ASEAN and China as Mutual Economic and Geo-political Counter-Balance in the Region

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Abstract—ASEAN-China is one of the most complex relationships in the Asia-Pacific region. Over the course of history of many ups and downs in recent decades, China and ASEAN have come together, working closely together for mutual development. In the 21st century, economic relations as well as political relations between China and ASEAN have made positive changes. However, this relationship still shows many difficulties and obstacles that the two sides need to solve and overcome in order to benefit from potential of each other. This paper presents and compares the factors that affect ASEAN's economic and geopolitical potential as a counterpart to China in the region.

Index Terms—ASEAN, China, economic development, South China Sea.

I. INTRODUCTION

The end of the Cold War has opened up a vast space for peace and development for each nation in particular and for each region in general. In which, the main trend of humanity is dialogue and confrontational cooperation, and economic and political power is the most important measure of each nation. China intensifies mutual exchanges, security and defense cooperation with ASEAN countries, Chang Wan, Defense Minister of China (16/10/2015) affirmed that "dialogue and cooperation in the field of defense and security is an important element of the China-ASEAN strategic partnership; China wants to work with ASEAN to maintain security and stability in the region; China will continue to coordinate and cooperate with ASEAN countries in multilateral mechanisms such as the ASEAN Plus Three (ADMM Plus) and the Regional Forum (ARF) [1]. For example, the journalist Sebastian Strangio based in Phnom Penh, Cambodia has commented, "China's axis rotation is particularly noteworthy in Laos," adding at the same time that "for at least a decade, the country has become the main conduit for penetration of China in Southeast Asia". According to Chheang Vannarith, visiting professor at the University of Leeds, England, China now needs Cambodia as a partner in Southeast Asia. "China enlists Cambodian support in Indochina and the Mekong river delta region to reinforce its influence in the Asia-Pacific region [2].

The establishment of the ASEAN Community and the ASEAN-China Free Trade Area has helped facilitate bilateral economic and trade flows. The ASEAN Community will help to promote the integration in political, economic and cultural aspects of ASEAN, which is conducive to the formation of a common market and a joint production base in a region with a total population of 600 million people, with total economic output of $ 2 trillion and high economic integration level in the region [3]. The ASEAN Economic Community (AEC) will promote free flow of goods, services, capital and human resources in the region, and the economic growth of ASEAN is expected to accelerate. According to an investment report released by ASEAN in November 2015, total foreign investment attracted by ASEAN has increased for three consecutive years, making it the largest destination for foreign investment amongst developing countries in the region, creating new opportunities to develop China-ASEAN economic and trade relations. China's economy has grown rapidly since economic reforms and open policies started in 1979. The World Trade Organization (WTO) in November 2001 marked another stage of economic reform and opening up to the outside world, with China making further improvements in its economic efficiency and competitiveness. The China’s economic scale, dynamic growth and WTO accession are having a significant effect on the ASEAN economies and beyond. ASEAN's response to China's rising economy is mixed. Although China's prosperity and global integration are good for the region, and this country will provide a large and rapidly growing market for ASEAN, especially for the natural resource-based products, ASEAN perceives a threat that arises from China's ability to enter their market with the growing range of manufacturers. China's huge and cheap labor and cost competitiveness can undermine ASEAN's market share in United States, European Union, Japan and threaten the domestic market of ASEAN industries. Moreover, China's cost competitiveness and rapidly growing domestic market may divert foreign direct investment from ASEAN.

According to Prof. Liu Ying of the Chongqing Institute of Financial Studies at the People's University of China, at the beginning of 50th anniversary of ASEAN's founding, the relationship between China and ASEAN had grown into a strongest and most vibrant partnership in the world, in which economic and trade relations between them are constantly growing [4]. With its importance, Southeast Asia has become a geopolitical space as well as China's major economic counterpart. Two-way investment in China and Southeast Asia took place strongly. Southeast Asian countries are increasingly becoming the major foreign investment...
destination for Chinese enterprises, the number and scale of investment projects and industrial parks are constantly expanding, the investment is shifting from the traditional industrial processing to the new areas such as the currency service, electronic trade, culture and entertainment. In 2013, China has invested $ 8.64 billion in ASEAN countries, up 7.1% compared to last year. As of June 2014, China-ASEAN two-way investment reached nearly $ 120 billion, of which the total investment of ASEAN countries in China reached over $ 80 billion, the total investment of China in ASEAN was nearly $ 40 billion. In 2013, Singapore became China’s largest investor [5].

The relationship between China and ASEAN has grown tremendously; the political trust between the two sides has been constantly strengthened and achieved substantial achievements in cooperation in all fields. ASEAN is China’s third largest trading partner, while China is the first country to establish a free trade area with Southeast Asia and has been the largest trading partner of ASEAN since 2009. China and ASEAN promote mutual economic cooperation. China and ASEAN have established a strategic partnership as a platform for economic, trade and investment cooperation, contributing to making China and ASEAN one of the successful cooperation models amongst ASEAN and its strategic partners. In Southeast Asia, along the advantages brought about by the general context and the dynamic economic development, in the political and security landscape there are found many uncertainties. The relationship between China and ASEAN still faces some difficulties, especially the disagreement between China and some ASEAN countries in the South China Sea. The trade deficit between ASEAN countries and China continues to increase. Due to the full effect of the ACFTA in 2010, trade between ASEAN and China has shifted from a surplus to a deficit of $ 45 billion in 2013. In particular, manufactured goods, especially machinery and electronics, are still dominant in bilateral trade. FDI from China has yet to play an important role in ASEAN and FDI flow from China to ASEAN is still low compared to China's total FDI. According to data from the China Ministry of Commerce, China contributes 2.3% of total FDI to ASEAN and China's FDI into ASEAN accounts for only 6.7% ($ 35.7 billion) of total FDI of China in 2013 [5]. The economic cooperation between ASEAN and China, although developing rapidly since the Cold War, will be unsustainable if not being based on political security to address the key challenges in this partnership.

II. ECONOMIC AND GEOPOLITICAL COMPARATIVE STUDY

A. Comparing Contemporary ASEAN and China in Economic Aspect

There is a concern that ASEAN countries are increasingly reliant on the Chinese economy and the China’s influence is spreading rapidly. For example, Philippines have been battered by China's ban on banana imports in 2012 on the grounds that it does not guarantee quarantine safety standards. The ban was lifted last year when President Rodrigo Duterte decided to pursue a friendlier stance towards Beijing. President Duterte said, in the long run, the Philippines still benefits from China's economic growth. “You cannot ignore China, it's a huge market”, he said. However, his anxiety is now great: “They know their power and know how to use it”. Any sector that depends too much on the outside, such as the Thai tourism industry, the Philippines banana industry and the Indonesian fishing industry, are vulnerable. “We can imagine how easy it would be for China to hinder its industries”, said Dane Chamorro, Southeast Asia director of Control Risks in Singapore [6]. More than a year ago, leaders of the ruling National League Party in Malaysia expressed concern after Malaysian Prime Minister Najib Razak brought about $ 34 billion worth of economic cooperation agreements during a visit to Beijing. They said the deal would not only pave the way for billions of dollars in debt, but also open the door for China to more directly influence Malaysia's internal affairs. The railway project connecting Thailand and southern China through Laos also met with opposition. Many comments in Thailand criticize China's excessive demands on this project as well as China's high lending rates. However, finally, Thailand's cabinet approved the construction of the first phase of the project. The $ 7 billion rail project is just one of many projects serving China's expansion policy in ASEAN. The general view of the plan to build China's $ 7 billion high-speed rail project in Laos is that this serve to connect Laos' interests with China aiming at increasing the influence of China in Laos [7]. In Myanmar, China's $ 10billion pipeline project involving the "One Belt One Road” (OBOR) project has sparked protests. The people are concerned because that this project is threatening the environment and that they are not fully compensated when being relocated to get the land for the project. “China does not do anything to fulfill its obligations as mentioned in Aung San Suu Kyi's report”, said Ma Mar Cho, one of the protest leaders who spoke to Reuters [8]. Greater economic dependence on China is another concern for countries in the region that have fundamental weaknesses in the economy. Consumption growth in countries such as Indonesia and the Philippines is stagnant despite previously both countries have experienced high GDP growth. Foreign direct investments in Indonesia, except from China, are slowing down. In Thailand, the baht has appreciated putting pressure on exporters. With significant connectivity with Southeast Asian countries and cross-border trade, recent reports suggest that China is expanding its economic impact through infrastructure investments. At the same time, China and some ASEAN countries are trying to resolve disputes over maritime rights in the South China Sea. If these disputes remain unresolved, it may be possible for Beijing to use their leverage to promote strategic goals in the South China Sea and beyond. They can also try to own infrastructure assets in ASEAN countries to serve national interests. The head of the Department for ASEAN Affairs under Thailand’s Ministry of Foreign Affairs, Suriya Chindawongse, emphasized at the June 2018 negotiation on Code of Conduct in the South China Sea (COC) [5].

ASEAN's trade with China has tripled in 2005-2015, higher than the increase in intra-ASEAN trade flows and trade with South Korea. The share of advanced economies in ASEAN's total trade has been declining, while China's share is increasing. South Korea's contribution is undoubtedly rising, but still modest compared to China's. As multinationals have been engaged in individual production
activities in many countries over the past few decades, China and the ASEAN economies have become interconnected in a network of production systems, thus increasing their interdependence. According to national data, by 2015, all ASEAN economies, except Singapore, will have a higher trade deficit with China in 2008-2015. This has led to concerns with policymakers as a sign of bad policies. China is also an important participant in the exports of the whole of ASEAN and more importantly to its imports. This proves that China is benefiting more from its access to Southeast Asia rather than the opposite. No other trading partner, except the ASEAN itself, has such an important position for most of the exports and imports of ASEAN economies. Since the China-ASEAN Free Trade Area was created in 2010, China-ASEAN trade has grown rapidly, with an average annual increase of nearly 20%. In 2016, ASEAN welcomed 18.61 million Chinese tourists, accounting for 17% of the total number of tourists to ASEAN [9]. It can be said that the importance of China in the entire Southeast Asian trading model is increasing. Particularly for Vietnam, Thailand and Malaysia, countries with a growing trade deficit with China, they are more dependent on China for imported goods. China is a key export market for some ASEAN countries, led by Laos and Myanmar. In 2013, Vietnam's trade deficit with China was more than $23 billion; in 2014 it is nearly $29 billion; in 2015 it is more than $33 billion; in 2016 it is over $28 billion and in 2017 it has dropped to over $22.7 billion [10]. Based on this, it can be said that the commercial dependence of ASEAN countries on China is high compared to other trading partners, which is likely to put China in a stronger position to push up their political agenda in the region, for example, the maritime claims, or the pressure on small states to maintain a distance from the US security presence in East Asia. Among ASEAN countries, China regards Cambodia as a cordial country and leverages its relationship with this country to influence regional policy decisions as it has done. In another area, the importance of China as an investor is still modest. China's FDI is only important for Laos, Cambodia and Myanmar. However, the share of Chinese FDI in ASEAN is constantly increasing. “Southeast Asia is an attractive FDI attraction for China because of its fast growing market. Countries in the region also need foreign investment to offset the fiscal balance and meet infrastructure investment needs. China will bring in its capital and expertise and China's investment in the region will continue to grow thanks to the OBOR initiative”, says analyst Lee Ju Yue from Maybank in Singapore [6]. China is dominant in terms of trade while maintaining its position as the largest trading partner with countries in the region. On the contrary, for China, Southeast Asian nations are the third largest trade partner, while for the United States ASEAN is only the fourth largest trading partner. However, the United States dominates Southeast Asia in the field of foreign investment as the region received total of $226 billion in 2015 [11]. The fact that a number of countries such as Thailand, the Philippines or Malaysia has slowed down in 2015 is a testimony to the fact that most of these countries are experiencing a sharp drop in exports as a result of the slowdown of the Chinese economy. Thus, it can be said that the surge in trade between China and Southeast Asia is only short-lived. While, compared to the level of large-scale and long-term investments in ASEAN countries, China cannot compare to the United States [7].

B. Comparing Contemporary ASEAN and China in Geo-political Aspect

At present, China and Southeast Asian countries are committed to maintaining a peaceful and stable environment to focus on economic development. However, the current hot issue is that South China Sea dispute is a major obstacle to strengthening cooperation between China and ASEAN. The threat from China to ASEAN countries still exists, as China is constantly increasing its activities in sovereignty disputes, building illegal artificial islands in the South China Sea, boosting defense expenditures to modernize the military, especially the navy. All of that have caused deep concern for countries in the region and the international community. ASEAN is geo-political, geo-strategic and geo-economic in the Asia-Pacific region, the leading region of the world economy. Myanmar also did so, ending decades of isolation. ASEAN's policy of attracting Myanmar has been criticized by the West, but it has helped lay the groundwork for a peaceful transition from the military regime. Comparing with the West's isolation policy in Syria, it certainly does not lead to the same result. Certainly, ASEAN is not perfect. In short, it looks like it's moving in a crab's style, two steps forward, one step back and one step across. But it cannot deny ASEAN's long-term progress. And it is the only credible platform for geopolitical engagement in the Asia-Pacific region, unique in its ability to convene meetings involving all world powers, from the United States and the European Union to China and Russia. ASEAN continues to face serious challenges. Territorial disputes in the South China Sea have created deep divisions, and increased geopolitical competition between the United States and China has created a greater threat to the cohesion of the bloc. And the domestic politics of some member states, including Malaysia and Thailand, are becoming increasingly chaotic [12].

From the end of the first decade of the 21st century, both China and the United States are trying to draw ASEAN towards themselves. ASEAN has become an important factor in building and maintaining political stability and security in the Asia-Pacific region. ASEAN is at the center of connecting and reconciling conflicts, promoting cooperation for peace, stability and development in the Asia-Pacific region [13]. The new slogan in China's foreign policy “building a community of destiny” must start in Southeast Asia. If China succeeds in this, they will once again prove the global viability of the Chinese model [14]. ASEAN political thought based on political-security community to elevate political and security cooperation to a new height, with the participation and contribution of external partners, to ensure that ASEAN coexists peacefully with each other and with the outside world in an environment of justice, democracy and harmony. The ASEAN Political-Security Community is not a military bloc, not a military alliance or a joint foreign policy. The ASEAN Political-Security Community shall promote a comprehensive approach to security, including political, economic, cultural-social and environmental aspects; strengthen political cooperation, develop and share common standards of conduct; promote the trend not to use force and resolve all disputes by peaceful means; retain open relations
with external partners and maintain ASEAN's central role in regional architecture [4]. Chinese political thought tapping on the “Chinese dream banner” brings together a powerful, four comprehensive reconstructions of China's new face based on characteristics of Xi Jin Ping’s thought, including: comprehensive wealthy social development, comprehensive reform, comprehensive national rule of law, and comprehensive strict management of the Party. By February 2015, the state Xinhua News Agency determined that this is the strategic layout and political platform for the country's construction and development in the period of new era [13].

Challenges for ASEAN ahead are: international terrorist organizations such as IS, al-Qaeda which after heavy casualties in Iraq and Syria are turning their operations to ASEAN countries, first in island states like the Philippines, Indonesia, Malaysia; China and the United States are increasingly engaged in ASEAN, involving ASEAN in their geopolitical forces. Sino-US competition puts ASEAN ahead of the big challenge of recognizing and dealing with external pressures [14]. Challenges for China ahead are: Xi Jin Ping’s continuous pursuit of control over the Communist Party has reversed decades of attempts to institutionalize Chinese politics. During his tenure, there have been rumors of unsuccessful coup attempts, with the most recent rumors appearing in December 2017. At the same time, Xi Jin Ping’s ambitions have led to China is over-stretched abroad, from border areas to remote locations. An increasingly provocative foreign policy, expressed by undertakings of restoring territory, is pushing other countries into the alliance to protect them from Beijing’s expansionism [8]. On the South China Sea, ASEAN continues to reaffirm the agreed principles of the importance of peace, stability, security, safety, freedom of aerial and maritime navigation in the South China Sea, respect for the rule of law to resolve disputes by peaceful means, to restrain and not to complicate the disputes, to demilitarize, to implement fully and effectively the DOC (Declaration on the Conduct of parties in the South China Sea) and soon reach the COC (Code of Conduct in the South China Sea). Accordingly, the meeting noted that the framework adopted and negotiated between ASEAN and China on COC was officially launched. The 18th Congress of Chinese Communist Party in March 2013 set out the strategy of building a maritime power, officially bringing the issue of maritime development into a national strategy, emphasizing the building of maritime power as an indispensable choice to protect the national interest and to restore the Chinese nation. This development is based on the concept of “blue ocean strategy”. The development of China’s maritime power has become particularly remarkable in the current context, as China continues to aggressively violate the sovereignty and interests of other states in order to materialize its monopoly in the South China Sea [6]. The outcome of collaboration in politics and security between 1997 and 2003 is that China and ASEAN signed the joint statement towards the 21st century. Following the decision of the China-ASEAN summit, in 2000, China and ASEAN signed action plan against drug trafficking. In November 2002, China and ASEAN signed the Declaration on the Conduct of parties in the South China Sea, Joint Declaration on China-ASEAN security in the field of non-traditional security, pledged to settle all disputes by peaceful means, laying an important legal basis for the implementation of cooperation between the parties in the South China Sea. In 2003, the two sides issued the Joint Declaration on strategic partnerships, moving from dialogue to strategic partnerships, opening up a period of comprehensive development across all sectors. In Bali 2003, China is the first major country outside the region to sign the Treaty of amity and cooperation in Southeast Asia to create an important premise to ensure the security environment of the region. This will help promote the accession of major countries to the Treaty with ASEAN countries. In just 10 years, China and ASEAN have established a strategic partnership. On their part, the ASEAN countries still have been concerned about the threat from China, but still regard China's economic rise as giving opportunity to all [15].

III. CONCLUSION – COULD ASEAN BE A COUNTERBALANCE FOR CHINA IN THE REGION?

A. Evidences for the “Yes” Answer

A number of measures have been taken by ASEAN to resolve disputes in the South China Sea or to build trust among the parties to curb potential conflicts and prevent further military clashes, mainly through means of negotiation. A number of documents regulating the national behavior in the South China Sea have been developed, such as the Treaty of amity and cooperation in Southeast Asia in 1976, the Treaty of Southeast Asia Nuclear Weapon Free Zone in 1995 and the Manila Declaration in 1992 (the first statement expresses the common position of ASEAN countries on the South China Sea). The Declaration on the Conduct of parties in the South China Sea (November 4, 2002) is considered as a breakthrough in ASEAN-China relations on the South China Sea, and also shows ASEAN's role in settlement of disputes in the region. Prior to the DOC, ASEAN had the idea of developing a Code of Conduct for parties in the South China Sea (COC). ASEAN adopted diplomatic measures, namely through multilateral negotiations between nations in the region and with China to launch a Code of Conduct on the South China Sea. In this context, ASEAN is capable of addressing cross-border issues of a region that a single country cannot. Disputes over sovereignty, territory, security, maritime safety, terrorism, arms control, human and drug trafficking, climate change, water security, epidemics, migration and displacement, financial imbalances and international trade are regional or even interregional problems. Due to the nature and scale of the problem most at regional level, the settlement should be through regional mechanisms [9].

In fact, China has played a leading role in the development of ASEAN-China relations, especially after 2003, when the two sides kicked off the process of realization of strategic partnership relations. This role has helped China to further improve its influence in Southeast Asia, particularly in the period 2003–2008. China’s political and diplomatic presence is everywhere. At the regional level, the Chinese delegation to ASEAN was formed. At the national level, in addition to the Chinese embassy in the capital of ASEAN countries, Chinese consulates are present in most cities and major economic centers in ASEAN. Chinese leaders are welcomed in the capital of most Southeast Asian countries. Because they not only represent an emerging powerhouse, China has
made itself one of the great financial resources that many Southeast Asian countries have been waiting for. In the period 1997-2010, many South East Asian leaders have praised China and its generous financial support. Economically, since 2009, China has been ASEAN’s largest trading partner and the second largest export market [16]. ASEAN and China have had many negotiations on COC (Code of Conduct of parties in the South China Sea) since China took over Mischief Reef in the Spratlys in 1995. The two sides exchanged COC drafts in March 2000 but due to disagreements the two sides could not reach the COC, only the Declaration on the Conduct of parties in the South China Sea (DOC) was adopted in 2002. On 6 August 2012, the ASEAN and China’s Foreign Ministers adopted a draft of COC framework in Manila. According to the ambassador to China in ASEAN, Beijing plans to conduct more maritime cooperation programs with ASEAN such as joint maritime exercises, organizing workshops on coastal ecosystem assessment and conservation strategy in South China Sea, training on remote sensing satellite marine environment, and open a conference on communication safety and navigation in the South China Sea [5].

At a press conference on the morning of August 31, 2018, representatives of the ASEAN-China Information Sharing Forum declared that ASEAN and China continued to strengthen cooperation in connecting information and developing digital economy, to improve the quality of cultural exchanges, economic and trade cooperation. It focuses on building information platforms in five key areas: infrastructure, information sharing, technology cooperation, economic and trade services and human exchange. Accordingly, this year’s Forum will be held from 12 to 18 September, in Nanning. Guangxi, at the same time as the ASEAN-China Fair (CAEXPO) and the Trade and Investment Summit ASEAN - China (CABIS), one of the most important activities in the framework of ASEAN-China cooperation. The main topic is building the digital economy, the Forum gathered more than 2,000 delegates who are government officials, representatives of ministries, sectors and localities; experts and scholars from universities and research institutes; business leaders from ASEAN countries and China. The forum also features nine sessions on digital economy, 5D technology, network culture development, to improve the quality of cultural exchanges, economic and trade cooperation, and localities; experts and scholars from universities and research institutes; business leaders from ASEAN countries and China. The forum also features nine sessions on digital economy, 5D technology, network culture development, and localities; experts and scholars from universities and research institutes; business leaders from ASEAN countries and China. The forum also features nine sessions on digital economy, 5D technology, network culture development, and localities; experts and scholars from universities and research institutes; business leaders from ASEAN countries and China.

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B. Evidences for the “No” Answer

China and the United States are increasingly engaged in ASEAN, involving ASEAN in their geopolitical forces. Sino-US competition puts ASEAN ahead of the big challenge of recognizing and dealing with external pressures [14]. Tim Huxley, regional director of the International Institute for Strategic Studies (IISS) in Asia, at the WEF ASEAN 2018 confirmed that the region's balance of power is being challenged, with Southeast Asian nations is in a position of increasingly vulnerable. Countries in this region are divided on their support for the United States and China. He said at a session on the new power balance at the World Economic Forum ASEAN 2018 that China's influence in the region is on the increase, with its economic strength and geopolitical implications. In the South China Sea, China built and militarized islands, procuring arms such as missiles, submarines and fighters. Huxley emphasized that China set out important strategic objectives in the South China Sea not only as a matter of territorial sovereignty, but to gain access to the maritime resources of the South China Sea. Huxley said that ASEAN had multilateral and bilateral consultations on the South China Sea issue, but there seemed to be no overall solution and he is quite concerned about this [18].

Regarding China’s strength and ASEAN’s role in counterbalancing this superpower, to a prominent question from the Xinhua News Agency's Bangkok correspondent: “In the context of China's continual growth and expansion, Xi Jinping’s initiative, such as the OBOR (One belt and one road), it can be seen a clear imbalance of power over the South China Sea, while ASEAN seems to be relatively quiet and of no concern at all. In this circumstance who will take the lead in counterbalancing China?” [3] Marty Natalegawa responded: “We need to avoid trying to counterbalance China, which can be considered a meaningless effort, not just ASEAN, but even the United States. All the political and social movements of ASEAN countries will be affected by China’s unprecedented power. So the question is not how to counter it but how to manage and live with this strategic imbalance” [12]. The competition for power is dividing the ASEAN region and we have seen many methods of protection, for example the withdrawal of the Cambodian opposition. This is the time when ASEAN needs to get the best or things will get worse [19].

REFERENCES


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