

# COMPARATIVE

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## CONNECTIONS

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**CHINA- SOUTHEAST ASIA RELATIONS**

## STEADY GAINS IN SOUTH CHINA SEA

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Though periodically distracted by the North Korea crisis that intruded on deliberations during the ASEAN Regional Forum and other ASEAN meetings in Manila, China-Southeast Asia relations remained focused on the South China Sea. China and ASEAN reached agreement on a framework for a code of conduct in the South China Sea that supported Beijing interests. Modest advances in Chinese control of the territory and resources of the South China Sea continued while Beijing rebuffed Philippine and Vietnamese efforts to unilaterally drill for oil and gas in their exclusive economic zones that fall within China's broad claim. Challenges posed by US freedom of navigation exercises and statements by US and allied leaders at odds with China's policies and practices were dismissed as Chinese propaganda outlets highlighted Xi Jinping's personal leadership in China's success in the South China Sea amidst the hagiography for him prior to the 19<sup>th</sup> Party Congress that will be held this fall.

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## Chinese command and control

The Pentagon's annual report on Chinese military developments, updates from the [CSIS Asia Maritime Transparency Initiative \(AMTI\)](#), and regional news dispatches underlined steady improvements in China's control of the South China Sea. In June, AMTI said Beijing can now deploy combat aircraft and mobile missile launchers to three of its newly created bases in the Spratly Islands and its long-established base on Woody Island in the Paracel Islands. These will allow Chinese military aircraft to operate over nearly the entire South China Sea. It judged that deployment of advanced surveillance/early warning radar facilities in Chinese outposts allowed for radar coverage throughout the South China Sea. Related reports highlighted Chinese deployments of more advanced airborne early warning and control aircraft to Hainan Island presumably for operations over the South China Sea. In July, *Xinhua* said China dropped a dozen underwater drones in the South China Sea to carry out "scientific observations." Foreign specialists saw the drones, which remain underwater for a month, as vehicles for gathering information for submarine and anti-submarine operations and reconnaissance.

Continuing one of the longest running features of Chinese hegemony in the South China Sea, China's annual ban on foreign as well as Chinese fishing in Chinese-claimed waters took effect May 1. In the South China Sea, the ban covers waters above the 12<sup>th</sup> parallel which include the Paracel Islands and Scarborough Shoal but not the Spratly Islands and southern areas of the South China Sea falling within China's nine-dash line claim. China has enforced this ban since 1995, at times leading to heated disputes with Vietnam, especially concerning the Paracel Islands, and with the Philippines regarding fishing in Scarborough Shoal.

The latest evidence of China's ever increasing capabilities to enforce its will in the disputed waters came with the announcement in May that the world's largest coast guard vessel, the 12,000-ton China Coast Guard (CCG) cutter 3901, had completed its first patrol lasting 19 days in the South China Sea. In contrast to the light armaments on most coast guard ships, this vessel is armed with 76-mm rapid-fire guns and anti-aircraft machine guns; it is also equipped with a helicopter landing pad and hangar, and two unmanned aerial vehicles used for surveillance. [The Diplomat](#) reported that it is

much larger than the US *Ticonderoga*-class guided missile cruisers and *Arleigh Burke*-class guided missile destroyers, and it is almost double the size of Japan's *Shikishima*-class coast guard cutters, which when launched were the largest such ships in the world. Size matters when coast guard ships engage in ramming one another during hostile encounters.

## China-ASEAN code of conduct

On May 18, 2017, China and the 10 member states of ASEAN announced they had reached agreement on a draft framework for a code of conduct (COC) for the South China Sea. The agreement came, after many years of discussion, at the 14<sup>th</sup> China-ASEAN Senior Officials Meeting on the Implementation of the Declaration on the Conduct of the Parties in the South China Sea (DOC) in Guiyang, China. Agreement on the DOC was reached in 2002. On Aug. 6, 2017, Chinese and ASEAN foreign ministers meeting in Manila endorsed the framework agreement. According to official Chinese media, Foreign Minister Wang Yi announced after the meeting that China had proposed future steps for discussing the COC involving "substantive consultations" at a proper time this year and announcing the start of negotiations on the text of the COC at the China-ASEAN Leaders Meeting to be held in Manila in November. The progress on the COC came amid reminders by foreign specialists of unaddressed issues and perceived shortcomings in the framework including disagreements on the geographic scope of the COC, on enforcement and arbitration mechanisms, and on whether the COC will be legally binding.

As reported in our previous *Comparative Connections* article, the Philippines as this year's chair of ASEAN pleased China by endeavoring to tone down ASEAN differences with China over the South China Sea issue at the late-April ASEAN Summit in Manila. It reportedly followed a similar approach in preparing a communiqué marking the ASEAN Foreign Ministers Meeting in Manila in early August. But the communiqué was delayed, and when released on Aug 6, it contained wording reportedly supported by Vietnam about land reclamation, militarization, increased tensions, and instability that reflected negatively on China.

## Belt and Road Forum

China convened a two-day summit on May 14-15 to promote the inaugural “Belt and Road Forum.” The summit was held in Beijing and 29 heads of state took part in the meeting, with a number of Southeast Asia leaders in attendance. President Xi Jinping pledged \$124 billion for a new Silk Road initiative for new infrastructure projects to strengthen intercontinental trade links between Asia, Africa, and Europe. This would be in addition to China’s \$100 billion capitalization for the Asian Infrastructure Investment Bank (AIIB), where many of the bank’s projects will also become part of the “Belt and Road Initiative.” A record 270 agreements were inked during the two-day meeting, including a number of deals focusing on China-Southeast Asia development projects:

- Memorandums of understanding on Belt and Road cooperation with Singapore, Myanmar, Malaysia, and East Timor.
- Trade and economic agreements with Vietnam, Cambodia, Laos, the Philippines, Indonesia and Myanmar.
- A memorandum of understanding on the establishment of a China Myanmar border economic cooperation zone.
- A memorandum of understanding on cooperation on electronic commerce with Vietnam.
- Export-Import Bank of China loan agreements on projects to build industrial parks, power plants, and dams with the relevant government departments of Cambodia and Laos.
- China Development Bank financial cooperation agreements on chemical, metallurgical, and petrochemical industries with the relevant institutions in Indonesia and Malaysia.

While President Xi sought to use the forum as a platform to address global development challenges and the slow and uneven growth in international trade and investment, a number of [questions linger](#) over the lack of specific details and implementation plans of the forum’s initiatives. Some observers raised concerns about the utility of the infrastructure projects

for many of the local economies in Asia. There are also concerns over the costs, financing, and potential debt-burdening risks of maintaining expensive megastructures, as well as the underspecified opportunities for local employment, and the provision of materials, labor, and finance. Likewise, continued tension between China and its Southeast Asian neighbors surrounding the South China Sea has challenged the consistency of China’s broader message of promoting “win-win” relations in its foreign and economic policy.



1 Group photo at the Belt and Road Forum for International Cooperation (China News)

## Moderate criticism and effective private coercion

On South China Sea disputes, China occasionally criticized actions by Vietnam and other ASEAN members. It targeted criticism by lower-level officials and media at the US, Japan, Australia, New Zealand and others whose statements supported the international tribunal ruling last year against China’s claims or whose actions China opposed. As seen in the US-China relations section of *Comparative Connections*, Defense Secretary James Mattis’ speech at the annual Shangri-La Dialogue in June directly criticized China’s actions in the South China Sea and supported the 2016 tribunal’s decision against China’s claims. Chinese government spokespersons and official Chinese media rebuked the speech. Three US Navy freedom of navigation operations and one US Air Force freedom of navigation operation over the disputed South China Sea during this reporting period drew similar criticism from Beijing.

As seen in the Japan-China section of *Comparative Connections*, Japan’s defense minister also was attacked for remarks at the Shangri-La Dialogue critical of China. Chinese media and government spokespersons also criticized the US-Japan-Australia joint announcements at the Shangri-La meeting and at the ASEAN regional meetings in August that

disapproved of Chinese actions in the South China Sea and supported the tribunal's ruling against China's claims. Other allied commentary criticized by China included the joint statement of the G7 countries after their meeting in Italy in May that referred to concern over developments in the South China Sea, and a Japan–New Zealand statement following Prime Minister Abe Shinzo's visit to New Zealand in May that supported the international tribunal's ruling against China. Beijing duly criticized a British announcement that it would send a ship next year to conduct a freedom of navigation exercise in the South China Sea.

Meanwhile, Beijing resorted to blunt private warnings not reported in official Chinese media to stop Philippines and Vietnamese plans to unilaterally exploit oil and gas resources in areas of the South China Sea claimed by China. Philippine President Rodrigo Duterte told the media on May 19 that he had raised Philippine's plans to drill for oil in areas claimed by both the Philippines and China when meeting President Xi in China on May 15. He said Xi reaffirmed strong interest in better relations with the Philippines but warned that such drilling would lead to war.

Vietnam's leaders remained silent about their encounter with China's threat. According to reporting by Carlyle Thayer, Bill Hayton, and other well-informed foreign experts and reporters, in June, after years of delay, Vietnam granted Talisman Vietnam (a subsidiary of the Spanish energy firm Repsol) permission to drill for gas at the edge of Vietnam's exclusive economic zone in the South China Sea. The drilling of an exploration well, guarded by Vietnamese Coast Guard and other ostensibly civilian ships, began in June. The drilling negatively impacted the visit to Hanoi by China's senior military commander Fan Changlong beginning on June 18. Subsequently, China's Foreign Ministry called in Vietnam's ambassador in Beijing to warn that if the drilling didn't stop, China would use force against Vietnamese bases in the South China Sea. The Vietnamese leaders decided to retreat; the drilling halted and the exploration ship left the area.

### **China-Philippines relations**

President Duterte took in stride Xi's warning against unilateral drilling, using it to explain his pragmatic approach in seeking joint

development with China of oil resources both claim in the South China Sea. By the end of the reporting period, the Philippines was mooting the possibility of joint exploration and China was responding positively. While visiting Manila on July 25, Foreign Minister Wang Yi supported a joint venture with the Philippines because unilateral action would have damaged both sides. China's South China Sea expert Wu Shicun said the proposed joint project would serve as a model for other South China Sea claimants.

Wang and supporting Chinese media also warmly [welcomed Manila's support](#) for China's Belt and Road Initiative, asserting that the Philippines government was an "indispensable, important partner" for building what China calls the 21<sup>st</sup> Century Maritime Silk Road. He promised China would be "the most sincere and enduring partner" of the Philippines in its national development.

The reversal and dramatic improvement in Philippines–China relations over the past year and Duterte's pro-China approach as chair of ASEAN were seen by Chinese commentators as reinforcing Beijing's argument that China and South China Sea disputants are fully capable of handling their disputes without the interference of the United States, Japan and other "third parties." Recently appointed Philippine Foreign Minister Alan Peter Cayetano, Duterte's running mate in the 2016 elections, strongly underscored China's position by telling the US, Japan, and Australia after their joint statement critical of China during the ASEAN regional meetings in August to keep out of the South China Sea dispute. In July, Cayetano also advised the media not to be swayed by what he depicted as one-sided reporting by CSIS AMTI of Chinese defense infrastructure building on newly created land features in the South China Sea.

Other important developments included:

- President Duterte visited Chinese warships making a goodwill visit to his home town, Davao on May 2.
- Duterte attended China's Belt and Road Forum in Beijing in mid-May, meeting President Xi and endorsing the Chinese initiative as beneficial for the Philippines and for ASEAN.
- On May 19, Chinese and Philippine delegations held their first bilateral

talks on South China Sea issues; little was announced other than the promise to meet again in 2017.

- On May 25, China said it “firmly supports” Duterte’s declaration of martial law to deal with the crisis with militants taking control of the southern city of Marawi. Duterte gave keen attention to Chinese supplies of small arms, while avoiding much attention to the far more substantive assistance the Philippines is receiving from the United States and Australia.

Obstacles to improved relations include:

- Opposition in the Philippines to joint ventures with China in the South China Sea which are seen as unconstitutional unless the Philippines receives 60 percent of the value.
- Detailed [investigative reporting](#) on the context and background of Philippine companies involved in many of the proposed Chinese backed infrastructure projects in the country under terms of recent agreements by Duterte with China. The reporting strongly indicates that many of the Philippines companies are inept and/or corrupt. The last surge in Chinese investment in projects in the Philippines occurred during the rule of President Gloria Arroyo (2001-2010). It was accompanied by corruption charges against the Arroyo government and resulted in the cancellation of large contracts with Chinese companies.
- The Lowy Institute [reported](#) on Aug. 18 that Chinese fishing boats backed by Navy frigates and Coast Guard patrol boats were maintaining a presence and refusing Philippine access to sand bars near Thitu (Philippines: Pagasa), the largest feature occupied by the Philippines in the Spratly Islands. Since China’s occupation of Scarborough Shoal in 2012 also involved such a mix of forces challenging Philippine control, the show of force was of concern to some observers. President Duterte dismissed the concern on Aug. 21, telling the

[media](#) it was not true that Chinese boats were preventing Philippine access to the sand bars and that the Chinese ambassador assured him China would not build anything in the area. He added that if the Philippines were to confront China over a violation of its sovereignty, he would not invoke the Mutual Defense Treaty with the US. He said “I will not call on America. I have lost trust in the Americans.”

### China-Vietnam relations

The lead-up to the China-Vietnam confrontation over Vietnam’s drilling in a South China Sea area also claimed by China saw the usual mix of positive engagement, military preparations, and international maneuvering by Vietnam in dealing with its much more powerful neighbor. China gave full and positive publicity to the five-day visit of Vietnamese President Tran Dai Quang to China in May. The Vietnamese president participated in Beijing’s Belt and Road Forum and held separate talks with President Xi, with the two leaders discussing the South China Sea “in a positive atmosphere,” according to official Chinese media. China’s Vice Foreign Minister Liu Zhenmin said “the talks on the South China Sea are completely positive, without any discord.”

Military leader Gen. Fan Chunglong’s visit to Hanoi also got off to a good start with positive meetings with senior Vietnamese leaders on June 18. But, reportedly because of disputes over Vietnam’s new drilling in the South China Sea, he departed Vietnam early before the end of his official visit, resulting in a cancellation of the planned fourth Vietnam-China Friendly Border Exchange.

China presumably got what it wanted in compelling Vietnam to halt the oil drilling. Vietnam’s Foreign Ministry spokesperson in late July affirmed that Vietnam’s exploration and drilling activities in the South China Sea are entirely under its sovereignty and in accordance with international law. The spokesperson urged “all concerned parties” to respect Hanoi’s legitimate rights. As noted, official Chinese media was critical of Hanoi’s role in prompting ASEAN to raise South China Sea issues in communiqués and statements at major gatherings such as the ASEAN-related meetings in Manila in August. Chinese commentary took a wary view of Vietnam’s efforts to gain support



from the US and Japan in recent visits by Vietnam's prime minister to both countries.



2Construction is shown on Mischief Reef in the disputed South China Sea in this June 19, 2017 satellite image released by CSIS Asia Maritime Transparency Initiative at the Center for Strategic and International Studies

Meanwhile, AMTI reported in August about the expansion of Vietnam's holdings in islets and submerged features in the Spratly Islands. Vietnam's military buildup features acquisition of modern naval and air forces posing a credible military deterrent to China.

### **Praising Xi Jinping, seeking broader influence**

In the lead-up to the 19<sup>th</sup> Chinese Communist Party Congress in October, authoritative Chinese commentary attributed China's success in advancing its control and influence in the South China Sea to the leadership of Xi Jinping. Among the plaudits was an editorial in the Chinese Party School's *Study Times* in July that hailed Xi for taking a tough and assertive stand on the disputes. "Xi personally steered a series of measures to expand China's strategic advantage and safeguard national interests... [he] personally made decisions on building islands and consolidating the reefs." Adding to the hagiography of Xi was a long epistle on the positive influence of "Xi Jinping Thought" on China's position in world affairs published in *Xinhua* in July, in which State Councilor Yang Jiechi prominently featured Xi acting "forcefully" in defense of China's handling of sovereignty and security concerns regarding "Taiwan, the South China Sea and other issues concerning China's major core interests."

Building on Beijing's success in the South China Sea and growing influence in Asian affairs through the Belt and Road Initiative, China offered new initiatives to advance its economic and security influence in and beyond Asia. In July, China's National Development and Reform

Commission and the State Oceanic Administration signaled China's ambition to play a much bigger role in the Asia-Pacific region with a proposed deepening and broadening of maritime cooperation with all of Southeast Asia and other parts of China's 21<sup>st</sup> Century maritime Silk Road. It called for mutually beneficial "blue partnerships" and for a "blue engine" for sustainable development along three broad maritime routes. One related to the Arctic, but the two others related to Southeast Asia; they were the China-India Ocean-Africa-Mediterranean blue economic passage running from China through the South China Sea, and the China-Oceania-South Pacific passage from China through the South China Sea into the Pacific Ocean. The proposal saw China leading indepth work with the broad array of countries involved to promote economic development, maritime security, and ocean governance.

Meanwhile, China's ambition to move beyond economic and diplomatic cooperation with ASEAN and neighboring countries to espouse new security frameworks for Asia continued with Xi in July sending a message to a meeting sponsored by the Conference on Interaction and Confidence Building Measures in Asia (CICA). This multilateral framework on Asian security has been led by China since 2014 and advocates Asians managing their own security matters, excluding the US. Xi's message stressed that China is pushing for a new framework for regional security and cooperation.

### **Outlook – conflicting predictions**

China's optimism about its success in reversing negative fallout from last year's adverse ruling against its South China Sea claims by the international tribunal and in markedly improving relations with the Philippines and ASEAN is shared by important foreign observers. They also dwell on perceived weaknesses in US policies that help to advance China's rise to greater regional influence and prominence. Australian strategist Hugh White continues to forecast a regional power shift in China's favor, noting that despite strong rhetoric in statements from Defense Secretary James Mattis and others, the US continued reluctance to risk confrontation with expanding Chinese influence signals to the region that "America lacks resolve." His Australian National University colleague, Paul Dibb, has often disagreed with White over a power shift in Asia in favor of

China, but in late July [concluded](#), “What we are witnessing is a drift by ASEAN into China’s orbit. There is every sign that China is succeeding in establishing a sphere of influence over Southeast Asia, including control over important strategic waters in the South China Sea. A Southeast Asia that kowtows to Beijing would pose a major strategic challenge for other key players in the region like Australia.”

Echoing Dobb’s concern and White’s reasoning, prominent Japanese commentator Funubashi Yoichi averred in August that the US security commitment to Asia has become dubious, adding reasons for ASEAN countries to align more closely to China. He saw China’s growing control of the South China Sea [foreshadowing a “loss”](#) of Southeast Asia for the United States. Meanwhile, Bill Hayton’s recounting of the Chinese success in intimidating Vietnam to stop drilling in the disputed South China Sea noted above had a broader message of US loss of influence captured in the title “The week Donald Trump Lost the South China Sea.” Hayton [argued](#) succinctly “Vietnam’s capitulation shows China’s neighbors fear the US no longer has their backs.”

On the other hand, Ian Storey argued that China’s recent ascendance in the South China Sea has not substantially changed regional dynamics driven by nationalism, [competition for resources, and geopolitics](#). Greg Poling of CSIS AMTI agreed. Storey joined Carlyle Thayer and others in seeing little chance that the proposed code of conduct will do much to resolve differences. Michael McDevitt acknowledged that China has shifted the military balance in the South China Sea in its favor, but it “still faces the problem of how to get other claimants off their holdings without starting a war.” And in this regard, continued US attention to the South China Sea continued to [complicate](#) China’s advance.

Meanwhile, knowledgeable Chinese commentators also warn that the way ahead may not be smooth for China. Speaking in Beijing in late July, Wu Shicun said tension in the region could easily rise again for various reasons, notably “the Chinese-US geopolitical competition in the South China Sea will continue.” He warned that “some form of military confrontation will become a trait of the South China Sea geopolitical competition and maritime rivalry.” He also pointed to Japan becoming a new variable as it seeks to expand

its influence and military presence in the South China Sea. An assessment in *China Daily* of the generally positive results for China at the ASEAN regional meetings in Manila by an expert from the Chinese Academy of Social Sciences added the warning that “challenges to China-ASEAN ties can come from many directions.” It pointed to opposition from the US, Japan and Australia and plans by unnamed ASEAN countries to seek Western intervention against China.

# CHRONOLOGY OF CHINA-SOUTHEAST ASIA RELATIONS

## MAY – AUGUST 2017

**May 1, 2017:** Chinese government announces its annual ban on fishing activities in Chinese-claimed waters, primarily in and around the Paracel Islands and the Scarborough Shoal area. China has enforced this seasonal fishing ban since 1995.

**May 4, 2017:** Chinese President Xi Jinping discusses China-ASEAN and China-Philippine ties with Philippine President Rodrigo Duterte in a phone conversation. Xi expresses his appreciation to Duterte for his role as ASEAN chair in promoting closer cooperation between Southeast Asia and China.

**May 11, 2017:** President Xi meets Vietnamese President Tran Dai Quang in Beijing ahead of the Belt and Road Forum. They agree to strengthen bilateral cooperation in the areas of trade, agriculture, tourism, infrastructure, and cultural exchanges while putting aside differences over the South China Sea.

**May 14-15, 2017:** China hosts delegates from 138 countries for the Belt and Road Forum in Beijing, including: Philippines' President Rodrigo Duterte, Malaysia's Prime Minister Najib Razak, Indonesia's President Joko Widodo, Vietnam's President Tran Dai Quang, Cambodian Prime Minister Hun Sen, Laotian President Bounnhang Vorachith, and Myanmar's State Counselor Aung San Suu Kyi.

**May 18, 2017:** China and ASEAN member states announce agreement on a draft framework for a code of conduct (COC) for the South China Sea.

**May 20, 2017:** China and the Philippines hold first bilateral discussion over the South China Sea. The talks follow concerns over Xi's warning that there would be serious consequences and conflict if Manila attempts to enforce an arbitration ruling and drill for oil in the disputed areas of the South China Sea.

**May 31, 2017:** China and Myanmar conduct a joint naval military exercise, the first of its kind between the two countries.

**June 20, 2017:** Gen. Fan Changlong, vice chair of China's Central Military Commission, shortens his official visit to Vietnam, with the Chinese Ministry of Defense reporting that a previously scheduled meeting with senior Vietnamese defense officials is cancelled.

**June 20-23, 2017:** China stages military exercises in the Paracel Islands.

**June 28, 2017:** Chinese Premier Li Keqiang accepts an invitation from Singapore's government to make an official visit to Singapore later this year. Both sides indicate interest in further discussion to upgrade the China-Singapore Free Trade Agreement.

**June 28-July 1, 2017:** Recently-appointed Philippine Foreign Affairs Secretary Alan Peter Cayetano visits China. He meets Chinese counterparts Wang Yi and Yang Jiechi in Beijing.

**June 30, 2017:** China announces that it will offer more counterterrorism assistance to the Philippines and help rebuild formerly rebel-held areas in southern Philippines. The announcement follows the arrival of the first Chinese weapons shipment to the Philippines to help fight extremist groups in Mindanao.

**July 24, 2017:** Vietnam orders a Spanish oil exploration firm Repsol to withdraw its oil and gas drilling rig from an area off the coast of Vietnam and in a disputed area near the Spratlys in the South China Sea.

**July 25, 2017:** Chinese Foreign Minister Wang Yi arrives in Manila and indicates that China is open to joint oil and gas exploration projects in the South China Sea with the Philippines and with other countries in the region.

**Aug. 6, 2017:** ASEAN and Chinese officials endorse the framework of a code of conduct (COC) on the South China Sea, with China affirming that it remains committed to finalizing the negotiations for the COC with its Southeast Asian partners.



**Aug. 10, 2017:** Malaysian government indicates that it will consider China's proposal to set up a radar surveillance system and regional counterintelligence center in Johor. The proposal includes Chinese deployment of up to 12 units of the AR3 multiple-launch rocket system (MLRS) in Malaysia, a system that is used to engage remote strategic targets like command centers, and is capable of launching conventional rockets as well as guided missiles with a range of up to 280 km.

**Aug. 10, 2017:** A groundbreaking ceremony takes place to mark the launch of a new high-speed railway project linking Kunming in southern China through Thailand and eventually to the eastern seaboard of Malaysia.

