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**Trade in Shadow**

*ASEAN-China Trade Relations amidst South China Sea Conflicts*

**Doctoral Dissertation**

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## **List of Abbreviations**

**ACFTA** – ASEAN–China Free Trade Area

**ASEAN** – Association of Southeast Asian Nations

**BRI** – Belt and Road Initiative

**COC** – Code of Conduct (for the South China Sea)

**CPI** – Consumer Price Index

**EEZ** – Exclusive Economic Zone

**GDP** – Gross Domestic Product

**GMM** – Generalized Method of Moments

**IMF** – International Monetary Fund

**LLC** – Levin–Lin–Chu (Unit Root Test)

**OLS** – Ordinary Least Squares

**PCA** – Permanent Court of Arbitration

**PRC** – People’s Republic of China

**RCEP** – Regional Comprehensive Economic Partnership

**SCS** – South China Sea

**U.S.** – United States of America

**UNCLOS** – United Nations Convention on the Law of the Sea

**US\$** – United States Dollar

**WTO** – World Trade Organization

## Acknowledgement

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# Chapter 1: Introduction

## 1.1 Background and Context

The relationship between the Association of Southeast Asian Nations (ASEAN) and China is defined by a paradox. It is a relationship of two parallel yet contradictory realities. On one hand, the region is home to one of the world's most dynamic trade relationships. On the other, it is the site of complex sovereignty disputes.

The economic narrative is one of unprecedented integration. China emerged as an economic titan. ASEAN states recognized the imperative of integration with this mounting economy. Bilateral trade has expanded at unprecedented velocity and infrastructure projects proliferated. These have hitherto been binding China and Southeast Asia that, in turn, fostering interdependence and mutual interests. Since 1991, the two have expanded their cooperation from limited engagement to what officials describe as “comprehensive partnership.” This expansion has turned trade and investment as the backbone of their relations.

ASEAN-China Free Trade Area (ACFTA), which took effect in 2010, has reduced tariffs and opening borders to goods and services. Regional economic structures shifted. By 2025, both have been each other's largest trading partners for sixteen consecutive years. Bilateral trade hit around US\$694 billion in the first eight months of 2025 alone (State Council of PRC, 2025a, 2025b). Manufactured goods, agricultural commodities, digital trade - all of it constitute their interdependence muscles. Alongside, institutional and technological collaboration has expanded in tandem. Negotiations on ACFTA are now targeting digital economy, sustainable development, and supply chain integration (Asean.org, 2024).

Linkages in infrastructure have recast the regional map. The BRI has brought projects - such as the China–Laos Railway, Malaysia's East Coast Rail Link, Kyaukphyu Deep-Sea Port of Myanmar, among others - that link ASEAN economies to deeper China's value chains. Beijing secures influence through economic statecraft while the Southeast Asian states chase developmental gains (Liu & Yao, 2025; L. Wang et al., 2025).

This economic cooperation, however, not without its complexities. Between their geographical fronts lies South China Sea (SCS) as disputed waters. China's "nine-dash line" intrudes into the exclusive economic zones of Vietnam, the Philippines, Malaysia, Brunei. The Sea is a strategic route with abundant natural resources beneath the surface. As a shipping lane connected to the Malacca Strait and Sunda Strait, SCS is the second most used sea route in the world. Around one-third of the international freight is transported through the SCS (CSIS, 2019). The SCS consists of a group of uninhabited islands with valuable resources of hydrocarbons (oil and gas) and biodiversity (fisheries and coral reefs) (Kaplan, 2015). With each party claim the ownership, sovereignty, freedom of navigation, and international law come crashing together.

Regional stability hangs by threads as military and diplomatic confrontations happened several times. For example, in 2014 Chinese ships were accused of attacking a Vietnamese Coast Guard ship, a Vietnamese fisheries surveillance ship, and some other vessels with water cannons and by physically ramming the ships. Since the dispute escalated, numerous anti-China protests happened in Vietnam. The Philippines also experiences similar confrontation with China since 2009 as China announced its virtual 'nine-dash-line' which overlaps Philippines' EEZ. "Wars of statements" from both officials echoed up to strengthen their respective territorial arguments. On January 22, 2013, the Philippines filed an international arbitration process to the Permanent Court of Arbitration (PCA) to counter Chinese claim. Although in 2016 the PCA released an arbitration award in a favor to the Philippines, and China sharply refused it (PCA-CPA, 2016; The Guardian, 2016). Similar disputes have also happened to Brunei Darussalam and Malaysia against China's territorial claim in the sea, although in less frequent, minor conflicts. All in all, the SCS disputes have been featured by anarchic situation with military build-ups and standoff, power assertiveness, and even arguably political mistrust (Emmers, 2017; Grossman, 2018; Hashim, 2016; Heiduk, 2017).

In diplomatic channels, ASEAN and China have sought a Code of Conduct for the South China Sea (COC) since 2002. Yet the Declaration is non-binding. Both parties are still working to turn it into legally binding rules. Slow going. Legal enforceability, scope of jurisdiction, and consistency with UNCLOS hinder consensus. China keeps denying the 2016 arbitral tribunal award that declared much of China's maritime claim invalid. Complete legal reconciliation seems still far away (Roberts, 2018).

The success of economic cooperation is under this political-security shadow. Military stand-offs and diplomatic demonstrations have not interrupted trade flows. The two legs of economic interdependence and strategic rivalry display asymmetric affairs. It is the epitome of the paradox: economic integration deepens while sovereignty disputes remain. Trade and infrastructure cooperation bring tangible returns and negotiating templates. They do not (yet) address the rivalry over sovereignty. Hence, the interplay between the economic cooperation and ongoing disputes in the SCS remains an open question.

## 1.2 Research Questions

When the political and territorial disputes cropped up often, the continued strength of their trade relations creates important questions about how resilient their economic ties would be. Understanding the mechanisms that allow trade to persist despite political instability offers valuable insight into broader dynamics of international relations and conflict resolution. This study is intended to explore the extent to which the conflict in the SCS has influenced the trade relations of ASEAN-China and the way both regions have ‘successfully’ managed to maintain economic cooperation despite geopolitical challenges.

Hence, the core questions are:

1. *To what extent do the SCS disputes impact ASEAN-China trade relations?*
2. *How have ASEAN-China trade relations persisted despite the lingering disputes?*

To address these questions, I propose the following hypothesis:

*“The disputes do not have a significant impact on ASEAN-China trade because economic growth patterns remain the primary driver of exchange, while institutional trade frameworks create a buffer that insulates trade relations from political tension.”*

This research applies both qualitative and quantitative approaches to try to peer at the argument/hypothesis. It seeks to find what politically and economically has driven trade despite the continuous territorial disputes over the waters between ASEAN and

China. A review of existing literature, framing a foundational perspective (theory), coupled with statistical and contextual analysis, will allow for an understanding of the relationship between the two. It sheds light on ways in which economic cooperation *may* serve as a strategic interest in the face of conflict.

### **1.3 Significance of the Study**

This dissertation aims to make two primary contributions. First, theoretically, it provides a mixed-method test of the role of cooperative frameworks in a “hard case” typically viewed through the lens of power politics. By empirically demonstrating how institutions function to disincentive conflict, it challenges the assumption that security competition must always override economic cooperation.

Second, policy-wise, it could provide insights into regional stability. If the hypothesis is correct, it suggests that the issue-specific institutions (like ACFTA and RCEP) are a viable strategy for maintaining economic stability and pragmatic cooperation - even in the face of unresolvable security dilemmas.

### **1.4 Structure of the Dissertation**

Each chapter builds upon the developments of the preceding ones. Hence, the structure is as follows. Chapter 2 does a critical literature review on conflict and cooperation. It particularly reviews the theoretical and empirical debates on the relationship between economic ties and international conflict. It draws on arguments from several international relations and economic theories to discuss how each framework views the relationship between economic ties and the likelihood of peace or conflict. It also reviews the empirical literature, highlighting key findings from many studies with difference approaches. The chapter mainly addresses methodological challenges that have shaped the debate.

In Chapter 3, the detailed methodology of the research will be discussed by following a mixed-method approach based on quantitative and qualitative techniques. Such a dual approach has been chosen to ensure that the exploration of research questions is comprehensive; measurable economic trends and nuanced diplomatic

dynamics in the setting of ASEAN-China relations in light of the SCS disputes are captured. The quantitative estimation in determining the trade flows between ASEAN and China includes – among others – GDP, geographical distance, and conflict intensity in order to test their impact. Meanwhile, the qualitative analysis is aimed to explore discourses that shape the configuration of the ASEAN-China trade relations. It seeks to trace how regional actors balance tensions in the SCS with economic cooperation. These together produce a multi-dimensional understanding of the inter-linkage of trade and conflict, which is born out of empirical trends along with qualitative insights.

Chapter 4 contextualizes the research both historically and economically in a dual dynamic of the trade relations between ASEAN and China, as well as the disputes pertaining to the South China Sea. The chapter opens with a preamble to show how the economic relationship between the two partners has taken shape from a historical overview of the economic ties between ASEAN and China. It highlights milestones such as the formation of the ACFTA and the Belt and Road Initiative. The chapter discusses trade trends and economic interdependence between both sides. In then turn to the South China Sea, including a historical background of these disputes, key actors involved, and major flashpoints. Territorial claims by China and the ASEAN member states are discussed. These backgrounds thus form the scene for the empirical analysis in the succeeding chapter.

Chapter 5 presents quantitative findings. Through an econometric estimation, the analysis identifies determinants of trade flows between ASEAN and China. These include -among others - conflict intensity, economic size, and geographical proximity. The findings hint at whether, and to what degree, the SCS disputes disrupt trade relations in a way that reflects the resilience of economic interdependence in response to geopolitical strains.

Chapter 6 turns to conceptual reading. Using content analysis, it uncovers the marks of neoliberal concepts within three bodies of text: news, official documents, and academic works. The narratives show how ASEAN and China manage tension while keeping their trade machinery intact.

The cumulative findings of the quantitative and qualitative approaches are showcased in Chapter 7. It synthesizes all the findings and discuss some points to

consider. One core feature is to discuss how ASEAN-China interdependence functions as conflict containment.

Chapter 8 serves as the synthesis of this study. It draws the main findings to provide a set of conclusions. This chapter offers a reflection on the study's scope, and acknowledges the limitations encountered during the research process. It then suggests specific avenues for future research. The chapter concludes with a series of policy recommendations to inform stakeholders and practitioners.

## **Chapter 2: Literature Review: Conflict and Cooperation in The Context of Trade**

The conflict-cooperation interplay between or among states is one of the most central puzzles in international political economy. While states often find themselves in antagonistic relationships, they are also at the same time pursuing cooperative actions that transcend their political disputes. This paradox has become academic debate across many disciplines, with International Relations (IR) and Economics being the prime presence. This chapter evaluates scholarly discourses on conflict and cooperation dynamics in international trade relationships through. Special attention is paid to how methodological choices shape conclusions. It explores fundamental debates about whether economic ties between states promote peace or generate tension. It investigates how different research traditions - qualitative case studies versus quantitative statistical analysis - draw separate maps of interpretation.

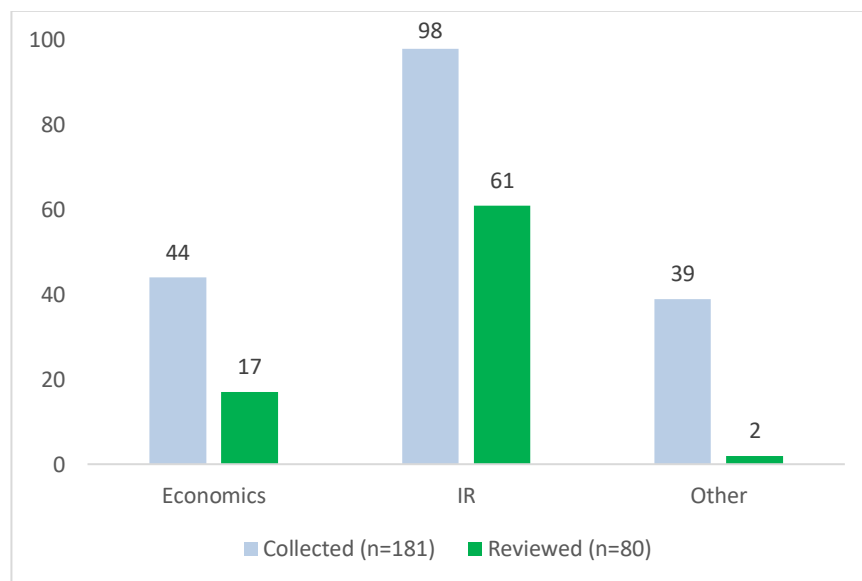
The systematic review involves carefully selecting, identifying, and reviewing literature to gain comprehensive coverage (Hart, 1998; Petticrew & Roberts, 2006). It involved a multi-stage search strategy across three databases: Web of Science, Scopus, and JSTOR. Boolean search queries combined key terms including “conflict AND cooperation,” “trade AND conflict,” “economic interdependence AND political tension,” and “institutional cooperation AND rivalry.” Searching limits were set at 1945-2024 to cover both early theoretical foundations and recent empirical works, with only focused on peer-reviewed journal articles and seminal books.

Selection criteria prioritized works that directly engaged with theoretical debates about conflict-cooperation dynamics and employed clear methodological frameworks. Particular emphasis was placed on studies that address the specific ASEAN-China context relevant to this dissertation’s focus.

To reduce bias and maintain theoretical representativeness, article quality was assessed based on three evaluation criteria: theoretical significance (contribution to understanding conflict-cooperation dynamics), methodological rigor (appropriate research design and data analysis), and empirical validity (robust evidence supporting

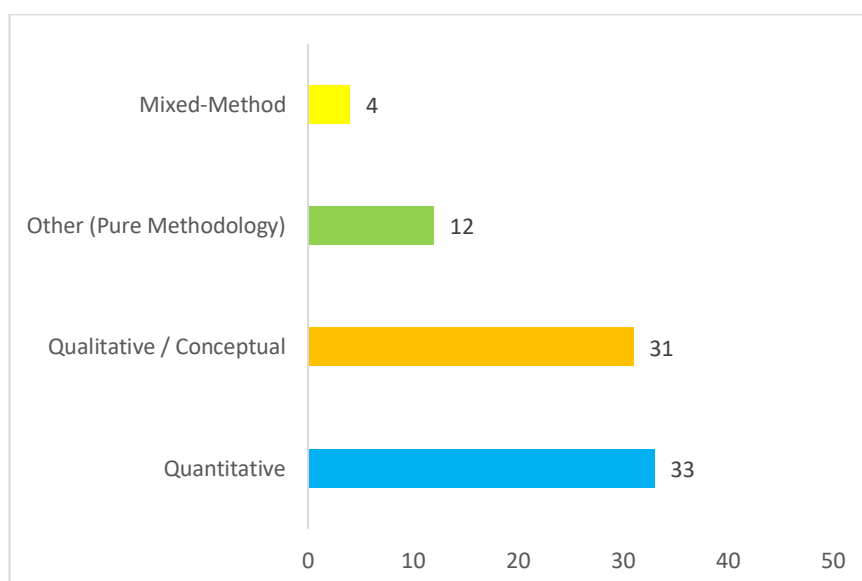
claims). Abstracts and introductions were sifted for relevance followed by full-text analysis for selected works. Citation networks were cross-checked for finding other sources (Snowball, 2008). Initial search found 181 sources. After screening for relevance and quality assessments (Dixon-Woods et al., 2006), there were 80 sources that served as the basis for this review. The rest was excluded due to limited theoretical insights or did not engage with conflict-cooperation and interdependence debate.

**Figure 1 Literature Selection by Discipline**



Source: Own Illustration

**Figure 2 Literature Selection by Method**



Source: Own Illustration

The final corpus spans multiple disciplines which most of them are from IR, Economics, sociology, and general methodology. This distribution reflects the interdisciplinary nature of the topic. IR scholars predominantly employ qualitative methodologies, such as case studies, process tracing, comparative analysis, and archival research. These are mostly published in journals focused on security studies, international organization, and political science. Economics-oriented researchers favor quantitative approaches like using large-N statistical analysis, regression models, gravity models, and other econometric techniques. They appear predominantly in economics journals and quantitative political science outlets.

The analytical structure is taken beyond summarizing to make critical assessment of the contributions, limitations, and its relation to broader theoretical debates (Torraco, 2005). Each source is evaluated for internal consistency, methodological rigor, and its role in developing or falsifying existing knowledge. This led structuring the chapter into three parts: theoretical and empirical debates of conflict-cooperation, how economic interdependence could reduce conflict, and conclusion to discuss the gap.

## **2.1 The Conflict-Cooperation Nexus**

Conflict and cooperation are two features of international relations. They mark how states engage: some align, some collide, and many do both. They have shaped the geopolitical landscape. The relationship between conflict and cooperation, however, remains unsettled. Scholars disagree on whether economic ties calm rivalry or create new strains that turn conflict. For example, whether economic exchange like trades, investment flows, and supply chains can act as bridges or fault lines. The modern world order rests partly on this paradox. Markets promise stability through connection, yet power still moves through competition. Economic cooperation can coexist with strategic rivalry, and sometimes it sustains it. The question is how states manage the tension between profit and power within the same network.

This section explores how economic interdependence molds these patterns. The discussion exposes something more fundamental than theoretical disagreement. It reveals a field fractured by methods. Scholars study similar phenomena but speak

different languages. Case researchers trace causal mechanisms through historical narratives. Statistical analysts identify correlations across datasets. Each produces evidence the other dismisses. This methodological chasm explains why whether interdependence promotes peace or conflict is still debated.

Conflict marks the struggle for position within the international system. It takes form through diplomatic strains, economic tensions, or military intervention (Baylis, 2008; Hobson, 2000). States enter conflict to secure advantages, establish dominance, or challenge the status quo (Haye, 2008; Wright, 1951). The motives often arises from material scarcity and symbolic order alike. Territory, ideology, and resources become instruments through which power seeks recognition (Gartzke et al., 2001; O'Reilly, 2019).

On the other hand, cooperation occurs when states see mutual benefits from harmonised relations. It requires coordinated efforts to work towards common objectives e.g to solve some issues, attain mutual benefits, and achieve stability (Morse, 1969). This involves cooperative behavior to – for example – settle disputes, increase trade and investment, or respond to global problems like climate change, pandemics, or terrorism (Majeski & Fricks, 1995; Surdej, 2020). Cooperation could be motivated by economic interest, security requirements, or responding to common challenges (Rafay, 2020). It can be driven by a shared sense of identity, values, or norms that cause alliance formation, partnerships, and global institutions (Picciotto, 2004; Zumbusch & Scherer, 2015).

Keohane and Nye (Keohane & Nye, 1973) conceptualize conflict and cooperation as ongoing processes rather than discrete outcomes. States exist in constant negotiation. Cooperation represents coordinated policy adjustment to achieve gains. This process-oriented view contrasts with the binary classifications common in quantitative studies - a methodological difference that shapes what counts as evidence. Cooperation need not eliminate conflict; states can cooperate in trade while competing militarily. Keohane and Nye's framework accommodates this complexity.

That view, however, is criticised by realist scholars. Waltz (1979) argues that conflict emerges from the anarchic structure of the international system. States conflict because no authority exists above them to enforce agreements or guarantee security.

Cooperation occurs when power distributions make it rational, not because of normative commitments or institutional arrangements. Conflict, in this view, represents the default condition, and cooperation requires explanation. Mearsheimer (2001) extends this logic. He posits that great powers engage in zero-sum competition for relative power. Any gain for one state represents a potential loss for others, which makes conflict endemic to great power politics.

Some critics note that this structural realism cannot account for variation in conflict levels across time. Rosecrance (1986) documents historical periods where major powers avoided war despite anarchy. His case-based approach reveals mechanisms Waltz's systemic theory misses. Moravcsik (1997) uses comparative analysis to argue realism's state-centric assumptions ignore domestic politics. States do not behave as unified rational actors. Different groups within states have different interests in conflict or cooperation. Commercial interests may favor peace while military establishments prefer confrontation. Which preference dominates depends on domestic institutions - a factor visible through process tracing but absent from structural models.

The methodological implications emerge here. Waltz builds parsimonious theory from systemic logic. Rosecrance and Moravcsik excavate historical variation through detailed cases. Both claim to explain conflict-cooperation dynamics, but neither engages the other's evidence because they define explanation differently. One seeks general principles from structure. The other seeks causal mechanisms from context.

Economic liberals connect cooperation to material interdependence rather than regime type. Polachek (1980) models trade as creating opportunity costs for conflict using regression analysis across dyads. States that trade lose access to markets when relations deteriorate. These costs incentivize peaceful dispute resolution. The argument assumes states calculate costs rationally and that economic considerations influence security decisions. Copeland (1996) challenges this through historical case analysis. He argues states evaluate future trade expectations, not current flows. If decision-makers expect trade to decline, current interdependence provides little constraint. This is depicted by the example of German leaders before World War I who anticipated

losing market access and responded with aggression (Copeland, 2015). His archival research reveals psychological mechanisms statistical models cannot capture.

The Polachek-Copeland exchange exemplifies the field's methodological paralysis. Polachek's quantitative work identifies correlations between trade and peace across thousands of observations. Copeland's case studies show high interdependence preceded both World Wars. Both claims rest on solid evidence. Polachek cannot explain why his correlations vanish during major crises. Copeland cannot specify when expectations decline enough to reverse interdependence's effects. His theory risks becoming unfalsifiable - when trade accompanies peace, interdependence worked; when it accompanies war, expectations had declined. The problem is not data quality or theoretical sophistication. The problem is incommensurable methods producing evidence neither side accepts.

Interdependence itself means different things across methodological traditions. Keohane and Nye (1973) define it as mutual dependence where actors face reciprocal costly effects from transactions. They distinguish complex interdependence - characterized by multiple channels, no issue hierarchy, minor military role - from simple economic exchange. This multidimensional concept resists easy measurement. Quantitative studies generally reduce interdependence to trade-to-GDP ratios (Barbieri, 2002), which loosen the nuance Keohane and Nye emphasize through qualitative analysis. Barbieri (1996) operationalizes interdependence through trade ratios and finds higher levels correlate with increased conflict likelihood using Correlates of War data. This contradicts liberal expectations. Oneal and Russett (1999) analyze the same pattern with different model specifications and reach the opposite conclusion. The dispute hinges partly on statistical choices but also on what interdependence means. Barbieri measures bilateral trade intensity. Oneal and Russett incorporate democracy and international organizations. Both use rigorous quantitative methods. Yet, both reach contradictory findings.

Hirschman (1945) identified this tension through historical analysis decades earlier. Trade creates two types of influence: the welfare effect, which makes states reluctant to disrupt beneficial exchange, and the power effect, which allows states to manipulate others through economic coercion. Asymmetric interdependence favors the

less dependent party. A small state dependent on trade with a large neighbor faces coercive pressure. The large state can threaten market access. Symmetric interdependence creates mutual restraint. This distinction between symmetric and asymmetric forms matters for theory. The liberal peace argument implicitly assumes symmetry. When interdependence runs one direction, it resembles hierarchy more than partnership.

Gowa and Mansfield (1993) argue security considerations determine trade patterns. This view reverses the causal arrow liberals draw. States trade with allies. Alliances form based on security interests. The observed correlation between trade and peace reflects this common cause, not a pacifying effect of commerce. Their quantitative analysis challenges liberal claims. Hegre (2010) employs instrumental variables to address endogeneity and finds evidence that trade does reduce conflict. Keshk et al. (2004) develop simultaneous equations models showing reciprocal causation. These econometric techniques have not settled the matter. McDonald (2004) demonstrates results prove sensitive to sample selection, time period, and model specification. Small changes in research design produce contradictory findings.

The debate over causal direction remains unresolved not from lack of effort but from methodological limits. Quantitative studies identify correlations but struggle to establish causation when variables influence each other. Case studies reveal causal processes but cannot specify scope conditions. Gartzke (2007) argues financial integration constrains conflict more than trade through analysis of market mechanisms. Financial openness signals information about state intentions. Asset prices reflect expectations about future conflict. States considering military action face market reactions that impose immediate costs. This mechanism differs from trade's opportunity cost logic. The claim rests on economic reasoning and historical examples but lacks systematic testing across cases.

Contemporary China-U.S. relations illustrate these tensions. The two economies have achieved unprecedented integration with complex supply chains spanning the Pacific. Security competition has intensified. Both sides frame the relationship in zero-sum terms (Friedberg, 2005). Trade has not prevented strategic rivalry (Capie et al., 2020), and this falsifies liberal theory. Yet, some also contend the interdependence

prevents rivalry from escalating to military conflict (Allison, 2017; Chivvis et al., 2024). The case remains open. And again, case analysts and statistical researchers examining the same relationship could draw opposite conclusions.

The relationship between interdependence and conflict may depend on political context. Gartzke and Lupu (2012) show through quantitative analysis that territorial disputes undermine any pacifying effect of trade. States willing to fight over land do not calculate costs the same way as states disputing policy. Territory carries symbolic weight beyond material value, activating nationalism and domestic pressures that swamp economic considerations. This finding suggests interdependence operates conditionally. Generalizing about its effects requires specifying scope conditions that existing theory has not developed. Case studies reveal these conditions through contextual analysis. Statistical studies identify their existence through interaction effects. Neither fully captures how context and mechanism combine.

The temporal dimension deserves some attention. Copeland (1996) argues expectations about future trade matter more than current flows through his German cases. If states expect interdependence to decline, they face incentives to strike while advantaged. Economic downturns that reduce trade or financial crises that disrupt markets may trigger conflict by changing expectations. The literature has focused on static measures - trade in a given year as the key variable. Longitudinal case studies reveal process matters more than levels. Declining interdependence may prove more dangerous than low but stable interdependence. Quantitative work has not incorporated these dynamics because modeling expectations requires data most datasets lack.

Regional variation complicates general theorizing. Mansfield and Pevehouse (2000) find through statistical analysis that preferential trade agreements reduce conflict within regions. Institutional frameworks that govern trade create focal points for cooperation and mechanisms for dispute resolution. This suggests interdependence's effects depend on institutions that structure it. Raw market dependence may create friction. Governed interdependence promotes peace. Case studies of specific institutions reveal how dispute mechanisms function. Statistical studies identify patterns across institutional types. The gap between them could prevent synthesis.

Power asymmetries interact with interdependence in ways that challenge liberal optimism. Drezner (2003) argues through case analysis that great powers use interdependence as a tool of coercion, not constraint. They manipulate market access, investment flows, and technology transfers to extract concessions from weaker states. Farrell and Newman (2019) develop this into ‘weaponized interdependence’ - where states controlling key nodes in global networks can exclude others, imposing costs without military force. Rather than taming power politics, globalization provides new mechanisms for exercising power. Their framework combines network theory with historical cases. It contradicts statistical findings that show interdependence correlates with peace. The contradiction reflects different phenomena being measured. Case studies examine leverage in specific disputes. Statistical studies measure conflict frequency across dyads. Both capture real aspects of interdependence but neither provides complete understanding.

The literature on interdependence and conflict reveals a field fragmented by method more than theory. Scholars cannot agree on what they measure or how to measure it. Realists and liberals define concepts differently, operationalize variables differently, and evaluate evidence against different standards. Case researchers and statistical analysts address superficially similar questions while talking past each other. This produces cumulative findings within methodological traditions but limited dialogue across them. Whether interdependence promotes peace or conflict depends less on evidence than on which methodological community one belongs to.

## **2.2 How Economic Ties Reduce Incentives for Conflict**

The relationship between economic interdependence and conflict reduction has become another site of methodological warfare. Scholars present competing narratives, each grounded in different research traditions. The debate tells us less about trade’s actual effects and more about how method shapes conclusion.

Liberal arguments rest on opportunity cost logic developed through theoretical reasoning and supported by correlational analysis. Let us reconsider scholars’ views mentioned earlier. Hirschman (1945) and Keohane and Nye (1973) established that commercial exchange creates mutual benefits rational actors hesitate to destroy. Rosecrance (1986) extended this by claiming modern states derive power from economic rather than territorial expansion. Polachek (1980,

1997) provided empirical support through regression analysis showing bilateral trade correlates with reduced conflict across thousands of dyadic observations.

This chain of reasoning contains assumptions visible only when examined through alternative methods. The theory assumes states perceive opportunity costs the way economists model them. Case studies of decision-making during crises suggest otherwise. Leaders facing security threats often sacrifice economic gains. Waltz (1979) rejected the premise through structural analysis. Interdependence creates vulnerabilities that states prioritize over potential gains from trade. Gilpin (1981) reinforced this through historical examination noting that interdependence preceded both World Wars. If trade prevented conflict, the twentieth century's catastrophes should not have occurred. Papayoanou (1999) supported this with archival evidence showing high integration before 1914 and 1939.

The empirical clash between Polachek and Papayoanou exposes method's role in shaping findings. Both examine historical periods before World Wars. Polachek uses large-N correlation analysis showing trade reduces conflict probability across diverse cases. Papayoanou uses archival research and process tracing showing trade failed to prevent major wars. Neither engages with the other's evidence on its own terms. Polachek's statistical correlations cannot explain why the relationship vanishes when it matters most. Papayoanou's historical narratives cannot specify whether failed prevention represents a general pattern or exceptional cases. The methodological gulf prevents reconciliation.

Copeland (2015) attempted synthesis through expectations theory developed from German archival sources. Trade promotes peace when states expect relationships to continue. It increases war likelihood when disruption appears imminent. German leaders before both World Wars anticipated losing market access and responded with aggression. The declining expectations framework seemingly reconciles contradictory findings by introducing temporal dynamics visible in historical documents but absent from trade statistics.

This solution creates new problems rooted in method. Measuring expectations requires inferring beliefs from archival materials - a technique case studies employ but quantitative work cannot replicate across large samples. When can we know expectations declined enough to reverse trade's pacifying effects? Copeland provides no threshold. The theory succeeds as historical interpretation. As predictive framework applicable across cases, it faces much limitations. McDonald (2004) and Dorussen and Ward (2008) praised the expectations framework for explaining contradictions but offered no methods for testing it beyond additional case studies. The theory illuminates specific episodes through thick description. Yet, it cannot generate testable hypotheses for statistical analysis.

As mentioned, Barbieri (1996) challenged liberal optimism through quantitative analysis. She found positive relationships between trade and conflict - directly contradicting Polachek's findings. Mansfield and Pevehouse (2000) responded by arguing Barbieri measured interdependence incorrectly. Bilateral trade as GDP percentage better captures economic importance than absolute volumes. With different operationalizations, they found support for liberal claims.

The Barbieri-Mansfield exchange reveals measurement problems endemic to quantitative research on this topic. Both used rigorous methods. Both employed appropriate statistical techniques. They reached opposite conclusions because they operationalized "interdependence" differently. One measured trade volume. The other measured trade salience. Gartzke and Li (2003) demonstrated that results prove sensitive to measurement choices across numerous specifications. This suggests the empirical literature has not resolved whether trade reduces conflict. It has shown that different measurement decisions produce different answers. The problem is not data quality or analytical sophistication. The problem is that the concept resists reduction to a single quantitative indicator.

Gravity models appeared to offer methodological progress by providing theoretical foundations for analyzing bidirectional causality. Originally developed by Isard (1954) and Tinbergen (1962) to predict trade flows from economic size and distance, Anderson and van Wincoop (2003) showed how political variables affect trade through transaction costs. Political tensions increase costs, reducing volumes. This framework enables investigating how politics shapes economics within a single statistical model.

Empirical applications produced mixed results exposing the approach's limits. Mansfield et al. (2000) and Pevehouse and Russett (2006) showed conflicts reduce trade and peaceful relationships increase it through gravity specifications. Martin et al. (2008) used natural experiments - wars and regime changes - to identify causal effects from politics to economics. This evidence proves convincing. Establishing causation from economics to politics remained problematic. Disdier and Head (2008) noted that instrumental variable approaches require valid instruments, which prove difficult to identify for trade-conflict relationships. Without credible instruments, gravity models demonstrate politics affects economics but cannot establish whether economics affects politics.

The methodological asymmetry matters for theory evaluation. Quantitative work can show politics affects trade using quasi-experimental designs. But it struggles to show trade affects politics because of endogeneity. Case studies reveal mechanisms through which trade influences political decisions by tracing specific episodes. They cannot establish whether

mechanisms operate generally. The gravity model evidence supports one causal direction but might not the other. This leaves the core liberal claim - that trade promotes peace - tested by the very methods that should test it most rigorously.

Institutional theory enters the debate by arguing that embedded economic relationships differ from simple bilateral trade. Keohane (1984) claimed international institutions reduce transaction costs, provide information, and create expectations of reciprocity developed through case analysis of institutional functions. When applied to trade-conflict dynamics, institutionalized relationships should prevent conflicts more effectively than bilateral commercial ties. For example, the WTO, IMF, and regional blocs could manage tensions during political strains (Huang & Li, 2024; Strand & Rapkin, 2005).

Martin's (1992) work on sanctions through comparative case analysis revealed institutional mechanisms operating during crises. Multilateral institutions coordinated sanctions better than bilateral arrangements. Her findings challenged liberal institutional optimism more than supporting it. Institutions proved effective at organizing punishment but not at preventing conflicts from requiring punishment. Specific design features such as dispute resolution mechanisms, monitoring provisions, and enforcement capabilities determined effectiveness. Reinhardt and Busch (2003) showed through analysis of WTO dispute cases that the system provides forums for managing disputes but cannot prevent disputes from arising. Institutions facilitate conflict management, not conflict prevention.

This raises questions about what institutions accomplish that statistical studies of institutional effects cannot answer. Bearce (2003) noted through econometric analysis that states choosing to embed economic relationships in institutions may differ systematically from those that do not. Selection effects complicate causal inference. States expecting peaceful relationships may institutionalize them. Institutions may not cause peace so much as reflect it. Keohane's framework developed through qualitative institutional analysis cannot distinguish between these alternatives when subjected to quantitative testing. The causal mechanism he describes may operate, but standard statistical approaches cannot isolate it from selection.

Farrell and Newman (2019) (2019) challenged the mutual benefits assumption underlying liberal theory through analysis of network structures and historical cases. As previously discussed, they argue that asymmetric positions in economic networks enable coercion rather than mutual restraint. States controlling financial infrastructure or technology platforms exploit structural advantages for political purposes. U.S. financial sanctions, Chinese rare earth restrictions, and Russian energy cutoffs exemplify this dynamic. Their framework combines network analysis with case studies of specific coercion attempts.

If weaponization operates as Farrell and Newman describe, the entire liberal framework collapses. Interdependence does not create mutual benefits that rational actors protect. It creates asymmetric vulnerabilities that powerful actors exploit. Early (2015) showed through case comparisons that weaponization effectiveness depends on target states' alternatives and willingness to accept costs. This does not rescue liberal theory. It suggests interdependence sometimes enables coercion and sometimes fails to enable coercion - not that it promotes peace. This draws on different evidence than statistical studies of trade and conflict. Network position requires analyzing economic structure through case studies of specific coercion attempts. Trade volumes require analyzing bilateral flows through regression models. Both measure "interdependence" but capture different phenomena.

What emerges seem like less scholarly progress than accumulated contradictions rooted in method. Liberal theory captures mechanisms through which trade could promote peace visible in historical cases and economic reasoning. Yet, it cannot explain when mechanisms operate because the conditions resist specification in terms quantitative models require. Realist critiques identify vulnerabilities through case analysis but cannot explain why statistical studies find correlations between trade and peace. Institutional theory provides insights about dispute management through comparative analysis but struggles to distinguish correlation from causation when tested quantitatively.

The methodological divide amplifies theoretical tensions. Case studies reveal causal mechanisms in specific contexts. Copeland (2015) shows how declining trade expectations contributed to German aggression through archival analysis. This demonstrates that under some conditions, trade-conflict relationships work as expectations theory predicts. It cannot establish whether expectations matter generally or only in particular circumstances. The thick description of case studies shows processes but cannot specify scope conditions.

Quantitative studies identify patterns across numerous cases. Mansfield and Pevehouse (2000) show democracies with extensive trade fight less frequently through regression analysis of dyadic data. This demonstrates correlation holds across diverse circumstances. It cannot reveal why correlation exists or when it breaks down. The patterns large-N analysis reveals may result from multiple causal paths that operate differently across contexts. Measurement sensitivity (2003) suggests patterns may be artifacts of specification choices rather than real relationships. Different ways of measuring the same concept produce contradictory results.

Neither approach grasps full complexity. Case studies illuminate mechanisms but cannot establish relative importance of different factors, or identify conditions under which mechanisms operate. Statistical analyses uncover correlations but miss political logic

connecting economic interests to foreign policy choices. The field lacks frameworks combining mechanistic understanding from case studies with pattern identification from quantitative work. This absence reflects not oversight but fundamental tension between goals.

Case researchers seek thick description of causal processes in particular contexts. Economists seek generalizable relationships holding across contexts. These goals may be incompatible. Thick description may sacrifice generalizability by focusing on contextual factors that make each case unique. Generalization could sacrifice contextual understanding by abstracting from particulars to identify common patterns. International relations operate at multiple levels - systemic structure, dyadic relationships, domestic politics, and individual decision-making. These levels interact in ways that resist simple modeling. Economic interdependence influences state behavior alongside security concerns, ideology, domestic institutions, and leadership choices. Isolating interdependence's independent effect proves nearly impossible because these factors intertwine.

We also see, the divide between qualitative and quantitative approaches in this field largely, not always, follows disciplinary lines: IR scholars primarily use qualitative methods, while economists favor quantitative ones. This problem runs deeper than methodological preferences. It reflects fundamentally different epistemologies about what constitutes explanation. IR scholars seek thick description of causal processes in particular contexts. Economists seek generalizable relationships holding across contexts. These goals may be incompatible. Thick description necessarily sacrifices generalizability; generalization necessarily sacrifices contextual understanding. The consequence is a literature that accumulates evidence without resolving debates. Each study adds pieces to the puzzles but scholars from different traditions seem to dismiss each other's work.

## **2.3 The Methodological Divide: What We Still Don't Understand**

We have seen how economic ties might reduce conflict, but also there some studies prove contradictory. Some found trade correlates with peace - others argue the opposite. The conditions under which interdependence operates have also been laid out. Some argue that regime transitions open the door to vulnerabilities. Meanwhile, institutional design is hailed as the key to shaping outcomes. Each study adds more layers to the argument, but this complexity makes formulating predictions somewhat challenging.

This pattern points to an issue. The field has produced two separate literatures that rarely speak to one another. IR scholars favor the precision of case studies and process tracing. Think

of Copeland's German cases, or Mansfield and Pevehouse's democratization analysis. These studies reveal causal mechanisms with precision. They show how political calculations map economic interests into foreign policy choices. The depth of understanding does prove valuable.

In the meantime, economics-oriented researchers run on a different sidewalk. For example, Barbieri's large-N study enables systematic testing across numerous dyads. Gravity models by Anderson and Wincoop provide theoretical foundations for investigating bidirectional causality. Statistical methods, in other words, identify patterns that case studies cannot detect.

Case studies shine a spotlight on mechanisms but fall short when it comes to determining whether those mechanisms hold beyond particular contexts (King et al., 1994). Statistical studies identify correlations but miss the political calculus that connects economic interests to policy outcomes (Gerring, 2004). The measurement sensitivity problem (Gartzke & Li, 2003) suggests patterns may be artifacts of specification choices.

There have been some mixed-method approaches in IR studies. They fuse statistical models with case examinations to offer a more complete picture. For example, works like those of Martin (1992) and Gartzke (2007) explore the relationship between trade and conflict. They incorporate statistical analysis, game-theoretic models, and case study examination to offer a broader understanding. These efforts show blending approaches can offer richer insights than either method alone. This is particularly the case in examining economic and political interactions. Such hybrid studies, however, are not the dominant trend in the field. They are still viewed as exceptions rather than the rule, and most of the literature continues to favor one methodological approach over the other. Readers are left with the bridge between narrative and numbers largely untraveled (Lauer, 2021; Tzagkarakis & Kritas, 2023).

Nowhere is this methodological split more apparent than in the study of ASEAN-China relations (as what this dissertation is about). Most economic research with their statistical methods paints a positive picture: ASEAN-China cooperation has steadily grown, with trade and investment as the twin drivers. For example, some found that ASEAN's economic growth has benefited from its close ties with China, especially after the establishment of the ASEAN-China Free Trade Area in 2010 (Q. Li et al., 2016; Zhang et al., 2018). China's investments in business services, telecommunications, and construction have expanded, while Southeast Asia becomes a vital market for Chinese finance and tourism (Chiang, 2018). With these optimistic tones, they overlook the security issues - South China Sea disputes - that are shadowing this cooperation.

There have been some studies that examine how the disputes impact on the trade. A study by Imam & Panennungi (2021) has attempted to examine how rising SCS conflicts reduce ASEAN exports to China within the ACFTA framework. Mendoza et al. (2019) highlighted the potential economic losses from territorial disputes. Wang (F. Wang, 2015) found that such conflicts harm bilateral trade, raising costs and reducing trade volumes. Their findings are stark: conflict harms trade, disputes create economic loss, and rising tensions reduce exports. These probe the economic cost of conflict but cannot answer the central paradox: why cooperation deepens even as security alarms sound.

Across the methodological aisle, most of IR scholars only focus on the security issues. For example, Mishra (2017) with descriptive process tracing highlighted how ASEAN's diplomatic attempts to establish a Code of Conduct have been slow progress due to China's reluctance. Through literature analysis, Peng & Ngeow (2022) found that Claimant states have pursued both bilateral and multilateral approaches, where multilateral channels through ASEAN seen as more sustainable in the long term. Kipgen (2020) – interviewing some experts in Indonesia, Singapore, and the Philippines - explained why international institutions fail to resolve the dispute. He found the absence of enforcement mechanisms has undermined the effectiveness of proposed solutions. Moreover, mistrust persists even with China's BRI, which was intended to strengthen cooperation but continues to be overshadowed by skepticism (Meng, 2017). These are just a few examples of how examining the geopolitical gridlock could be contrasting to the reality of an ever-expanding economic partnerships.

Methodologically speaking, while there is some value in qualitative research that focuses on the political and economic dynamics, it is clear that combining these insights with broader quantitative findings could offer more robust conclusions (Fearon & Laitin, 2008; Matović & Ovesni, 2023). Given the complexity of the region and its rapidly evolving dynamics, using both methods might allow for a deeper understanding of how trade influences security concerns across different ASEAN states. Yet, mixed-method approaches to study the ASEAN-China case are still rare. This absence raises questions about the limitations of current research and the potential benefits of employing a hybrid approach. Such methods are needed to capture the economic and political forces at play – maybe not full range, but at least to contextualize statistical patterns within the specific political narratives. If this methodological gap remains unaddressed, our understanding could remain fractured. Both will be built on an incomplete map of a region where the currents of economy and conflict run together (Aradau & Huysmans, 2014; Peez, 2024).

The methodological divide reflects epistemological disagreements about what constitutes explanation in social science. Qualitative researchers are obsessed with causal processes and rich descriptions (George & Bennett, 2005). Quantitative researchers emphasize statistical inference across large samples (King et al., 1994). The divide is stark. One tradition seeks understanding through contextual analysis. The other seeks generalization through pattern identification.

As the consequence, we are left with parallel universes of knowledge. Economists dismiss case studies as anecdotal. Political scientists question whether correlations reflect causation. Some mixed approaches - like Martin's (1992) work on sanctions, for example - represent a rare attempt to bridge this divide through institutional analysis that combines detailed case examination with systematic comparison. Such hybrid approaches remain uncommon. The field often feels like Plato's cave where scholars see shadows of the same phenomena but interpret them through incommensurable frameworks.

This fragmentation could also produce practical problems. Policymakers receive conflicting advice from different scholarly communities. The inability to synthesize evidence limits policy relevance (George, 1993). A trade relationship might promote peace according to one framework, and prove irrelevant according to another. The field, in turn, may not provide clear guidance because it shared limited standards for evaluating evidence.

Neoliberal theory may offer a promising analytical framework. The logic is coherent: economic ties create opportunity costs, domestic constituencies, and institutional mechanisms that constrain conflict behavior (Keohane, 1984; Keohane & Nye, 1973). The framework specifies multiple pathways and conditioning factors. Political institutions mediate how economic incentives translate into behavior (Mansfield & Pevehouse, 2000). The theoretical sophistication sounds promising.

Neoliberal theory, however, needs to be accompanied by quantitative approaches. Current statistical work often simplifies to make analysis tractable but strips away the conditional complexity the theory describes. Gravity models demonstrate politics affects trade (Disdier & Head, 2008; P. Martin et al., 2008). Yet, establishing causation from trade to politics remains problematic due to endogeneity concerns (Acemoglu et al., 2005).

The challenge lies in translation rather than conception. Neoliberal theory provides detailed accounts of causal pathways - but moving from depth to breadth requires methodological innovation. Quantitative methods need to capture temporal dynamics, interaction effects, and scope conditions that case studies reveal. Longitudinal designs, which

track the evolution of relationships over time, are still a rare breed (Cranmer et al., 2012; Q. Li & Sacko, 2002). Most studies use static measures when the reality calls for dynamic analysis.

Bridging the methodological divide represents both an intellectual challenge and practical imperative. Multi-method research combining case analysis with systematic testing would advance understanding (Lieberman, 2005). Case studies could generate hypotheses about mechanisms. Statistical analysis could test whether mechanisms operate across diverse contexts. The synthesis might produce knowledge greater than the sum of its parts.

Without this synthesis, the field might continue accumulating contradictory findings. Each study adds conversation but scholars from different traditions dismiss each other's contributions. This mutual incomprehension could prevent theoretical development. The way forward lies in effort to overcome disciplinary boundaries and methodological preferences.

The gap persists not because the questions lack importance or because scholars lack skill. It persists because different epistemological commitments produce different standards for what counts as evidence. Overcoming this requires consideration, how we conduct inquiry in a field where politics and economics intertwine in ways that resist easy categorization.

## Chapter 3: Methodology and Data

### 3.1 Research Design

The cornerstone of this dissertation is a mixed-methods approach to test the central hypothesis that institutional aspects enable the resilience of trade amidst security conflicts. This approach is necessary because, as mentioned in the previous chapter, neither a purely quantitative nor a purely qualitative method could, on its own, grasp the full shape of Sino-Asean relations. Combining both methods would give a benefit in this case. The quantitative technique can establish what the relationship is, while the qualitative one can explain how it takes that form.

Hence, the research is tailored in two phases. The *first* is quantitative. I employ a statistical analysis using a gravity model of trade. The purpose is to test the impact of South China Sea conflict events on the bilateral trade-in-goods volumes between China and ASEAN states. This phase would empirically identify if a puzzle exists (e.g., that conflict has a statistically insignificant or small effect).

The *second* phase is qualitative. A conceptual content analysis, guided by the analytical framework of Neoliberal Institutionalism, is used to explain the mechanism behind the quantitative findings. Simply put, it serves as a ‘robustness check’ for the initial quantitative results. This phase investigates how specific institutional arrangements, economic interdependence, shared rhetoric of absolute gains, and expectations could function to line the trade relations with political shocks.

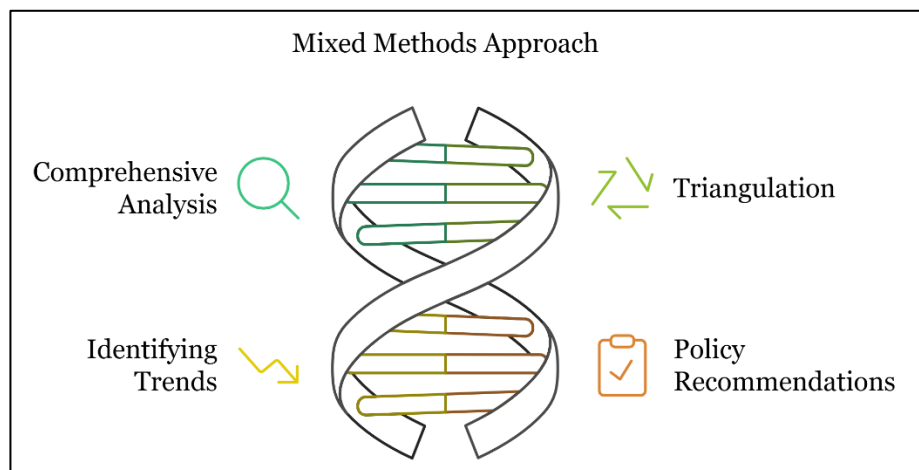
These phases serve to support each other. The qualitative component functions as a cross-check for the quantitative. While the econometric analysis identifies the statistical senses, qualitative analysis interrogates the conditions or serves as a causal interpretation. It assesses whether the quantitative patterns are consistent with strategic logic. Qualitative evidence does not merely ‘illustrate’ quantitative outcomes. It evaluates their credibility. It reveals whether the statistical associations are reflected in political practice. Thus, the quantitative results in this study are grounded in political processes, not just products of some model specification. Conversely, the political mechanism explained by the

qualitative results is rendered less biased by supporting quantitative evidences (Seawright, 2016).

### 3.1.1 Justification for Mixed-Method Approaches

Studies examining conflict-trade relations through a mixed-method are relatively limited, as we have seen in the literature review part. This may cap the development of a comprehensive methodology. A mixed of qualitative and quantitative research could provide a comprehensive analysis that captured the richness of the subject matter. It also could address the research question from multiple angles. My justification to use both qualitative and quantitative methods is as follows.

**Figure 3 Mixed Qualitative-Quantitative Approach**



Source: Own Illustration

First and foremost, the research question - how ASEAN-China trade relations can be maintained despite the lingering disputes in the SCS - requires a comprehensive understanding of both the broader geopolitical context and the specific economic factors at play. Qualitative methods are essential for exploring the political and strategic considerations that influence the actions of China and ASEAN member states. These methods enable an in-depth analysis of the narratives and motivations that underpin the diplomatic and economic interactions between actors (Faizullaev & Cornut, 2017; Singer, 1961). On the other hand, quantitative methods are necessary to measure the impact of these interactions on trade relations and to assess trends over

time. By combining both approaches, the study can provide a promising understanding that neither method alone could achieve.

Second, mixing qualitative and quantitative methods would allow for triangulation. Triangulation is a way of cross-verifying data from multiple sources and methods. It is to enhance reliability of the research findings. This ensures that the results are consistent and robust (Jick, 1979). In this study, qualitative data from document and content analysis can be cross-referenced with quantitative data derived from trade statistics. So, risk of bias could be minimized. The complex relations between China and ASEAN could be pictured properly.

Third, the trade relations between China and ASEAN might be influenced by a range of factors, including political developments, economic policies, and any external dynamics. Quantitative methods are particularly useful for identifying and analysing trends in trade flows - and more generally economic growth - over time. These methods enable the study to quantify the extent to which the SCS disputes have affected trade relations. Meanwhile, qualitative methods can explain underlying reasons for these trends. There might be the strategic decisions made by policymakers, some interests, and the role of regional institutions like ASEAN.

Given that the research is framed within the context of neoliberal institutionalism, it is essential to understand the role of institutions, dialogues, and diplomatic processes in mitigating conflict and fostering cooperation. Qualitative methods are well-suited to explore these aspects. They allow to help examine formal mechanisms through which ASEAN and China manage their relationship. This includes analysing official statements, diplomatic communications, and the outcomes of regional summits and meetings. By complementing this with quantitative data on trade and investment, the study can assess how these institutional and diplomatic efforts correlate with economic outcomes.

Finally, the use of both qualitative and quantitative methods enables the study to develop actionable policy recommendations. Quantitative findings can highlight key areas where economic relations are most vulnerable (if any) to the effects of the SCS disputes, while qualitative insights can suggest specific strategies to mitigate these vulnerabilities. This dual approach ensures that the study's conclusions are grounded

in empirical data while also being informed by a deep understanding of the political and strategic context (Tzagkarakis & Kritas, 2023).

### **3.1.2 Data Sources**

The nature of the data comes from secondary sources. Secondary data offers cost-effectiveness, time efficiency, and crucially, access to large datasets. As I use context analysis (will be explained in the next section) for the qualitative approach, I assess policy papers, public statements, government publications, online media, press releases, and scholarly works. These documents provide valuable insights into the official positions, strategic priorities, and public discourse surrounding ASEAN-China relations.

The ASEAN Secretariat website serves as the primary repository for official documents, press releases, and policy papers. The website offers direct access to the official communications and agreements ASEAN maintain with China. The Secretariat's documents give pictures of institutional mechanisms, diplomatic efforts, and economic strategies that have been developed to manage relations with China. Additionally, these sources provide an authoritative basis for the analysis.

Secondary data is also drawn from a variety of other credible online sources, including mainstream media, think tanks, and academic journals. Media sources are invaluable for capturing political developments (beyond protocol matters), public opinion, and the media's role in shaping the narrative. The major media mainly are The South China Morning Post, Nikkei Asia, and The Straits Times. These represent credible media in the region. Including them as main sources is based on their recognitions as leading credible and influential media outlets within the Asia-Pacific region. The publications are highly recognized in leading discussions on political, economic, and social topics related to the Asia-Pacific region, notably Southeast Asia and China. The South China Morning Post is an international newspaper with a long history of in-depth reporting on China, Hong Kong, and general affairs of Asia. It is renowned for incisive analysis of political and economic issues in the region. With current editorial shift to the government loyal-facilitator, examining its contents help to give insight on Chinese view on the topic (Wiebrecht, 2018; Zou, 2015).

Nikkei Asia offers reliable coverage of economic developments across East Asia and its neighboring regions. It is one of the leading economic news providers that provides nuanced perspectives on the economic implications of regional conflicts, including SCS disputes. Thus, it provides a valuable source for analyzing ASEAN-China trade relations. Its business-oriented approach offers key insights into economic trends that shape the broader geopolitical landscape (Rausch, 2012; Пащенко, 2020).

The Straits Times, based in Singapore, could represent the ASEAN's perspectives. It gives comprehensive coverage of Southeast Asia and is at the fulcrum of public discourse in the region. Considering the strategic position of Singapore and its diplomatic importance in ASEAN, The Straits Times does solid reporting of regional conflicts and their economic impact (Ng, 2025). Therefore, the media would be invaluable in political developments and public opinion in the ASEAN countries for the understanding of dynamics related to the SCS dispute and its effects on trade relations.

On the other hand, scholarly works provide theoretical frameworks and empirical studies. I use Scopus database with a limit to English publication for readability. The Scopus database is one of the largest and most reputable academic databases. It contains peer-reviewed journals, books, and conference proceedings from around the world. It is widely respected for its comprehensive coverage and high academic standards. This way, it ensures the research draws from a wide but credible pool of sources. My research benefits by accessing only high-quality, reliable academic literature through Scopus. In relation to credibility, the peer-review process adopted in the publications of academic work ensures the reliability of the information presented. It ensures that the research is underlaid by well-established academic rigor.

Time-series and cross-sectional data were compiled for measurable analysis. The application of time-series and cross-sectional data in this study enables a comprehensive look at ASEAN-China trade relations both through time and across countries. Times-series data will enable the examination of trends and patterns in trade dynamics and conflict development from 2005 to 2024. It offers a view of change that is longitudinal, covering changes over years. Cross-section data provides an insight into one point in time across different countries. This can allow comparisons to be

performed between China and the ASEAN nations in their trade relations with consideration of various geographical and political characteristics of these countries.

The data were collected from the International Monetary Fund (IMF), World Bank (WB), World Trade Organization (WTO), CEPII, DistanceFromTo.com, and the Harvard Dataverse. These are reliable international sources. These institutions provide highly regarded global-level data on trade, economic indicators, and geopolitical factors. The cross-sectional data is country-level by nature. It covers China and ten nations in Southeast Asia: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. The time-series data is set for the period of 2005 to 2024 (based on availability).

## **3.2 Quantitative Approach**

### **3.2.1 Why Gravity Model of International Trade**

Given the complex interplay between trade and conflict in the previous parts, I choose the Gravity Model of Trade as the primary analytical tool for my quantitative approach. The model offers would properly explain how various factors (economic size, geographical proximity, and other contextual variables) influence bilateral trade flows. By focusing on these factors, the model provides a comprehensive perspective on the economic relationships between China and ASEAN countries, particularly in the backdrop of the SCS disputes.

The gravity model is commonly used and proven effectiveness in numerous empirical studies examining trade determinants as highlighted in the review of empirical studies. Researchers such as Glick & Taylor (2005), Keshk et al. (2004), and Pollins (1989) have utilized the gravity model to estimate the impact of wars and conflicts on trade flows. The model's ability to account for key variables like GDP, distance, and other trade-influencing factors makes it a robust tool for analysing bilateral trade relationships. Its consistent application underlines its credibility and reliability. It is an appropriate choice for this research. By using the gravity model, I study could explore the dynamics of ASEAN-China trade relations and assess how conflict influences economic interactions.

The model is particularly well-suited as China and ASEAN relations account for both economic and geographic factors that are relevant to this region. China's giant economic size and the proximity of ASEAN member states create a natural basis for strong trade relations, despite ongoing political tensions in the SCS. The model also allows to add distance variables beyond its geographical conception like economic and institutional distance (the explanation is provided below in this part).

Moreover, the gravity model's ability to assess trade flows would provide insights into how the SCS disputes might impact trade. By analysing trade data between China and ASEAN countries, the model can reveal whether proximity and economic size continue to drive trade despite political conflicts. This approach aligns with the study's hypothesis that economic interdependence, as captured by the gravity model, disincentivizes conflict and sustains trade relations even in the face of political instability. Hence, the gravity model of trade will serve as the cornerstone of this study's analysis.

It is widely understood geographical distance is a primary factor in this model. Yet, it is essential to recognize that 'distance' can encompass a broader range of dimensions that affect trade dynamics. At its core, geographical distance refers to the physical space between two trading partners. It is typically measured in kilometres or miles and is a critical determinant of trade flows. The rationale behind this is straightforward: greater distances often lead to higher transportation costs, longer shipping times, and increased logistical challenges. Countries with closer distance tend to trade more with each other than those that are farther apart. Geographical distance can be in many forms including whether the partners share a border, the presence of natural barriers (mountains, rivers) or the quality of infrastructure (roads, ports). They can further complicate the relationship between distance and trade.

The gravity model has not developed without critics. It is considered that the distance factor could lead to some misspecification and biases (Polak, 1996). The model also has been criticized of possibly overestimating cost variables (Baldwin & Taglioni, 2006). Other scholars assert that it can create error to estimate the determinants of trade flows (Mele & Baistrocchi, 2012). The most widely understood is the so called 'distance puzzle'. The distance puzzle refers to the observation that the

empirical relationship between trade flows and distance is often weaker than predicted by the theoretical model. While the gravity model suggests that trade should decrease with increasing distance due to higher transportation costs and logistical challenges, empirical studies have frequently found that the impact of distance on trade is less pronounced than expected (Coe et al., 2007).

To handle this issue, the gravity model should be augmented by incorporating other factors such as non-tariff barriers, trade agreement, and economic integration. Non-tariff barriers like quotas and regulatory restrictions can distort trade patterns and diminish the distance-trade relationship. Trade agreements can boost trade flows by reducing costs like tariffs and customs procedures. It incentivizes businesses to engage in regional trade. Furthermore, economic integration through regional blocs or free trade areas can strengthen economic ties that lead to increased trade even over longer distances (Yotov, 2012; Yotov et al., 2016).

In the same vein, I propose 'economic distance' beyond the geographical conceptual. Economic distance refers to the differences in economic structures, levels of development, and market conditions between trading partners. For example, countries with vastly different income levels or economic systems may face higher trade frictions. Even if they are geographically close. This economic disparity can manifest in various ways, such as differences in consumer preferences, regulatory environments, and production capabilities. Institutional factor is another dimension that can impact trade relations. This relates to differences in legal, regulatory, and institutional frameworks between countries. Basically, institutional factor refers to economic distance as well. For example, variations in trade policies, tariffs, and non-tariff barriers can create significant frictions that affect trade flows. Countries with stringent regulatory requirements may deter trade with partners that have less rigorous standards. This leads to increased economic distance.<sup>1</sup>

Moreover, the presence of trade agreements and regional integration initiatives can reduce institutional distance. For example, the European Union has established a common regulatory framework that facilitates trade among its members, effectively

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<sup>1</sup> For how 'distance' encompasses more than mere physical separation, see Wu, Z., Cai, H., Zhao, R., Fan, Y., Di, Z., & Zhang, J. (2020). A topological analysis of trade distance: Evidence from the gravity model and complex flow networks. *Sustainability*, 12(9), 3511.

reducing institutional barriers. Distance can also be influenced by cultural factors. Countries that share cultural backgrounds, language, or historical ties may experience lower economic distance. These factors could facilitate trade despite geographical separation. However, these kinds of factor are difficult to measure. For the sake of quantitative approach, my study focuses on measurable distance, namely traditional geographic and economic distance. In the next chapter, I explain the methodology where the justification of certain variable meets the merits of economic distance.

### 3.2.2 Variables selection

This study analyses nine variables related to ASEAN countries - China trade relations: 1). ASEAN-China Total Trade (the independent variable): the combined value of exports and imports between ASEAN countries and China;<sup>2</sup> 2). Distance: The geographic distance between the capitals of ASEAN countries and China; 3). ASEAN GDP: The total economic output of ASEAN member countries; 3). China GDP: The total economic output of China; 5). Consumer Price Index of ASEAN member countries: the overall fluctuation in consumer prices across ASEAN member nations, determined by a representative basket of goods and services over time; 6). China's Consumer Price Index: the overall fluctuation in consumer prices within China, same measurement; 7). Exchange rate of ASEAN currencies to RMB: the exchange value of the currencies of ASEAN countries to China's currency. 8). Simple average duty: the unweighted average of the applied tariff rates for all products subject to tariffs (%); and 9). Conflict with China: This data is sourced from Harvard Dataverse, specifically from "PRC Assertiveness in the South China Sea" (Chubb, 2021), covering events up to 2015, and the "South China Sea Data Initiative" (Sexton & Ravanilla, 2022), which provides news-based data through 2020. Moreover, the conflict data from 2021 to 2024

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<sup>2</sup> The trade data is limited to trade in goods. This is a deliberate methodological decision because physical geopolitical risks in the region (like those related to shipping lanes and potential maritime disruption) would most likely affect the movement of goods. Trade in services, which is largely transmitted digitally, would therefore not be likely to have similar exposures. This focus allows for a more direct causal analysis. As can be seen in Chapter 4, conflicts in the South China Sea have not had a statistically significant impact on trade (in goods). Moreover, even if we had services trade data, it would be extremely hard to isolate and attribute any change that we could identify as resulting from what has happened in the Sea. A decline in digital services trade, for example, could be due to several possible causes (e.g., changes in regulations, technological shifts, domestic policies) that have no connection to maritime disputes.

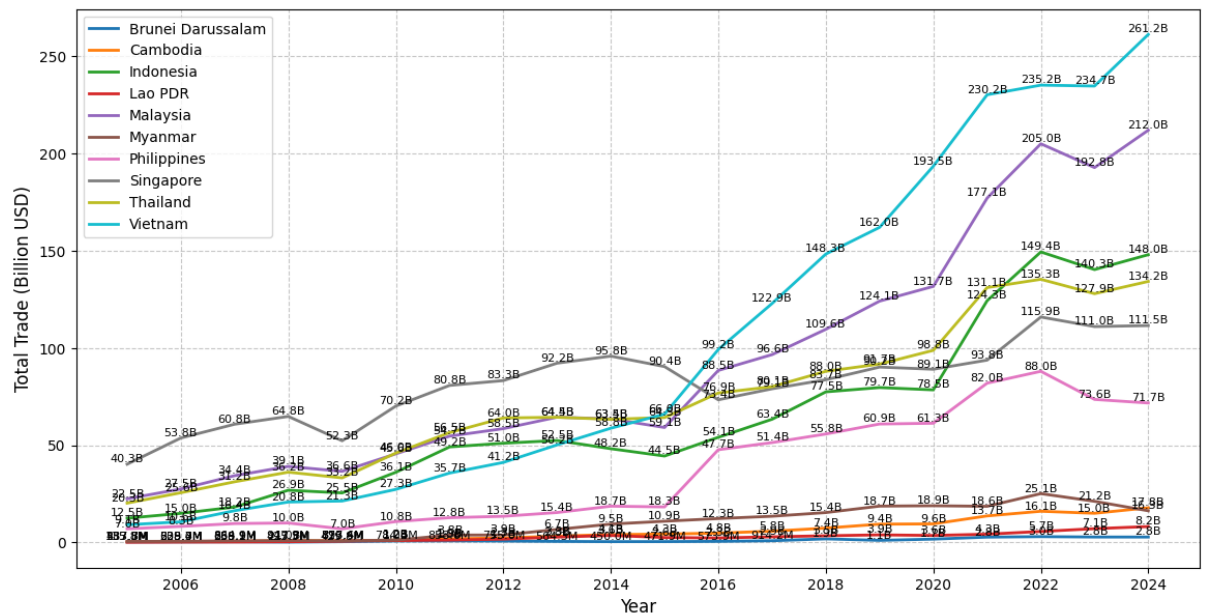
was obtained from Council on Foreign Relations (2025) The data is organized bilaterally, indicating which Southeast Asian countries faced conflicts with China. In this case, the data is country level, not aggregate ASEAN. See the tables and figures and their explanations:<sup>3</sup>

**Table 1 Variables of The Quantitative Study**

| Variable  | Symbol | Source                     | Expected sign. |
|---|--------|----------------------------|----------------|
| ASEAN's total trade with China (current million US\$)   | TRA    | IMF                        |                |
| Distance between ASEAN member countries with China (km) | DIST   | DistanceFromTo.com & CEPII | -              |
| ASEAN member country total GDP (current million US\$)   | GDP    | WB                         | +              |
| China's total GDP (current million US\$)                | CGDP   | WB                         | +              |
| ASEAN member country consumer price index (2010 = 100)  | CPI    | IMF                        | +              |
| China's consumer price index (2010 = 100)               | CCPI   | IMF                        | +              |
| Exchange rate ASEAN country currencies to RMB           | EXC    | IMF                        | +              |
| Simple average duty (%)                                 | DUT    | WTO                        | -              |
| Conflict with China (frequency)                         | CCF    | Harvard Dataverse          | -              |

Source: Own elaboration

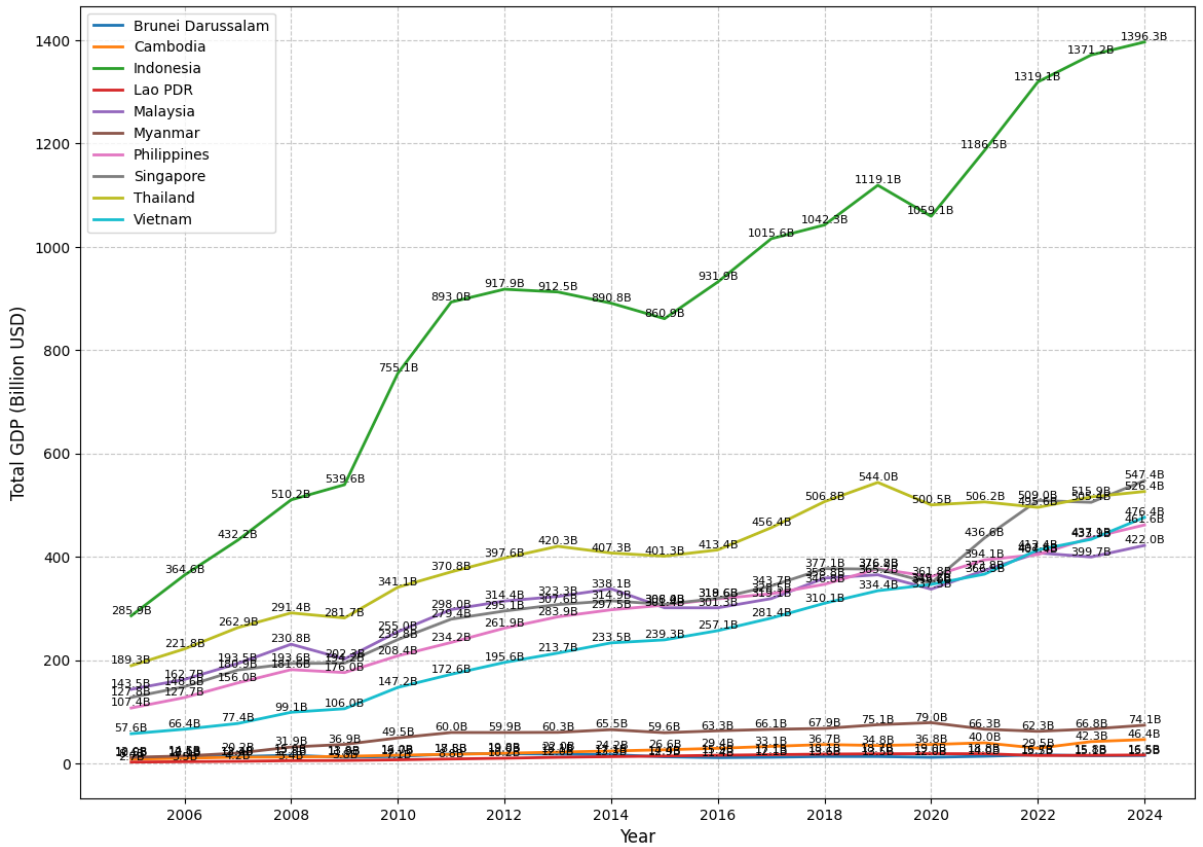
**Figure 4 Southeast Asian Total Trade with China**



Source: IMF; Own illustration using matplotlib Python

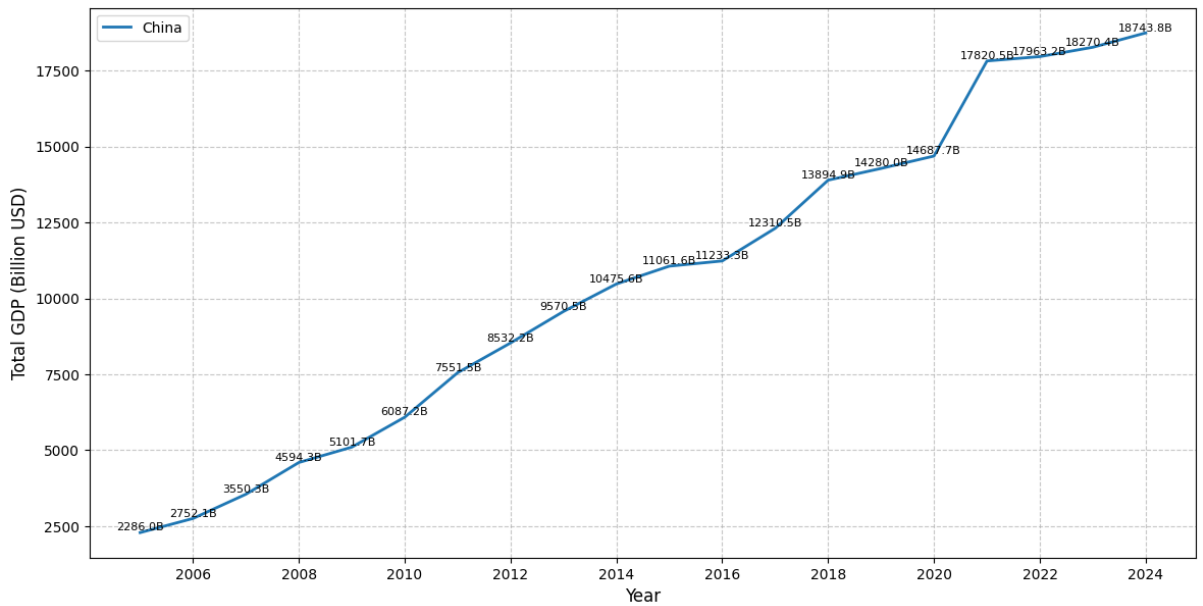
<sup>3</sup> For more detail on the dataset, see **Annex 1**.

Figure 5 Southeast Asian Total GDP



Source: World Bank; Own illustration using matplotlib Python

Figure 6 China Total GDP



Source: World Bank; Own illustration using matplotlib Python

**Table 2 Consumer Price Index (2010=100)**

| Year | CHN   | BRN    | IDN    | CAM    | LAO    | MMR    | MYS    | PHL    | SGP    | THA    | VN     |
|------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2005 | 86.51 | 95.67  | 70.42  | 68.93  | 81.41  | 44.53  | 88.22  | 80.03  | 89.72  | 87.9   | 62.45  |
| 2006 | 87.94 | 95.82  | 79.64  | 73.16  | 86.74  | 53.44  | 91.42  | 84.39  | 90.59  | 92.04  | 67.08  |
| 2007 | 92.17 | 96.75  | 84.68  | 78.77  | 90.78  | 72.15  | 93.27  | 86.84  | 92.49  | 94.03  | 72.64  |
| 2008 | 97.63 | 98.76  | 93.03  | 98.46  | 97.71  | 91.49  | 98.33  | 93.98  | 98.62  | 99.19  | 89.43  |
| 2009 | 96.92 | 99.78  | 97.5   | 97.81  | 97.85  | 92.83  | 98.91  | 97.96  | 99.21  | 98.33  | 95.44  |
| 2010 | 100   | 100.01 | 102.51 | 101.72 | 103.7  | 100    | 100.62 | 101.62 | 102.01 | 101.57 | 104.22 |
| 2011 | 105.4 | 100.15 | 107.99 | 107.29 | 111.55 | 105.02 | 103.81 | 106.44 | 107.37 | 105.44 | 123.69 |
| 2012 | 108.2 | 100.26 | 112.29 | 110.44 | 116.3  | 106.56 | 105.54 | 109.8  | 112.28 | 108.62 | 134.94 |
| 2013 | 111   | 100.65 | 119.49 | 113.69 | 123.71 | 112.58 | 107.76 | 112.65 | 114.93 | 110.99 | 143.84 |
| 2014 | 113.2 | 100.44 | 127.13 | 118.07 | 128.82 | 118.15 | 111.15 | 116.7  | 116.11 | 113.09 | 149.71 |
| 2015 | 114.9 | 99.98  | 135.22 | 119.51 | 130.46 | 129.32 | 113.49 | 117.5  | 115.5  | 112.08 | 150.65 |
| 2016 | 102   | 99.7   | 139.99 | 123.13 | 132.55 | 138.28 | 115.85 | 118.95 | 114.89 | 112.29 | 154.67 |
| 2017 | 103.6 | 98.44  | 145.32 | 126.71 | 133.64 | 144.61 | 120.25 | 122.35 | 115.55 | 113.04 | 160.11 |
| 2018 | 105.8 | 99.35  | 150.1  | 129.83 | 136.37 | 154.54 | 121.41 | 128.84 | 116.05 | 114.24 | 165.77 |
| 2019 | 108.8 | 99.06  | 154.34 | 132.35 | 140.9  | 168.18 | 122.22 | 131.93 | 116.71 | 115.05 | 170.4  |
| 2020 | 111.6 | 100.98 | 157.47 | 136.24 | 148.09 | 168.18 | 120.82 | 135.08 | 116.5  | 114.07 | 175.89 |
| 2021 | 112.6 | 102.74 | 159.93 | 140.22 | 153.65 | 168.18 | 123.82 | 140.39 | 119.18 | 115.48 | 179.12 |
| 2022 | 114.8 | 106.52 | 166.66 | 147.72 | 188.92 | 168.18 | 128    | 148.56 | 126.48 | 122.49 | 184.77 |
| 2023 | 132.2 | 106.85 | 169.06 | 148.31 | 239.07 | 168.18 | 130.38 | 154.69 | 130.05 | 121.34 | 183.07 |
| 2024 | 132.5 | 106.44 | 169.06 | 148.31 | 294.37 | 168.18 | 132.77 | 159.66 | 133.16 | 123.00 | 189.70 |

Source: IMF; UNStats (UNSD)

**Table 3 Local Currency vs RMB**

| Year | BRN  | CAM    | IND     | LAO     | MMR  | MYS*   | PHL  | SGP  | THA  | VN      |
|------|------|--------|---------|---------|------|--------|------|------|------|---------|
| 2005 | 0.20 | 499.43 | 1184.33 | 1300.31 | 0.46 | 0.71   | 6.72 | 0.20 | 4.91 | 1935.36 |
| 2006 | 0.20 | 514.61 | 1148.73 | 1273.43 | 0.46 | 0.73   | 6.44 | 0.20 | 4.75 | 2005.94 |
| 2007 | 0.20 | 533.18 | 1201.57 | 1262.27 | 0.45 | 0.74   | 6.07 | 0.20 | 4.54 | 2117.00 |
| 2008 | 0.20 | 583.45 | 1395.80 | 1257.82 | 0.48 | 0.78   | 6.38 | 0.20 | 4.79 | 2346.10 |
| 2009 | 0.21 | 605.93 | 1520.91 | 1245.91 | 0.52 | 0.82   | 6.98 | 0.21 | 5.02 | 2498.03 |
| 2010 | 0.20 | 618.13 | 1342.70 | 1219.76 | 0.48 | 0.83   | 6.66 | 0.20 | 4.68 | 2749.21 |
| 2011 | 0.19 | 628.11 | 1357.35 | 1242.76 | 0.47 | 0.84   | 6.70 | 0.19 | 4.72 | 3174.17 |
| 2012 | 0.20 | 638.91 | 1487.03 | 1268.59 | 0.49 | 101.49 | 6.69 | 0.20 | 4.92 | 3299.57 |
| 2013 | 0.20 | 650.00 | 1688.45 | 1268.63 | 0.51 | 150.68 | 6.85 | 0.20 | 4.96 | 3378.67 |
| 2014 | 0.21 | 657.21 | 1931.36 | 1310.17 | 0.53 | 160.23 | 7.23 | 0.21 | 5.29 | 3442.37 |
| 2015 | 0.22 | 653.19 | 2150.05 | 1308.38 | 0.63 | 186.69 | 7.31 | 0.22 | 5.50 | 3484.16 |
| 2016 | 0.21 | 610.84 | 2002.92 | 1230.99 | 0.62 | 185.85 | 7.15 | 0.21 | 5.31 | 3301.24 |
| 2017 | 0.20 | 599.31 | 1979.78 | 1235.25 | 0.64 | 201.27 | 7.46 | 0.20 | 5.02 | 3309.79 |
| 2018 | 0.20 | 612.33 | 2151.91 | 1281.91 | 0.61 | 216.12 | 7.96 | 0.20 | 4.88 | 3416.29 |
| 2019 | 0.20 | 587.86 | 2047.90 | 1273.35 | 0.60 | 219.77 | 7.50 | 0.20 | 4.49 | 3336.56 |
| 2020 | 0.20 | 593.09 | 2113.13 | 1325.06 | 0.61 | 200.21 | 7.19 | 0.20 | 4.53 | 3363.16 |

|             |      |        |         |         |      |        |      |      |      |         |
|-------------|------|--------|---------|---------|------|--------|------|------|------|---------|
| <b>2021</b> | 0.21 | 635.56 | 2218.67 | 1417.89 | 0.64 | 214.24 | 7.64 | 0.21 | 4.96 | 3591.23 |
| <b>2022</b> | 0.20 | 608.87 | 2204.17 | 2083.26 | 0.65 | 205.07 | 8.09 | 0.20 | 5.20 | 3454.16 |
| <b>2023</b> | 0.21 | 628.28 | 2269.70 | 2366.93 | 0.68 | 211.37 | 8.53 | 0.21 | 5.44 | 3560.52 |
| <b>2024</b> | 0.21 | 636.17 | 2315.22 | 2746.03 | 0.70 | 213.80 | 8.98 | 0.21 | 5.69 | 3606.02 |

Source: IMF. \*Note that in 2012, the Central Bank of Myanmar initiated a currency reform, transitioning from a fixed to a floating exchange rate system.

**Table 4 Simple Average Duty with China**

| <b>Year</b> | <b>BRN</b> | <b>CAM</b> | <b>IND</b> | <b>LAO</b> | <b>MMR</b> | <b>MYS</b> | <b>PHL</b> | <b>SGP</b> | <b>THA</b> | <b>VN</b> |
|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-----------|
| <b>2005</b> | 3.3%       | 14.3%      | 6.9%       | 9.7%       | 8.5%       | 5.6%       | 6.3%       | 0.0%       | 10.0%      | 16.8%     |
| <b>2006</b> | 3.3%       | 14.3%      | 6.9%       | 9.7%       | 8.5%       | 5.6%       | 6.3%       | 0.0%       | 10.0%      | 16.8%     |
| <b>2007</b> | 3.6%       | 14.2%      | 6.9%       | 9.7%       | 8.4%       | 5.6%       | 6.3%       | 0.0%       | 10.5%      | 16.8%     |
| <b>2008</b> | 2.5%       | 14.2%      | 6.9%       | 9.7%       | 8.8%       | 5.6%       | 6.3%       | 0.0%       | 10.5%      | 16.8%     |
| <b>2009</b> | 2.5%       | 14.3%      | 6.8%       | 9.7%       | 8.0%       | 5.6%       | 6.3%       | 0.0%       | 9.9%       | 10.9%     |
| <b>2010</b> | 2.5%       | 14.3%      | 6.8%       | 9.7%       | 6.5%       | 5.6%       | 6.3%       | 0.0%       | 9.9%       | 9.8%      |
| <b>2011</b> | 2.5%       | 10.9%      | 7.0%       | 9.7%       | 6.5%       | 5.6%       | 6.1%       | 0.0%       | 9.8%       | 9.8%      |
| <b>2012</b> | 2.5%       | 10.9%      | 7.0%       | 9.7%       | 6.5%       | 5.6%       | 6.2%       | 0.2%       | 9.8%       | 9.5%      |
| <b>2013</b> | 2.5%       | 10.9%      | 6.8%       | 9.7%       | 6.0%       | 5.6%       | 6.3%       | 0.2%       | 11.4%      | 9.5%      |
| <b>2014</b> | 1.2%       | 11.2%      | 6.9%       | 10.0%      | 6.1%       | 5.6%       | 6.3%       | 0.2%       | 11.6%      | 9.5%      |
| <b>2015</b> | 1.2%       | 11.2%      | 6.9%       | 10.0%      | 6.1%       | 5.6%       | 6.3%       | 0.2%       | 11.0%      | 9.5%      |
| <b>2016</b> | 1.2%       | 11.2%      | 7.9%       | 8.5%       | 5.8%       | 5.6%       | 6.3%       | 0.0%       | 11.0%      | 9.6%      |
| <b>2017</b> | 0.3%       | 11.1%      | 8.1%       | 8.5%       | 5.6%       | 6.5%       | 6.3%       | 0.0%       | 9.6%       | 9.6%      |
| <b>2018</b> | 0.3%       | 11.1%      | 8.1%       | 8.5%       | 5.6%       | 6.5%       | 6.2%       | 0.0%       | 9.6%       | 9.5%      |
| <b>2019</b> | 0.3%       | 11.1%      | 8.1%       | 8.6%       | 5.6%       | 6.5%       | 6.1%       | 0.0%       | 10.2%      | 9.6%      |
| <b>2020</b> | 0.3%       | 10.3%      | 8.1%       | 8.6%       | 5.7%       | 6.5%       | 6.1%       | 0.0%       | 10.2%      | 9.5%      |
| <b>2021</b> | 0.3%       | 10.2%      | 8.1%       | 8.6%       | 5.6%       | 6.5%       | 6.1%       | 0.0%       | 11.5%      | 9.6%      |
| <b>2022</b> | 0.3%       | 10.2%      | 8.1%       | 8.6%       | 5.6%       | 6.5%       | 6.1%       | 0.0%       | 11.5%      | 9.6%      |
| <b>2023</b> | 0.3%       | 9.75%      | 8.1%       | 8.6%       | 5.6%       | 6.5%       | 6.1%       | 0.0%       | 12.1%      | 9.6%      |
| <b>2024</b> | 0.3%       | 9.47%      | 8.1%       | 8.6%       | 5.6%       | 6.5%       | 6.1%       | 0.0%       | 12.6%      | 9.7%      |

Source: WTO

The variables are selected to measure trade determinants. While traditional applications of the gravity model focus primarily on economic size and geographical distance, it is important to recognize that ‘distance’ can be interpreted more broadly to encompass various forms of economic, political, or institutional barriers that influence trade relations. Variables 1 to 4 are obvious parts of gravity model. Variables 5 to 8 can be seen as extensions of the concept of distance, going beyond mere physical distance to incorporate economic factors that shape trade flows.

The CPI measures the overall change in consumer prices over time in ASEAN countries and in China. This variable reflects economic distance in terms of inflationary pressures and cost structures between trading partners. Higher CPI levels could indicate rising prices and reduced purchasing power, which may create barriers to trade by making goods and services more expensive for consumers. Thus, CPI differences between ASEAN countries and China can be viewed as a form of economic distance that affects the flow of goods and services. See Table 2.

Exchange rates between ASEAN country currencies and RMB are a factor in international trade as they determine the relative value of one currency against another. See Table 3. Variations in exchange rates introduce another layer of economic distance by affecting the cost of exports and imports. For instance, if an ASEAN country's currency depreciates against the RMB, its goods become cheaper for Chinese consumers. It potentially boosts exports but also increase the cost of imports from China. The same way, an appreciation of the ASEAN currency could have the opposite effect. Exchange rate volatility thus represents a form of financial distance that can influence trade flows.

The simple average duty (Table 4) adds an institutional dimension to the concept of distance. Tariffs and duties create trade barriers that increase the cost of goods, thereby reducing trade volumes. Higher tariffs can be seen as an institutional distance that countries must overcome to engage in trade. Therefore, this variable captures the impact of policy-induced barriers on trade relations between ASEAN and China.

Pertaining to variable 9, the datasets classify the conflicts in SCS into four levels as proposed by Andrew Chubb (2021). The four categories of China's assertiveness are: Declarative, where China makes symbolic claims through statements or maps; Demonstrative, involving the show of military power or strategic moves to signal dominance without direct conflict; Coercive, using force or threats to pressure other states into compliance, such as vessel confrontations or intimidation; and Use of Force, which involves direct military action or violent engagements, leading to higher tensions and potential conflict. This way helps to classify the degree of conflicts. The

conflict data from 2005 to 2015 utilizes Chubb’s dataset,<sup>4</sup> while the data from 2016 onward were obtained from the Council on Foreign Relations (CFR, 2025), with a similar categorization to Chubb’s framework. The tangible levels of conflict – only coercive and use of force – are shown in **Error! Reference source not found.** (the explanation justified below).

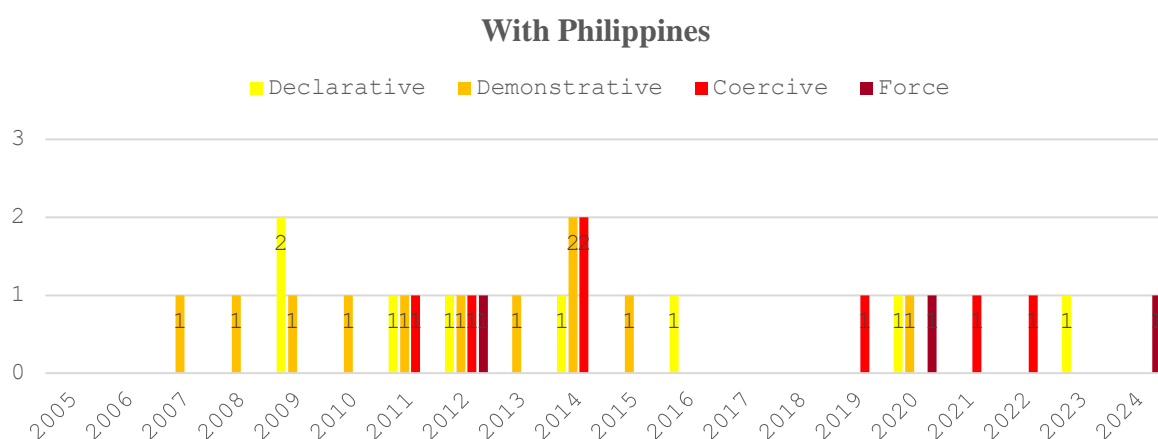
provides more specific dyads, i.e. China’s conflicts with individual countries, regardless of their levels.

**Table 5 China’s tangible conflicts with Southeast Asian states in SCS**

| Country     | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Brunei      | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    |
| Cambodia    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    |
| Indonesia   | 0    | 0    | 0    | 0    | 0    | 1    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    |
| Lao PDR     | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    |
| Malaysia    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 1    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    |
| Myanmar     | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    |
| Philippines | 0    | 0    | 0    | 0    | 0    | 0    | 1    | 2    | 0    | 2    | 0    | 0    | 0    | 0    | 1    | 1    | 1    | 1    | 0    | 1    |
| Singapore   | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    |
| Thailand    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    |
| Vietnam     | 1    | 0    | 3    | 2    | 1    | 0    | 1    | 1    | 0    | 1    | 1    | 0    | 0    | 0    | 1    | 1    | 0    | 0    | 0    | 0    |

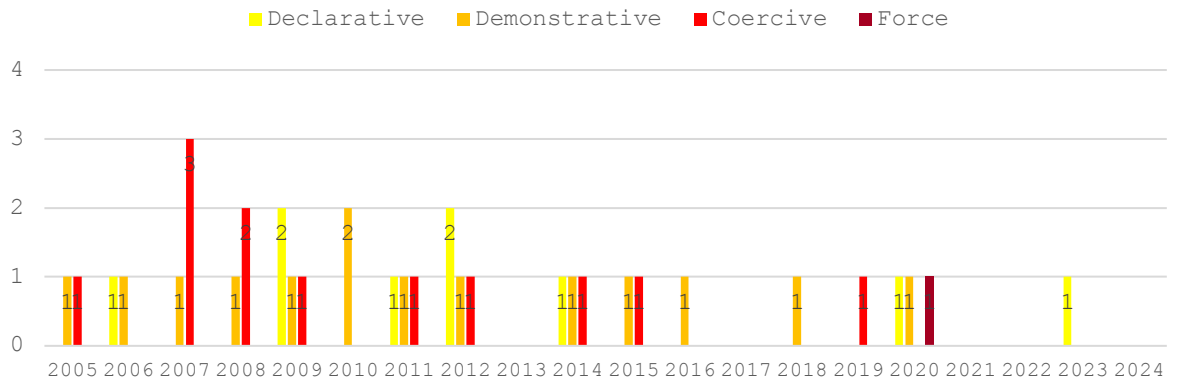
Source: Chubb (2021); Sexton & Ravanilla (2022); CFR, (2025). Reddish colour indicates higher frequency.

**Figure 7 China’s Conflicts with Specific countries in SCS**

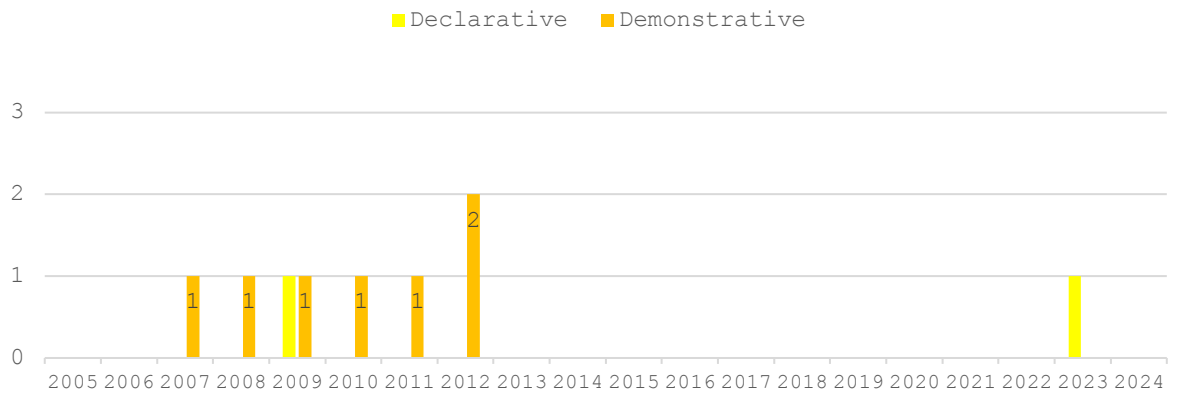


<sup>4</sup> The dataset is hosted on Harvard Dataverse and can be accessed at <https://doi.org/10.7910/DVN/3Y7NRU>

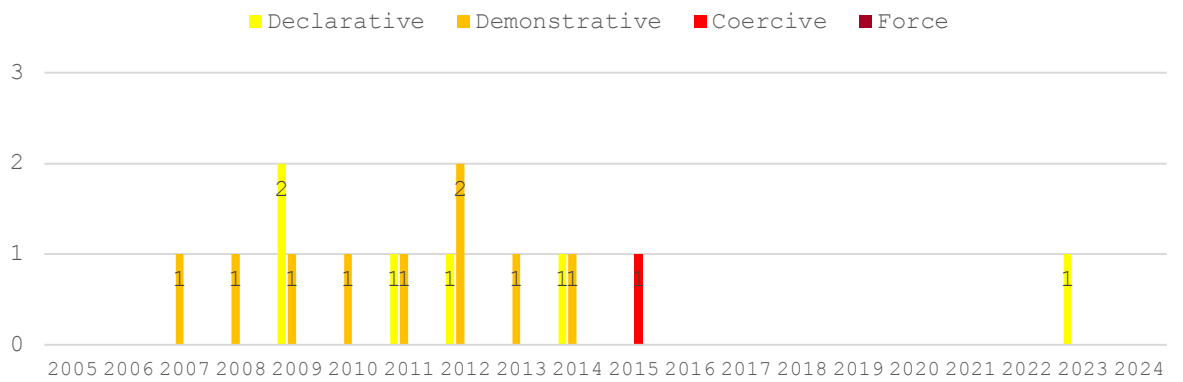
### With Vietnam

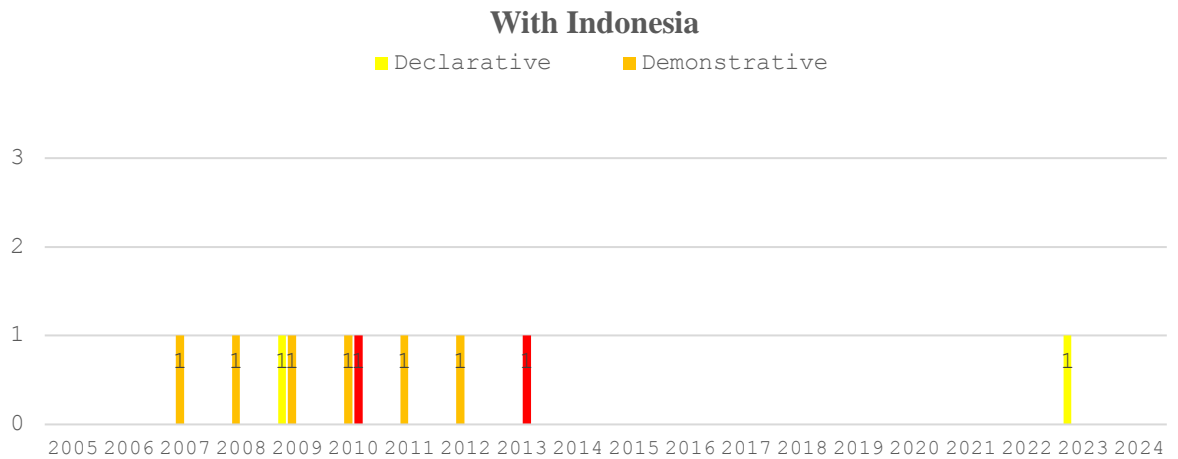


### With Brunei



### With Malaysia





Source: Chubb (2021); Sexton & Ravanilla (2022); CFR, (2024).

This study, however, concerns only “coercive” and “use of force” actions, as they have tangible effects. These are the actions whereby China exerts direct pressure or overt military conduct such as vessel confrontations, blockades, or even armed clashes. These incidents provide an immediate risk of escalation. They provide potential influence on the strategic calculus of the affected Southeast Asian states. On the other hand, the “declarative” and “demonstrative” actions are not considered. Such issues as diplomatic statements, publishing of maps, or military spending without actual contact are symbolic actions. They are less likely to involve parties in immediate confrontation. By narrowing the scope to only high-intensity actions, this study seeks to give a focused analysis of events that might potentially change the geopolitical dynamics in the region. Hence, the conflict variable mainly used for the analysis is in **Figure 7**.

### 3.2.3 Analytical Techniques

I used Python librar matplotlib to visualise the data and statsmodels and EViews 13 to handle the statistical analysis. The gravity model posits that trade flow between two countries is positively related to their economic sizes and negatively related to the geographical distance between them. In the context of this study, the gravity model is adjusted to include all variables mentioned earlier. Hence, the determinant factors of ASEAN-China trade will be assessed using the model:

$$\begin{aligned}
TRA_t = & \beta_0 + \beta_1 DIST_t + \beta_2 GDP_t + \beta_3 CGDP_t + \beta_4 CPI_t + \beta_5 CCPI_t + \beta_6 EXC_t + \\
& \beta_7 DUT_t + \beta_8 CCF_t + \varepsilon_i
\end{aligned}
\tag{1}$$

Before empirical analysis, the LLC unit root test checks if a time series is stationary or non-stationary. The null hypothesis is that a unit root exists, meaning the time series is non-stationary. This test helps avoid spurious regression from non-stationary time-series data. The test formula is:

$$\Delta Y_{it} = \alpha Y_{it-1} + \sum \beta_{it} \Delta Y_{it} - j + X_{it} \delta + v_{it}
\tag{2}$$

$Y_{it}$  is the pooled variable,  $X_{it}$  is an exogenous variable,  $v_{it}$  is the error term.

Furthermore, the Panel Cointegration Model is employed. This model establishes the correlation between TRA and explanatory variables. It overcomes long-term economic link issues observed in macroeconomic data with multiple subjects over time (Baltagi, 2005). The cointegration model addresses heterogeneity, unbalanced panels, cross-sectional dependence, and cross-unit cointegration, and N and T which asymptotic (Im et al., 2003). The Engle-Granger cointegration equation is:

$$y_{i,t} = \alpha_i + \delta_i t + \beta_{1i} X_{1i,t} + \beta_{2i} X_{2i,t} + \dots + \beta_{Mi} X_{Mi,t} + e_{i,t}
\tag{3}$$

T is the number of observations over time for  $t = 1, \dots, T$ , N is the number of cross-sectional units, M is the number of regressors,  $\alpha_i$  is the fixed-effects parameter, and  $\delta_i$  is the time effect. The hypothesis of the test:

$$H_0 : \beta_i = \beta_0 \text{ (no cointegration)}$$

$$H_a : \beta_i \neq \beta_0 \text{ (cointegration exists)}$$

Following that, dynamic panel data analysis is performed to avoid serial correlation and heteroscedasticity issues. They could lead to endogeneity problems, i.e. biased and inconsistent estimations (Baltagi, 2005). An appropriate choice of the analytical method is critical to further guarantee the reliability of statistical models applied in research. There do exist many methods in statistics such as the robustness and reliability of statistical models in research. There are methods such as Fixed Effect Vector Decomposition (FEVD) and Multilevel Mixed Models (MLMM). Yet, their application depends on some conditions. FEVD is particularly suited for studies without theoretical backgrounds. This study has clear theoretical backgrounds that provide substantial bases for variable selection and model type. On the other hand, MLMM are ideal for balanced data sets that exhibit hierarchical structure, or consistency in data across different groups. This study involves a short and unbalanced dataset.

Considering those, the Generalized Method of Moments (GMM) emerges as the optimal choice. GMM offers a number of advantages in comparison to other techniques, especially in handling statistical challenges, namely sampling bias, autocorrelation, heteroscedasticity, and endogeneity. It gives flexibility in terms of accommodating unbalanced panels and can consider theoretical constraints as well. There are two types of dynamic panel data: Generalized Method of Moments (GMM) and system GMM (sys-GMM), but the sys-GMM is used instead. The GMM estimator has a weak instrument, namely inefficient if the finite sample size (Arellano & Bond, 1991; Blundell & Bond, 1998). Blundell and Bond (Blundell & Bond, 1998) developed the sys-GMM estimator to solve the weakness of GMM estimator. Let us review this issue:

Equation (1) can be re-written as a dynamic model:

$$\begin{aligned}
 TRA_{it} = & \beta_0 + \beta_1 TRA_{it-1} + \beta_2 GDP_{it} + \beta_3 CGDP_{it} + \beta_4 CPI_{it} + \beta_5 CCPI_{it} + \beta_6 EXC_{it} \\
 & + \beta_7 DUT_{it} + \beta_8 CCF_{it}
 \end{aligned}
 \tag{4}$$

where:  $\alpha_t$  is TRA time-specific fixed effect,  $\eta_i$  is the country-specific effect, and  $v_{it}$  is the error term.

The coefficient on the lagged dependent variable,  $\beta_1$ , is likely to be biased upward since it is positively correlated with  $\eta_i$ . Arellano and Bond (Arellano & Bond, 1991) suggest that GMM estimator first-differences eliminate the country-specific effect and use all possible lagged levels as instruments. But the first-differenced GMM estimators are likely to perform poorly when the time series are persistent, and the number of periods is short. Thus, the sys-GMM estimators is used in this study and may be defined as follows using a system of equations (Arellano & Bover, 1995; Blundell & Bond, 1998):

$$\begin{aligned} TRA_{it} = & \beta_0 + \beta_1 TRA_{it-1} + \beta_2 GDP_{it} + \beta_3 CGDP_{it} + \beta_4 CPI_{it} + \beta_5 CCPI_{it} + \beta_6 EXC_{it} \\ & + \beta_7 DUT_{it} + \beta_8 CCF_{it} + \alpha_t + U_{it} \end{aligned} \quad (5)$$

where  $U_{it}$  is the random term and  $U_{it} = \eta_i + v_{it}$

$$\begin{aligned} \Delta TRA_{it} = & \beta_0 + \beta_1 \Delta TRA_{it-1} + \beta_2 \Delta GDP_{it} + \beta_3 \Delta CGDP_{it} + \beta_4 \Delta CPI_{it} + \beta_5 \Delta CCPI_{it} + \\ & \beta_6 \Delta EXC_{it} + \beta_7 \Delta DUT_{it} + \beta_8 \Delta CCF_{it} + \Delta U_{it} \end{aligned} \quad (6)$$

The estimate of the equations system in (5) and (6) - using two sets of instruments - is known as the sys-GMM estimation. The first is an instrument for the model in the first difference and the second is an instrument for the model at a level.

There are two steps of analysis in sys-GMM. The one-step test identifies whether the residuals data at the level are autocorrelated by detecting the presence of second-order serial autocorrelation. The test uses the Arellano-Bond for autocorrelation, with a null hypothesis of no autocorrelation. The two-step is the test of exogeneity of all instruments as a group (Baltagi, 2005), and Hansen and Sargan created a test statistic with the null hypothesis that all instruments are exogenous or valid as a group (Sargan,

1958). Thus, a higher test statistical probability value favors the null hypothesis. If the Sargan or AR(2) tests are violated, sys-GMM estimations are likely unreliable.

GMM is particularly apt in analyzing the interplay between trade and conflict within the framework of ASEAN-China relations since it addresses several econometric problems commonly found in panel data analysis: endogeneity, dynamic relationships, and unobserved heterogeneity that are relevant when analyzing interdependent interactions such as the impact of conflict on trade flow.

One of the main concerns in this study is endogeneity, since the explanatory variables, such as the intensity of conflict, can be correlated with the error term, resulting in biased estimates that are not consistent. This especially is a valid point, since conflict not only affects trade flows but is also influenced by them. This suggests a bidirectional relationship. Added to this, the omitted variables might include geopolitical strategies or diplomatic interventions that could influence conflict and trade simultaneously, which therefore makes analysis even more complex. GMM addresses the problem of endogeneity by utilizing internal instruments-lagged levels or differences of endogenous variables-that produce consistent parameter estimates.<sup>5</sup> Unlike fixed effects models, which control for unobserved heterogeneity only, the GMM explicitly handles endogeneity.

Another feature of GMM is that it captures dynamic relationships, which are a common feature of trade patterns. Trade flows naturally depend on paths taken, where the current level may well be developed from historical trends, prior agreements, or even unresolved geopolitical frictions. Including lagged dependent variables, such as previous trade levels, is crucial in capturing this persistence over time. These traditional methods, however, cannot accommodate the lagged dependent variables without introducing bias from what is called the “Nickell bias” (Nickell, 1981). GMM overcomes this problem by treating the lagged dependent variables as endogenous and correcting for such bias with appropriate instruments (Gaibullov et al., 2014). It will

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<sup>5</sup> Instrumental Variables (IV) techniques are often considered effective for endogeneity but finding a valid IV for conflict that is not correlated with trade is difficult due to data constraints. Measures like Chinese naval patrol frequency, for example, are not publicly available due to national security concerns. Even if an IV were found, verifying its exogeneity would be challenging.

therefore be of particular value in capturing the temporal dynamics of trade across conflict-affected regions.

Unobserved heterogeneity and time-invariant variables are characteristics typical of panel data, and both are present in the dataset of this study. Examples of unobserved heterogeneity include country-specific factors such as political stability or institutional quality that may affect trade and conflict dynamics. Equally important to this analysis are time-invariant variables such as geographic distance in gravity models. While fixed effects models control for time-invariant heterogeneity, they do so by purging the model of time-invariant variables a serious drawback in a gravity model in which variables such as distance are, by definition, central to the analysis. Such a method can embed time-invariant variables while accounting for unobserved heterogeneity and assure that key explanatory variables remain in the model.

Other considerations include overfitting or overparameterization, particularly in instances when one is dealing with models that involve a huge number of regressors or interaction terms. Some models, such as panel auto-regressive distributed lag, which are popularly used in modeling both dynamics in the short and long run, require satisfactory estimation with sufficiently large datasets and may be computationally burdensome. GMM avoids this risk because internal instruments are derived from the data itself, reducing the chances of producing multicollinearity problems and ensuring computational efficiency. This characteristic makes GMM quite suitable for datasets with a moderate number of periods and cross-sectional units.

On the whole, my application of GMM can be said to be in concert with prior practice in the literature on trade-conflict. Indeed, many empirical studies that have assessed the effect of economic interdependence on conflict have employed GMM in attempting to deal with both dynamic and endogenous relationships. Such seminal works by scholars like Glick and Taylor (2005), and Polachek (1980) have modelled similar approaches in studies on trade flows in conflict settings. Through the use of GMM, this study places itself within a strong methodological context, and its findings are therefore more comparative and credible.

Finally, GMM's robust way of handling endogeneity and dynamic relationships ensures that the estimates are reliable; hence, meaningful policy implications can be

derived. In the light of the fact that this dissertation aimed to provide policy strategies to manage trade amidst conflict, the use of GMM reinforces the reliability of the results and, by extension, the validity of the recommendations.

### **3.3 Qualitative Approach**

#### **3.3.1 Neoliberal Institutionalism as Analytical Tool**

A good theory offers good explanations - a good analysis should appropriately address research questions and constructs robust arguments. Among several theories discussed earlier, this study adopts neoliberal institutionalism<sup>6</sup> as my analytical framework for this study. Emphasizing institutional arrangements and interdependence offers a comprehensive lens for examining conflict and cooperation. While realism focuses on power dynamics and inevitable conflict, institutionalism acknowledges the potential for collaboration. Even in a decentralized international system. It suggests that institutions can mitigate the destabilizing effects of anarchy. The institution (or regime) provides a more practical understanding of conflict and cooperation in international relations. These are the reasons.

First, like realism, institutionalism acknowledges the anarchic nature of the international system. Yet, it diverges in its assessment of anarchy's implications. Realists, particularly neorealists, argue that anarchy leads to competition and conflict. States prioritize their survival through power maximization. Nevertheless, this view overlooks the existence of institutions that facilitate cooperation. For institutionalists, establishing norms, rules, and mechanisms for dispute resolution could reduce uncertainty. Such instruments enable states to engage in cooperative behaviour, and consequently, benefit all involved parties (Keohane, 1984).

Second, institutionalism offers a strong framework to grasp how interdependence shapes state actions. Robert Keohane and Joseph Nye argue that the cotemporary world is coloured by complex interdependence. Many channels for interaction, overlapping issues, and emergence on non-traditional securities create more chances to cooperate.

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<sup>6</sup> Hereafter referred to simply as 'institutionalism.' The terms neoliberal institutionalism and institutionalism will be used interchangeably in this study.

Economic, financial, and cultural links make conflict less appealing. Breaking these ties would come at a high cost (Keohane & Nye, 1973). This view helps explain why countries often pick cooperation over conflict even when power imbalances exist.

As presented early, many studies show that international institutions and regimes help countries work together and fight less. These institutions can make countries act in ways that benefit everyone by giving them reasons to do so (Oye, 1986). Work by Morelli and Sonno (2015) proves that countries that trade more with each other are less likely to get into conflicts. The cost of disrupting trade relationships is higher than what countries might gain from conflicts. These findings show the practical benefits of institutionalized cooperation to maintain international stability.

Furthermore, neoliberal institutionalism has a more flexible and adaptive approach. While realism sees state behaviour as static and driven by power concerns, neoliberal institutionalism acknowledges that state preferences can change over time. International institutions can adjust to changing situations. They make ongoing cooperation easier and help to address new challenges. This adaptability is particularly important in a dynamic world where new issues – such as cybersecurity and climate change – require cooperative solutions that go beyond traditional power politics.

By recognizing the potential for cooperation even within an anarchic system, this perspective provides a more nuanced – if not optimistic – view of international political economy. Institutions, regimes, and rules emerge as stabilizing forces. They mitigate conflict. They foster collaboration that turns into (economic) interdependence, even when the interests of states diverge.

How would neoliberal institutionalism be used as the primary analytical framework? Four key neoliberal concepts guide both the coding and interpretation of the data using a content analysis technique (detailed explanation in the next sections). First, institutional arrangements: Neoliberal institutionalism suggests that formal and informal rules, norms, and procedures shape cooperation between states. During data collection, references to *treaties*, *agreements*, *dialogue frameworks*, and *institutional structures* were coded under this category. The analysis would assess how these arrangements facilitate or constrain cooperation between ASEAN and China, particularly in the context of the South China Sea dispute. Mentions of *regular*

*meetings, rules-based cooperation, or dialogue processes* were analysed to determine how these mechanisms contribute to maintaining trade relations despite ongoing geopolitical tensions.

Second, interdependence: A key tenet of neoliberal institutionalism is interdependence, where states rely on each other economically, politically, and socially. This concept guides the identification of references to *economic interdependence, mutual reliance, and shared interests* in the content. The analysis focus on how the economic ties between ASEAN and China are framed as promoting cooperation and making conflict less likely. Mentions of *trade agreements* and *mutual benefits* were coded and analyzed to explore how interdependence shapes the long-term stability of ASEAN-China relations despite geopolitical disputes like the South China Sea conflict.

Third, absolute gains orientation: Neoliberal institutionalism emphasizes absolute gains, focusing on mutual benefits and absolute gains rather than relative gains. During content analysis, references to *mutual benefits, shared prosperity, and win-win solutions* were coded. This allows the study to evaluate how ASEAN-China trade relations are depicted as cooperative partnerships, where both parties prioritize absolute gains over zero-sum competition. The analysis assesses how this framing helps minimize the likelihood of conflict.

Fourth, shadow of future: The shadow of the future refers to long-term expectations of cooperation. States anticipate ongoing interactions, thereby fostering trust and cooperation. In content analysis, references to *long-term partnerships, trust-building, sustained engagement, and future cooperation* were coded. The analysis explores how the expectation of continued interaction between ASEAN and China influences their economic relations, encouraging cooperative behavior and reducing the likelihood of conflict despite ongoing geopolitical tensions in the South China Sea. The concept of future cooperation would be explored to see how it strengthens the long-term stability of ASEAN-China trade relations.

**Table 6 Four Concepts of Neoliberalism**

| <i>Concept</i>                       | <i>Definition / Coding Focus</i>   | <i>Analytical Goal</i>  |
|--------------------------------------|--|---|
| <i>1. Institutional Arrangements</i> | Formal and informal rules, norms, treaties, and dialogue frameworks.       | Assess how these structures facilitate or constrain ASEAN-China cooperation.              |
| <i>2. Interdependence</i>            | Economic, financial, and social mutual reliance and shared interests.      | Identify how economic ties promote cooperation and make conflict less appealing.          |
| <i>3. Absolute Gains Orientation</i> | References to mutual benefits, shared prosperity, and “win-win” solutions. | Evaluate how prioritizing collective gain minimizes the likelihood of conflict.           |
| <i>4. Shadow of Future</i>           | Long-term expectations, sustained engagement, and trust-building efforts.  | Explore how the anticipation of continued interaction encourages present-day cooperation. |

These four neoliberal concepts guided the coding process during data collection. Textual elements such as key phrases, terms, and references related to these concepts were identified, categorized, and organized within these predefined analytical categories. This process was applied to all resources under examination. Each reference was carefully coded based on its alignment with the neoliberal framework across data sources.

The analysis would then build on these coded categories to systematically assess how neoliberal institutional mechanisms are portrayed in ASEAN-China relations. By using neoliberal institutionalism as an analytical tool, the study would evaluate how institutional arrangements, interdependence, absolute gains orientation, and the shadow of the future function within the context of ASEAN-China trade relations. This analysis would provide insights into how these neoliberal mechanisms help sustain economic relations despite the tensions.

### **3.3.2 Conceptual Content Analysis**

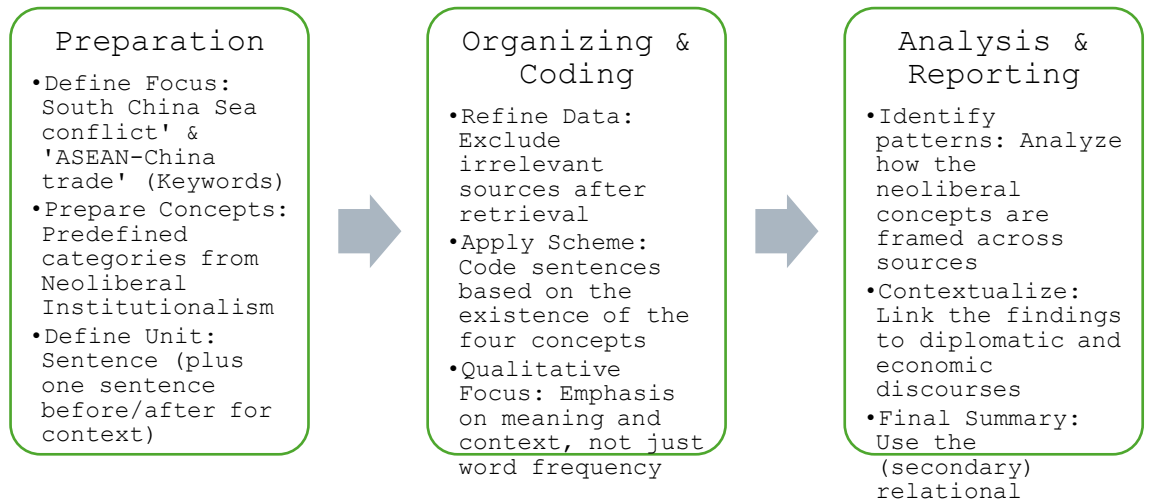
Obviously, there are many qualitative methods researchers can take. I consider using content analysis as my approach. The reason is it allows to analyse large amounts of data in a systematic, objective, and flexible way. It also works with different types of sources. These features align closely with the research goals of understanding the dynamic of ASEAN-China trade relations and conflicts.

Content analysis is a systematic research method used to analyse textual, visual, or verbal data. It helps them spot patterns, themes, or biases in the content. It is widely used in qualitative research to interpret meaning from the content of communication, allowing us to grasp the main ideas, perceptions, or intentions. This method involves classifying text units to distil large amounts of material into a brief overview of its key points. The process generally consists of preparation, organizing, and reporting (Elo & Kyngäs, 2008). Those steps, however, can be specifically broken down into defining the research problem, selecting sources, coding or labelling with some categories, sampling documents, and measuring occurrences. By systematically coding the data, content analysis allows researchers to quantify qualitative information. This makes it possible to spot patterns or trends that might not jump out from a surface-level reading of the data (Marvasti, 2004).

Content analysis has two main types: conceptual and relational. Conceptual content analysis counts specific ideas in a text, while relational content analysis examines how those ideas connect. This research was conducted mostly using a conceptual content approach, although I incorporated a relational approach to a small extent. The research question focuses on the impact of the SCS conflict on ASEAN-China trade relations, making the conceptual approach a perfect fit. By examining the prevalence of the neoliberal institutionalism concepts in relevant texts, the analysis would directly address how these ideas are emphasized. This approach provides a straightforward way to assess the importance of these two key themes (trade and conflict), rather than focusing on relationships *during* the analysis. The relational approach was applied only towards the end, to help summarise the context of the findings.

A conceptual content analysis could be performed through deductive or inductive methods to uncover patterns and insights from written materials. Deductive uses predetermined categories. Inductive, in contrast makes new ones during the study and it is only done when there is not enough prior knowledge about some concept (Bass & Semetko, 2021). I performed conceptual content analysis with deductive approach. The predetermined concepts to code were derived from neoliberal institutionalism theory.

**Figure 8 Processes of Conceptual Content Analysis**



Source: Own illustration

To make it clear, here is the big line: I performed a conceptual content analysis with a deductive approach using predefined concepts from neoliberal institutionalism. Here were the steps as shown in **Figure 8**. First, for preparation, I determined what kinds of data and resources to collect (detailed in the next section). I defined the focus of the topic: '*South China Sea conflict*' and '*ASEAN-China trade*'. These terms were only used as the keywords to gather. At the same time, I also prepared the predetermined four concepts as mentioned earlier from neoliberal institutionalism theory. These concepts would be to code later in the analysis.

The unit of analysis was individual sentences - along with context from one sentence before and after. The coding scheme was based on the existence of those four concepts (whether they were present or not) rather than the frequency of specific words. To ensure a comprehensive analysis, I had prepared a broad list of synonyms and key phrases for each concept.<sup>7</sup>

Second, after retrieved the data, I organised it in a structured format and refined it by excluding irrelevant sources. Once this was done, the coding process began using the prepared scheme. This stage applied neoliberal institutionalism concepts. They were coded by existence rather than frequency. A concept might be important to understanding the overall message of the text even if it does not appear frequently.

<sup>7</sup> See **Annex 3** for the coding dictionary derived from the neoliberalism concepts.

This is why qualitative approaches are useful. They focus on the meaning and context of the concepts.

Third, identifying the patterns of neoliberal concepts in various sources was performed. This is to analyse how these concepts were framed. More about this is explained in the subsequent sections.

Performing a conceptual content analysis as a qualitative method provides the research with even more innovative ways. It fills the gaps identified within the literature on ASEAN-China relations. It offers a systematic approach for which most of the current literature has relied on quantitative methods, such as statistical analysis regarding topic of trade and conflict. The analysis employed a conceptual content analysis that would take the study beyond surface-level correlations into deeper meanings and perceptions, strategies embedded within diplomatic and economic discourses. The benefit of this was in better contextualizing how the topic (conflict and trade) interacted in ways that have not been fully explored up to now in the context of the SCS conflict.

The qualitative methodology, in turn, adds value by systematizing how language and framing are used in official documents, speeches, and other texts to set up the relations between ASEAN and China. In other words, while traditional economic research might quantify how tariffs or GDP are impacting trade, conceptual content analysis shows how terms like “*mutual benefit*,” “*trust building*,” and “*dialogue*” are used in order to manage tensions and further cooperation. This offers an interdisciplinary lens (such as IR and economics) from which trade and conflict can be better analyzed. By coding and categorizing concepts deductively within the framework of neoliberal institutionalism, this study would identify patterns of institutional resilience, as well as the role played by economic interdependence in stabilizing volatile geopolitical relationships.

More importantly, a qualitative focus on conceptual webs provides a new approach to investigating the coexistence of conflict and cooperation. The mappings of key terms such as *bilateral agreements* and *dialogue* within texts on territorial conflict could reveal the strategic balancing act taken by ASEAN and China. This approach also provides a relational dimension, albeit secondary, through conceptual

shifts within evolution of geopolitical and economic contexts. Such insights are often overlooked in quantitative models, which may fail to capture the discourses that signal transformations in the political economic dynamics. It is this methodological contribution that will not only complement the quantitative findings but also enrich the broader discourse on conflict and trade in international relations. Put differently, qualitative methods are not only complementary to quantitative approaches but are essential for capturing the nuanced realities of complex international relationships like those between ASEAN and China.

### 3.3.3 Data Collection and Analysis

My study gathered and examined information from three categories: official documents, news articles, and scholarly works. For conceptual content analysis, the core materials are official documents and news articles. Both the officials capture the states' own *claims* while news depicts what issues reach publics. Scholarly works, meanwhile, serve a different role: to compare, to bring dialogue, and at times to triangulate the meaning of events through discourse lenses. Hence, my study draws on three registers. The practical register comes from official documents, which show what states declare they do. The mediating register comes from news, which conveys how issues are reported. The theoretical register comes from scholarship, which defines, contests, or reframes the concepts that emerge from practice and media.

The study focused on texts published between 2011 and 2024. The year 2011 marked the first phase after the ACFTA came into force, while 2024 provides the most recent material. Earlier publications helped in explaining the historical context but were not included in coding / analysis processes. This selection ensured that the data was both timely and contextually relevant.

I used the Google search engine with specific parameters.<sup>8</sup> I searched for articles using the keywords “South China Sea AND ASEAN trade,” focusing on content published between 2011-2024 in English. The sources included articles from three major media as mentioned earlier: the South China Morning Post, Nikkei Asia, and

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<sup>8</sup> Initially, I tried EBSCO's Newswires but the result was too little. Google Search parameters provide more archived news.

The Straits Times. A few additional articles were drawn from other outlets when issues were not covered by the main three, but their number remained small. I employed a combination of web scraping techniques using Google Sheets<sup>9</sup> and a Python script. The script was prepared for more advanced data extraction. The main Python libraries used were Pandas, Requests, and BeautifulSoup4 to scrap (extract) texts from the web.

For official documents, I primarily consulted the ASEAN website (asean.org), focusing on documents related to trade with China and the South China Sea, within the same 2011 to 2024 timeframe. For scholarly works, I went through a Scopus document search. I used the keywords “South China Sea conflict AND ASEAN trade,” restricting the search to articles published from 2011 onwards, in English, and within the fields of “Social Sciences” and “Economics, Econometrics, and Finance.” Initially, the search yielded 121 articles, but after manually refining the results - removing irrelevant topics and older publications to focus solely on ASEAN-China or Southeast Asian countries - I narrowed it down to 98 relevant articles.

The scholarly works, however, would be treated in a special way. They were to provide a balanced perspective and also to support the findings from the news articles and official documents. Not like the other two sources, the analysis of scholarly works would not be a longitudinal study to, for specific example, track the frequency of concepts over time. This is because academic articles or books often provide retrospective analysis of events that occurred years ago. This makes them less time-sensitive than news articles and official documents - which are tied to the time of their publication.<sup>10</sup>

The distribution of the materials is shown in Figure 9 **Error! Reference source not found.**<sup>11</sup> There were 49 official documents, 84 news articles, and 98 scholarly articles – in total 231 and were organized according to the source, type, and date of publication. I used both Google Sheet and Ms Excel for this. This organization was necessary to make sure the data could be easily accessed and referenced during analysis phases.

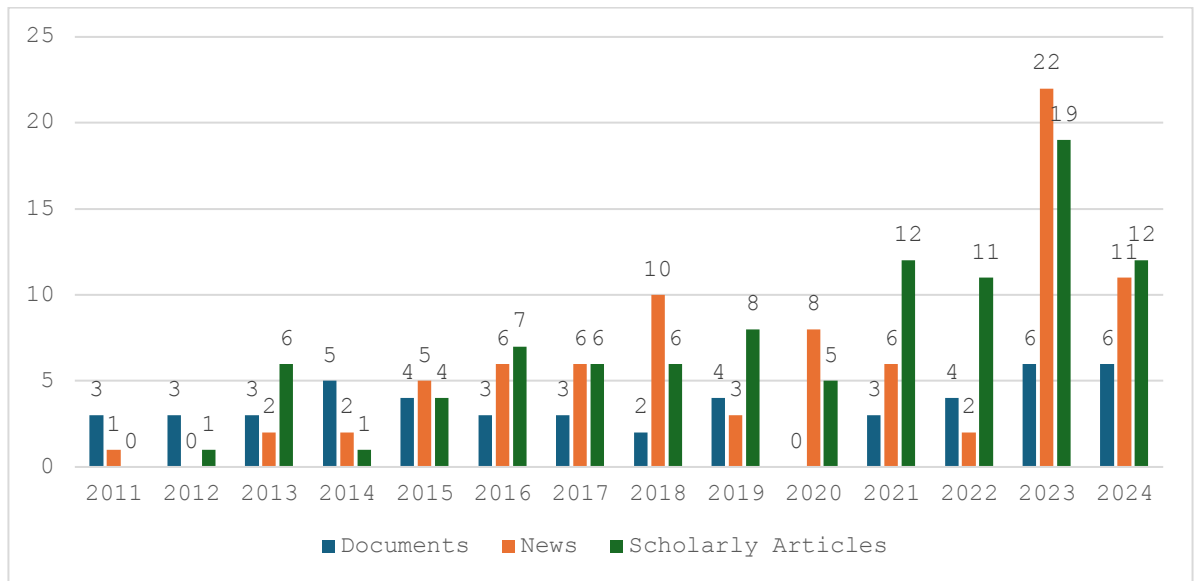
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<sup>9</sup> Using [=importfromgoogle] formula to gather raw data.

<sup>10</sup> Using a deductive neoliberal coding scheme on scholarly texts does not assume they are neoliberal. Instead, it is to map the presence, absence, or transformation of its categories across analysis/paradigms. In other words, this shows how neoliberal vocabulary circulates, is contested, or may be silenced.

<sup>11</sup> See also **Annex 2** for the whole dataset.

**Figure 9 Distribution of Sources**



The conceptual content analysis began with coding. Coding means labelling words or phrases into categories or themes to identify related content across the dataset (Kiger & Varpio, 2020). For instance, words such as “trade partner,” “diplomacy,” and “cooperation” can be placed under a common theme. This allows researchers to trace the presence and relations of words and concepts in a systematic way (Neuendorf, 2017).

The coding was done partly manually and mostly with Python. Python did the heavy lifting. The core operations ran through the Natural Language Toolkit (NLTK), one of the most established open-source libraries for human language data processing (Bird et al., 2009; Hardeniya et al., 2016). NLTK provides tools and linguistic resources for manipulating and analyzing textual data: tokenization, stop words, lemmatization. Social science researchers use it to handle large volumes of unstructured texts into structured data that can be quantitatively examined.

The collection of text data in this process is called a corpus. This can be for example published articles on a particular topic or years. A corpus serves as the foundation for research. Before analysis can begin, this corpus must be broken down through tokenization. It is a process of splitting the text into its smallest meaningful units like individual words or punctuation marks. Once tokens are created, a cleaning step is performed by removing stop words, which are common, non-substantive terms

(like “the,” “and,” “is”) that add noise without contributing to the text’s core meaning. Finally, lemmatization is applied to reduce the remaining tokens to their base or dictionary form (their “lemma”). This ensures that different inflections of the same word (e.g., “Cooperation,” “cooperative,” “cooperating”) are treated as a single consistent feature for accurate modelling. The outcome was a structured dataset that exposed recurring concepts (Bird et al., 2009; Denny & Spirling, 2018).

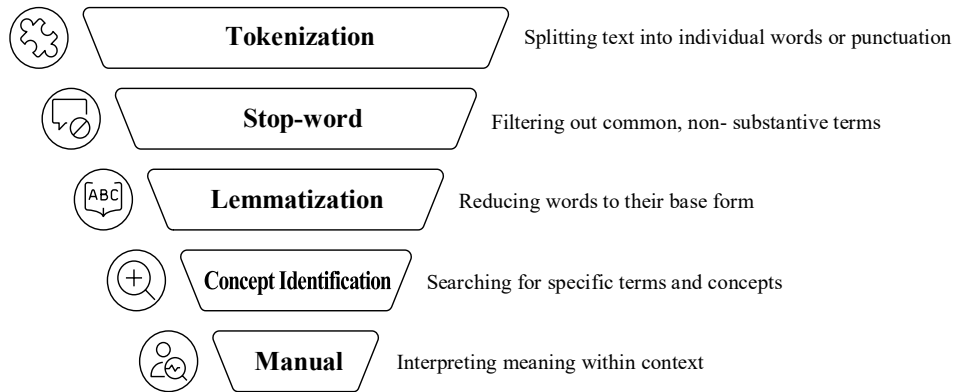
Python automated tasks that would otherwise require extensive manual effort. Government reports, research papers, news articles are compiled into a single corpus and processed through several linguistic steps. NLTK separated sentences and words (tokenization), removed common filler words (stop-word removal), reduced words to their root forms (lemmatization). This made it easier to identify recurring themes.

After the text was cleaned and structured, Python searched for terms under the four concepts of neoliberalism: institutional arrangements, interdependence, absolute gains orientation, and shadow of future. The software counted how often these concepts appeared and examined patterns of use across different documents. This identified which ideas were most prominent and how their frequency varied over time or across types of sources.

Once the coding was complete, the next step was to interpret the identified themes. This involved contextualizing the findings within the broader political and economic landscape. Some contexts of timing of events, interests of the actors involved, and potential biases of the sources were considered. For instance, a government report might emphasize the benefits of trade with China. An academic article, however, might highlight the risks of over-reliance on Chinese markets.

The final stage of the analysis involved drawing conclusions based on the identified patterns. This required comparing the findings with existing theories and empirical studies that have been reviewed. This process helped to determine whether my finding supports or even challenges them.

**Figure 10 Text Analysis Process Funnel**



This kind of computational preprocessing matters in IR research where diplomatic communications and policy documents pile up beyond the capacity for manual coding. Automating entity detection and term frequency analysis lets researchers identify narratives, frames, actor networks across thousands of texts. Computational methods in textual analysis enable scholars to confront the vastness of political discourse without sacrificing interpretive depth (Benoit, 2020). NLTK bridges the qualitative-quantitative divide. It offers a replicable and scalable approach to studying political language.

## **Chapter 4: ASEAN-China cooperation and South China Sea Conflict**

### **4.1 ASEAN's Trajectory**

Southeast Asian region consists of several countries that were under political rules of West powers (except Thailand that never been colonised). They gained sovereignty after World War II in different ways. For example, Indonesia attempted to be independent from the Netherland through many military struggles. The same also happened to Philippine against the United States rule. Meanwhile, Britain's colonies like Malaysia and Brunei were given their independence rights peacefully.

The newly independent states in the region attempt to form regional bodies that could manage their shared interest: that the region should be governed by themselves with no outer interference. ASEAN was not the first body to be established. In 1961, Malaya, the Philippines, and Thailand formed the Association of Southeast Asia (ASA). It only lasted until 1963 as the Philippines and Malaysia had conflicting territorial claim over Sabar region. In the same year, these two countries plus Indonesia attempted to form Maphilindo. Yet, the organization had never been manifested into a formal body as Indonesia was against the formation of the Malaysian federation which was overshadowed by the influence of British colonialism. Diplomatic relations between the two countries were severed until 1966.

The failure of ASA and Maphilindo emphasized a critical issue, namely the disharmony of relations among Southeast Asian countries. Coupled with the Cold War at that time, the region was overshadowed by foreign powers. The Vietnam War at that time caused countries in the region to worry about the spread of communism. This situation also became the basis how important it was to have a regional body that could harmonise the turbulence. For this, in 1967, foreign ministers of Indonesia, Thailand, the Philippines, Malaysia, and Singapore met in Bangkok. Through the Bangkok Declaration, they established the Association of Southeast Asian Nations (ASEAN) (Severino, 2008, pp. 1–5).

Still, at that time, ASEAN was only a product of a joint declaration of those countries. The Bangkok Declaration was aimed at promoting political, economic, and social cooperation in the region. Yet, several times political turmoil hit Southeast Asia, ASEAN was not really used as a central platform for conflict mediation or cooperation between countries in the region. There was no funding mechanism, not even a coordinating body. Member countries only handled ASEAN through their country's domestic secretariat.

The first ASEAN summit in 1976 highlighted a milestone in the development of the organization. It became more solid with the Declaration of ASEAN Concord that gave a mandate of the establishment of the ASEAN Secretariat as the main engine of the organization's operation. The position of Secretary-General has then highlighted a clear leadership of the organization in this particular region (Müller, 2023, p. 42).

The Association grew to accommodate more Southeast Asian countries. Brunei joined in 1984. In 1990s as the Cold War ended, ASEAN embraced communist governments e.g. Vietnam and Laos. Cambodia and Myanmar gained the accession in the same decade. From only five countries at the beginning, ASEAN now consists of the ten countries in the region.<sup>12</sup>

At the same time, deeper economic integration became priority of their work. In 1992, the member states agreed to establish ASEAN Free Trade Area (AFTA). The aim was for trade cooperation, especially the elimination of tariffs below 5% on traded products within ten years. ASEAN Economic Community (AEC) was signed with to promote an integrated economy: a single market and highly competitive region by 2015. Currently, tariff of products traded within the region is almost zero. Still, creating the aspired single market leave many home-works that could not be fully accomplished. The Association is then set a new deadline for the AEC by 2025.

The Association upholds ASEAN Way as the main norm: non-intervention among its members, and prioritizing consensus instead. Whenever a domestic political turmoil occurs in a member state, the other could not interfere. Any related decision process among the leaders could only run in informal ways without being on the surface

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<sup>12</sup> Currently, East Timor and Papua New Guinea – two countries that geographically are within the region – are seeking for accession to ASEAN.

(Emmers, 2018). ASEAN has no such style like European Union (EU), for example, that could perform one political direction from the Brussel. This way, ASEAN has difficulties in achieving rigid or united political voice. In terms of the economic side, the EU is a customs union where a common external tariff is set for imported goods from outside the bloc, while goods traded within the bloc flow without duties. ASEAN does not have such an arrangement (yet). Flows of goods entering the region from a country that has no free trade agreement would be subject to tariffs, which depend on the regulations of each individual country.

Nevertheless, ASEAN is also a unique bloc that could maintain sustainable growth. Take a look at the economic structure. From 2013 to 2022, the average GDP growth rate was 4.2% annually. The ASEAN economy is mainly driven by service sector (50.5% of GDP), followed by industry (29.8%) and agriculture (16.4%). ASEAN by far could also successfully attract foreign direct investment even without political union. Attracted foreign direct investment from outside was \$121 billion in 2013 to \$225.8 in 2022 with relatively steady increase (ASEAN Secretariat, 2023c). As of 2022, the combined GDP of the member states is around \$3.62 trillion, making it the fifth-largest economy. With the total population of more than 670 million, ASEAN is the third most populous region (ASEAN Secretariat, 2023c; ASEANStats, 2024). For this reason, ASEAN is considered as one of most successful regionalisms.

The profiles of ASEAN member states are, however, very diverse. Disparities in GDP per capita ranges from roughly \$1,000 in Myanmar to around \$80,000 in Singapore. Populations vary from half a million in Brunei to 270 million in Indonesia. The geographical diversity is also notable, from the tiny island country of Singapore and the landlocked country of Laos to the wide archipelago of Indonesia. Most of the members are developing countries, while Singapore and Brunei are the only developed ones. Over 60% of FDI is concentrated in Singapore, a country with the service sector as the main economic driver. Other members mostly rely on labour-intensive industries (Council on Foreign Relations, 2023). Again, this makes ASEAN sustainable economic development comparatively different and dynamic to other economic regionalisms.

## 4.2 China and Its Economic Transition

The People's Republic of China is the world's most populous country with over 1.4 billion people. China is a rising power and serving as an engine of current global economy. It holds the position of the second-biggest economy in the world right behind the United States. As of 2023, China's share of the global GDP (PPP) is around 19% (IMF, 2024). With US\$ 3.1 trillion in reserves, China has the highest foreign exchange reserves in the world (National Bureau of Statistics of China, 2024).

Many dynasties, cultural advances, and times of turmoil have casted China's history for more than 4,000 years. In the early 1900s, China moved from dynasties to a republic. There have been some civil unrests at this time. In 1949, the Communist Party took charge and set up the People's Republic of China. Since then, China's political system is a one-party socialist republic led by the Communist Party of China (CPC). The CPC's control extends across all aspects of the state, society, and economy. The highest political authority is held by the General Secretary of CPC. The same person usually takes on the roles of President and Chairman of the Central Military Commission (State Council of China, 2019). Currently, Xi Jinping holds these three positions, which makes him the top leader in the country.

China has seen rapid modernization and development, especially after the economic reforms initiated by Deng Xiaoping in the late 20<sup>th</sup> century, transitioning from a planned economy to a more market-oriented economy while retaining strong state control. China's current economic profile showcases it as a global manufacturing powerhouse, often referred to as the "world's factory," producing a significant portion of the world's consumer goods (The Economist, 2021).

How China could pass its economic transformation can be seen in this part below. Before the late 1970s, China was governed by an inflexible communist regime. From production to distribution, all aspects of economic activity were completely under the state control. This strategy, to some extent, succeeded in industrialization. Yet inefficiencies and an economic stagnation worsened by the Cultural Revolution in the 1960s had caused social and economic unrest across the country. 1978 marks a significant turning point with implementation of "reform and opening up" agenda. Under Chinese leader Deng Xiaoping, China signalled a clear transition towards a

market focused economy. Decentralization, market liberalization, luring foreign investment, and an export-focused growth strategy constituted the main features of these changes (Hart-Landsberg & Burkett, 2005, pp. 40–46).

Decentralization encouraged experimentation and innovation by giving local governments more authority to make economic decisions. Simultaneously, the economy was stimulated by the progressive easing of price controls and the promotion of private entrepreneurship. With the creation of Special Economic Zones (SEZs) as hubs for commerce, capital, and technology, China extended a warm welcome to international investors.

China's ascent to be on the international stage was largely propelled by the export-led economic strategy. By this time, the United States embraced China with huge investments as China provide affordable labor (and production) costs. This way turned the country into the global industrial hub, producing a wide range of goods for export. Millions of people were lifted out of poverty as a result of this economic boom. Its economy grew by an astounding amount. For several decades, the nation's GDP grew at an astounding rate of nearly 10% annually on average. Living standards, infrastructure, and the nation's skyline were all altered by this economic miracle (World Bank, 2024b).

Another success story is when China joined the World Trade Organization (WTO) in December 2001. China fully has integrated into the global economic web, both trade and investment. Domestic industries have more chance to expand. Investments in infrastructure and manufacturing sectors enjoy fertilized. The GDP rate between 2008 to 2010 were averaged by 9.7%. By 2010, China surpassed Japan as the world's second-largest economy (Y. Tan, 2021). At the first time of China's opening up policy, its GDP was just \$150 billion. In 2022 the number reached \$17.96 trillion. Currently, China is the world's largest in terms of purchasing power parity (World Bank, 2024a).

The story of China is indeed unique. It was ruled by dynasties for many centuries before transitioning into a republic. Despite this change, the 'Middle Kingdom' remained one of the poorest countries. Thanks to its market-oriented economic policies, China grew rapidly, making it one of the largest economic players in the world.

## **4.3 ASEAN-China Trade Relations**

### **4.3.1 Historical Context**

The relationship between ASEAN and China has evolved over the past decades. Their historical interactions are rooted in trade and cultural exchange. This continues to contemporary strategic and economic partnerships. Their relations reflect a complex interplay of both politics and economy. This part explores its historical context and some key milestones.

Early Interactions date back to ancient times around 3<sup>rd</sup> century BC. China and Southeast Asian nations were involved in trade and cultural exchanges along the so-called Maritime Silk Road. This term originated silk as a popular commodity traded through coast to coast. Chinese traders played an important role in maritime trade with Southeast Asia during the Tang and Song eras. (7th to 13th century). Beyond silk, precious metals, tropical crops, and spices from Southeast Asia were traded for Chinese goods like tea and ceramics. The port cities of Palembang, Ayutthaya, and Malacca were key trading points connecting the marine commerce network. Chinese communities settled gradually throughout the region. They added to Southeast Asia's rich cultural diversity in which they combined regional practices with Chinese traditions. It later served as the cornerstone for close relations between China and the area that would eventually become ASEAN (Stuart-Fox, 2021).

The relationship with Southeast Asia evolved together with China's transition into a modern republic, and with many Southeast Asians gained its independency. During the Cold War, as domestic politics of the newly independence states changed, so did their relationships with China. The ASEAN establishment was politically aimed at countering communist expansion in the region. There was anxiety as in the 1960s and 1970s China's supports to communist movements in the region had caused some insurrections (Severino, 2008, p. 5).

However, things began to change in the late 1970s. When China adopted economic reforms, its foreign relations approach was also shifted. China sought closer ties with

ASEAN by the 1980s. Both established official diplomatic relations, with China promoted regional stability and economic cooperation.

ASEAN-China closer relations began in July 1991. At that time, the Foreign Minister of China attended the 24th ASEAN Ministerial Meeting in Kuala Lumpur. China was invited to this event as a consultative partner. The Chinese Minister expressed China's interest in working with ASEAN for mutual benefit. This marked what so-called 'comprehensive partnership' between the two. Later, at the 29th ASEAN Ministerial Meeting in 1996, China was granted full Dialogue Partner status (ASEAN Secretariat, 2021). These years were defined more by diplomacy and confidence-building rather than by substantive economic integration.

The turning point was the 1997 Asian Financial Crisis. The crisis exposed ASEAN's vulnerability to external shocks and highlighted the limitations of its traditional economic partners (the U.S., Japan, and Europe). In this moment, China's response was pivotal. By refusing to devalue its currency (the Renminbi), China provided a crucial anchor of stability for the region which prevented a devastating cycle of competitive devaluations. This act signaled China's emergence as a regional economic power (Gruenwald, 2003).

This goodwill was quickly institutionalized. In 1997, the two sides held their first informal summit and agreed to establish a partnership of good-neighborliness and mutual trust. This political commitment laid the foundation for the economic architecture to follow. The key development was the rapid formalization of these ties. The relationship was elevated to a Full Dialogue Partnership and discussions began on what would become the economic flagship of their relationship (ASEAN Secretariat, 2024; Bi, 2021).

#### **4.3.2 The Development of Trade Relations**

ASEAN-China economic ties have improved dramatically over the past few decades. They have developed into a significant regional partnership. The primary forces have been commerce, investment, and cooperative economic efforts. With increased market access to China, ASEAN nations could export more manufactured commodities, agricultural products, and raw materials. Put differently, China has

profited from having access to Southeast Asia's resources as well. Their mutually advantageous relationships have made them more interdependent.

The ASEAN China Free Trade Agreement (ACFTA) stands as one of the key developments in ASEAN-China relations. This free trade is one of the biggest free trade areas. The idea was proposed by China in 2000. When China gained accession to WTO in 2001, there were certain suspicions among ASEAN countries: China would be a competitor in the global market economy. At the same time, there were also some opportunities to take (Napoli, 2014). Especially when China had a big demand for raw materials and energy to boost its domestic industry (X. Zhao et al., 2010). Southeast Asia countries would provide these needs through a legit mechanism. For the sake of this momentum, a series of agreements were followed years later:

- November 2002 – The Framework Agreement on Comprehensive Economic Cooperation: a document as the blueprint for the ACFTA.
- November 2004 – The Agreement on Trade in Goods: guidelines for tariff reduction and elimination, rules of origin, customs procedures, and trade facilitation measures.
- January 2007 – The Agreement on Trade in Services: to liberalize and eliminate discriminatory measures relating to trade in services.
- August 2009 – The Agreement on Investment: provisions to ensure fair and equitable treatment for investors.

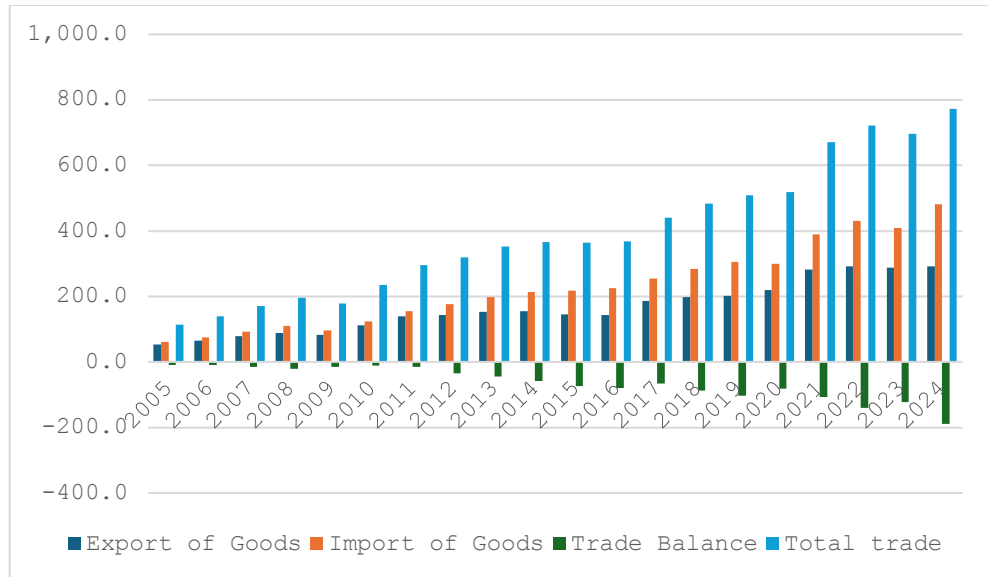
On January 1, 2010, ACFTA finally and fully came into force. The first phase of ACFTA commitment of the six origin signatory countries<sup>13</sup> to eliminating tariffs on 90% of their products by 2010. Between 2003 and 2008, trade between ASEAN and China increased significantly, rising from US\$ 59.6 billion to around US\$ 196 billion. In 2008, ASEAN and China's combined nominal GDP reached approximately US\$ 6 trillion (Gooch, 2009). By January 1, 2010, the average tariff on Chinese goods sold in ASEAN countries was expected to drop to 0.6% from

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<sup>13</sup> Brunei, Indonesia, Malaysia, The Philippines, Singapore, and Thailand. The remaining countries - Cambodia, Laos, Myanmar, and Vietnam - were targeted to adopt the same tariff reductions by 2015

12.8%. Meanwhile, the average tariff on ASEAN goods sold in China fell from 9.8% to 0.1% (Coates, 2009).

**Figure 11 ASEAN Trade with China (Billion US\$)**



Sources: data.aseanstats.org

Ever since, China has been ASEAN’s largest trading partner. Trade between ASEAN and China more than doubled, rising from US\$ 235.5 billion in 2010 to US\$ 507.9 billion by 2019. During this period, ASEAN’s exports to China grew at an average rate of 10.4% per year, while its imports from China increased by 12.5% annually (china-briefing.com, 2019). Despite the COVID-19 pandemic, the trend continued to grow. In 2020 for the first time, ASEAN became China’s largest trading partner. This made ASEAN and China each other’s top trading partners (ASEAN Secretariat, 2021). The total trade between the two continued to grow, reaching US\$ 581 billion in 2020 and nearing US\$ 772 billion by 2024 (ASEANStats, 2025).

In recent decades, ASEAN and China have exchanged goods of immense value. The most notable have been manufactured products, particularly electronics and machinery. By 2022, nearly 80% of ASEAN’s imports from China were industrial inputs. These served manufacturing, construction, and technological needs. Electronics, machinery, chemicals, plastics, and aluminium formed the backbone of this supply. China, as ASEAN’s largest trading partner, sustains the region’s industrial momentum. It does so by ensuring factories, construction sites, and tech companies receive the vital materials to operate smoothly.

**Table 7 Top Ten Traded Products between China and ASEAN in 2022<sup>14</sup>**

| <b>HS</b> | <b>Top Ten Export Commodities to China</b>  | <b>million US\$</b> |
|-----------|---|---------------------|
| <b>85</b> | Electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers, parts and accessories of such articles | 89,361.70           |
| <b>27</b> | Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes  | 29,205.20           |
| <b>72</b> | Iron and steel  | 20,255.10           |
| <b>84</b> | Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof   | 20,029.20           |
| <b>39</b> | Plastics and articles thereof   | 12,158.80           |
| <b>40</b> | Rubber and articles thereof   | 10,309.20           |
| <b>15</b> | Animal or vegetable fats and oils and their cleavage products; prepared animal fats; animal or vegetable waxes  | 9,184.90            |
| <b>8</b>  | Fruit and nuts, edible; peel of citrus fruit or melons  | 8,012.50            |
| <b>29</b> | Organic chemicals   | 7,906.90            |
| <b>90</b> | Optical, photographic, cinematographic, measuring, checking, medical or surgical instruments and apparatus; parts and accessories   | 7,712.60            |
|           | Top Ten Exports   | 214,136.30          |
|           | Others  | 76,630.20           |
|           | Total Exports   | 290,766.50          |
| <b>HS</b> | <b>Top Ten Import Commodities from China</b>  | <b>million US\$</b> |
| <b>85</b> | Electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers, parts and accessories of such articles | 136,656.00          |
| <b>84</b> | Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof   | 68,016.90           |
| <b>27</b> | Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes  | 19,458.20           |
| <b>39</b> | Plastics and articles thereof   | 19,288.90           |
| <b>72</b> | Iron and steel  | 17,135.20           |
| <b>73</b> | Iron or steel articles  | 14,025.10           |
| <b>29</b> | Organic chemicals   | 13,109.70           |
| <b>38</b> | Chemical products n.e.c.  | 10,871.10           |
| <b>87</b> | Vehicles; other than railway or tramway rolling stock, and parts and accessories thereof  | 10,251.10           |
| <b>76</b> | Aluminium and articles thereof  | 8,566.70            |
|           | Top Ten Imports   | 317,378.90          |
|           | Others  | 113,957.70          |
|           | Total Imports   | 431,336.60          |

<sup>14</sup> The list is just an example to offer a perspective - not intended for analysis.

Source: (ASEAN Secretariat, 2023a)

On the other hand, over half of ASEAN's exports to China were electronic equipment and metals. Ferronickel and stainless steel stood out among these. ASEAN also contributed with coal, plastics, rubber, and agricultural products like palm oil and fruits. This exchange reflects a deeper economic interdependence, where each side sustains the other's progress.

Those figures might partly explain that both ASEAN and China have managed to leverage each other's markets. They have benefited from the mutual demand for goods and services. The ACFTA has created opportunities for businesses, promoted economic integration, and enhanced regional stability. It has also been a platform for dialogue and cooperation on various economic issues.

Another thing that could be related the economic relations is The Belt and Road Initiative (BRI). It was introduced by Chinese President Xi Jinping in 2013 to promote economic cooperation by setting up infrastructure development across Asia, Europe, and Africa. In this case, all ASEAN countries have joined the initiative. The importance of ASEAN countries lies in the reason that they are located strategically along the maritime and land routes of the BRI (Tritto et al., 2020).

The initiative focuses on building transportation networks, including roads, railways, ports, and airports, to facilitate the movement of goods and services. With BRI, China is increasingly bringing projects to Southeast Asian countries. Cooperation in electric power, oil and gas, and renewable energy has witnessed strong growth. Infrastructure cooperation, especially in high-speed rail, is steadily progressing. Flagship projects, including the Jakarta–Bandung High-speed Railway, the China–Laos Railway, and the China–Thailand Railway, have been launched (Guoping, 2022).

BRI projects are in line with the existing ACFTA, i.e. toward an increased market access, as well trade and investment opportunities for both (Yip et al., 2022). The infrastructure projects facilitate smoother, faster trade, boosting the benefits of ACFTA. The BRI provides capital for infrastructure projects that further attract foreign investment. ACFTA itself is to promote economic integration through trade

liberalization. The BRI strengthens this integration by physically linking ASEAN and China with new infrastructure.

In 2020, when the COVID-19 contracted global economy, the ASEAN-China trade remained resistance. In fact, that year was the year ASEAN surpassed the European Union to become China's largest trading partner. While global supply chains faltered, the two partners maintained a total bilateral trade of US\$ 518 billion, up from US\$ 507 billion in 2019. This resilience was largely driven by the strong Chinese demand for ASEAN's electronics components and agricultural products, and corresponding ASEAN demand for Chinese medical supplies and manufactured goods related to the work-from-home economy (X. Li, 2021).

Such resilience confirmed the importance of economic integration. ACFTA was later complemented - if not advanced - by the Regional Comprehensive Economic Partnership (RCEP). It was first negotiated in 2012, officially signed in 2020, and came into force in 2022. RCEP includes China, all of ASEAN, Japan, South Korea, Australia, and New Zealand, as an effort to consolidate the noodle-bowl of overlapping 'ASEAN+1' free trade agreements.<sup>15</sup> The goal was to create a single trade pact between all ten ASEAN members and the six existing FTA partners (ASEAN, 2022).

Upon its creation, RCEP became the world's largest free trade bloc which covered roughly 30% of global GDP and 30% of the world's population. For the trade relationship, RCEP's significant provision is the establishment of a single and common set of rules of origin for the entire bloc. This allows regional supply chains to function more efficiently. Businesses can source inputs from any member country without navigating the different rules of the previous ASEAN+1 agreements (MOFA Japan, 2023). The impact was clear. In 2022, the first year of RCEP's implementation, bilateral trade between China and ASEAN surged by 15%. By 2024, total bilateral trade reached US\$772 billion (ASEANStats, 2025). This demonstrated their status as indispensable trading partners.

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<sup>15</sup> The term ASEAN+1 refers to free trade agreements between ASEAN and individual partner countries. Each "+1" signifies one of ASEAN's trading partners - such as China, Japan, South Korea, Australia, or New Zealand - resulting in multiple overlapping FTAs. RCEP sought to streamline and unify these.

RCEP has promoted investment flows and regulatory coherence among its members. For ASEAN and China, RCEP represents not only a consolidation of existing trade ties. It served as a vessel to steer regional economic order in the Asia-Pacific region. It anchored their position at the core of regional stability.

The evolution of ASEAN–China trade relations show how institutionalised cooperation - like the ones under ACFTA, BRI, and RCEP – could shape the landscape of regional economic relations. The trade liberalization and infrastructure connectivity have helped to drive growth, resilience, and interdependence. Regionalism with shared economic interests could act as an architect of stability.

#### **4.4 The South China Sea Conflict**

The South China Sea (SCS) is a semi-enclosed area bordered by China and Taiwan in the north, the Philippines in the east, Brunei and Malaysia in the south, and Vietnam in the west. It is a strategic route with abundant natural resources beneath the surface. As a shipping lane connected to the Malacca Strait and Sunda Strait, SCS is the second most used sea route in the world. Around one-third of the international freight is transported through the SCS (CSIS, 2019).

The sea consists of a group of uninhabited islands and the value of resources beneath the sea is claimed to reach trillions of dollars. An estimation shows that oil and gas reserves of around 7 billion barrels and 274 billion cubic meter respectively have been proven in the sea (Kaplan, 2015). Another version according to the United States Energy Information Agency, natural gas in the sea is about 58 trillion cubic meter while oil reserves are estimated at roughly 11 billion barrels (AMTI, 2019). Meanwhile, China figured that approximately 152 trillion cubic meter of natural gas and about 125 billion barrels of oil are in the area (Saiidi, 2018). The estimation of the energy resources might have been calculated differently. Yet, the point is, its value of abundance resource and strategic lane represent obvious potentials for every party to maintain the ownership of the sea.

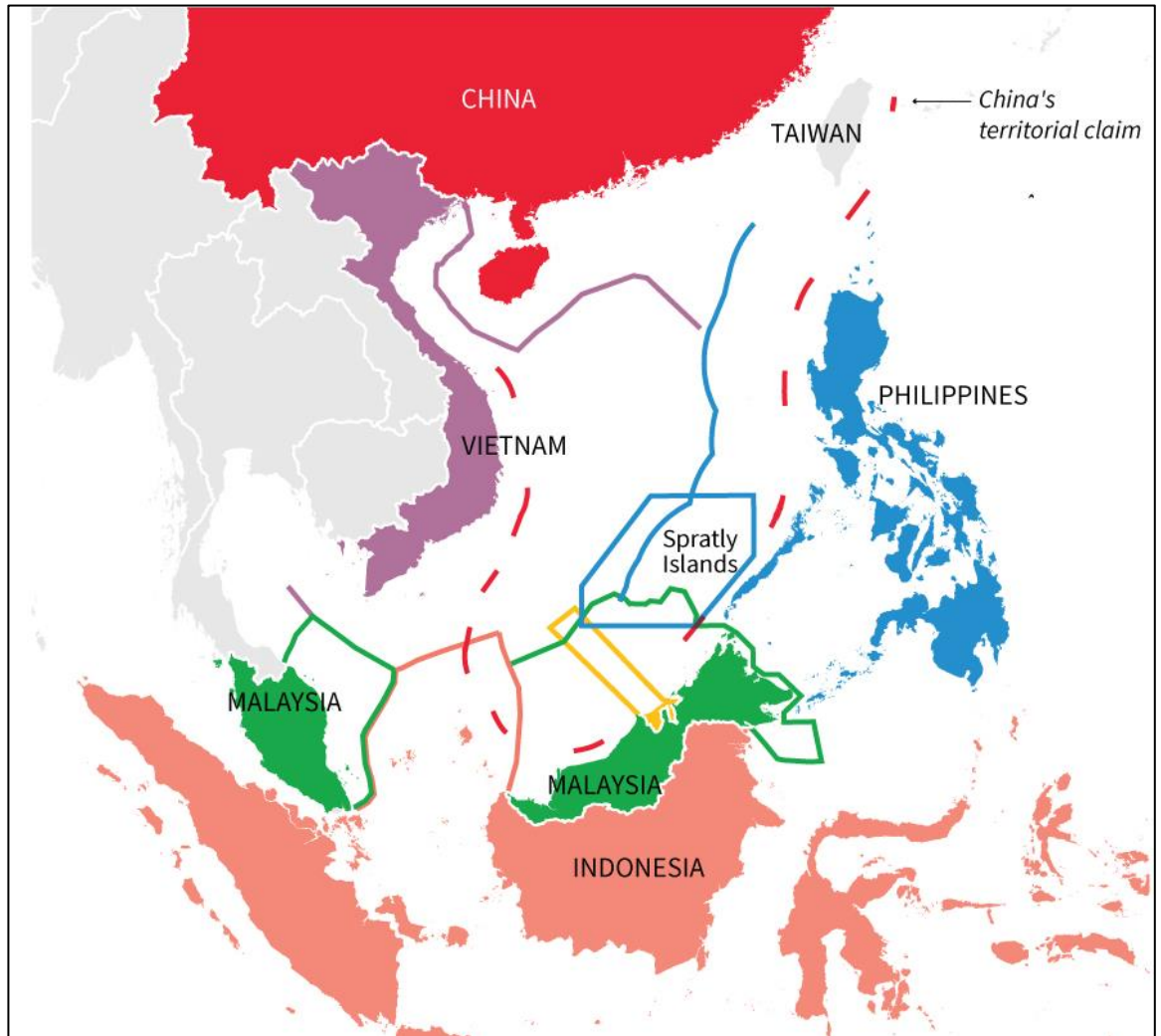
The SCS has for years been a thorn in the side of international relations, as many countries claim rights over its waters and the vast natural resources under the surface.

This strategic waterway, considered the most critical pin of global trade, has become the source of tension among states in the region. The states disputing the waters are China (and Taiwan),<sup>16</sup> Brunei Darussalam, Malaysia, the Philippines, and Vietnam (and somehow Indonesia, see figure below). China's claim extends more than one thousand kilometres away from mainland China disregarding the exclusive economic zones (EEZ) covering around 80% of the sea. This coverage has been emphasized since 2009 when China introduced the nine-dash line, a virtual map that covers the Paracel islands – which are claimed by Vietnam – to the Spratly Islands which are also claimed by the Philippines, Malaysia, Vietnam, and Brunei Darussalam. China has major spots in the Paracel Islands, the Spratlys, and Scarborough Shoal. China even has built artificial islands on it (AMTI, 2022; Lee, 2015) featured with some installations of remote sensors technology, runways and helipads, port facilities, as well as several bunkers for fuel and weapons (Steven, 2019).

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<sup>16</sup> Although Taiwan is also a claimant, for the sake of simplicity in the discussion, Taiwan will not be mentioned separately, as it is officially considered part of China (although the situation is indeed more complex).

Figure 12 Overlapping Territorial Claim in South China Sea



Source: Reuters (2024)

China bases their claims on historical records - that they have used certain islands and waters for centuries. Meanwhile, the ASEAN littoral states refer to UNCLOS. They argue over maritime boundaries and rights to specific areas within exclusive economic zone (EEZ). All parties recognise how crucial SCS is in terms of maritime route. Those who control over the sea would hold control over some parts of international trade. As the SCS is also believed to have abundance resources (natural gas/oil and fishery), controlling over these resources means economic advantages (Dupuy & Dupuy, 2013; Singh, 2016). Most importantly, there is a broader struggle for dominance in the region. Powerful nations such as China and United States assert their influence to countries in the region (B. Hu, 2021).

Incidents of military and diplomatic standoffs have become more frequent. They have raised regional concerns and prompted responses from ASEAN. Despite efforts to resolve disputes through diplomatic and legal channels, the conflict has persisted. The waters have been disputed since decades. But in the last couple of years, there had been heightening incidents, as follow:<sup>17</sup>

In 2011, tensions between China and Southeast Asian countries were marked by several incidents. On 25 February, a Chinese frigate fired shots at Philippine fishing boats near Jackson Atoll after ordering them to leave the area. Later, on 26 May, a Vietnamese survey ship clashed with Chinese vessels off Vietnam's coast, with Vietnam accusing China of deliberately cutting its exploration cables. A similar incident occurred on 9 June, when another Vietnamese ship's cables were cut by Chinese patrol vessels. By 10 October, Vietnam and China agreed on principles to settle their maritime disputes, yet regional tensions remained.

In 2012, the Philippines and China faced off at Scarborough Shoal. In April, a Philippine warship was involved in a standoff with Chinese surveillance vessels, and by 16 April, China urged a Philippine archaeological ship to leave the area. The situation escalated on 7 May when China summoned a Philippine diplomat over the ongoing tensions at the shoal. A fishing ban from both nations was implemented on 16 May, but by July, China had erected a barrier at the entrance of the shoal. During this time, a Chinese frigate ran aground at Half Moon Shoal on 11 July, adding to the tension. Meanwhile, Vietnam passed a law in July, claiming the Spratly and Paracel islands as part of its maritime borders, further straining relations with China.

In 2013, Malaysia displayed little concern over a Chinese military exercise at James Shoal in March, while by August, Malaysia suggested it might work with China on their SCS claims, indicating a more cooperative stance compared to other Southeast Asian nations. In 2014, confrontations continued between Vietnam and China. On 2 May, Vietnamese and Chinese ships collided when China set up an oil rig in disputed waters. Later that month, on 26 May, a Vietnamese fishing boat sank after colliding with a Chinese vessel near the oil rig. These incidents triggered regional concern, and

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<sup>17</sup> Base on the Council on Foreign Relations (2025) available at <https://www.cfr.org/timeline/chinas-maritime-disputes>

ASEAN leaders began to express more serious concerns about China's actions in the region.

By 2015, China's expansion of land reclamation activities in the SCS intensified, including transforming Mischief Reef into an island by April. Meanwhile, Vietnam also made upgrades to Sand Cay, a Vietnamese-controlled area, between August 2011 and February 2015. In July, the Philippines escalated its legal challenge against China, bringing their territorial dispute to the Permanent Court of Arbitration. In 2016, Vietnam strongly protested China's landing of a civilian aircraft on Fiery Cross Reef on 3 January. Later, on 12 July, the arbitration tribunal ruled against China's nine-dash line claims, marking a significant legal victory for the Philippines, though China rejected the ruling.

In subsequent years, smaller but still significant confrontations continued. On 25 September 2017, Vietnam protested after the Filipino coast guard opened fire on a Vietnamese fishing boat. In December 2019, China sent fishing boats escorted by coast guard vessels into waters claimed by Indonesia near the Natuna Islands, sparking diplomatic tensions. This continued into 2020, when Indonesia reported further Chinese incursions into its exclusive economic zone on 29 January. In 2023, China revised its territorial claims map, extending the "nine-dash line" near the coast of Borneo. This move led to protests from Southeast Asian countries, including Malaysia, the Philippines, and Vietnam.

The central points of these events lie a growing tension between China and Southeast Asian states. The struggle for the SCS is a contest for dominion over waters rich in resources and vital shipping routes. Incidents of maritime clashes, diplomatic friction, and legal confrontations reveal the deeper currents beneath this conflict. China's bold actions - military displays and the creation of artificial islands - continuously test the sovereignty of the Philippines, Vietnam, and Indonesia. They find themselves compelled to defend their maritime claims. Legal recourse and diplomatic protest have become their necessary responses. China, at the same time, remains firm in its claims based on history. This ongoing conflict reflects the interests that both China and Southeast Asians are pursuing.

This is why the SCS dispute is commonly described as one of the three flashpoints in East Asia.<sup>18</sup> It represents a potential conflict of national interests and a threat to international security. Like most territorial disputes, those stemming from the SCS are multi-layered which are based on many reasons from historical, legal, geostrategic, resource potential, to competition for power.

#### 4.4.1 China's Stand

Although having ratified UNCLOS, China does not really consider the EEZ in the SCS. Beijing drew 'Nine-dash line,' a virtual map that extends China's territorial claim more than one thousand kilometres away from its mainland. The area included in the nine-dash line covers the Paracel islands – which at the same time are claimed by Vietnam – to the sea in the Spratly Islands, where China has disputes with the Philippines, Malaysia, Vietnam, and Brunei Darussalam. Simply put, the length of the nine-dash line - covering almost all the SCS - has led Beijing to disputes with some ASEAN countries since its claim overlaps their EEZ.

The history of nine-dash-line could be dated back to 1947. When China was still controlled by the Kuomintang party, the country had already set its territorial claim on the SCS. At the time, the Kuomintang government created a demarcation line, which they referred to as the "eleven dash lines." According to this claim, China ruled the majority part of the sea, including Pratas, Macclesfield, Spratly, and Paracel Islands, acquired by China from Japan after World War II. This claim was retained when the Communist Party came to power in 1949. The communist government simplified the map by converting it to the "nine-dash line," which is now used as the historical base to claim almost all the waters.

China's claims based on the line impact the loss of area of the four ASEAN countries.<sup>19</sup> The sea areas of the countries like the Philippines and Malaysia are reduced by about 80%, Vietnam is 50%, and Brunei is 90%. In addition to referring the nine-dash line, China also claims the sea referring to the boundaries of the

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<sup>18</sup> Alongside the Korean Peninsula and the Taiwan Strait conflicts.

<sup>19</sup> In early 2020, China's claims also affected Indonesia's water loss area of approximately 83,000 km<sup>2</sup> off the coast of the Natuna island - Indonesia.

Chinese region since the Ming dynasty. The basis of China's claims over almost all the waters of the SCS was subsequently rejected by The Permanent Court of Arbitration (PCA) in the SCS Tribunal 2016. The PCA has stated that China has no right to the SCS and that the nine-dash line does not conform to UNCLOS 1982. The decision of the case – that is formerly a Philippines' lawsuit – was explicitly rejected by China. In fact, from the very beginning, China rejected the Philippines lawsuit under the pretext of the lawsuit was a confrontational way to resolve the dispute.

While China has about 20 spots in the Paracel Islands, they also control some others in the Spratlys. Moreover, Beijing also controls Scarborough Shoal, which was seized in 2012. China has been dredging and building artificial islands since 2013 on the Spratly Islands. This unprecedented thing has created 3,200 hectares of new lands (AMTI, 2022). It was also reported that China began to build other artificial islands in Paracels (Lee, 2015) China's construction has been augmented with some features such as remote sensors technology, runways and helipads, port facilities, as well as several bunkers for fuel and weapons. The efforts are believed to be China's attempt to project its maritime power in this territorial water. Chinese military steps in the archipelago has risen gradually (Steven, 2019).

#### **4.4.2 Southeast Asian Littoral States**

Concerns over the security issues in the SCS could be reasonably understood because of China's military development and its presence in the sea. China's military spending seems to continue growing, and China's military power has been shifted from land-less operations to more on sea powers along with air forces (Char & Bitzinger, 2017). Hence, when Chinese military patrols in the sea happen, it raises suspicion and fears among those countries - that China is a threat to regional political stability.<sup>20</sup>

Four major claimant states in Southeast Asia are Vietnam, the Philippines, Malaysia, and Brunei Darussalam. The conflicts between China and each of the countries have occurred since many decades - even before Vietnam and joined the

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<sup>20</sup> This may become the reason why some of the ASEAN countries involved in the SCS dispute rely on the United States's assistance – or alliance to be exact.

Association in 1995. ASEAN as a regional organization was founded to, among others, maintain stability in the region. Any conflict occurring in the Southeast Asia is, thus, perceived as a serious threat to the countries in the region. When at the beginning, the SCS issues involved only some of the ASEAN member states, desperate security tensions between China and Vietnam constituted another considerable challenge.

Vietnam, compared to other ASEAN claimant states, perhaps is the most serious one in standing up against China, although sometimes the tensions could be handled. When somehow military forces were employed by China to maintain its sovereignty, the same ways were also done by Vietnam, leading to a critical situation. As early as 1974, a conflict between both resulted in expulsion of the South Vietnamese army and navy from the Pattle Island, part of Paracels. A decade later, clashes broke out again surrounding Johnson South Reef, part of Spratlys, in 1988. This conflict resulted in several Vietnamese ships sinking and many casualties (Pedrozo, 2014, pp. 24–25). The tension peaked due to overlapping claims, especially with regards to oil explorations in Paracels and Spratlys, and became worse because of fishing issues. The conflict came to normalization after, in November 1991, both agreed to stabilize their relations. Subsequently, throughout the 2000s, the conflict between the two countries did not occur, leading China-Vietnam relations to be relatively stable, especially when both countries signed the Joint Statement on All-Round Cooperation in the New Century. Although various minor tensions occurred from 2001 to 2008, the security issue in the China-Vietnam relations was still quite stable.

Nevertheless, the level of tension increased again since 2009, when a Chinese travel company toured an area in the Paracel Islands. The issue of legitimacy in international law, in this case UNCLOS, then stuck to the surface heating the tensions. Between 2010 and 2011, numerous anti-China protests happened in Vietnam because of Vietnamese detentions by China, the nine-dash-line map release, China military exercises, as well as an economic development program by Hainan Island authorities that covered the tensioned Spratlys and Paracels. The tensions subsided after Beijing and Hanoi conducted a high-level summit and agreed to the Agreement on Basic Principles in October 2011. Another high-level summit was also

held in June 2013, which demonstrated the willingness of both parties to manage regional conflicts in the SCS.

The Philippines might be the second most confronting player toward China in the SCS dispute. The most notable conflicts between them were the Mischief Reef (Meiji Reef in Chinese) and Scarborough Reef (Huangyan Island in Chinese) incidents in 1995 and 1997 respectively. Subsequently, at least until 2008, the relations between the two nations in the SCS issue could be handled with good cooperation and management. In 2009, however, both met a new episode of ties. Tensions increased after several bilateral issues related to claims of sovereignty in the waters. In early 2009, when UNCLOS's interpretation of the coastline and EEZ for territorial claims in the SCS came to the horizon, 'wars of statement' and responses from both countries echoed up to strengthen their respective arguments. The government of each country threw the disagreements several times for almost two years. On April 5, 2011, the Philippines decided to send objections to the Secretary-General of the UN in response to China's map that displays the nine-dash line. China responded it by mentioning that before the 1970s, the Philippines had never claimed the concerned territory and, thus, the Philippines' occupation was violating sovereignty.

The dispute continued to peak when in 2012, naval stand-off between both parties occurred over Scarborough Shoal. Following this serious tension, on January 22, 2013, the Philippines filed an international arbitration process to the Permanent Court of Arbitration (PCA) to counter Chinese claims (Jianwei, 2014). China refused to take part in the UN arbitration proceedings and became the first party to refuse participation in inter-state arbitrations under UNCLOS. On July 12, 2016, PCA released an arbitration award in a favor to the Philippines over China, stating that China's control in the disputed Sea is unlawful. The press release also mentioned that there was no historical evidence for the nine-dash-line (PCA-CPA, 2016). Nevertheless, China rejected the ruling asserting that its sovereignty and maritime rights would not be affected by this (The Guardian, 2016). Beijing also contended that the disputes with the Philippines - and other ASEAN claimant countries - should be solved by negotiation through the Declaration on the Conduct of Parties in the South China Sea (DOC) agreed in 2002 (Ministry of Foreign Affairs - PRC, 2016).

In the meantime, Malaysia and Brunei also put their claims over some areas in the SCS that both states assert their boundaries fall within their economic exclusion zones, as defined by UNCLOS. Compared to two Vietnam and the Philippines, Malaysia and Brunei experience fewer disputes due to their small, claimed areas. Thus, their relations with China mostly focus on other areas beyond security issues.

Malaysia also occupies several parts of Spratly Islands based on the Malaysian continental shelf boundary map released in 1979. Since 1983 Malaysia has surveyed the water around the islands, signalling Malaysia's seriousness in exploring it. Nonetheless, Malaysia's claims lie and overlap only the southernmost nine-dash-line. As a result, the disputes with China are relatively less and Malaysia's approach has been more low-profile and softer in the last few years. This situation could be seen especially from 2009 to 2014 under Najib Razak's administration. When China began to take more assertiveness acts in the SCS, the Malaysian's policy remained no different (Parameswaran, 2015). According to former Malaysian Prime Minister Mahathir Mohamad, China is not a threat to anyone in the SCS dispute (SCMP, 2018a). Malaysia puts many interests in the sea that are mostly related to maintaining favorable relations to any concerned countries and reduce tensions in the region. Indeed, maintaining territorial integrity in the Spratlys is essential for Malaysia's prosperity and security. As the second-largest gas and oil producer in Southeast Asia, Malaysia sees its territory in the SCS as an important part of the resources. As a matter of fact, the oil and gas sectors are a sizable amount of annual revenue of the country.

In the case of Brunei Darussalam, some pieces of area in the Spratly Islands are also claimed by this country based on its continental shelf maritime zone. Brunei only claims the water, not islands in the sea. The apparent claim by Brunei is Louisa Reef that intersects with China's nine-dash-line. Fortunately, China-Brunei relations have been well-maintained that both could make many intense collaborations. For example, when in November 2018 Brunei received a state visit from President Xi Jinping, they agree to strengthen economic aspects (Xinhuanet, 2018). China and Brunei have also agreed to increase oil and gas exploration in the disputed SCS. Considering the leaders agreed on the cooperation in trade and investment (SCMP, 2018b), it seems that both parties have closer relations than other claimants. The

further cooperation that has been developed includes Brunei's role in the BRI. In its relations with China, Brunei might consider economic collaboration far more important than maritime disputes. The security issue in the sea might have no place in their relations. Yet, it does not necessarily mean that a security realm is being ignored. China and Brunei even have attempted to establish military cooperation. In April 2019, for instance, a Brunei naval voyage to China could mean that both countries were strengthening their military presence in the region (Parameswaran, 2019). Both might want to ignore the territorial dispute and, hence, the military convention could indicate growing political ties.

To sum up, Southeast Asian claimants have different approaches to cope with China's presence in the sea. While Brunei and Malaysia experience fewer conflicts with China, Vietnam and the Philippines have been most of the time in tension. Since the tension occurs along with military presence in the region, any conflicts resulted from it definitely would become concerns to the other countries. As the conflict involves its member states, ASEAN's apprehension is a natural stand. From conflicts between China and the respective countries, the issues have become the main concerns for ASEAN as a regional organization. The military presence could definitely threaten regional stability. Multilateral tracks have been taken into account to manage the conflicts. Securing the region is their common goal as it is in line with the Association's idea of common destiny.

## Chapter 5: Quantitative Results

This chapter presents the quantitative findings, which employs econometric techniques to examine the central question of this study: Do the South China Sea disputes disrupt the trade relationship between the ASEAN and China? To address this, the analysis moves beyond surface correlation. It uses a dynamic panel model applied to data on trade, conflict, and other variables across time. The aim is to trace whether tension shapes the trade within a region where commerce and conflict share the same sea.

### 5.1 Descriptive Statistics

The quantitative inquiry begins with the data's fundamental properties. The panel dataset contains observations for 10 ASEAN states (N=10) over 20 years, 2005-2024 (T=20). This structure yields 200 country-year observations. presents the data's architecture. Specific variables (trade, GDP, price, exchange rate) are log-transformed, denoted by ln. The ln transformation is to manage the extreme skewness of raw economic data. It allows coefficients to be interpreted as elasticities.<sup>21</sup>

**Table 8 Descriptive Statistics of Variables (N=200)**

| Variable                          | Symbol | Mean     | Std. Dev. | Median   | Min   | Max       |
|-----------------------------------|--------|----------|-----------|----------|-------|-----------|
| Total Trade (US\$, millions)      | TRA    | 47,043.9 | 54,949.9  | 23,811.9 | 135.7 | 261,218.6 |
| ln(Trade)                         | TRA    | 23.46    | 1.90      | 23.89    | 18.73 | 26.29     |
| ln(GDP) (ASEAN Country)           | GDP    | 25.42    | 1.54      | 25.99    | 21.73 | 27.96     |
| ln(CGDP) (China)                  | CGDP   | 29.82    | 0.62      | 30.01    | 28.46 | 30.56     |
| ln(Distance) (km)                 | DIST   | 8.15     | 0.24      | 8.11     | 7.75  | 8.56      |
| ln(Exchange Rate) (Local vs. RMB) | EXC    | 3.22     | 3.74      | 2.00     | -1.64 | 8.19      |
| ln(CPI) (ASEAN, 2010=100)         | CPI    | 4.74     | 0.24      | 4.72     | 4.31  | 5.34      |
| ln(CCPI) (China, 2010=100)        | CCPI   | 4.77     | 0.17      | 4.79     | 4.46  | 4.97      |
| Tariff (Simple avg. duty %)*      | BUT    | 7.05     | 3.93      | 6.90     | 0.00  | 16.80     |
| Conflict Frequency*               | CCF    | 0.18     | 0.50      | 0.00     | 0.00  | 3.00      |

Note: \*Conflict Frequency and Tariff are not log-transformed.

<sup>21</sup> An elasticity (e.g., "a 1% change in X") is a more comparable measure than a simple unit change (e.g., "a one-dollar change in X").

The dependent variable, Total Trade, has a mean of 47,043.9 million US\$. Its standard deviation is 54,949.9, which is much larger than the mean. This signals extreme positive skew. A few large trading partners (like Vietnam, Malaysia) pull the average far away from the median (23,811.9). This skewness is a known feature of trade data and became a problem for linear models. The log-transformation -  $\ln(\text{Trade})$ , and applied to the other variables - corrects this.  $\ln(\text{Trade})$  has a mean of 23.46 and a standard deviation of 1.90. hence, this distribution is far more symmetric.

The GDP variables show an asymmetry. China's economic mass,  $\ln(\text{GDP}_j)$ , has a mean of 29.82. Its standard deviation is tiny, at 0.62. This is a statistical portrait of persistent growth. Meanwhile the ASEAN economies,  $\ln(\text{GDP}_i)$ , are different. Their mean is smaller (25.42). Their standard deviation is 1.54, nearly three times larger than China's. This variance captures the profound economic heterogeneity of the ASEAN bloc. It contains high-income states like Singapore and low-income states like Lao PDR. The  $\ln(\text{Distance})$  variable represents friction. Its mean is 8.15, with a very small standard deviation (0.24). This reflects a tight, fixed geographic cluster. This variable is time-invariant as geographic characteristics are constant over time.

The Conflict Frequency variable as the core of the research question has mean of 0.18 and median of 0.00. The Max value is 3. This shows incidents are never exceeding 3 times in a year, while sometimes it is zero (no incident). Hence, this variable does not follow a normal distribution. The  $\ln(\text{Exchange Rate})$  has a mean of 3.22 and a standard deviation of 3.74. since the standard deviation is larger than the mean, this signals volatility. This variable is a prime candidate for non-stationarity. The Tariff variable has a mean of 7.05. Its minimum of 0.00 is empirical fact, not error. It is the signature of the ASEAN-China Free Trade Area (ACFTA). The zero value of Exchange Rate and Conflict Frequency makes log-transformation not possible, as  $\ln(0)$  is undefined. The model will use these variables in their level form. The  $\ln(\text{CPI})$  variables for both ASEAN and China (SD 0.24 and 0.17) show low variation. However, as price indices, they are text-book examples of variables that trend upwards over time.

## 5.2 Unit Root Test

As mentioned, before performing the main statistical analysis, it is important to make sure that the data is proper, or stationary. Stationarity is a critical property for time series data in econometric analyses, as non-stationary data can lead to unreliable statistical inferences. To do this a unit root test needs to be performed. One of many methods is LLC (Levin, Lin & Chu) unit root test (Levin et al., 2002). The test determines whether a series contains a unit root, which signals non-stationarity. The results from the unit root test in **Table 9** provide insights into the stationarity of the variables under consideration.

**Table 9 LLC Unit root test**

| <b>Variable</b> | <b>Level</b>               | <b>Significant</b> |
|-----------------|----------------------------|--------------------|
| TRA             | 1 <sup>st</sup> difference | -7.11324***        |
| GDP             | 1 <sup>st</sup> difference | -5.78731***        |
| CGDP            | 1 <sup>st</sup> difference | -11.3386***        |
| CPI             | At level                   | -2.46392***        |
| CCPI            | 1 <sup>st</sup> difference | -5.27098***        |
| EXC             | 1 <sup>st</sup> difference | -6.37639***        |
| DUT             | 1 <sup>st</sup> difference | -6.67528***        |
| CCF             | At level                   | -1.79811**         |

\*\*\*: significant at 0.01, \*\*: significant at 0.05. Distance was excluded from the test since it is time-invariant

Source: Own computation using EViews

Two variables proved stationary at their original levels: CPI and CCF. The CPI variable, representing consumer price indices across ASEAN countries, returned a test statistic of -2.46392. This exceeds the critical threshold at the 0.01 significance level. The CCF variable, which captures conflict frequency in the South China Sea, also tested stationary at level. Its test statistic of -1.79811 meets the 0.05 significance threshold. This means that these variables do not have a unit root and do not require differencing to achieve stationarity. Their statistical properties (such as mean, variance, and autocorrelation) are constant over time.

Meanwhile, six other variables failed the stationarity test at level. TRA (total trade between ASEAN and China), GDP (gross domestic product of ASEAN countries), CGDP (China's GDP), CCPI (consumer price indices of China), EXC (exchange rates), and DUT (simple average duty rates) all contained unit roots. Their LLC test statistics are not significant in the level form. This means their original forms exhibited trends or other non-stationary behaviors. The solution involved first differencing.

Taking the first difference of a series means calculating the change between consecutive observations. This transformation removes the unit root.

After first differencing, all previously non-stationary variables became stationary. TRA's differenced form produced a test statistic of -7.11324. GDP returned -5.78731, CGDP showed -11.3386, CCPI returned with a test statistic -5.27098, EXC showed -6.37639, and DUT registered -6.67528. All meet the stringent 0.01 threshold.

The prerequisite for efficient and consistent estimation in panel data is the stationarity of variables. The LLC tests indicate a mixed order of integration, where several variables are stationary only after first differencing while others are stationary at level. For variables that are stationary at first differencing, the standard practice is to use their first differences in the regression to avoid spurious results. The Generalized Method of Moments (GMM) framework provides a robust solution for this specific dynamic panel model structure. The GMM combines the standard "difference" equation (which instruments the differenced variables with lags of the levels) with a "level" equation (which instruments the level variables with lags of the differences). This dual system is efficient, especially when the instruments for the difference equation are weak. Also, by utilizing instruments from the level data for the differenced equation, and vice versa, the GMM is designed to handle the presence of both stationary at level and after differencing variables without losing information, provided the data is stationary overall (or mean-reverting) in the long run (Blundell & Bond, 1998).

All in all, the LLC unit root test confirms that the variables CPI and CCF are stationary at their levels, while TRA, GDP, CGDP, CCPI, EXC, and DUT required differencing to achieve stationarity. The unit root test results validate proceeding to GMM estimation. All variables either achieved stationarity at level or through first differencing. No variable exhibited higher-order integration requiring multiple differencing. The transformed variables preserve essential information while satisfying stationarity requirements.

### 5.3 The Determinant Factors of ASEAN-China Trade

Before running GMM, let us look at standard statistical analyses: Pooled Ordinary Least Squares (OLS) and then Fixed Effects (FE). Both are common methodological approaches in panel data analysis, especially when addressing potential endogeneity and dynamic relationships. This progression serves both diagnostic and comparative purposes. OLS provides a baseline while Fixed Effects control for country-specific characteristics. Simply put, these two serve as a benchmark and motivate my choice of a superior model (GMM, in this case).

#### 5.3.1 Pooled Ordinary Least Squares

The pooled OLS model was performed with the following results which show that the model is statistically significant and has moderate explanatory power. See the table below.

**Table 10 Pooled OLS**

| Variable       | Coefficient | Standard Error | t-statistic | p-value  |
|----------------|-------------|----------------|-------------|----------|
| Const          | -5.209e+09  | 4.04e+09       | -1.290      | 0.199    |
| DIST           | -4.962e+05  | 7.19e+05       | -0.690      | 0.491    |
| GDP            | 0.1138      | 0.020          | 5.668       | 0.000    |
| CGDP           | 0.0037      | 0.001          | 4.347       | 0.000    |
| CPI            | 6.422e+07   | 2.06e+07       | 3.122       | 0.002    |
| CCPI           | -5.508e+08  | 1.1e+08        | -5.001      | 0.000    |
| DUT            | 8.031e+08   | 9.47e+08       | 0.848       | 0.397    |
| EXC            | 2.808e+05   | 6.99e+06       | 0.040       | 0.968    |
| CCF            | 9.163e+08   | 1.15e+09       | 0.794       | 0.429    |
|                |             |                |             |          |
| R-squared      | 0.356       | Durbin-Watson  |             | 1.402    |
| Adj. R-squared | 0.328       | Prob (F-stat.) |             | 3.08e-14 |
| F-statistic    | 12.52       |                |             |          |

Source: Own computation using Python statsmodels.

According to the results, the F-statistic of 12.52 with p-value near zero rejects the null hypothesis of no relationship. R-squared equals 0.356. This means the model accounts for roughly 36% of trade variation. These fit statistics indicate that substantial variation remains unexplained. Trade determinants beyond those

included likely matter. Meanwhile, the Durbin-Watson statistic of 1.402 signals concern. Values near 2 indicate no autocorrelation. Lower values suggest positive autocorrelation in residuals. Observations contain information about subsequent observations beyond what the model captures. This violates OLS assumptions. Standard errors become understated and hypothesis tests grow unreliable. These issues are likely because the basic of OLS ignores country-specific factors.

### 5.3.2 Fixed Effects

Let us consider the next assessment with Fixed Effects model. At the beginning, the estimation failed due to an issue with the country dummy variables, which have too many individual categories. To fix this, I used a within-transformation method, also known as demeaning, which accounts for country-specific effects by subtracting the mean from each variable.

**Table 11 Fixed Effects (After Demeaning)**

| Variable       | Coefficient | Standard Error | t-statistic | p-value  |
|----------------|-------------|----------------|-------------|----------|
| Const          | 4.41e-07    | 4.83e+08       | 9.12e-16    | 1.000    |
| DIST           | 5.2e-09     | 2.2e-05        | 0.000       | 1.000    |
| GDP            | 0.0995      | 0.020          | 4.889       | 0.000    |
| CGDP           | 0.0039      | 0.001          | 5.098       | 0.000    |
| CPI            | 6.441e+07   | 1.89e+07       | 3.414       | 0.001    |
| CCPI           | -5.611e+08  | 9.71e+07       | -5.781      | 0.000    |
| DUT            | 1.41e+09    | 8.55e+08       | 1.650       | 0.101    |
| EXC            | -1.108e+06  | 6.62e+06       | -0.167      | 0.867    |
| CCF            | -8.643e+08  | 1.12e+09       | -0.773      | 0.441    |
|                |             |                |             |          |
| R-squared      | 0.372       | Durbin-Watson  |             | 1.791    |
| Adj. R-squared | 0.348       | Prob (F-stat.) |             | 8.78e-16 |
| F-statistic    | 15.42       |                |             |          |

Source: Own computation using Python statsmodels.

This fixed model's residuals exhibit several key issues. The Omnibus and Jarque-Bera tests yielded highly significant p-values, which indicates a violation of the assumption of normality. A positive skew of 0.463 and a high kurtosis of 5.416 suggest the residuals are not symmetrically distributed and contain heavier

tails than a normal distribution would. The Durbin-Watson statistic of 1.791, slightly below the ideal value of 2, suggests the presence of a mild positive autocorrelation. These results imply the model's assumptions are not fully met.

The unreliability of using OLS and FE in this case pertains to the data structure described in the first part of this chapter. We have seen the CCF (Conflict Frequency) variable - as central to the inquiry - has a mean of 0.18, a median of 0.00, and a maximum value of 3. This means incidents never exceed three per year and sometimes remain at zero. Statistically speaking, CCF does not follow a normal distribution. Using an Ordinary Least Squares model on such data is a category error. OLS assumes a continuous and normally distributed dependent variable. It would produce absurd predictions, such as a -0.5 'conflict event' or zero-inflated. Moreover, the whole dataset has a mix of stationary and non-stationary variables - as shown in the unit root tests - which might create spurious correlations.

### **5.3.3 The Generalized Method of Moments**

Next, I performed the more advanced model - GMM estimation. The results are summarized in **Table 12**. The R-squared value of 0.695 indicates that approximately 69.5% of the variance in the dependent variable is explained by the model. Hence it suggests a model fit. The standard error of 0.019 reflects the average deviation of the observed values from the predicted values. The Durbin-Watson statistic of 2.264, close to 2, suggests that there is no significant autocorrelation in the residuals. Compared to the OLS and fixed effects, we can proceed with the detailed results.

It assesses the determinants of ASEAN's total trade with China (how those variables impact the trade). The coefficients indicate the direction and magnitude of these impacts, while the t-statistic and probability (Prob.) values provide insight into the statistical significance of each relationship.

**Table 12 Determinant Factors of ASEAN Total Trade with China**

| Variable            | Coefficient | Std. Error          | t-Statistic | p-Value |
|---------------------|-------------|---------------------|-------------|---------|
| Const.              | 1.2168      | 1.495               | 0.814       | 0.417   |
| DIST                | -0.0006     | 0.000               | -2.554      | 0.012   |
| GDP                 | 0.4567      | 0.079               | 5.752       | 0.000   |
| CGDP                | 0.0023      | 0.001               | 2.480       | 0.014   |
| CPI                 | 0.0098      | 0.003               | 3.024       | 0.003   |
| CCPI                | -0.0492     | 0.131               | -0.376      | 0.707   |
| EXC                 | 0.0011      | 0.001               | 0.929       | 0.355   |
| DUT                 | -0.1550     | 0.190               | -0.814      | 0.417   |
| CCF                 | -0.2007     | 0.168               | -1.198      | 0.233   |
| R-squared           | 0.695       | Mean dependent var. |             | 0.212   |
| Adj. R-squared      | 0.670       | S.D. dependent var. |             | 0.434   |
| S. E. of regression | 0.019       | Sum squared resid.  |             | 0.010   |
| Durbin-Watson       | 2.264       |                     |             |         |

Source: Own computation using Python statsmodels.

The variables DIST, GDP, CGDP, and CPI are statistically significant predictors. Their p-values are less than 0.05. Meanwhile, CCPI, EXC, DUT, and CCF are not statistically significant as their p-values are greater than 0.05.

GDP serves as the strongest predictor. The coefficient of 0.4567 indicates that a one unit increase in ASEAN GDP associates with roughly 0.46-unit growth in bilateral trade. This magnitude reflects the fundamental relationship between economic size and trade capacity. Larger economies generate more goods, consume more imports, and maintain deeper commercial networks. The t-statistic of 5.752 confirms this relationship holds beyond chance. China’s GDP shows similar but weaker effects. The coefficient of 0.0023, while statistically significant at the 0.014 level, suggests diminished returns from Chinese economic expansion. This asymmetry merits consideration. ASEAN’s economic growth creates proportionally larger trade opportunities than equivalent Chinese growth.

Distance operates as expected. The coefficient of -0.0006 confirms transportation costs matter. Greater separation between trading partners reduces exchange volumes. The relationship persists though the effect remains modest.

ASEAN's CPI shows a coefficient of 0.0098, significant at the 0.003 level. Rising prices within ASEAN correlate with increased trade volumes. CPI typically signals inflation. In this context its positive relationship with trade may reflect periods of strong economic activity associated with higher import demand. Meanwhile, China's CPI produces no significant effect. The coefficient of -0.0492 carries a p-value of 0.707, indicating the relationship could easily emerge from random variation. Chinese domestic price movements do not systematically influence bilateral trade flows.

Exchange rates show no discernible impact. The coefficient of 0.0011 fails to reach significance, with a p-value of 0.355. Currency valuations fluctuate without systematic trade consequences in this model. This absence contradicts conventional wisdom about exchange rate effects on trade competitiveness. Tariffs likewise fail to demonstrate clear effects. The coefficient of -0.1550 carries the expected negative sign but lacks statistical significance. The p-value of 0.417 suggests this relationship could emerge through chance.

The coefficient for CCF is -0.2007 with a p-value of 0.233. This indicates no statistically significant relationship at conventional levels. This finding is theoretically important: it demonstrates that SCS conflicts do not systematically disrupt trade flows. The lack of significance does not mean conflict is irrelevant. Rather, it suggests that other mechanisms successfully insulate economic relations from geopolitical tensions.<sup>22</sup>

The model's overall performance provides context. An R-squared of 0.695 indicates the included variables explain roughly 70 percent of trade variation. The Durbin-Watson statistic of 2.264 sits near the ideal value of 2, suggesting minimal autocorrelation in residuals. This validates the model's structure.

What emerges resembles a tableau where economic fundamentals dominate while political factors recede into background noise. Trade follows GDP growth patterns with mechanical regularity. Distance imposes modest friction. Prices occasionally constrain demand. But conflicts, tariffs, and exchange rates fail to

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<sup>22</sup> This pattern creates an empirical puzzle: given the persistent military standoffs, diplomatic confrontations, and sovereignty disputes documented in Chapter 4, why don't these conflicts translate into trade disruption? The qualitative analysis in Chapters 6 and 7 will explore this resilience.

demonstrate systematic effects. This pattern supports the hypothesis that economic interdependence persists despite political discord, though the weakness of the conflict coefficient prevents strong conclusions.

## 5.4 Post-Estimation

To ensure the reliability of the GMM estimation, standard post-estimation diagnostics were conducted. These include the Hansen test of overidentifying restrictions and the Arellano–Bond (AR) tests for serial correlation in the first-differenced residuals. These tests examine whether the instruments are valid and whether the model suffers from serial correlation, which could bias the estimates.

**Table 13 Post-estimation Check Summary**

| <i>Test</i>                 | <i>Statistic</i> | <i>p-value</i> | <i>Interpretation</i>  |
|-----------------------------|------------------|----------------|--|
| <i>Hansen J-statistic</i>   | 18.73            | 0.294          | Fail to reject $H_0 \rightarrow$ instruments are valid                   |
| <i>AR(1) (first-order)</i>  | -2.83            | 0.005          | Reject $H_0 \rightarrow$ expected serial correlation in first difference |
| <i>AR(2) (second-order)</i> | -0.74            | 0.459          | Fail to reject $H_0 \rightarrow$ no second-order serial correlation      |

Source: Own computation using Python statsmodels.

The Hansen J-statistic tests the null hypothesis that all instruments are exogenous. The resulting p-value (0.294) exceeds the conventional significance levels (0.05 and 0.10). This suggests the null hypothesis cannot be rejected. The instruments used in the GMM estimation are valid and not correlated with the error term. The results are not driven by instrument bias.

The AR(1) test shows significant first-order correlation, which is expected in first-differenced GMM estimations. The AR(2) test yields an insignificant p-value (0.459), confirming the absence of second-order serial correlation. This implies the model does not suffer from dynamic misspecification, and the instruments are appropriately specified.

The absence of second-order serial correlation and the validity of instruments collectively confirm that the findings are statistically sound. The diagnostics therefore validate the empirical model’s reliability. Referring to the previous part, where the GMM results showed an R-squared of 0.695, the statistical results invite reflection on

what remains unmeasured. The determinants of ASEAN-China trade are indeed complex. What we can learn from this section is that there is a mix of economic, geographical, and policy-related factors. The minimal (or insignificant) impact of geopolitical conflicts could be linked to the fact that the trade between ASEAN-China remains resilient.

Institutions that facilitate trade cooperation, diplomatic efforts to manage tensions, or economic interdependence that disincentives conflict all might operate beyond these variables' reach. The quantitative model captures material conditions while missing the strategic calculations and institutional mechanisms that might explain how trade endures despite territorial disputes. Hence, the following section turns to qualitative evidence to contextualize how institutional mechanisms reinforce this economic resilience.

## 5.4 Limitations

The models have several constraints that merit acknowledgment. They may affect both the interpretation of results and their broader applicability.

The foremost limitation is the 2005–2024 timeframe. That captures two decades of economic interaction. This period includes structural shifts: the 2008 financial crisis, U.S.-China trade war, Covid-19 pandemic, and Russia's invasion to Ukraine. The model treats these events as uniform across time. Different periods may exhibit distinct trade-conflict dynamics that aggregate analysis obscures. A crisis year would differ from a boom year in how economic actors respond to geopolitical tension (Glick & Taylor, 2005). The fixed timeframe may not distinguish these regime-specific behaviors.

Measurement of conflict frequency presents substantial challenges. The CCF variable counts incidents per year without weighting them by severity or the actual time frame they affect. A naval standoff lasting just one day might generate strategic concerns (disputes) for months. This aggregation erases qualitative differences that may matter for economic decisions. The coding scheme also depends on media reporting and official disclosures. Incidents that escape public attention may be left unmeasured.

The trade variable itself merges multiple transaction types. Intermediate goods destined for export processing receive equal weight with final consumption goods. Strategic commodities essential for industrial production mix with discretionary consumer products. These categories probably respond differently to geopolitical shocks. Supply chain disruptions in semiconductor components, for example, create distinct pressures compared to fluctuations in textile imports (Baldwin & Lopez-Gonzalez, 2015). The aggregate measure cannot capture such nuances.

Some other variables could also shape the array. Institutional quality, corruption levels, infrastructure development, and financial market integration can influence bilateral trade. Demographic profile and climate change policy could also be included. Yet, none are included in the estimation. That is because these factors can hardly be quantified.

Endogeneity presents ongoing challenges. Trade integration itself may influence conflict behavior. States with deep commercial ties might exercise restraint in disputes precisely because trade relationships matter. The GMM approach addresses this through instrumental variables, yet instrument validity depends on assumptions that remain untestable (Roodman, 2009). The Hansen test provides reassurance but cannot definitively prove exogeneity. Also, the OLS and FE estimations do provide a baseline justification for the GMM. However, as these models return with differing results, it could be argued that the findings may lack robustness across different specifications.

These limitations do not simply invalidate the findings. They delineate boundaries within which interpretation should proceed instead. The analysis reveals patterns in aggregate data. Whether these patterns hold across disaggregated subgroups, alternative specifications, or refined measurement strategies does require further investigation. To address some of these quantitative limitations, the subsequent chapter therefore provides qualitative evidence.

## **Chapter 6: Qualitative Results**

This chapter presents the outcomes of the contextual content analysis. A deductive coding frame drawn from neoliberal institutionalism guides the reading, centered on four ideas: institutional form, interdependence, absolute gain, and the shadow of the future. The study examines three corpora: official records, news stories, and scholarly works. Each corpus represents a different register of discourse. Official documents codify agreements and commitments, news articles narrate events and frame public understanding, and academic texts theorize and interpret.

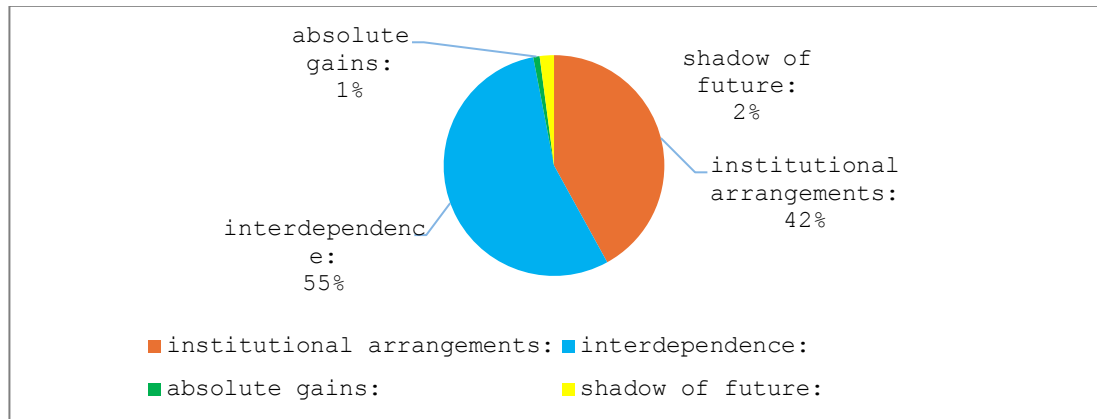
The purpose of bringing these corpora together is to observe how neoliberal categories travel across different sites of knowledge production. The analysis first outlines the general results and then details the presence and function of each concept within the three corpora. Specific attention is given to ASEAN–China relations, including references to Vietnam and the Philippines in the context of the South China Sea, in order to highlight how the vocabulary of neoliberal institutionalism intersects with regional disputes. The chapter concludes with comparative reflections and a reflexive note on the inclusion of academic discourse as part of the same discursive field.

### **6.1 General Findings**

To move from the theoretical frame to the empirical ground, it is necessary to see how neoliberal ideas surface in actual texts. Coding provides one way to trace their presence and variation. The coding of the three corpora shows that neoliberal institutionalist concepts are present in each, but in distinctive ways. The dataset has 78,988 sentences. Of these, 9,159 carry references to neoliberal concepts. Interdependence appears in 5,036 sentences, institutional arrangements in 3,846. Absolute gains show up in 86, shadow of the future in 191. The weight falls on interdependence and institutions, while the other two remain minimal.

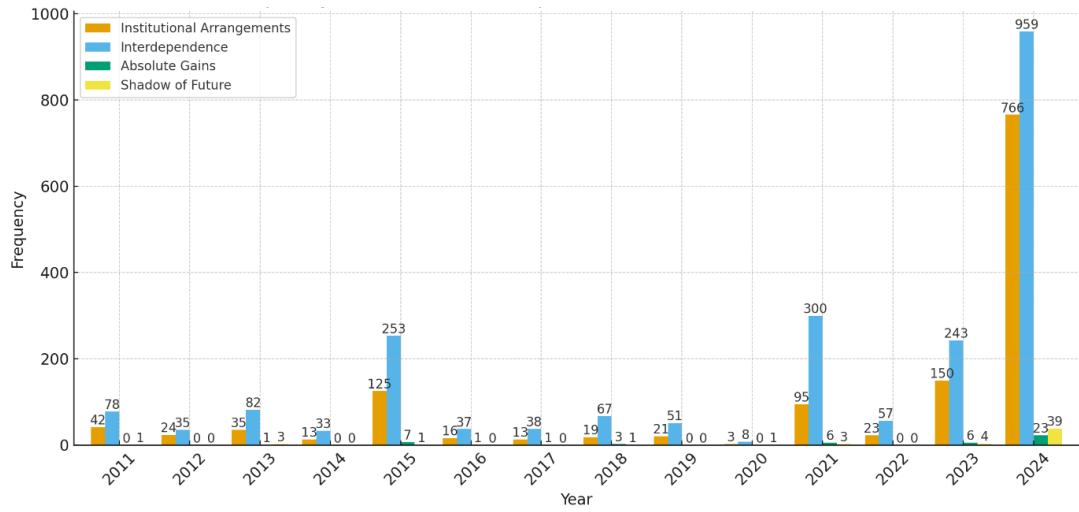
**Table 14 Distribution of Neoliberal Concepts**

| <b>Concept</b>  | institutional arrangements | interdependence | absolute gains | shadow of future | <b>total</b> |
|-----------------|----------------------------|-----------------|----------------|------------------|--------------|
| Scholarly Works | 2340                       | 2550            | 25             | 124              |              |
| Official Docs.  | 1344                       | 2241            | 48             | 53               |              |
| News            | 162                        | 245             | 13             | 14               |              |
| <b>Count</b>    | <b>3846</b>                | <b>5036</b>     | <b>86</b>      | <b>191</b>       | <b>9159</b>  |

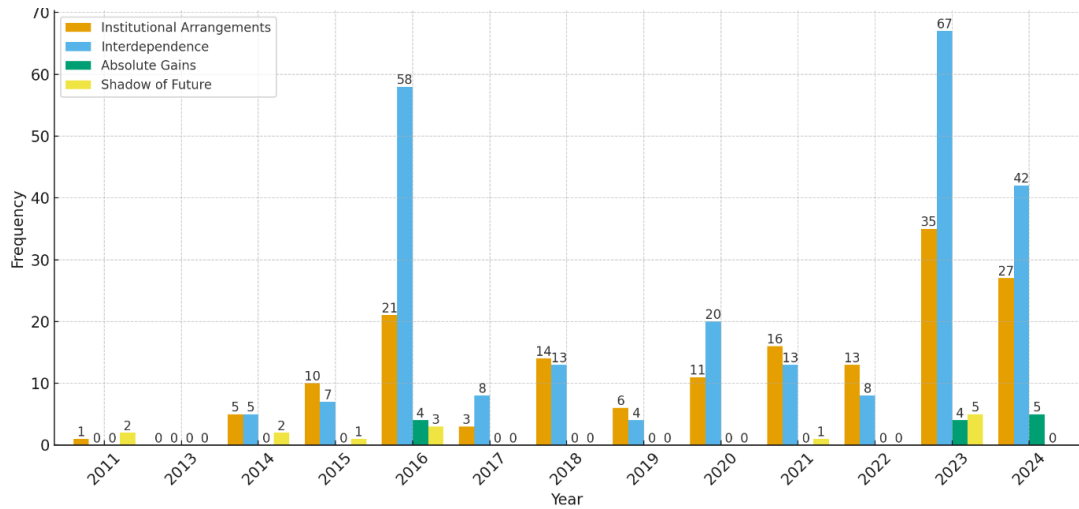


Numbers might point to patterns, but they might not capture the language in motion. The counts show that interdependence and institutional arrangements dominate, while absolute gains and the shadow of the future are very limited. How these concepts function once they appear in text? We have to look at the different corpora side by side. Official documents, news articles, and scholarly works might not simply repeat the same language. The same word can be ceremonial in one place and reactive or critical in another. Examining these shifts makes it possible to follow how neoliberal language moves across contexts: sometimes reinforced, sometimes unsettled.

**Figure 13 Frequency of Neoliberal Concepts in Official Documents**



**Figure 14 Frequency of Neoliberal Concepts in News Articles**

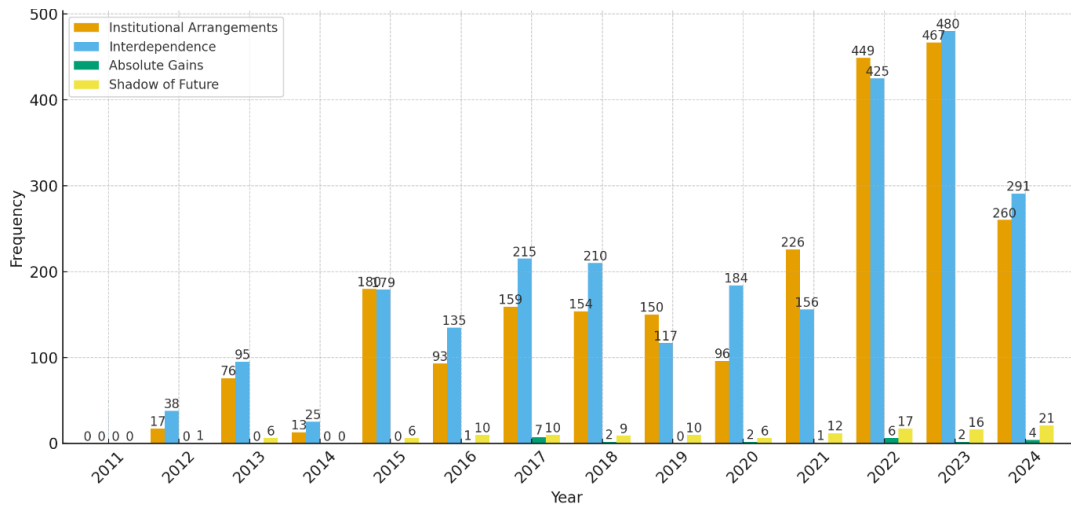


Note: there was no relevant article found to be analysed for year 2012.

**Table 15 Distribution of Neoliberal Concepts Across Media**

| <i>Media</i>         | <i>Institutional arrangement</i> | <i>Interdependence</i> | <i>Absolute gains orientation</i> | <i>Shadow of the future</i> |
|----------------------|----------------------------------|------------------------|-----------------------------------|-----------------------------|
| <i>SCMP</i>          | 77                               | 111                    | 8                                 | 6                           |
| <i>Nikkei</i>        | 41                               | 69                     | 2                                 | 3                           |
| <i>Straits Times</i> | 35                               | 45                     | 2                                 | 3                           |
| <i>Others</i>        | 9                                | 20                     | 1                                 | 2                           |

**Figure 15 Frequency of Neoliberal Concepts in Scholarly Works**



Institutional arrangements appear consistently across all three corpora, but with varying levels of emphasis. In official documents, references to institutional frameworks, agreements, and mechanisms are frequent. These concepts are foundational in almost every communiqué, joint statement, and declaration, particularly during active years such as 2015. This year witnessed a surge in ASEAN meetings and declarations, leading to a saturation of institutional references. The persistence of these terms over the years demonstrates that official documents rely on institutional structures. It positions them as integral to regional cooperation. This highlights that institutional arrangements have become a standard and almost obligatory part of official discourse.

In news articles, institutional references are not as constant. They emerge primarily when institutions are at stake or involved in newsworthy events, such as when agreements are signed or when talks stall. For instance, 2016 saw heightened media references to ASEAN institutions amidst maritime disputes and summits. Similarly, 2023 and 2024 show another rise, coinciding with renewed discussions on regional security and economic frameworks. This indicates that while institutions are important, the media invokes them selectively, often in relation to specific events.

Scholarly works strike a balance between the official documents and news articles. Institutional terms appear regularly but not as event-driven. The peaks observed in 2015 and 2022-2023 align with periods of heightened scholarly attention to regional

governance. Scholars discuss these institutional arrangements as frameworks for international relations, rather than as ceremonial affirmations, indicating their concern to the topics.

The concept of interdependence appears throughout all three corpora but is framed differently. In official documents, interdependence is treated as a stable promise. It is regularly presented as a mutual benefit, emphasizing cooperation through trade, investment, and connectivity. The tone is celebratory. The particular concern is in 2024, when deeper integration become concerning topic of their cooperation. Even in quieter years, interdependence remains a recurring theme. It is often seen as a positive force for prosperity.

News articles, however, present interdependence as a more conditional concept. It becomes visible when external events highlight its importance - such as during trade disputes, maritime tensions, or new infrastructure projects. Journalists use the term to explain crises or negotiations. It often shifts the tone based on the context. Interdependence is portrayed as both a stabilizing force and a risk, depending on the situation at hand.

In scholarly works, interdependence is a growing theme. Since 2015, references have steadily increased, with particularly high counts in 2022-2023. Scholars engage with the concept critically, describing it as both an explanatory factor and a contested condition. While some adopt the neoliberal perspective of “complex interdependence,” others focus on empirical studies to highlight the practical implications of interdependence, often questioning its idealized form.

While the concepts of institutional arrangements and interdependence are consistently referenced across all types of texts, absolute gains orientation and shadow of the future appear far less frequently. This trend is particularly evident in the frequency counts across scholarly works, news articles, and official documents, where the first two concepts dominate, leaving the latter two concepts with minimal representation.

Absolute gains orientation stands out for its stark underrepresentation. While it is present in official documents, the frequency is significantly lower. The highest count for absolute gains in official documents is in 2024, but it never reaches the prominence

of the other two concepts. Similarly, shadow of the future is barely noticeable, with only a few mentions throughout the years, also peaking in 2024 but remaining minimal compared to the other two.

In news articles, the pattern of rarity continues. The concept of absolute gains is rarely discussed, with occasional spikes in 2016, 2023, and 2024. However, these mentions are largely isolated, and the concept does not appear regularly in the discourse. Shadow of the future, likewise, has only a few mentions, which are tied to specific events such as major roadmaps or diplomatic statements. Outside of these events, references to long-term cooperation are infrequent.

Scholarly works reflect the same trend. Absolute gains orientation is hardly used, appearing sporadically. When it does, it is often in a critical context. Scholars rarely engage with this concept as an analytical tool, and instead focus more on the imbalances and assumptions underlying the official discourse of “win-win” scenarios. Shadow of the future is similarly underrepresented in scholarly works. It does appear, particularly in discussions about expectations and the outcomes of repeated state interactions. Yet, it is not a central focus. Scholars recognize it as some concerns rather than treating it as a cornerstone concept.

The comparison across the three corpora reveals that institutional arrangements are the most widely used concept, appearing consistently in all texts, albeit with different purposes. Interdependence is also widely recognized but framed differently - celebrated in diplomacy, contingent in news, and contested in academia. Absolute gains and shadow of the future are overshadowed by the first two concepts, which dominate discussions in all types of texts. These latter concepts are integral to understanding the structure and dynamics of cooperation, whereas absolute gains and shadow of the future play a much smaller role in shaping the discourse. The stark contrast in frequency between these concepts highlights that institutional arrangements and interdependence are viewed as central to neoliberal thought and diplomacy, while absolute gains and shadow of the future remain peripheral or are treated more critically.

## **6.2 Specific Results per Concept in Official Document and News**

The four analytical concepts saturate South China Sea discourse in ways that obscure as much as they reveal. Official documents deploy these frameworks as

diplomatic currency. News articles invoke them during moments of crisis or high-stakes negotiation. Institutional arrangements, interdependence, absolute gains orientation, and shadow of the future operate differently depending on whether discourse is meant to perform cooperation or report on it.

### **6.2.1 Institutional Arrangements: Cooperation as Performance**

Institutional arrangements as the skeletal structure of regional diplomacy. Official documents reference institutions reflexively, as if their mere existence guarantees order. This is the paradox at the heart of ASEAN-China relations: institutions proliferate precisely when substantive agreement remains elusive. The South China Sea dispute has generated more institutional frameworks, working groups, and dialogue mechanisms than almost any other regional issue, despite the unresolved dispute.

The 2011 Plan of Action noted that law enforcement cooperation had “*steadily contributed toward the maintenance of peace, stability and prosperity.*” This is diplomatic language doing what it does best - performing certainty in the absence of resolution. The Plan positioned itself as a master plan for three years (2011-2014) to promote “*all-dimensional and in-depth development*” of cooperation. Later, three years came and went. The South China Sea disputes continued. New plans emerged to replace the old ones. Institutions reproduce themselves not by solving problems but by managing them, by creating the appearance of forward movement.

The 2012 Joint Statement reaffirmed that the Declaration on the Conduct of Parties (DOC) signed in 2002 is a “*milestone document which embodies the collective commitment of ASEAN Member States and China to promote peace, stability and mutual trust in the South China Sea*”. A decade had passed. The DOC have so far produced no binding code of conduct. Yet it retained its status as evidence of commitment. This reveals something essential about how institutions function in ASEAN-China relations. They do operate through repetition rather than enforcement. The more often the DOC is referenced, the more concerning it appears.

The 2014 Chairman’s Statement welcomed China’s plan for utilizing the Maritime Cooperation Fund for “*maritime connectivity, marine science and*

*technology.*” Institutions here distribute resources. They channel money toward research, disaster management, search and rescue. These are not trivial activities. They create practical cooperation even where political agreement fails. The Maritime Cooperation Fund sidesteps sovereignty disputes by focusing on technical collaboration. This is strategic. It allows both sides to claim progress while avoiding the thorny issues.

The 2015 Protocol committed parties to “*periodically review*” the implementation of procedures to develop “*mutually beneficial arrangements to facilitate trade.*” A subcommittee would be formed. This pattern recurs throughout the corpus: institutions beget institutions - subcommittees form to support committees. Working groups emerge to prepare for summits. Review mechanisms are established to assess earlier review mechanisms. The bureaucratic architecture grows more elaborate while core disputes remain unresolved. Yet, this is not failure. Rather, this is how the system works. Institutional proliferation serves as a substitute for substantive agreement which creates the impression of cooperation through procedural complexity.

The 2018 Vision 2030 called for implementation of action plans to “*advance the ASEAN-China Strategic Partnership to new heights by forging closer cooperation for a mutually beneficial future of ASEAN and China, including through the full and effective implementation of the 2016-2020 Plan of Action.*” Vision documents extend cooperation decades into the future, creating long horizons that dwarf disputes. The South China Sea becomes one issue among many, embedded in a broader partnership that encompasses trade, infrastructure, and cultural exchange. This reframing seems to diminish the urgency of territorial disputes. If the relationship is fundamentally cooperative and long-term, then sovereignty conflicts become mere friction points to be managed.

News articles treat institutions more sporadically. The 2016 Nikkei piece reported the Chinese investment worth \$100 billion through Asian Infrastructure Investment Bank (AIIB) for ASEAN infrastructure. The AIIB functions as institutional expression of Chinese economic power. It creates alternative financing for regional development that can reduce dependence on Western-led institutions. This matters

for the South China Sea because economic integration through infrastructure projects could bind states to China in ways that complicate their security calculations. A country relying on Chinese investment for ports and railways could face constraints when considering how to respond to maritime disputes.

The 2017 SCMP article described Vietnamese diplomats attempting to “*use a communique at a summit*” to pressure Beijing. Institutions here become arenas of contestation. They are not neutral spaces but legitimate sites where states struggle for advantage. The communique becomes a tool or way to mobilize collective actions. China, indeed, has learned to manage this threat by cultivating bilateral relationships with individual ASEAN members which prevents consensus on sensitive issues. ASEAN does not speak with one voice on the South China Sea, which limits its ability to constrain China. Nevertheless, we can learn that the ASEAN multilateral framework itself remains the most viable pathway for members to pursue rules-based constraints on major power behavior in the SCS.

Another SCMP article in 2023 quoted Li Qiang calling to “speed up talks on the long-awaited code of conduct.” The phrase “long-awaited” captures the temporal dimension of institutional deferral. The Code has been in negotiation for over two decades. Its perpetual incompleteness is not accidental. A completed Code might impose constraints China finds unacceptable. A negotiating Code allows China to claim engagement with regional norms while retaining freedom of action. ASEAN cannot accuse China of rejecting multilateral frameworks because China participates actively in the negotiation process. The institution functions by not producing the outcome it ostensibly seeks.

What emerges from this institutional density is a system where cooperation is performed through frameworks that rarely bite. Institutions create spaces for dialogue, channels for resource distribution, and mechanisms for managing friction. They may not (yet) resolve core disputes. They manage them by embedding them in broader structures of cooperation that make escalation costly. This is institutions as strategic platform, as diplomatic theater, and as a way to cooperate among rational actors.

### 6.2.2 Interdependence: Economics as a Constraint

Interdependence operates as both material fact and rhetorical device. The economic ties between ASEAN and China are present, measurable, and growing. Trade volumes increase yearly. Supply chains integrate. Investment flows deepen. These connections create stakes that constrain policy choices. A state contemplating confrontation with China must calculate the economic costs. Interdependence raises the price of conflict and makes cooperation more likely.

An article by Nikkei in 2015 reported border tensions between Cambodia and Vietnam, and that China has risen to become Cambodia's patron through economic backups. The article linked this issue to the SCS issue by noting that "*while the South China Sea debacle demonstrated China's newfound political clout in Cambodia, it did not lead to a significant rupture in Phnom Penh's relationship with Hanoi.*" This implies the economic interdependence acts as a stabilizing force, ensuring that the two countries continue to navigate the issues through diplomatic channels and prioritize a stable relationship over maximal political advantage.

The 2016 Nikkei piece emphasized the AIIB's role in Belt and Road infrastructure development. Infrastructure investment creates physical connections - ports, railways, roads - that lock in economic relationships. Once a country builds its logistics around Chinese-funded infrastructure, switching becomes costly. This is interdependence as capture. China provides capital, technology, and market access. ASEAN states provide resources, labor, and consumer markets. The synergy matters when disputes arise.

The 2020 SCMP article noted "*...South China Sea – through which more than US\$3 trillion in trade passes every year... Southeast Asian nations will not want to jeopardise the vital economic ties.*" This staggering figure underscores why the dispute matters beyond sovereignty claims. The sea lanes carry goods essential to regional and global commerce. Any disruption threatens economic catastrophe. This creates incentives to avoid military conflict.

The 2021 ASEAN-China Joint Statement pledged to "strengthen regional supply chains" alongside security cooperation. Supply chain integration represents the form of economic interdependence. When production networks span multiple countries,

with components crossing borders multiple times before final assembly, states become enmeshed in ways that transcend simple trade relationships. China sits at the center of most regional supply chains. This centrality translates into influence. States dependent on Chinese inputs for their manufacturing sectors might face constraints when considering policies China opposes.

The 2022 Straits Times reported ASEAN-China trade had “*more than doubled in the past decade and almost quadrupled*” since 2005. The article noted China’s participation in RCEP and application to join Comprehensive and Progressive Agreement for Trans-Pacific Partnership. These regional trade frameworks formalize and accelerate integration. They reduce tariffs, harmonize regulations, facilitate investment. They also create institutional facts that outlast political tensions. Even when diplomatic relations sour, trade agreements remain in force, supply chains continue operating, and investment projects proceed. This institutional embedding of economic ties makes interdependence durable and resistant to political shocks.

We have to note that interdependence might operate temporally. The longer economic ties deepen, the costlier disruption becomes. States that might have adopted confrontational positions in 2000, when economic ties were modest, face different calculations in 2024 after two decades of integration. This path dependence matters. Early decisions to engage economically with China created constituencies, infrastructure, and institutional arrangements that now constrain later policy choices. Interdependence becomes self-reinforcing. Each year of deepening ties raises the cost of disengagement.

Yet interdependence does not eliminate conflict. It changes its character. States enmeshed in economic relationships do not stop competing. They compete through institutions or through economic statecraft. The South China Sea dispute continues despite massive trade volumes precisely because economic interdependence does not resolve sovereignty claims. It merely changes the calculus about how to pursue those claims. China builds artificial islands and deploys coast guard vessels rather than sending the navy to seize contested features outright. ASEAN states file legal cases and issue diplomatic protests rather than responding militarily. Interdependence shifts conflict from military to legal and diplomatic domains, but conflict persists.

What emerges is not peace through interdependence but managed competition through interdependence; states compete while constrained by economic ties that make escalation risky.

### **6.2.3 Absolute Gains Orientation: “Win-Win” Rhetoric**

Absolute gains rhetoric saturates official discourse. Every statement emphasizes mutual benefit. Every initiative is win-win. Every cooperation framework serves shared prosperity. This language performs a specific function. It legitimizes engagement with China by framing it as universally beneficial rather than zero-sum. It deflects accusations of hegemony or subordination. China is not dominating but partnering while ASEAN is not surrendering sovereignty but gaining prosperity.

For instance, the 2015 Protocol aimed to develop “*mutually beneficial arrangements to facilitate trade.*” Trade facilitation reduces transaction costs, streamlines procedures, accelerates commerce. These efficiency gains benefit all participants. Exporters reach markets faster while importers access goods at lower cost. Both sides gain from reduced friction. The Protocol embodies the neoliberal insight that cooperation on technical issues generates positive-sum outcomes that make confrontation on other matters less rational.

The ASEAN-China Strategic Partnership Vision 2030 committed to “*forging closer cooperation for a mutually beneficial future.*” The Vision’s emphasis on mutual benefit signals that cooperation serves both parties’ interests. China gains stable relations with a prosperous neighborhood. ASEAN gains access to Chinese markets, investment, and development assistance. Both benefit from regional stability that enables economic growth.

The Vision pledged to promote “*mutual trust and confidence, peaceful resolution of disputes*” without “*threat or use of force.*” This captures neoliberal security logic. Military conflict destroys value. Peaceful dispute resolution preserves it. States benefit from mechanisms that manage disagreements without escalation. The commitment to avoid force reflects recognition that security cooperation produces absolute gains: both sides become more secure through dialogue and confidence-

building measures. War generates losses for all parties while peace enables continued economic interaction that benefits both.

An SCMP article in 2023 quoted the Premier of PRC Li Qiang stating “*win-win cooperation is the only correct choice.*” Win-win outcomes emerge when states recognize their interdependence and structure interactions to maximize joint benefits. Li’s framing suggests that as economic integration deepens, zero-sum competition becomes irrational. States gain more through collaboration than through conflict.

In 2024, Foreign Minister Wang Yi emphasized China’s desire to “*jointly promote the solid development of the China-Vietnam community with a shared future*” (SCMP, 2024). This language reflects neoliberal institutionalist thinking about how repeated interaction builds community. States that engage consistently develop shared identities and mutual interests. The “community with a shared future” concept suggests that Chinese and Vietnamese prosperity are linked. Growth in one country creates opportunities in the other. Economic interdependence transforms relationships from competitive to cooperative because both sides recognize their joint stake in regional development.

The ASEAN-China Comprehensive Strategic Partnership (2024) recorded the summit’s adoption of a statement on “*Mutually Beneficial Cooperation.*” ASEAN-China initiatives in trade, investment, infrastructure, and connectivity generate gains that flow to both sides. Chinese firms access Southeast Asian markets. ASEAN states receive investment and technology transfer. Regional integration raises growth rates across the area. These are absolute gains where both sides become better off through cooperation than they would be through autarky or confrontation.

The prevalence of absolute gains rhetoric in ASEAN-China discourse suggests that neoliberal logic has purchase in regional diplomacy. States frame cooperation as mutually beneficial because they recognize interdependence. Economic ties create shared interests in stability. Institutional frameworks reduce uncertainty and facilitate coordination. Long time horizons make reputation effects significant. These are conditions where neoliberal theory expects cooperation to flourish. The rhetoric reflects structural realities: states cooperate because cooperation serves their interests.

The South China Sea disputes persist alongside this cooperative rhetoric. Neoliberal theory does not claim cooperation eliminates all conflicts. It suggests cooperation makes conflict management more likely and escalation less so. The disputes continue but remain bounded. Military clashes are avoided while diplomatic channels stay open. Economic ties deepen despite territorial disagreements. This is consistent with neoliberal expectations. States compartmentalize where they compete in some domains while cooperating in others. Absolute gains logic applies to economic and institutional cooperation even where sovereignty disputes create zero-sum dynamics.

The rhetoric also reflects learning. ASEAN and China have decades of interaction. They have tested different approaches to managing relations. The consistent emphasis on mutual benefit suggests both sides have concluded that framing cooperation positively produces better outcomes than adversarial rhetoric. States develop norms through repeated interaction and internalize cooperative frames that facilitate coordination.

Absolute gains orientation emerges not as empty rhetoric but as reflection of structural conditions that make cooperation rational. Economic interdependence, institutional density, and long time horizons create incentives for states to emphasize mutual benefit. The rhetoric serves coordination functions. It signals intentions, builds trust, and facilitates compromise. It operates as a diplomatic platform that reduces transaction costs in negotiations. This is how neoliberal concepts function in practice - not as imposed ideology but as useful tools for managing complex interdependence.

#### **6.2.4 Shadow of the Future: Temporal Discipline**

The shadow of the future appears least frequently among the four concepts. Yet it underlies much of the discourse. It structures time in ways that favor cooperation over conflict. States behave today in anticipation of future interactions. The expectation of repeated engagement creates incentives for restraint and investment in long-term relationships.

In the 2011 Plan of Action, the memorandum of understanding between both served as “*a master plan for the next three years*” to promote cooperation and “*further enriching the ASEAN-China strategic partnership for peace and prosperity.*” The three-year timeframe performs commitment. States signal that cooperation is not transactional but ongoing. They expect to interact repeatedly, which changes calculations about present behavior. Cheating today jeopardizes future gains. This is the temporal discipline the shadow imposes.

The 2013 SCMP article quoted President Xi stating security cooperation “*will create a sound environment for peace and prosperity.*” PM Malaysia Najib expressed “*great confidence*” in China’s future progress. Leaders project confidence about what is to come. They perform certainty about continued cooperation. This matters because expectations shape behavior. If both sides expect the relationship to deepen, they act accordingly. They invest in institutions, expand trade, and develop infrastructure. These investments create facts on the ground that make future cooperation more likely and produce a self-fulfilling prophecy.

An ex-diplomat in 2015 stating ASEAN would maintain non-alignment “*in the interim*” while major powers work out rules (Nikkei, 2015). The interim is a temporal space, a waiting period before some future order crystallizes. This reveals how the shadow functions strategically. ASEAN can defer difficult choices by positioning itself as waiting for the regional order to settle. The future remains open, which justifies present ambiguity. Non-alignment is temporary, contingent, subject to revision if circumstances change. This temporal framing preserves flexibility while avoiding confrontation.

The same article quoted Ou Virak stating Hun Sen “*definitely is not going to antagonize Vietnam even with China’s support*” (see the Cambodia-Vietnam border disputes mentioned earlier). The shadow here is cast backward - history limits future options. Cambodia’s decades-long relationship with Vietnam constrains its room for maneuver regardless of Chinese inducements. Past dependencies shape present choices, which in turn limit future possibilities. This is path dependence in action. Early decisions create trajectories that become increasingly difficult to escape.

The 2018 Vision 2030 committed to *building “an ASEAN-China community with a shared future.”* The twelve-year horizon extends cooperation far into the future, outlasting current leaders and administrations. This long timeframe performs several functions. It signals that the relationship transcends immediate disputes. It creates institutional facts that future governments inherit. It embeds present cooperation in temporal structures that make reversal costly. The Vision operates as temporal anchor which provides stability amid political turbulence.

The 2024 Security Outlook stated both sides *“remain committed to continue promoting maritime security and safety.”* The phrase *“committed to continue”* might be temporally ambiguous. It affirms ongoing cooperation without specifying endpoints. The future here is open-ended, a perpetual renewal of commitment. This matters for managing disputes. If cooperation is perpetual, then present conflicts become temporary aberrations. The relationship’s trajectory remains positive even when specific issues generate friction.

SCMP (2024) noted that parties agree to *“soon finalise a substantive, efficient and effective code of conduct.”* The ongoing negotiation process itself generates value. States learn about each other’s preferences, build negotiating capacity, and develop shared understandings of acceptable outcomes. The process creates habits of consultation and channels for communication that function even before formal agreements emerge. Prolonged negotiation is not failure but more about institutionalization of cooperative interaction.

What emerges is the shadow of the future as coordination mechanism. Multi-year plans and vision documents align expectations about relationship trajectory. Long timeframes make reputation effects significant. Ongoing negotiations create regular interaction that builds trust and shared knowledge. The temporal architecture supports cooperation by making defection costly and sustained engagement beneficial.

This structure reflects rational adaptation to regional interdependence. As economic ties deepen, states accumulate shared interests in relationship stability. The shadow of the future grows longer because more is at stake. States have invested in institutions, supply chains, and infrastructure that depend on continued cooperation.

These material commitments create incentives to resolve disputes peacefully because disruption threatens accumulated gains. Temporal logic and structural interdependence reinforce each other.

The shadow also operates through learning. ASEAN and China have decades of interaction. They have tested various approaches to managing relations. Experience reveals which strategies produce stable outcomes and which generate friction. This accumulated knowledge reduces uncertainty about how counterparts will respond. Lower uncertainty facilitates cooperation by making consequences of actions more predictable. The long shadow enables learning that improves coordination over time.

### **6.3 Triangulation with Scholarly Works: Institutions to Manage Interests**

While the previous sections depict an analysis from the news narratives and official records, this section establishes its arguments through the triangulation of the scholarly works. Moving beyond their perception as commercial arrangements, studies focusing on agreements demonstrate their role as platforms where competing national interests unfold. And that the design of frameworks makes cooperation the rational choice for states.

Economic agreements function as institutional mechanisms that transcend mere commercial arrangements. ACFTA and RCEP operate as structured platforms where competing national interests are negotiated within predictable parameters (Pitakdumrongkit, 2015; W. Tan & Soong, 2022). These frameworks demonstrate what we might call the institutionalization of pragmatism. States engage in cooperation not because of shared values but because the institutional architecture makes cooperation better bets.

The data patterns show that official documents treat these economic agreements as foundational elements of regional order. Trade agreements become tools of statecraft. This creates what Kuik (2016) terms ‘hedging via institutions’ where ASEAN states manage their relationships with China through multilateral frameworks rather than bilateral dependencies. This institutional embedding serves both Chinese and ASEAN interests: China secures market access and economic influence while

ASEAN countries retain bargaining power through collective engagement (X. Wu & Velasco, 2022).

The South China Sea disputes illustrate this dynamic. Despite territorial tensions between China and countries like Vietnam and the Philippines, economic frameworks provide alternative channels for interaction (Camba & Magat, 2021; Putra, 2023). The Code of Conduct negotiations proceed alongside trade discussions. Ernst (2022) describes this as ‘control through cooperation’ where China pursues territorial claims within institutional boundaries rather than through unilateral assertion. This institutional channelling does not resolve territorial disputes but manages them by creating higher costs for military escalation.

Some scholars see that the Belt and Road Initiative (BRI) represents another dimension of institutional management. The BRI projects create long-term investment commitments that bind ASEAN countries to Chinese economic interests while providing infrastructure that these countries need (Chen, 2018; Hong, 2012). Through infrastructures, the BRI becomes institutional in itself: physical manifestations of economic interdependence that create material incentives for continued cooperation. Malaysia’s participation in BRI projects, for instance, reflects this economic engagement (Yean, 2019).

The institutional frameworks also provide legitimacy for cooperation that might otherwise appear as capitulation to Chinese power. The multilateral nature of RCEP allows ASEAN states to engage with China alongside Japan, South Korea, New Zealand, and Australia, which creates a competing multilateral initiative where no single power dominates the institutional landscape (Mueller, 2019). This multilateral shape transforms bilateral economic relationships into regional governance structures.

However, the analysis could also tell the performative nature of these institutions. Official documents saturate their language with institutional references not because institutions solve all problems but because institutional language provides diplomatic cover for pragmatic accommodations. As also reported in news, the repetition of “mutual benefit” and “win-win” cooperation, particularly by politicians, masks relationships where China leverages its economic share (Strating, 2020).

The temporal dimension of institutional frameworks also matters. Official discourse constantly projects future cooperation through roadmaps, visions, and long-term commitments (Tahalele et al., 2023). The “shadow of the future” operates not as an abstract game-theoretic concept but as concrete institutional planning that creates expectations and constraints. ASEAN Vision 2025 and similar frameworks establish benchmarks against which present cooperation is measured. This creates institutional momentum that makes deviation costly.

Yet the news discourse reveals the contingent nature of these institutional arrangements. Journalists report on institutional frameworks when they are tested by crises or conflicts. It suggests that institutions matter most when they are under stress. The 2016 spike in South China Sea tensions, for example, brought renewed attention to ASEAN’s institutional capacity to manage disputes with China (Hong, 2018; Nguyen, 2023). This crisis-driven visibility indicates that institutions function as stabilizing mechanisms, because they somewhat provide alternatives to military confrontation during periods of tension.

The institutional embedding of economic cooperation might also lead to some tricky yet constructive condition. States become locked into patterns of interaction that constrain their options. ACFTA’s tariff reduction schedules, for instance, create legal obligations that persist even when political tensions rise. This way, these obligations function as institutional anchors that decouple competing states from confrontation. (Chuong et al., 2022). The agreements establish procedural requirements for consultation, dispute resolution, and policy coordination that channel conflicts into bureaucratic processes rather than military responses.

Institutional frameworks operate differently in each discursive domain. Official discourse treats institutions as permanent features of regional order. They repeat institutional names and functions in ritual fashion. News discourse treats institutions as contingent responses to events, mentioning them when they succeed or fail to manage crises. Academic discourse treats institutions as variables to be explained. Scholars analyze their effectiveness and limitations. These different framings suggest that institutions exist simultaneously as juridical facts, political instruments, and analytical categories.

The regional architecture created by these economic agreements also reflects power dynamics that extend beyond economic efficiency. China's role in RCEP negotiations, for example, demonstrates how large economies can shape institutional design to reflect their preferences (Karim et al., 2023). The agreement's rules on trade facilitation, digital commerce, and intellectual property reflect Chinese developmental priorities as much as regional integration goals. ASEAN states accept these rules because the economic benefits outweigh the political costs.

The institutional complexity of ASEAN-China relations also creates opportunities for forum shopping where states choose venues that favor their interests. Territorial disputes can be discussed in ASEAN-China summits, ASEAN Regional Forum meetings, or bilateral channels, with each venue offering different procedural advantages (Acharya, 2014; Goh & Nan, 2023). Hence, this institutional multiplicity provides flexibility.

Economic agreements function as institutional infrastructure that supports broader political relationships. Trade rules, investment provisions, and dispute resolution mechanisms create the legal and bureaucratic apparatus through which states interact on multiple issues. This institutional infrastructure becomes path-dependent - once established, it creates vested interests and procedural routines that resist change. The institutional frameworks thereby acquire momentum that extends beyond the specific issues they were designed to address.

## **6.5 Critical Reflection of Qualitative Findings**

Conceptual content analysis allows a far finer-grained look at how ASEAN and China enact their trade relations across the ongoing disputes. While the surface results of the analysis capture the neoliberal concepts in optimistic tones, deeper analysis could reveal strategic calculation and structural dynamic that mold such interactions. This section critically deconstructs these findings to bring the complexities in the interplay between trade and conflict into focus, which highlight the implications of regional stability and economic resilience.

The economic pragmatism emerges as a dominant tenor in discussions of ASEAN-China relations. Indeed, both sides have been active in the stabilizing role of trade to

belittle geopolitical frictions, reframing economic cooperation as a common interest beyond territorial disputes. This narrative particularly underscores the aspects of interdependence in their trade relations: ASEAN needs the large market and investment flows of China, and China needs ASEAN as a key node in its regional supply chains and a gateway to help implement the BRI.

And yet, this economic pragmatism carries its own set of paradoxes. A willful concentration on cooperation often obscures more serious and unresolved political tensions. Trade has painted a facade of stability in the immediate term but has not addressed the roots of conflict in the SCS: the territorial claims and the militarization of disputed waters. The result of this is precarious stability, wherein trade will continue while conflict lingers. Diplomatic statements of harmony mask grave anxieties as ASEAN states balance a dual challenge: maintaining economic ties with China while preserving their sovereignty.

From a neoliberal institutionalist perspective, this dynamic reflects the influence of economic interdependence on cooperation. Institutions like the ACFTA provide specific channels for interaction that minimize uncertainty and, in turn, allow states to manage their economic relations even during times of tension. Yet these frameworks could simultaneously reveal their limits. While they are successful in the promotion of trade and dialogue, they lack mechanisms for enforcement required in dispute resolution on issues of sovereignty and rights to resources in the SCS.

The institutions exist not as neutral arbiters but as artifacts of power asymmetry. China possesses structural advantages that no procedural framework can fully neutralize. Market size matters. A country controlling access to 1.4 billion consumers could wield influence that transcends formal institutional rules. ASEAN states recognize this asymmetry when they negotiate. Their institutional engagement does not reflect equality: ASEAN is not the same size as China. Institutional engagement with China is more about strategic adaptation to imbalances for ASEAN countries (Ciorciari, 2019). The multilateral frameworks provide diplomatic cover for what might otherwise appear as bilateral submission.

Trade volumes tell one story. Security concerns tell another. The Philippines maintains robust economic ties with China while simultaneously modernizing its coast

guard and strengthening defense partnerships with external powers. Vietnam deepens supply chain integration while expanding naval capabilities in contested waters. This dual behavior—economic embrace alongside security hedging—reveals that interdependence can foster ambivalence rather than trust. States cooperate because they must, not because institutions have dissolved their security concerns.

The concept of absolute gains deserves particular scrutiny. Win-win rhetoric saturates official discourse. Chinese firms dominate infrastructure projects funded through BRI. Technology transfer often flows one direction. ASEAN states gain capital and development, but China gains strategic positioning and long-term influence (L. Jones & Hameiri, 2020). The absolute gains frame obscures these power dynamics by treating all cooperation as equivalently beneficial. Some gains matter more than others. Infrastructure creates dependencies. Market access creates leverage. The institutional frameworks that facilitate these exchanges do not eliminate power politics but channel them through economic mechanisms.

The discourse analyzed here somehow operates in a distorted representation. Official statements perform harmony. News reports highlight tensions. Scholarly work attempts synthesis. Each register captures partial truth. Economic integration is real and measurable. Security competition persists and intensifies. Both coexist within institutional frameworks designed to manage rather than resolve contradictions.

## **Chapter 7: Discussion**

### **7.1 Synthesis of Quantitative and Qualitative Findings**

The interplay of the South China Sea dispute and ASEAN-China trade relations offers a vivid tableau of how geopolitical friction and economic endurance can inhabit the same space. This analysis, based on outputs from quantitative econometric analysis and qualitative conceptual content analysis, unveils not only the superficial appearance of stability in trade relations but also mechanisms beneath the surface that permit cooperation amid turbulence. This synthesis shows how states find rationality in the art of coexistence.

The four concepts weave through the South China Sea discourse in ways that illuminate patterns that define regional interaction. Institutions proliferate to manage complex interdependence. Economic ties deepen through trade and investment. Absolute gains rhetoric frames cooperation as mutually beneficial. Long time horizons nurture incentives for sustained engagement. These construct a framework that quantitative analysis observes as trade resilience - economic fundamentals captured through gravity models show positive and significant effects of GDP, which reflect the strength of trade links. Critically, the quantitative results reveal that SCS conflicts - despite their intensity - do not significantly affect trade flows. This finding establishes the empirical puzzle at the heart of this dissertation: trade resilience coexists with geopolitical tension. The statistical non-relationship between conflict and trade is not evidence that conflicts do not matter. Rather, it indicates that the trade-conflict relationship is being mediated by factors the econometric model cannot capture directly.

In other words, the quantitative approach alone cannot explain why trade relations persist despite unresolved political conflicts. Statistical models identify trends and correlations. They lack the explanatory power needed to uncover strategic considerations that underpin these patterns. The qualitative analysis adds depth by revealing how concepts interact to support coordination. Institutional arrangements provide forums where states build shared understandings. Regular summit meetings, working groups, and dialogue mechanisms create opportunities for communication

that reduce misperception. These interactions generate information about preferences and constraints that facilitates bargaining. For example, the ASEAN-China Joint Working Group on implementing the DOC meets regularly. These meetings may not resolve sovereignty disputes but they create channels for managing tensions and preventing escalation.

Interdependence creates material stakes in relationship stability. China builds infrastructure and deploys maritime capabilities while ASEAN states maintain economic ties and pursue diplomatic solutions. This reflects compartmentalization. States compete in security domains while cooperating economically. The interdependence is binding on both sides. ASEAN states depend on Chinese markets and investment. China depends on stable relationships with neighbors for continued economic growth. These mutual dependencies constrain escalation even where interests conflict. The qualitative findings show this underlying dynamic not captured through quantitative analysis. Econometric results show SCS disputes do not disrupt trade flows significantly. Qualitative analysis indicates this resilience reflects not harmony but fragile balance between economic pragmatism and political discord. ASEAN member states gain economically from opportunities China provides while facing challenges to secure sovereignty from China's assertive claims.

The analysis, meanwhile, found absolute gains and shadow of the future marginal. ASEAN and China use these narratives very less often. "Mutual benefit" and "win-win cooperation" rhetoric could function within diplomatic discourse. For example, The BRI generates infrastructure investment for ASEAN states and strategic presence for China. Hence, both sides are in potential positive-sum gain. The frameworks also have multi-year plans and long-term visions that create expectations about relationship trajectory. Yet, narratives that imply to both absolute gains and shadow of the future are limited.

Nevertheless, those mechanisms – particularly the first two – operate simultaneously. Institutions create forums where interdependence can be managed. Interdependence creates stakes that justify institutional investment. Absolute gains rhetoric could legitimize cooperation that interdependence makes rational. Long time horizons could make institutional investments worthwhile. The concepts reinforce

each other to support stable patterns of interaction despite persistent disagreements. Economic interdependence, consolidated by institutional frameworks like the ACFTA, cushions conflict. Institutions allow ASEAN and China to maintain trade relations by offering structured mechanisms for dialogue and reducing uncertainty. This confirms how institutions and economic linkages foster cooperation even where political tensions persist.

The South China Sea disputes persist alongside this cooperation. Territorial sovereignty involves issues where interests genuinely conflict. No amount of economic integration resolves competing claims over maritime features. Yet the broader cooperative relationship constrains how these disputes unfold. An open war remains unlikely because costs to accumulated economic ties would be catastrophic. Legal and diplomatic competition continues because these channels allow states to pursue claims without disrupting beneficial cooperation in other domains. The anxieties are often shrouded by diplomatic rhetoric of cooperation and underscore the limited role of economic interdependence as mitigating force of conflict.

This pattern reflects rational adaptation to regional conditions. States face mixed-motive situations where they share some interests while competing over others. They cooperate where gains are positive-sum while competing where interests conflict. They build institutions to manage competition and prevent escalation. They invest in relationships to create stakes in continued cooperation. They frame interactions positively to facilitate coordination. These are strategies that theory predicts for managing complex interdependence.

The quantitative and qualitative findings together construct thorough understanding of the interplay between trade and conflict in ASEAN-China relations. While quantitative analysis shows how geopolitical tensions do little to deter trade flows, qualitative analysis reveals strategic and institutional mechanisms that underpin such resilience. The result is not perfect cooperation but stable management of conflict avoidance. States continue pursuing territorial claims through means that avoid military escalation. They build capabilities while negotiating codes of conduct. They compete for influence while maintaining economic ties. This managed competition enables both cooperation and competition to coexist.

These findings, read together, document how trade and conflict coexist in a kind of dynamic equilibrium driven by economic pragmatism, institutional frameworks, and strategic narratives. Whether this constitutes success depends indeed on benchmarks. To those expecting dispute resolution, the picture may seem wanting. To those valuing stability and economic growth, it may resemble successful. For the analysts of interdependence, the case reveals mechanisms through which cooperation even in the shadow of enduring discord.

## 7.2 Interpreting the Trade-Conflict Non-Relationship

The quantitative findings present a paradox that require careful interpretation. The coefficient for conflict frequency, while negative (-0.2007), fails to reach statistical significance ( $p=0.233$ ). This result could suggest two possible interpretations.

*First interpretation:* conflicts are genuinely irrelevant to trade. Under this reading, economic actors ignore geopolitical tensions when making trade decisions. Maritime disputes occur in a separate domain from commercial exchange, with no meaningful connection between them. This interpretation, however, contradicts extensive evidence from the qualitative analysis that shows both ASEAN and Chinese officials explicitly link security stability to economic cooperation in their discourse (see Chapter 6.2.1-6.2.4).

*Second interpretation:* institutional and economic structures successfully insulate trade from conflict. The non-relationship is not an artifact of measurement but rather evidence that mediating mechanisms function effectively. Conflicts occur but do not disrupt trade because institutions channel disputes into diplomatic forums, because supply chain integration raises the costs of disruption, and because both sides recognize shared interests in maintaining economic stability. This interpretation aligns with the qualitative evidence showing pervasive discourse around ‘institutional arrangements’ and ‘interdependence’ concepts.

The later interpretation is most consistent with the full evidence base. The quantitative model measures outcomes (trade volumes remain stable as economic drivers despite conflicts). The qualitative analysis reveals mechanisms (institutions, interdependence narratives, and diplomatic frameworks that may produce this

stability). Economic interdependence operates not as a force that prevents conflicts from occurring. It acts as a structural condition that contains the economic fallout when conflicts do occur.

This study does not claim that interdependence eliminates conflict. It claims that interdependence, when embedded within institutional frameworks, prevents conflict from disrupting established trade patterns. The mechanism is not conflict-prevention but conflict-trade decoupling.

More rationalizations of the interpretation could be related to three points. First, the costs of disrupting economic relationships make military conflict irrational. Second, economic interdependence creates structural constraints that channel disputes into institutional frameworks rather than military confrontation. Third, the embedding of economic ties within formal agreements and multilateral institutions produces structured interdependence. These dynamics demonstrate that the ASEAN-China relationship is sustained not by the absence of conflict but by the presence of mechanisms. More details are elaborated below.

### **7.2.1 The Economic Logic of Trade Continuity**

The statistical non-relationship between conflict and trade reflects underlying economic rationality rather than political harmony. Both ASEAN and China face compelling material incentives to maintain trade flows despite sovereignty disputes. These incentives do not eliminate political tensions. Conflicts persist and occasionally escalate. Economic costs, however, structure how states pursue competing claims.

Consider the opportunity costs of trade disruption. ASEAN-China bilateral trade reached US\$772 billion in 2024. Disrupting these flows would impose immediate costs on businesses, workers, and governments across the region. The quantitative analysis captured this through GDP coefficients: larger economies trade more because they have more to gain (and more to lose). What the model cannot directly capture is how this interdependence creates political constituencies with vested interests in stability

ASEAN-China economy is tied in the principle of mutual dependence. ASEAN's resources, production, and market serve as a complement to China's industrial prowess and advanced technology. Likewise, China has become ASEAN's largest trading partner and a crucial source of investment. This symbiotic relationship enables them to optimize productive capacities and build an efficient trade environment. ASEAN countries, by leveraging their comparative advantage in resource extraction and agricultural outputs, engage in trade with China. They are reciprocated through the provision of Chinese manufactured goods and technological innovations. Here comes a web of interdependence. Each party's economy becomes contingent on the trade flow. Any disruption to these networks would impose economic costs on both sides.

For ASEAN, China represents a vital market for exports and a source of FDI. For China, ASEAN is a major trading partner and a part of its regional economic strategy. This is particularly the case in terms of supply chains and infrastructure development. China has retained its position as ASEAN's largest trading partner since 2009. ASEAN has become China's largest trading partner for consecutive years since 2020. Disruptions to these would have devastating effects on the economies of both sides, many of which rely on trade with each other. As Chinese Premier Li Qiang stated in September 2023, Beijing is willing to work with ASEAN countries to uphold regional stability. This implies that peace is a prerequisite for continued economic prosperity (SCMP, 2023).

Trade relationships and investment projects create time horizons that extend beyond immediate political tensions. Chinese infrastructure investments in ASEAN countries (mainly through BRI) typically involve decades-long payback periods, which create institutional incentives for stability (C. Wu, 2023). These long-term commitments lead to a situation where short-term gains from conflict would damage long-term economic relationships. At the 26th ASEAN-China Summit in 2023, Chinese Premier Li Qiang emphasized that China will provide much-needed infrastructure for ASEAN countries and promote mutually beneficial cooperation between the BRI and the ASEAN Outlook on the Indo-Pacific (China MFA, 2023).

Back then in 2013, in front of the Indonesian Parliament, President Xi Jinping proposed building a closer ASEAN-China community with a shared future, emphasizing that China and ASEAN respect each other's core concerns, expand common interests and achieve common development (ASEAN-China Center, 2013). This vision, reiterated consistently across subsequent summits, underscores how both sides recognize that their joint efforts create shared prosperity. As Premier Li Qiang noted in 2023, China and ASEAN have forged ahead hand in hand and contributed to each other's successes (China MFA, 2023).

RCEP and BRI are cornerstones of this long-term economic cooperation. RCEP, which includes major economies such as Japan, South Korea, Australia, and New Zealand, further extends the architecture of ASEAN-China economic integration into wider tapestry. Meanwhile, infrastructure development brought by BRI smooth the trade and economic growth. In turn, it creates a web of interdependence that makes conflict less desirable. The BRI binds ASEAN countries to China through long-term investment projects while providing much-needed infrastructure for ASEAN countries. A win-win scenario emerges and shared economic interests become apparent. These preferences make the pursuit of greater conflict not merely unwise, but economically irrational.

### **7.2.2 Economic Integration as Conflict Management, Not Resolution**

We have to note, however, that economic integration does not eliminate political tensions but constrains how those tensions are expressed. The South China Sea disputes continue despite economic interdependence, but they are managed through institutional channels rather than military paths (L. Hu, 2021; Strating, 2022). This way, interdependence operates as a buffer for conflict management, rather than conflict resolution. It changes the costs and benefits of different strategies without eliminating underlying disagreements.

This is evident in how physical confrontations in the SCS never escalate into full-scale military conflict. Rational states are more inclined towards cooperation, as it presents a more advantageous pathway for achieving their goals. This rationality explains why physical confrontations in the SCS never escalate into full-scale

military conflict. Instead, incidents tend to be constrained to limited displays of force: ramming vessels, collisions, and the use of water cannons, among others. Although such events have occasionally resulted in casualties - such as the deaths of fishermen or naval personnel - they remain isolated and do not spiral into broader warfare.

This rationality is reflected in official policy statements from both sides. China consistently emphasizes that its territorial claims are solid and unchanging (China MFA, 2022). Yet, Beijing simultaneously advocates for the finalization of the COC (Xinhua, 2022). At the 20th ASEAN-China Summit in November 2017, ASEAN Member States and China officially announced the launch of the COC negotiations. The completion of the first reading of the Single Draft COC Negotiating Text was announced in July 2019, and the second reading of the SDNT was announced in July 2023 (ASEAN Secretariat, 2024). Chinese Foreign Ministry Spokesperson Mao Ning stated in October 2024 that China is ready to work with ASEAN countries to create a multidimensional connectivity network and enhance infrastructure cooperation, emphasizing that matters much to regional peace and prosperity (China MFA, 2024b).

Beijing intends to avoid costly military confrontations that could undermine broader economic and security interests. China's pursuit of regional stability is tied to its economic objectives. Stability is essential to guarantee Chinese business in the region works smoothly.

For ASEAN, the political interests reside in sustaining an equilibrium between China and other major powers, such as the United States. ASEAN littoral states defend their claims, yet while ASEAN nations acknowledge the economic allure of collaboration with China, they remain vigilant against the perils of becoming excessively beholden to China. ASEAN's participation in multilateral frameworks such as RCEP allows it to engage with China while simultaneously maintaining ties to other regional powers. This strategy of multilateralism provides ASEAN with greater bargaining power and ensures that its political autonomy is preserved.

### 7.2.3 Structured Interdependence

Economic interdependence can operate most effectively as a conflict disincentive when it is embedded within institutional frameworks that provide mechanisms for managing disputes. The combination of economic integration - like ASEAN-China trade - and institutional channelling - such as ACFTA and RCEP - creates 'structured interdependence' where economic relationships are governed by rules and procedures that constrain how conflicts are expressed.

ACFTA epitomizes the institutionalized commitment to fostering economic cooperation. It becomes a structured platform for deepening bilateral and multilateral economic engagements. By systematically reducing tariffs, streamlining trade processes, and enhancing market access, the ACFTA facilitates an environment where mutual economic benefits are realized, thereby disincentivizing the pursuit of geopolitical conflict. This institutional framework promotes a rational calculus where the tangible rewards of economic integration - evidenced by the substantial surge in trade volumes - compel both parties to privilege economic collaboration over adversarial tensions.

Beyond economic agreements, security-oriented arrangements also play a crucial role. These include the Code for Unplanned Encounters at Sea (CUES), the DOC, and the ASEAN Regional Forum, among others. These frameworks operate synergistically to align economic and security interests. They allow for a more structured approach to political dialogues (ASEAN Secretariat, 2016; Q. Zhao, 2024). States turn to these institutional frameworks as a means of navigating their respective national interests. Consequently, such mechanisms serve to attenuate the likelihood of open conflict and maintain a relatively stable regional order.

This structured approach helps explain why South China Sea tensions have not escalated into military conflict despite persistent territorial disagreements. International institutions prevent conflict by offering tools that mitigate uncertainty, promote collaboration, and reduce the costs associated with potential confrontations. Formalized frameworks represent dialogue platforms where parties can express their legitimate interests without resorting to military force. This is in line with what Chinese Ambassador Hou Yanqi said in December 2024. China and ASEAN “*uphold*

*the 'ASEAN way' featuring reaching consensus through consultation and taking into account the comfort of all parties, so as to enhance understanding and trust.*” She noted that they “*adhere to openness and inclusiveness, and advocate true multilateralism and open regionalism*” (China MFA, 2024a). This vision reflects the broader strategy of their dynamic relations within rules-based frameworks.

Economic agreements and interdependence function less as instruments of conflict's elimination and more as the architecture of its containment. They create institutional corridors and material incentives that make cooperation more rational path, even as political frictions endure beneath the surface. The ASEAN-China dynamic demonstrates both the possibilities and limits of economic integration as the scaffolding of regional stability. The challenge lies not in achieving perfect harmony, but in maintaining institutional mechanisms resilient enough to steady the balance amid recurring strains.

This pragmatic understanding of cooperation may be more realistic than normative approaches that assume shared interests or values. Effective international relations require not necessarily the elimination of conflict but the institutionalization of conflict management - through economic and political mechanisms - which make cooperation the rational choice among actors. As Premier Li Qiang stated, “facing great changes unseen in a century, we have embarked on a right path featuring longstanding good-neighborliness and shared progress and prosperity” (China MFA, 2023). This path is paved by the recognition that peace is economically preferable to conflict, and that structured interdependence through institutional frameworks provides the most viable mechanism for managing tensions while preserving mutual prosperity. to critical inputs or markets would destabilize industries reliant on these relations.

### **7.3 Possible Counterarguments**

Whether economic interdependence can avert conflict remains an open dialectic within scholarly circles. Neoliberal institutionalist perspectives in this case are not without critics. Opponents might contend the presence of economic ties is not enough to deter states from pursuing conflict when their territorial interests are at stake

(Mearsheimer, 1994). Historical cases, like what happened in World War I, demonstrate that even intense economic integration might still resort to war (Rosecrance, 1986). In the ASEAN-China context, economic cooperation does not preclude the potential for conflict. The South China Sea territorial disputes continue to generate mistrust (Storey, 2013). The spectre of conflict lingers - contained, perhaps, but never fully exorcised by trade.

While economic interdependence is not an absolute safeguard against conflict, neoliberal institutionalism does not assert its complete elimination. Instead, it posits that interdependence diminishes the probability of conflict by increasing the costs of disruption (Powell, 1991). Mutual economic gains in ASEAN-China relations create a disincentive for conflict (Buszynski, 2012). Multilateral institutions such as ACFTA and RCEP offer structured platforms for dialogue and dispute resolution, which further mitigate the risk of escalation into a full-scale row (Ba, 2020).

Another criticism would suggest that China's assertiveness in the SCS precisely poses a potential threat to the cooperative frameworks (Hayton et al., 2014). Despite the existence of economic institutions like ACFTA and multilateral agreements like the Declaration of Conduct (DOC), China's military activities have heightened tensions with ASEAN states, especially Vietnam and the Philippines (Thayer, 2013). This could unsettle the cooperative equilibrium and potentially drive ASEAN members toward deeper alignment with external powers (Kuik, 2016).

China's assertiveness in the SCS is a valid concern. Yet, China has strong incentives to avoid these frictions from escalating into outright conflict.<sup>23</sup> Its economic imperatives, especially its trade networks and the ambitious BRI projects, rest upon regional stability (Summers, 2016). Any eruption of conflict would not only tarnish China's image as a reliable economic partner but also fracture vital trade arteries and invite unwelcome interference from external powers, a scenario Beijing is keen to forestall. Furthermore, institutional constructs such as the Joint Statement on 'Mutually Beneficial Cooperation on the ASEAN Outlook on the Indo-Pacific' attest

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<sup>23</sup> As noted earlier, China has consistently been open to dialogue following incidents in the Sea. In this context, a 2015 study by Weissmann remains relevant - that a large-scale armed conflict in the sea is still unlikely, even with China's growing assertiveness. See Weissmann's (2015), 'The South China Sea: Still no war on the horizon'.

to a shared acknowledgment of the imperative to manage tensions pragmatically (ASEAN Secretariat, 2023b). These mechanisms align with neoliberal institutionalist principles of dialogue and cooperation.

Another counterargument would be that the power asymmetry between China and ASEAN may undermine the efficacy of multilateral institutions (Shambaugh, 2018). With bold economic and military clout, China could exert coercive influence over ASEAN states that potentially steer agreements to serve Beijing's calculus (Farrell & Newman, 2019). This would risk limiting ASEAN's agency in shaping cooperation. It may diminish the capacity of multilateral frameworks to balance the interests of all parties (D. M. Jones & Smith, 2007).

The power asymmetry between China and ASEAN is undeniable. Yet, institutions have important roles in mitigating such imbalances. Multilateral agreements such as ACFTA and RCEP are structured to ensure mutual benefits. They incorporate rules and provide mechanisms for dispute resolution that safeguard the interests of smaller states (Acharya, 2014). In the same vein, ASEAN's unified diplomatic pulse - negotiating as a bloc rather than as individual entities - amplifies its bargaining power vis-à-vis China (Khong & Nesadurai, 2001). ASEAN's commitment to multilateralism could serve as a strategic bulwark against Beijing's unilateral actions. Platforms like the ASEAN Regional Forum (ARF) and the East Asia Summit (EAS) reinforce ASEAN members' engagement with external powers through hedging strategies. They allow ASEAN to counterbalance dependence on China (Strating, 2020).

## Chapter 8: Conclusion

### 8.1 Summary of main findings

This study examines how ASEAN-China trade relations endure, despite territorial conflicts that reflect the shadow of military posture. Two questions guide the inquiry: First, *to what extent do the South China Sea disputes impact ASEAN-China trade relations?* Second, *how have ASEAN-China trade relations persisted despite the disputes?* To address these, I combine quantitative econometric modeling with qualitative discourse analysis across media, official, and scholarly texts. What emerges is a portrait of managed competition where states pursue conflicting claims through institutional channels that prevent escalation while maintaining profitable exchange.

*First*, the quantitative findings show conflict frequency exerts no statistically significant effect on bilateral trade volumes. GDP drives trade patterns with mechanical consistency. Distance imposes friction as gravity models predict. Price levels at times matter. Tariffs and exchange rates produce ambiguous results. The conflict variable carries the expected negative sign but fails significance tests. This suggests economic fundamentals dominate while political factors recede into the background noise: either maritime disputes operate independently from commercial relations, or some institutional mechanisms insulate economic activity from political tension. Econometric evidence alone cannot distinguish between these interpretations.

*Second*, the qualitative analysis, complementing the quantitative, reveals how this insulation operates. Four concepts from neoliberal institutionalism serve to interpret the ASEAN-China relations: institutional agreement, interdependence, absolute gain orientation, and shadow of the future.

The institutional arrangements proliferate across all text domains. Summits generate working groups that spawn subcommittees. Agreements reference earlier agreements while projecting future cooperation. This bureaucratic density creates multiple channels for communication and coordination. States maintain continuous dialogue through formal mechanisms, even when they disagree fundamentally about

sovereignty. The institutions do not resolve disputes. They nevertheless manage disputes by providing alternatives to military escalation.

Interdependence emerges from the very findings of this study. Supply chains integrate production across borders. Infrastructure investments - like the BRI projects - create physical connections that persist beyond political cycles. Under the shadow of conflict, trade volumes reach levels where disruption would generate catastrophic economic costs. ASEAN needs China's markets and capital while China has been relying on Southeast Asian resources and strategic positioning. Both sides are bound by these dependencies that neither can exit without severe consequences. States play within interdependence rather than escaping it.

Absolute gains rhetoric mostly saturates official texts. Framing cooperation as mutually beneficial has legitimized engagement that power asymmetries might otherwise render suspect. Smaller countries accept China's economic power as a 'partnership' rather than a 'takeover.' China secures regional influence without triggering balancing coalitions. The win-win language operates as diplomatic lubricant that reduces friction in negotiations. It is not cynical manipulation. Rather, it is more about pragmatic adaptation to structural constraints that make cooperation rational, despite unequal power.

The 'shadow of the future' disciplines states' present behavior. Multi-year plans and decade-spanning visions create expectations about relationship trajectories. States protect their reputation because they know they will have to negotiate again. Defection today jeopardizes gains tomorrow. This temporal logic makes institutional engagement worthwhile even when immediate payoffs remain uncertain. The Code of Conduct negotiations, for example, continue for two decades. They have not necessarily failed to produce agreement. Rather, the ongoing dialogue - through regular consultation - generates value that builds shared understandings that prevent sudden shocks to regional relations.

The four mechanisms operate simultaneously to support stable patterns despite persistent disagreement. More prominent are institutional arrangement and interdependence compared to the other two. Institutions provide forums where interdependence is managed. Interdependence creates stakes that justify institutional

investment. Absolute gains and long-term orientations, though comparatively less present, legitimize cooperation that makes interdependence rational and institutional commitments credible. The system functions through reinforcement rather than resolution. States do not solve territorial disputes, at least not yet. But they build frameworks that allow trade and diplomacy to persist while sovereignty claims remain active.

This managed competition reflects rational adaptation to regional environment. Southeast Asian states face a rising power with overwhelming economic mass and military capabilities. Direct confrontation would fail. Complete accommodation would sacrifice sovereignty. The middle path, if we could say, involves engagement through institutions that constrain Chinese behavior through collective action while maintaining economic access for growth. China gains regional stability and market access while accepting multilateral constraints that prevent hegemonic domination. Both sides compromise since otherwise alternatives might offer worse outcomes.

The findings allow for a re-evaluation of the hypothesis presented earlier. It is stated that *'the SCS disputes do not have a significant impact on ASEAN-China trade because economic growth patterns remain the primary driver of exchange, while institutional trade frameworks create a buffer that insulates trade relations from political tension.'* The quantitative results indicate a clear disconnect: economic fundamentals drive trade, while the conflict variable has negligible impact. In accordance with the gravity model, trade volumes are shaped consistently by GDP growth and distance. The qualitative findings, meanwhile, inform the architecture sustaining this outcome. Interdependence and institutional settings – alongside absolute gains and anticipated relations – collectively operate as a strategic shock absorber. Cooperation, as manifested in ACFTA and RCEP, persists as the rational equilibrium: states prioritize the economic profits derived from trade, and consider that open conflict would impose prohibitive costs. In other words, institutions act as a vital buffer to 'administer' trade from political tension.

My study takes a stand within debates about trade and conflict. Classical liberalists have maintained that economic relations reduce the propensity of conflict - a claim persistently contested by realist scholars - particularly in moments of uncertainty, which

offer realists an almost ceremonial stage. In this study, I argue that economic interdependence does not necessarily pacify political tension. Rather, it reconfigures the terrain on which states pursue competing interests. Consistent with the neoliberal institutionalist reasoning, military escalation becomes irrational when economic costs exceed conceivable gains. Institutional frameworks channel disputes into diplomatic rather than military domains.

The findings also inform us about limitations in both neoliberal and realist perspectives. Neoliberal institutionalism identifies mechanisms that facilitate cooperation. Institutions reduce uncertainty. Interdependence creates mutual vulnerability. Repeated interaction builds trust. Yet the framework struggles with persistent competition that economic ties fail to dissolve. Territorial sovereignty involves issues where interests genuinely conflict and no amount of trade integration eliminates competing claims.

Realism precisely emphasizes power asymmetries and security competition. China's rise generates balancing pressures. Smaller states hedge through diversified partnerships. Military capabilities grow despite economic engagement. Yet pure realism cannot explain why states maintain cooperation despite security tensions. Economic interdependence constrains options even for powerful states. Institutions provide collective leverage that individual states lack.

What emerges suggests a synthesis. States pursue interests shaped by both security concerns and economic imperatives. They build institutions that serve multiple purposes simultaneously. They cooperate where gains are positive-sum while competing where interests conflict. They manage rather than resolve contradictions inherent in relationships combining partnership with rivalry.

The ASEAN-China case reveals peace and conflict not as opposing absolutes but as points along a shared continuum. States sustain dense webs of economic cooperation while simultaneously prosecuting territorial claims through juridical and diplomatic registers. This setting may represent the pragmatic upper bound of order within multipolar constellations. Perfect cooperation remains attainable. Yet catastrophic conflict is held at bay. Within this interstitial space reside institutional mechanisms,

economic ties, and strategic calculations. Those generate stable patterns of interaction, even as tensions remain unresolved.

## **8.2 Limitations and Future Research Agenda**

This study acknowledges its inherent limits. The insights are set in the context of ASEAN-China relations, which have its own historical, economic, and political paths. This case may resist straightforward generalization to other geopolitical disputes or trade settings. The findings speak to this singular region rather than being universally portable. Expanding the analytical horizon through cross-regional comparison could enhance its applicability. It could reveal how diverse geopolitical contexts recalibrate trade dynamics.

The focus has also been limited to economic factors and institutional frameworks. This study may not entirely encompass the impact of non-economic dimensions, such as domestic politics, public opinion, and external diplomatic pressures. These elements one way or another play roles in shaping trade-conflict dynamics. Future inquiries should seek to integrate a broader spectrum of such factors. Exploring those dimensions or add any relevant proxies could provide refined perspectives and recommendations, especially for policymakers who strive to navigate the balance between geopolitical discord and trade stability.

Likewise, while the Ordinary Least Squares and Fixed Effects estimators provide the baseline to the GMM analysis, the variation in coefficient significance across models indicates potential sensitivity to estimator choice - despite the supporting evidence offered by the qualitative findings. Although the preferred GMM is well justified, different results with different estimations may be contingent on underlying model structure. The research frontier thus calls for more sensitivity tests to consolidate validity. This may include for instance systematic outlier diagnostics, alternative operationalizations of core variables, and the inclusion of additional covariates - particularly quantifiable institutional indicators - to dampen specification bias and affirm the durability of the observed quantitative regularities.

The analysis disregards some crises within the temporal scope. For example, the Covid-19 pandemic disrupted global supply chains. Port closures, lockdown measures, and shifting demand patterns created trade distortions which may be not related to maritime disputes. The Russia-Ukraine war generated secondary effects throughout Asia. Energy prices surged. Food security concerns emerged. Sanctions regimes created new trade barriers and payment complications. These shocks potentially mask conflict-related effects in the data. The model specification cannot isolate South China Sea impacts from these concurrent disturbances. Future research incorporating crisis dummy variables or subsample analysis could disentangle these overlapping influences. Examining pre-pandemic and post-pandemic periods separately might expose whether trade-conflict dynamics shift under extreme stress conditions.

The scope excludes trade in services entirely. This omission reflects an assumption that territorial disputes primarily affect physical goods movement. Maritime tensions conceivably disrupt shipping routes, port operations, and cargo insurance costs. Services trade operating through digital channels appears segregated from such geographic friction. Financial services, telecommunications, and professional consulting most likely exhibit different sensitivities to geopolitical strain. Incorporating services data could render some perspective. For instance, it could test whether goods and services respond another way to conflict episodes. This extension becomes relevant as digital trade infrastructure reduces geographic constraints on service delivery.

### **8.3 Policy Recommendations**

Navigating the South China Sea conflict and its implications for trade relations calls for a commitment to the fortification of existing multilateral institutions. ACFTA and RCEP are some of the examples of not mere contractual artifacts. Frameworks are platforms for dialogue and mutual engagement, embodying the logic of cooperative reason. To strengthen these architectures is to nurture a political ecosystem where economic logic ascends above the tempests of geopolitics. Reinforcing institutional effectiveness in dispute management lays the groundwork for a trade environment both stable and fertile. In this sense, institutions become more than procedural shells. They

emerge as buffers: absorbing competing interests and translating them into structured interdependence.

ASEAN member states should empower existing frameworks with dispute resolution capacity. The Code of Conduct negotiations require completion not through rushed compromise but through provisions that establish binding procedures for managing incidents. ASEAN needs mechanisms that convert dialogue into outcomes rather than perpetual process. This demands political will to accept constraints on unilateral action in exchange for predictable rules governing all parties. Singapore and Indonesia, as states less directly involved in territorial disputes, could broker compromise language that claimant states find acceptable. The institutional architecture exists. What remains absent is the operational sinew - the practical capacity to translate agreed principles into the adjudication of incidents.

Economic interdependence, in the meantime, requires deliberate diversification to mitigate vulnerabilities. The findings showed integration between ASEAN and China creates mutual dependence but unequal leverage. States that are overreliance on Chinese markets and capitals face constraints when political tensions come to the surface. Vietnam and the Philippines pursue necessary hedging through expanded partnerships with Japan, South Korea, India, and Western economies. This is not anti-China balancing but rational risk management. RCEP provides multilateral framework that includes non-Chinese partners. ASEAN states should maximize engagement with all RCEP members to distribute economic dependencies across multiple relationships. Infrastructure development through Japanese quality infrastructure initiatives or European connectivity programs reduces exclusive reliance on Belt and Road financing. Supply chain diversification spreads production across multiple countries rather than concentrating in Chinese networks. These strategies maintain Chinese economic ties while building alternatives that preserve policy autonomy during crises.

Conflict management protocols need immediate operationalization before incidents escalate beyond institutional capacity. The quantitative analysis showed conflicts have, at least, not yet disrupted trade significantly. Current mechanisms rely on post-incident dialogue rather than real-time communication. ASEAN and China should establish direct hotlines between relevant maritime agencies with protocols for

immediate notification when incidents occur. The Code for Unplanned Encounters at Sea provides templates that require adaptation for South China Sea specifics. Joint search and rescue exercises build operational familiarity between personnel who might otherwise clash during patrols. Confidence-building measures like advance notification of major military exercises reduce misperception risks. These technical mechanisms are just some examples that operate below diplomatic level where political constraints limit action. Such pragmatic cooperation can partly address the issues even when governments cannot resolve sovereignty disputes.

Long-term stability begins with the sober acceptance that certain territorial disputes may linger for decades, yet frameworks can be built to render their resolution unnecessary for the machinery of cooperation to function. The shadow of the future operates effectively only when states genuinely expect continued interaction. Vision documents projecting cooperation through 2030 and beyond perform this expectation. ASEAN and China should institutionalize regular reassessment of long-term frameworks that extends planning horizons and creates bureaucratic constituencies invested in relationship stability.

Carefully understanding China's strategic and economic goals is also foremost for ASEAN. This requires not only monitoring China's objectives but also engaging in dialogues that demonstrate a grasp of its aspirations. Addressing China's interests with foresight and insight cultivates more constructive pathways of interactions. This engagement rests on the axiom that mutual understanding is the very grammar through which meaningful diplomacy is spoken. Hence, ASEAN can navigate regional relations to promote mutual benefit through interconnected economic environment. Again, ASEAN's future relations with China will pivot on the mutual commitment to multilateralism, in which they put national interests on the table within the institutional cooperation.

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## **Annexes**

### **Annex 1**

Quantitative data covering variables or ASEAN-China trade. The data is in a country-level format. It can be accessed [here](#).

### **Annex 2**

Qualitative data containing list of official documents, new articles, and academic journals. The data can be accessed [here](#).

## Annex 3 Coding Dictionary

This appendix presents the coding dictionary used for deductive content analysis. It is based on the theoretical framework of neoliberal institutionalism. It provides the full list of concepts, operational definitions, and keyword variations that guided the coding of text data.

### **Concept 1: Institutional Arrangements**

**Definition (operational):** Any explicit reference to formal/informal institutions, rules, agreements, and mechanisms that structure cooperation and governance.

#### **Inclusion cues**

institution(s), institutional, institutionalize(d); regime(s), regime complex; treaty/treaties; agreement(s); accord(s); pact(s); convention(s); charter(s); protocol(s); memorandum of understanding/MoU/MOU; code of conduct/CoC; declaration(s); communiqué(s); joint statement(s); framework(s)/framework agreement(s); mechanism(s); forum(s); council(s); committee(s); working group(s); secretariat; rules-based, rule of law, governance, norm(s), procedure(s); dispute settlement/resolution, arbitration, mediation; dialogue mechanism/framework/process/channel/arrangement, consultation(s); confidence-building measure(s)/CBM(s); hotline(s); guideline(s); roadmap/road map; action plan/POA; agenda; meeting(s); summit(s); ministerial(s); Track-1/1.5/2; ARF, ADMM(-Plus), EAS, DOC, TAC, RCEP, MPAC 2025, BRI; ratify/ratified/ratification; sign/signed/signing; implementation/implementing; Committee of Permanent Representatives/CPR.

**Common exclusions:** Generic mentions of “meeting” that are purely descriptive without institutional or cooperative substance (use judgment).

### **Concept 2: Interdependence**

**Definition (operational):** References to mutual reliance or cross-border linkages (economic, social, security) that increase the costs of conflict and incentivize cooperation.

#### **Inclusion cues**

interdependence, interdependent; mutual dependence/reliance; economic ties/links/integration/interdependence; trade ties/links/flows/volume/relationship(s); supply chain(s)/value chain(s)/production network(s); connectivity/ies; integration; FDI/foreign direct investment; investment flow(s)/ties/links; mutual benefits; shared interests; complementarity/ies; intertwined, linkage(s); dependenc(y/ies); exposure; openness/open economies; cross-border; people-to-people; tourism flow(s)/visitor arrivals; student(s); migration; energy interdependence; maritime trade routes/sea lanes/SLOC.

**Common exclusions:** Mere trade statistics without any indication of ties/embeddedness (use context).

### **Concept 3: Absolute Gains Orientation**

**Definition (operational):** Language that emphasizes joint benefits, win-win outcomes, and positive-sum cooperation rather than zero-sum competition.

#### **Inclusion cues**

absolute gain(s); mutual benefit(s); win-win; positive-sum; shared prosperity; common development; mutual advantage(s); benefit(s) for all; not/beyond zero-sum; shared growth; both sides benefit; cooperative partnership(s); deliverable(s); pragmatic/practical cooperation.

**Common exclusions:** Generic “benefit” where the subject is individual/private (e.g., a firm’s profit) and not framed as mutual or shared.

### **Concept 4: Shadow of the Future**

**Definition (operational):** Forward-looking commitments, repeated interactions, and institutionalized expectations that future payoffs discipline present behavior.

#### **Inclusion cues**

shadow of the future; long-term cooperation/partnership/commitment/engagement/stability/relationship(s); future/continued/ongoing/sustained cooperation; sustained engagement, ongoing dialogue, regular(ized) meetings, repeated interactions; trust-building/build trust, confidence-building, mutual trust; Roadmap 2030/Vision 2030/five-year plan, long horizon, predictability, durability, continuity, forward-looking; commit(ment) to continue, pledge to, will continue, continue to; next/future/follow-up meeting(s), next round.

**Common exclusions:** Vague references to “the future” without any commitment, schedule, or expectation of repeated interaction.

**Annex 4**  
**Some Key Excerpts of Neoliberalism Concepts**

| <i>Category</i>           | <i>Concept(s)</i>                                   | <i>Year</i> | <i>File</i>   | <i>Quote</i>  |
|---------------------------|---|-------------|---|---|
| <i>Official documents</i> | Institutional arrangements;<br>Shadow of the future | 2011        | <i>Plan of Action for the Memorandum of Understanding Between the Association of Southeast Asian Nations (ASEAN) and the Government of the people's Republic of China on Cooperation in the field of Non-Traditional Security</i> | <i>The Association of Southeast Asian Nations (ASEAN) and the People's Republic of China (hereinafter referred to as "the Parties"), note with satisfaction that since the signing of the Memorandum of Understanding on Cooperation in the Field of Non-traditional Security Issues, their law enforcement cooperation has steadily contributed toward the maintenance of peace, stability and prosperity of the region. This Plan of Action is formulated in accordance with the principles and objectives set forth in the Memorandum of Understanding on Cooperation in the Field of Non-Traditional Security Issues renewed in 2009, and will serve as a master plan for the next three years (2011-2014) for the purpose of promoting all-dimensional and in-depth development of the law enforcement cooperation between the two sides and further enriching the ASEAN-China strategic partnership for peace and prospe...</i> |
| <i>Official documents</i> | Institutional arrangements;<br>Shadow of the future | 2012        | <i>Joint Statement of the 15th Asean-China Summit on the 10th Anniversary of The Declaration on The Conduct</i>   | <i>We reaffirm the Joint Declaration of the Heads of State/ Government of the Association of the Southeast Asian Nations and the People's Republic of China on Strategic Partnership for Peace and Prosperity of 8 October 2003. A Decade of Enhancing Mutual Confidence and Trust</i><br><br><i>We reaffirm that the DOC signed in 2002 in Phnom Penh, Cambodia, is a milestone document which embodies the collective commitment of ASEAN Member States and China to promote peace, stability and mutual trust in the South Chin...</i>   |

|                    |   |      |  |   |
|--------------------|---|------|--|---|
| News articles      | Shadow of the future; Institutional arrangements; | 2013 | SCMP – “Xi Jinping holds Malaysia talks in regional charm offensive”               | <i>“We have agreed to strengthen our partnership with naval defence, joint military exercises to combat terrorism and to promote security,” Xi said. “This will create a sound environment for peace and the prosperity of both countries.” Najib said he would visit China next year, and he had “great confidence that under Xi’s leadership, China will continue to make much progress and become an economic powerhouse and ...</i> |
| Official documents | Interdependence; Institutional arrangements       | 2014 | Chairmans Statement of 17 <sup>th</sup> ASEAN-China Summit                         | <i>Maritime Cooperation”. We welcomed China’s comprehensive plan for utilising the ASEAN-China Maritime Cooperation Fund to provide financial support for ASEAN-China cooperation in the areas of maritime connectivity, marine science and technology as well as maritime scientific research, search and rescue, disaster managem...</i>  |
| News articles      | Interdependence                                   | 2015 | Nikkei – “Amid Cambodia-Vietnam border tensions, a ‘special’ relationship evolves” | <i>At the same time, military relations remain close: During high-level talks in March, the two countries agreed to boost defense ties across the board. The economic relationship is also considerable: In 2014, bilateral trade volume reached \$3.2 billion, and is expected to top \$5 billion this year. Vietnam is also a key s...</i>  |
| News articles      | Shadow of the future                              | 2015 | Nikkei – “Look of new Asian order still anyone’s guess, says ex-diplomat”          | <i>He said the U.S., China and Japan need to work out rules to prevent tensions from escalating, and that in the interim, member states of the Association of Southeast Asian Nations will maintain their traditional stance of not siding with any of the big powers. The former diplomat also said that unlike China and South Ko...</i>  |
| News articles      | Shadow of the future                              | 2015 | Nikkei – “Amid Cambodia-Vietnam border tensions, a ‘special’ relationship evolves” | <i>Ou Virak, head of the Future Forum, a policy institute based in Phnom Penh, said Hun Sen could be expected to employ nationalist rhetoric without endangering his government’s relationship with Vietnam. “Hun Sen definitely is not going to antagonize Vietnam even with China’s support,” he said. Despite the nationalist re...</i>  |

|                           |  |      |  |  |
|---------------------------|--|------|--|--|
| <i>Official documents</i> | Absolute Gains Orientation; Institutional arrangements                       | 2015 | Protocol To Amend the Framework Agreement on Comprehensive Economic Co-Operation and Certain Agreements Thereunder Between the Association of Southeast Asian Nations and The People's Republic of China | <p><i>Article 12</i></p> <p><i>Review of Customs Procedures</i></p> <p><i>The Parties shall, under the mechanism of the ASEAN-China FTA Joint Committee (ACFTA-JC), periodically review the implementation of the Section on CPTF with a view to further simplifying and harmonising customs procedures to the extent possible and developing mutually beneficial arrangements to facilitate trade among the Parties. A subcommittee on CPTF will be formed and conve...</i></p>   |
| <i>News articles</i>      | Interdependence; Institutional arrangements                                  | 2016 | Nikkei – “ASEAN is coming together -- slowly”  | <i>Another big financier is likely to be the China-led Asian Infrastructure Investment Bank, which was set up in 2015 to support Beijing's plans to improve transport links with neighboring countries as part of its Belt and Road Initiative. The AIIB, with registered capital of \$100 billion, has said it is keen to work on A...</i>  |
| <i>News articles</i>      | Institutional arrangements   | 2017 | SCMP – “Asean and China have moved on ... didn't Vietnam get the memo?”  | <i>... Vietnamese diplomats attempted to use a communique at a summit of the Association of Southeast Asian Nations (Asean) to pile pressure on Beijing's rising assertiveness in the disputed waters.</i>   |
| <i>Official documents</i> | Absolute Gains Orientation; Institutional arrangements; Shadow of the future | 2018 | ASEAN-China Strategic Partnership Vision 2030  | <p><i>1. Advance the ASEAN-China Strategic Partnership to new heights by forging closer cooperation for a mutually beneficial future of ASEAN and China, including through the full and effective implementation of the 2016-2020 Plan of Action to Implement the Joint Declaration on the ASEAN-China Strategic Partnership for Peace and Prosperity and its successor documents. ASEAN notes with appreciation China's efforts to promote closer ASEAN-China cooperation, including China's vision to build an ASEAN-China community with a shared future;</i></p> <p><i>2. Promote peace, security and stability in the region, including through the further deepening of strategic relations, and promote mutual trust and confidence, peaceful resolution of disputes in accordance with</i></p> |

|                           |   |      |  |  |
|---------------------------|---|------|--|--|
|                           |   |      |  | <i>international law, without resorting to the threat or use of force, and the maintaining of friendly dialogue and consultations including high-level exchanges;</i>  |
| <i>News articles</i>      | Interdependence   | 2020 | SCMP – “Are Indonesia, Vietnam and Malaysia about to get tough on Beijing’s South China Sea claims?”   | <i>...the whole idea of the code is meant to show that South China Sea disputes should be resolved and managed by Asia only, and outsiders are not welcome. ...South China Sea – through which more than US\$3 trillion in trade passes every year... ...Southeast Asian nations will not want to jeopardise the vital economic ties.</i>  |
| <i>Official documents</i> | Interdependence;<br>Institutional arrangements;<br>Shadow of the future         | 2021 | Joint Statement of the Asean-China Special Summit to Commemorate The 30th Anniversary of Asean-China Dialogue Relations: Comprehensive Strategic Partnership for Peace, Security, Prosperity and Sustainable Development | <i>Advance comprehensive collaboration and enhance mutual trust, deepen political and security cooperation including through ASEAN-led dialogue platforms and mechanisms to maintain peace and stability in the region; promote comprehensive and active economic relations in trade and investment as well as development, and strengthen regional supply chains; foster diversified social, cultural and people-to-people cooperation in all fields; and promote regional and international coopera...</i> |
| <i>News articles</i>      | Interdependence;<br>Institutional arrangements;                                 | 2022 | Straits Times - “China, US in race for Asean: Who has the edge?”   | <i>Trade between Asean and China has more than doubled in the past decade and almost quadrupled since the Asean-China Trade in Goods Agreement came into force in 2005.<br/><br/>China is part of the Regional Comprehensive Economic Partnership (RCEP)... Beijing has also formally applied to join the CPTPP...</i>   |
| <i>News articles</i>      | Absolute Gains Orientation;<br>Shadow of the future; Institutional arrangements | 2023 | SCMP - “South China Sea: Beijing pushes for code of conduct talks, pledges deeper Malaysia, Asean ties”  | <i>He also said that the two countries, along with others involved in South China Sea territorial disputes, should push forward talks on the code of conduct to “ensure peace and stability” of the waterway.</i>  |

|                           |  |      |   |   |
|---------------------------|--|------|---|---|
|                           |  |      |   | <i>“Win-win cooperation is the only correct choice [for us],” Li said, as he called to speed up talks on the long-awaited code of conduct, as well as version 3.0 of the China-Asean free trade agreem...</i>   |
| <i>Official documents</i> | Shadow of the future   | 2024 | ASEAN Regional Forum Annual Security Outlook 2023   | <i>ASEAN and China remain committed to continue promoting maritime security and safety, and enhancing mutual trust and confidence. They have reaffirmed their commitment to the freedom of navigation in and overflight above the South China Sea, to exercise self-restraint in the conduct of activities...</i>   |
| <i>Official documents</i> | Shadow of the future; Institutional arrangements                             | 2024 | ASEAN Regional Forum Annual Security Outlook 2023   | <i>China launched the Global Security Initiative Concept Paper to expound the core ideas and principles of the GSI and lay out its 20 priorities of cooperation as well as the platforms and mechanisms of cooperation. The GSI is underpinned by six commitments, namely, staying committed to the vision of common, comprehensive, cooperative and sustainable security; staying committed to respecting...</i>   |
| <i>News articles</i>      | Absolute Gains Orientation; Shadow of the future; Institutional arrangements | 2024 | SCMP – “South China Sea: Beijing, Hanoi try to navigate differences as territorial disputes ripple” | <i>At the meeting on Thursday, Wang reiterated that China considers Vietnam a priority diplomatic partner and wants to work with Vietnam to “jointly promote the solid development of the China-Vietnam community with a shared future”...<br/>... China and Vietnam did agree to join Asean countries in “promoting negotiations and soon finalising a substantive, efficient and effective code of conduct in the waters” in accordance with relevant laws.</i> |
| <i>Official documents</i> | Absolute Gains Orientation; Institutional arrangements;                      | 2024 | Overview of ASEAN-China CSP 12 June 2024  | <i>The 26th ASEAN-China Summit held on 6 September 2023 adopted the Joint Statement on Mutually Beneficial Cooperation on the ASEAN Outlook on the IndoPacific. Other key milestones of the relations include: (i) launch of the ASEAN-China Centre...</i>  |