malacca Strait have China as their destination.

In political terms, Southeast Asian countries serve as a crucial foundation for China to assert its international role. This region has become a shield for China's national security and a gateway for its global outreach. Politically, Southeast Asia is the foremost cornerstone for China to safeguard its interests, enhance its international standing, and establish important partnerships for external engagement and mutually beneficial

cooperation. The peaceful and stable environment in Southeast Asia is a critical condition for China to smoothly pursue its modernization efforts and safeguard the achievements of the 45 years of reform and opening up. Therefore, Southeast Asia represents an integral and indispensable link in China's current global development strategy.

Because Southeast Asia can provide China with significant influence both regionally and globally, the region holds a strategically important position in China's foreign policy. Shortly after taking office, from April 1st to April 5th, 2013, Chinese Foreign Minister Wang Yi selected four Southeast Asian countries as the destinations for his first overseas diplomatic visit. These countries were Thailand, Indonesia, Singapore, and Brunei.

This is considered a move to strengthen China's relations with its Southeast Asian neighbors. After the Foreign Minister's visit to the four Southeast Asian countries, Chinese President Xi Jinping embarked on a state visit to Indonesia and Malaysia from October 2nd to October 7th, 2013. In Indonesia, the two sides signed six economic cooperation agreements worth nearly \$24 billion. In Malaysia, they elevated their bilateral relationship to a "comprehensive strategic partnership" and signed an economic trade cooperation agreement, aiming to increase bilateral trade to \$160 billion by 2017 (Commission, 2017). China's Premier Li Keqiang also visited three countries, Brunei, Thailand, and Vietnam, during the same month in October 2013. It can be observed that, in recent years, Chinese leaders have not conducted such an intensive diplomatic campaign in the Southeast Asian region as they are currently doing. Moreover, this is a rare case in China's diplomatic history when both the President and Premier of China visited countries in the Southeast Asian region in such a short timeframe. China's actions are aimed at enhancing its international image, especially with its neighboring countries, and creating favorable conditions for the successful implementation of the Chinese Dream.

3. "The shifts in China's economic strategy towards the Southeast Asia region (2012 - 2022)"

China's economic strategy towards the Southeast Asia region has undergone significant shifts since the era of economic reforms and opening-up in 1978. Deng Xiaoping is well-known for laying the initial theoretical foundation with the concept of "reform from within, opening-up from outside," which essentially means building a nation that doesn't isolate itself but actively engages with the international community. China should be open to trade with anyone, seek mutual benefit, and avoid causing harm during the trading process (My, 1996). Over time, this theoretical foundation has evolved

and been supplemented through concepts like “Social Harmony” by Hu Jintao, the “Three Represents” theory by Jiang Zemin, the “Chinese Dream,” and the “neighborhood diplomacy” policy by Xi Jinping, emphasizing that neighboring countries should be seen as friends and partners, providing them with a sense of security and support for their development, ultimately promoting shared interests between China and its neighboring countries (Swaine, 2015). Specifically, in 2013, President Xi Jinping delivered a significant speech before the Chinese Communist Party’s Politburo, asserting that maritime space plays a crucial role in a nation's development in the 21st century. This space encompasses national sovereignty, national security, and developmental interests, and the oceans and seas are strategically vital for global competition, influencing politics, economic development, military power, and technology (Yuan, 2013). Beijing’s path to becoming a maritime power is challenged by the encirclement of Southeast Asian nations to its east and south. This means that if China wants to implement a global strategy, it must find a way to overcome this obstacle. Although contemporary global issues related to economic and security matters are less dependent on military power (hard power) and are largely influenced by foreign economic policies, integration, and the exercise of economic and diplomatic influence (soft power), Beijing still views the implementation of its economic geographic strategy towards Southeast Asia as crucial to achieving its economic, military, and security objectives.

In terms of strategic thinking, China aims for three major objectives: (i) Transforming Southeast Asia into a vast market for the consumption of affordable goods through a two-phase strategic approach. The first phase involves the execution of a strategy focused on exporting consumer goods, while the second phase entails exporting products with higher scientific and technological content (such as electronic components, machinery, and technology). (ii) Turning Southeast Asia into a region for direct investment, thereby making the economies in this region increasingly dependent on the Chinese economy. Simultaneously, China leverages the region’s natural resources and energy sources to fuel its economic growth. (iii) Utilizing financial resources (supporting official development through preferential loans) to enhance its soft power and exert economic influence over countries in the Southeast Asian region. This is manifested in the following ways:

Table 1. China’s Economic Geographic Strategic Thinking towards the Southeast Asia Region

	The period of 2002-2012	The period of 2012 - 2022
Theoretical foundation	Deng Xiaoping’s theory of “Reform and Opening-up.”	Xi Jinping’s theory of the “Chinese Dream.”

	Hu Jintao's theory of "building a harmonious society."	
Legal basis	<ul style="list-style-type: none"> - 10th Five-Year Plan for Economic and Social Development (2001-2005) - 11th Five-Year Plan for Economic and Social Development (2006-2010) 	<ul style="list-style-type: none"> - 2th Five-Year Plan for Economic and Social Development (2011-2015) - 13th Five-Year Plan for Economic and Social Development (2016-2020) - 14th Five-Year Plan for Economic and Social Development (2021-2025) - Good Neighbor Policy (18th National Congress of the Communist Party of China, 2012)
Point of view	Utilizing external resources to serve the internal development process.	
Objective	<ul style="list-style-type: none"> - Turn Southeast Asia into a vast market for the consumption of affordable goods. - Turn Southeast Asia into a region for direct investment and exploit resources to fuel domestic growth. - Enhance soft power and exert influence over the region in terms of both economics and politics. 	
Method	<ul style="list-style-type: none"> - Sign FTAs (Free Trade Agreements). - Support export and domestic production through tax exemptions, credit support, and financial assistance. - Promote subcontracting and mining activities. - Provide aid. 	<ul style="list-style-type: none"> - Upgrade the ACFTA (ASEAN-China Free Trade Area). - Advance the "Belt and Road Initiative." - Support infrastructure development through the Silk Road Fund and AIIB (Asian Infrastructure Investment Bank). - Provide assistance.

To realize its economic geographic strategy with the Southeast Asia region, China has been actively promoting the signing of numerous trade and investment agreements with countries in the region and the ASEAN organization. Through Guangxi, China has proposed the "Greater ASEAN-China Growth Area" initiative, which includes cooperation in expanding the sub-regional Mekong River area, economic cooperation at sea, and economic cooperation on land. This strategy is also referred to as the "One Axis, Two Wings" approach: one axis being the Nanning-Singapore economic corridor, the first wing being the expanded Mekong River sub-region, and the second wing being the

expanded North Gulf area, including the waters of Vietnam, China, the Philippines, Indonesia, Malaysia, and Singapore. This initiative is not merely a collaborative economic development idea between Beijing and ASEAN nations but also a deep and strategically significant economic concept that reflects a commitment from the central to the local level. China's economic border development strategy is also applied to countries with shared land borders, such as Vietnam, Laos, and Myanmar, with the aim of promoting economic development in the less developed regions in the southern part of China. Additionally, President Xi Jinping's "Belt and Road Initiative" is directly related to the Southeast Asia region, serving as a crucial link in China's broader economic geographic strategy.

Over the past decade, China's strategic geopolitical shifts in the Southeast Asia region have achieved several positive outcomes: (i) In terms of trade, the goal of signing FTAs with ASEAN was successful from the outset and has been realized, with comprehensive agreements in all trade, investment, and service sectors with ASEAN. (ii) The investment strategy to exploit ASEAN's resources for domestic growth has, for the most part, achieved its set objectives. For example, Myanmar supplies China with 10 billion cubic meters of natural gas annually, accounting for approximately 6% of China's total natural gas consumption. Indonesia is also one of China's top energy and raw material suppliers, providing liquefied natural gas, coal, nickel ore, bauxite, and iron ore (Anh, 2018). (iii) Supportive development activities within China's economic strategy have secured a certain position and influence for China in the Southeast Asia region. (iv) China's economic relations with countries in the Southeast Asian region have, in practice, benefited both sides. It has helped these countries enjoy economic growth, improve market conditions in the region, and spread Chinese technological expertise (even if it involves technology-intensive labor) through FDI projects. However, this strategy has also generated disadvantages for China, leading to concerns such as dependency and domination, adverse environmental impacts, and creating divisions among countries in the region. In reality, China's economic geographic strategy has faced certain reactions from some countries in Southeast Asia.

4. Reactions of countries in the Southeast Asia region

Except for Cambodia, a common feature among Vietnam, Laos, and Myanmar is that they all share a southern border with China, and all three countries share interests in the Mekong River with China and Thailand. Currently, China is actively engaging with its neighboring countries to advance its ambitions towards the southwestern direction of China, connecting the political and economic landscape of mainland Southeast Asia with China. With its strong economic and political position, China clearly benefits more from

the increased influence in the Mekong sub-region, while the sub-regional countries (except Thailand) generally find themselves in a less favorable position to deal with China due to their weaker political status and less developed conditions. The case of Myanmar is a typical example, where projects such as the Myitsone hydropower dam, Letpadaung copper mine, and the China-Myanmar oil and gas pipeline have not yielded effective results. Instead, they have created conflicts and grievances among local communities in Myanmar. This reality has compelled the Myanmar government to make decisions to temporarily or permanently halt multi-billion-dollar projects with China, citing environmental impacts and their locations on sensitive historical land and perceived injustices towards local residents. This reflects that Myanmar, on one hand, is gradually looking for new ways of cooperation with other partners and distancing itself from China's investments. On the other hand, Myanmar maintains a stance of supporting fairness and seriously opposing any project, whether positive or negative in its impact, indicating that both the government and the people of Myanmar are truly resilient in dealing with China's outbound investment strategy.

Cambodia is one of the smaller and poorer countries in Southeast Asia, and its bilateral trade with China has consistently been in a significant deficit. Over the past decade, China has provided support and investment for mega-projects in Cambodia. In this context, Cambodia has adopted a pragmatic approach in the multilateral game, leveraging China's resources for its development and agreeing to take on a pioneering role with China's backing.

Similarly, Laos is one of the poorest countries in Southeast Asia. However, with a labor force participation rate of 61% among its 6.8 million people, Laos presents an attractive prospect for foreign investors (such as Nikon from Japan or Danish textile companies) in labor-intensive processing industries. Additionally, with abundant natural resources like methane gas, minerals (potassium), timber, and other raw materials, Laos is also appealing to investors who require resources from China. Therefore, for several years, Laos has been aiming to shape its economic development path through industrialization based on foreign direct investment.

To counter the U.S. involvement in the Mekong sub-region, China has been actively working to draw Laos into its orbit through various clever strategies. Beijing has responded positively by seizing opportunities to sign a series of bilateral agreements with Vientiane in the areas of investment, economic cooperation, and finance. China has provided low-interest loans to Laos. The support from China during critical junctures has laid the foundation for a new relationship between Beijing and Vientiane. Since then, China has continued to systematically strengthen its relations with the leadership in Laos.

From 2012 to the present, Laos has been pragmatic in its approach to China's involvement, recognizing the significant benefits but also realizing the adverse economic impacts of China's multifaceted engagement. The situation where Laotian farmers have had to sell land at low prices for many Chinese investment projects has generated discontent, as the local labor force has not been utilized while Chinese laborers have been imported in large numbers. This has led to growing public sentiment in Laos. However, efforts to reduce China's influence seem to have been unsuccessful due to Laos' economic limitations and its small political stature. Laos has generally maintained a peaceful stance in international affairs.

5. Conclusion

China has achieved significant successes in its economic geographic strategy in the Southeast Asia region by signing FTAs, turning ASEAN into a destination for affordable goods consumption, and also a source of raw materials for China's growth. The strategies related to development support have bolstered China's position and influence in Southeast Asia. However, the perception of the negative impacts of China's economic strategy is becoming increasingly apparent among countries in the Southeast Asia region, leading to a shift from cautious attitudes to more direct forms of resistance.

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