



**China-Southeast Asia Relations:**

**Limited Moderation amid Pressure and Complaints**

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President Xi Jinping and Prime Minister Li Keqiang led Chinese government officials and supporting commentary in responding in measured and moderate ways to regional challenges and criticisms as Beijing maneuvered to defend South China Sea claims and advance its regional influence. The move to moderation after a period of strong assertiveness replicates similar shifts in 2013 and 2014. Those shifts turned out to be tactical, lasting a few months each; possibly timed to avoid negative consequences for Chinese leaders facing public acrimony during the APEC, ASEAN and East Asian Summit meetings that occur each fall. Developments in 2015 suggest a possibly more lasting period of moderation, though there is no sign of change in the Chinese positions on various disputes.

**Moderation in 2015 – context and outlook**

Despite Chinese warnings and opposition, the Chinese government ultimately reacted with restraint to the US destroyer *USS Lassen* freedom of navigation voyage within 12nm of the Chinese-occupied Subi reef in the disputed Spratly Islands on Oct. 27 and two subsequent overflights of the area by US B-52 warplanes. It criticized but took no apparent action in response to Secretary of Defense Ashton Carter's widely publicized tour of the South China Sea aboard a US aircraft carrier on Nov. 5. Indeed, at the end of his summit in Washington in September, President Xi Jinping publicly endeavored to partly meet President Barack Obama's demands for a halt to expanding and constructing facilities on disputed South China Sea islands when he pledged that China "does not intend to pursue militarization" of the disputed Spratly Islands and that it favors "an early conclusion" of deliberations on a code of conduct in the South China Sea that has been long favored by the United States. A Nov. 30 meeting with Obama at the UN climate conference in Paris saw official Chinese media play down bilateral disputes and depict Xi as solicitous of closer cooperation and constructive management of differences in a period of "mounting global concerns." (See detailed treatment in the US-China section of this edition of *Comparative Connections*.)

Special efforts to assure that President Xi would not face criticism about the South China Sea during high profile international meetings included sending Foreign Minister Wang Yi to Manila for negotiations with China's most vocal South China Sea nemesis, Philippine President Benigno Aquino. Coming one week before the annual APEC meetings hosted on Nov. 17-19 by the

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Philippines, Wang's visit was the first by a Chinese foreign minister to the Philippines since 2009. Wang reportedly reached a deal: the usual practice of focusing on economic cooperation and avoiding contentious sovereignty and security issues at the formal APEC meeting would be followed, with Aquino promising that Xi would feel "the warmth of Filipino hospitality." However, whatever took place in the formal meetings was overshadowed by President Barack Obama, Japanese Prime Minister Abe Shinzo, and lower-ranking officials using the opportunity of events and meetings in the Philippines to highlight demands for a halt in island building and new construction in the South China Sea, thereby casting a negative light on China and thwarting Chinese plans for a smooth engagement for Xi.

This round of criticism of China was followed by a widespread regional rebuke in the annual East Asian Summit Leaders Meeting in Malaysia on Nov 22. Disregarding official Chinese admonitions to keep South China Sea issues out of such multilateral discussions, summit participants with only a few exceptions (e.g., Russia, Cambodia) joined President Obama, Prime Minister Abe and other critics of China's policies in raising South China Sea issues during the meeting. As in the case of President Xi in Manila, Prime Minister Li Keqiang was placed on the defensive. In the end, the Malaysian "Chairman's Statement" treated South China Sea issues prominently. It welcomed and seemed to broaden the scope of Xi's promise in Washington in September saying that he said "China does not intend to pursue militarization in the South China Sea," though Xi actually restricted his promise to the Spratly Islands. Without direct reference to Xi's call for an early conclusion of deliberations on a code of conduct (COC) in the South China Sea, the statement "looked forward to the expeditious establishment of an effective COC."

Further placing China on the defensive, the Permanent Court of Arbitration (PCA) in The Hague on Oct. 29 ruled that it had jurisdiction and was moving to consider the merits of 15 complaints brought by the Philippines against Chinese territorial practices in and around the Spratly Islands. Subsequently, the PCA conducted hearings Nov. 24-Dec. 1 that drew the attention of official observers from Australia, Indonesia, Japan, Malaysia, Singapore, Thailand, and Vietnam and featured arguments from the Philippines summarized in a lengthy concluding indictment of Chinese policy and behavior by Foreign Minister Albert del Rosario. The PCA then began deliberations and is expected to issue a ruling in 2016. The Chinese Foreign Ministry issued a five-point statement on Oct. 30 and another shorter statement on Dec. 1 affirming China's view that the PCA has no jurisdiction over the case, its rulings are "null and void," and that China has "indisputable sovereignty over the South China Sea Islands and the adjacent waters."

There was other evidence supporting forecasts of a more lasting pause in assertive Chinese behavior over South China Sea and other contentious issues in Chinese foreign relations. In a visit to Vietnam on Nov. 5-6, President Xi undertook personal responsibility to restore a workable framework for cooperation amid sharp differences in Sino-Vietnamese relations. That framework had prevailed until shattering after the 2014 Chinese oil rig deployment in Vietnamese-claimed waters and ensuing confrontations at sea and mass violence in Vietnam targeting Chinese businesses. Subsequent efforts to improve relations generally were the responsibility of lower-level officers. Xi's visit, the first by the well-traveled Chinese president to Vietnam, indicated greater priority to mending fences with this important Chinese neighbor.

Continuing Chinese criticism of Prime Minister Abe and lower-ranking Japanese officials for censuring China over South China Sea issues and deepening Japan's cooperation with the United States and Southeast Asian countries in response to Chinese assertiveness in the South China Sea have not upset the slow but steady moderation in the Xi government's previous harsh treatment and isolation of the Japanese prime minister. Mending fences with Japan included revived interest during the ASEAN-related meetings in Kuala Lumpur in November to strengthen cooperation with Japan in reaching free trade agreements in the ASEAN Plus 3 grouping and the Regional Cooperation Economic Partnership (RCEP); both agreements are important to China in its competition with the US-led Trans Pacific Partnership (TPP).

Chinese leaders this year also have been placed on the defensive because of the conclusion of negotiations of the TPP, continued health of the US economy and a strong US dollar, coinciding with China's stock market meltdown, erratic handling of currency policy, and continued monthly double-digit declines in Chinese imports – a key element of Chinese attraction in Southeast Asia. As a result, China has had more difficulty than in 2013 and 2014 in using promised advances in Chinese trade and investment opportunities in various Silk Road and infrastructure bank initiatives to divert Southeast Asia attention from problems caused by Chinese assertiveness over the South China Sea. In the event, there has been less attention to Chinese economic largess in 2015 and more emphasis on Chinese efforts to ease tensions and manage differences. Along these lines, Li Keqiang at the meetings in Kuala Lumpur responded to rising criticism of China with a five-point proposal that didn't change China's position on sensitive issues, but registered concern to "calm waters in the region."

Also seen as part of a broader Chinese trend to mend fences with key regional governments were Chinese efforts to patch up badly frayed relations with North Korea during the visit of Politburo Standing Committee Member Liu Yunshan to Pyongyang in October and President Xi's unprecedented meeting with Taiwan's outgoing President Ma Ying-jeou in November. Meanwhile, the Chinese Foreign Ministry spokesperson sharply rebuked Prime Minister Abe for criticizing China's behavior in the South China Sea during the G20 Summit in Turkey in mid-November. China succeeded Turkey as the annual chair of the G20 and announced a summit to be held in Hangzhou in September 2016. Beijing went to extraordinary lengths to assure that Xi Jinping's hosting of the annual APEC summit in 2014 went smoothly without sharp criticism of China's policies; and it is seen as inclined to moderate differences with neighbors – at least temporarily – in order to avoid a repeat in Hangzhou of the criticism that marred the G20 Summit in Turkey. Finally and probably of more importance, China's South China Sea assertiveness has encouraged political forces in the US favoring a toughening in policy toward China in the election campaign of 2016.

### **Continued resolve on sovereignty and security**

Despite the moderation, Chinese officials from President Xi on down continued to affirm China's South China Sea territorial claims in various venues, notably in Xi's Nov. 7 speech at the National University of Singapore. The limits of the president's pledge not to militarize the Spratly Islands also have become clearer as China has continued work on air strips and other facilities of use to military forces. In October, China announced the installation of 50 meter high lighthouses on Chinese-occupied Cuateron Reef and Johnson South Reef in the Spratly Islands.

A Chinese vice foreign minister told the media at the conclusion of the East Asian Summit on Nov. 22 that China would continue “building and maintaining necessary military facilities, this is what is required for China’s national defense and the protection of those islands and reefs.” In December, the *BBC* reported that the Chinese Navy repeatedly warned away a civilian aircraft with *BBC* reporters on board flying near Chinese occupied islands and reefs in November, and the commander of the US Pacific Fleet charged that Chinese military warnings have disrupted commercial traffic and eroded security in the South China Sea.

Showing clearly that the Chinese-controlled Paracel Islands are beyond the scope of President Xi’s pledge to President Obama, Chinese media in late October showed *J-11* fighter aircraft on Woody Island, the largest island in the Paracels and China’s main territorial base of operations for the South China Sea. In other signs of military preparations and resolve, *Xinhua* on Nov. 21 reported naval drills in the South China Sea involving “major destroyers and frigates, carrier-based helicopters and new submarines.” This exercise was followed in December with what Chinese media called “a massive combat exercise” in the South China Sea, involving “guided-missile destroyers, frigates, submarines, early warning aircraft and fighter jets.” Both the November and December exercises involved warships from each of China’s three fleets. Meanwhile, the People’s Liberation Army announced the commissioning of the first of several new supply ships designed to ferry heavy-duty military equipment including a battle tank to island locations.

### **Advancing relations with Vietnam**

During the state visit to Vietnam in November 2015, President Xi laid out a seven-point proposal on deepening bilateral ties: maintaining high-level dialogue; expanding cadre training at the party-to-party level; and broadening bilateral investment, trade, and economic linkages through the “Belt and Road Initiative” as well as Vietnam’s “Two Corridors and One Economic Circle Plan,” among other initiatives. Xi also called for a stronger partnership between China and Vietnam in pushing forward the full implementation of the Asian Infrastructure Investment Bank (AIIB), upgrading the China-ASEAN free trade agreement, and making progress on trade negotiations with the RCEP.

On the security front, Xi proposed that the two sides increase training and cooperation on UN peacekeeping operations, border control, and illicit trade of drugs and human trafficking. Regarding the disputes in the South China Sea, Xi urged the two sides “control their differences, gradually accumulate consensus and expand common interests through bilateral negotiations, and strive to achieve the common goal of joint exploitation.”

In a 20-minute speech before nearly 500 members of the Vietnamese National Assembly, Xi acknowledged that there have been notable differences on certain issues, but that the two sides can weather such disruptions. Key Vietnamese legislators, however, were concerned that Xi’s speech focused on platitudes but lacked substance and skirted the key points regarding the South China Sea and other issues of concern to Vietnamese interest.

The state visit was billed as putting bilateral relations back on track amid uncertainty over changes within Vietnam’s top leadership and foreign policy strategy that will emerge from its

party congress in January 2016. The party has traditionally been close to Beijing, but with mandatory retirement of the old guard in the party and with lingering concerns over Beijing's provocations in the South China Sea, Hanoi is diversifying its foreign policy approaches. Indeed, during Xi's visit, Vietnam welcomed the Japanese defense minister for consultations in Hanoi. The visit followed Prime Minister Abe's warm welcome of Vietnamese Communist Party General Secretary Nguyen Phu Trong visiting Tokyo in September. Vietnam and the Philippines also deepened cooperation at odds with China and signed a strategic partnership agreement during the APEC meetings in Manila. Vietnam's relations with the United States have grown closer and marked a high point with the party general secretary's visit to Washington and meeting at the White House this summer. In a new report on the emerging US-Vietnam partnership, Bill Hayton cautions that while US-Vietnam relations are on the mend and on an upward trajectory, Hanoi's preference is to retain its foreign policy independence. As such, even as Hanoi weans itself off Beijing's immediate orbit and influence, it will continue to avoid becoming over-reliant on the United States or any single major power.

### **China cautious on Myanmar**

The victory of the National League for Democracy (NLD) in Myanmar's parliamentary elections in November 2015 presents a test for China-Myanmar relations. Foreign Minister Wang Yi indicated he was pleased to learn that the election had gone smoothly, adding that China's foreign policy toward Myanmar would not change and that it would continue to support Myanmar. But, relations have cooled recently, even before the elections. China's controversial hydroelectric dam at Myitsone and its growing involvement in Myanmar's ethnic conflicts are seen as meddling in Myanmar's internal affairs. The bombings and unrest along the China-Myanmar borders, a spillover from the ethnic conflict, saw swift condemnation from Beijing and added to the perceived uneasiness in bilateral ties. A report in the *The New York Times* in November observed that President Xi has not made an official visit to Myanmar since taking office in 2012. (By comparison, President Obama has visited Myanmar twice in the last three years). It is an indicator that relations may have reached a low point. *The New York Times* report also indicated China has been disappointed that Myanmar has not shown more enthusiasm for Beijing's "One Belt, One Road" regional infrastructure initiative that calls for the financing and development of major railways, roads, and pipelines connecting the region.

NLD leader Aung San Suu Kyi visited Beijing earlier this year in June. She met Xi but refrained from commenting on such sensitive topics as China's human rights record or calling for the release of fellow Nobel Peace laureate Liu Xiaobo. The visit provided Beijing a glimpse of Suu Kyi's leadership style and her foreign policy agenda. She had reassured Beijing that the NLD attaches great importance to the historical friendship between Myanmar and China. Now that she and her party have won the election, China is eager to see continuity and deepening in bilateral relations. While it is too early to tell how the NLD will manage relations with China, the new government presumably would seek to avoid complications with Beijing as it has a host of immediate domestic priorities to attend to, notably continuing domestic political reform and reaching a credible and enforceable ceasefire with rebel groups.

## **Military relations and exercises with Thailand, Malaysia, ASEAN**

The improvement of Chinese military relations with the military-ruled government of Thailand advanced with the first joint air force exercise, which was held in Thailand in mid-November. In September, Malaysian and Chinese forces conducted a six-day joint military exercise in western Malaysia that featured more than 1,000 Chinese participants doing joint search and rescue, hijacked vessel rescue, and disaster relief at sea. The Chinese defense minister on Oct. 16 told an informal gathering of ASEAN defense ministers attending the sixth annual Xiangshan Forum, a Chinese-hosted international military affairs meeting, that China is willing to hold joint drills with ASEAN countries to better avoid incidents at sea. Chinese media billed the offer as “a major initiative;” the commander of Indonesian Defense Forces said on Oct. 19 that Indonesia would not participate.

## **Singapore, Indonesia**

In addition to providing the opportunity for the landmark Xi Jinping-Ma Ying-jeou meeting on Nov. 7, the Chinese president’s first state visit to Singapore on Nov. 6-7 highlighted growing investment and trade relations, including the start of Singapore’s third major inter-government project in China, this time focused on Chongqing. Singapore this year took the rotating seat as coordinator between China and ASEAN, broadening the scope and importance of Sino-Singaporean regional discussions, according to Chinese media. Singapore’s closer military relations with the US also advanced with an agreement announced by Secretary Carter and his Singapore counterpart in Washington on Dec. 7 that the US would deploy an advanced P-8 surveillance aircraft to Singapore in December. On Dec 8, the Chinese Foreign Ministry spokesperson criticized the move.

Though remaining reticent on issues with China, Indonesian leaders showed concerns about China and tensions in the South China Sea and their implications for Indonesian security and sovereignty. The Indonesian defense minister in September said that the government would upgrade military facilities on the Natuna Islands in the South China Sea as well as in nearby Borneo in view of recently increasing “threats” in the area. On Nov. 11, Indonesia’s coordinating minister for political, military and security said that Indonesia might follow the Philippines and take China to court over its South China Sea claims that may involve the Natuna Islands. The Indonesia Foreign Ministry said on Nov. 12 that Indonesia asked China to clarify its claims over the South China Sea but has yet to receive a response. That day, the Chinese Foreign Ministry spokesman said China did not dispute Indonesia’s sovereignty over the Natuna Islands but that there were “some maritime disputes.” It was not clear what disputes he was referring to. He added that, “We have consistently upheld that China and Indonesia should find a means of appropriate resolution through direct negotiations and consultation, with respect for international law and on the basis of historical fact.” Whatever tensions were behind the ambiguous situation seemed to ease as the Indonesian defense minister told a meeting in Jakarta on Dec. 3 that the situation in the South China Sea “was now somewhat better than it was earlier,” according to Indonesian media.

## Outlook

The reasons for limited Chinese moderation over the South China Sea and other regional issues appear strong and the moderation may continue through 2016. But forecasts are necessarily tentative as China-Southeast Asian relations remain complex with many moving elements. For now, the chance for conflict is low but that does little to determine likely prospects within a broad range of possibilities. Much also depends on unknown calculations of Xi Jinping, who has shown an ability to move Chinese foreign policy in bolder ways than his immediate predecessors. Finally, China does not control actions of the United States, regional powers, and other Asian governments that have important impacts on Chinese policy and practice.

### Chronology of China-Southeast Asia Relations September – December 2015

**Sept. 3, 2015:** President Xi Jinping meets Vietnamese President Truong Tan Sang in Beijing on the sidelines of the celebrations marking the 70<sup>th</sup> anniversary of the end of World War II. They agree to strengthen bilateral ties and to manage their territorial disputes through dialogue.

**Sept. 8, 2015:** Chinese and Vietnamese security officials announce they will cooperate on a new, joint campaign to investigate drug-related cases and establish an intelligence sharing mechanism to tackle the drug trade along the two countries' borders.

**Sept. 18-21, 2015:** China receives regional business leaders and government officials as it hosts the 12<sup>th</sup> China-ASEAN Expo and the China-ASEAN Business and Investment Summit in Nanning. Chinese officials promote its "Belt and Road" initiative to enhance regional investment, infrastructure, trade, and economic cooperation.

**Sept. 18-22, 2015:** China and Malaysia carry out their first joint military exercise, *Peace and Friendship 2015*. The drills focus on joint escort, search and rescue, simulation of hijacked vessel rescue, and humanitarian assistance and disaster relief. It is the largest bilateral military exercise between China and an ASEAN member state.

**Sept. 21, 2015:** Defense Minister Chang Wanquan meets Soe Win, deputy commander in chief of Myanmar's Army, in Beijing. Chang says Beijing hopes for a smooth general election in Myanmar in early November and calls on both sides to ensure peace and stability on the two countries' borders and to work toward advancing their comprehensive strategic partnership.

**Oct. 13, 2015:** The 12<sup>th</sup> meeting of the China-Singapore Joint Council for Bilateral Cooperation convenes in Singapore. Officials agree to upgrade the bilateral free trade agreement, financial cooperation, and expand cultural and people-to-people exchanges.

**Oct. 14, 2015:** Fan Changlong, vice-chair of China's Central Military Commission, meets Indonesian Defense Minister Ryamizard Ryacudu and pledges to strengthen bilateral military cooperation in the areas of personnel training, joint exercises, and maritime security.

**Oct. 24, 2015:** Law enforcement and security officials from Laos, Myanmar, and Thailand meet their counterparts in Beijing for a Ministerial Meeting on Law Enforcement and Security Cooperation along the Mekong River.

**Oct. 29, 2015:** UN Permanent Court of Arbitration awards its first decision in *The Republic of Philippines v. The People's Republic of China* case, ruling that it was “properly constituted” under the United Nations Convention on the Law of the Sea, that China’s “non-appearance” (i.e., refusal to participate) did not preclude the Court’s jurisdiction, and that the Philippines was within its rights in filing the case.

**Nov. 5-6, 2015:** President Xi Jinping makes a state visit to Hanoi and raises a seven-point proposal for strengthening ties. The proposal focuses on maintaining high-level party-to-party and government-to-government exchanges and on deepening bilateral economic relations.

**Nov. 6-7, 2015:** President Xi visits Singapore and meets Prime Minister Lee Hsien Loong to sign agreements deepening bilateral cooperation, including one that will upgrade the China-Singapore Free Trade Agreement.

**Nov. 10, 2015:** Foreign Minister Wang Yi meets Philippine Foreign Secretary Albert del Rosario in Manila ahead of the Asia-Pacific Economic Cooperation (APEC) meeting.

**Nov. 12, 2015:** Cambodia, China, Laos, Myanmar, and Thailand launch the Lancang-Mekong Cooperation framework to promote regional cooperation on political and security issues, economic affairs and sustainable development, and people-to-people exchanges.

**Nov. 12-30, 2015:** Chinese and Thai air forces hold their first joint exercise, *Falcon Strike 2015*, at the Korat Royal Thai Air Force Base.

**Nov. 18-19, 2015:** President Xi visits Manila for the APEC Economic Leaders Meeting. A key issue on Xi’s agenda is to push the Free Trade Agreement of the Asia-Pacific (FTAAP).

**Nov. 20-23, 2015:** Premier Li Keqiang visits Malaysia to take part in the 18<sup>th</sup> Leaders’ Meeting between China and ASEAN and the 10<sup>th</sup> East Asia Summit. Li pledges to provide \$10 billion to Southeast Asia for infrastructure development.

**Dec. 8, 2015:** Chinese Ministry of Foreign Affairs raises concerns about the US deployment of surveillance planes in Singapore to monitor developments in the South China Sea.

**Dec. 14, 2015:** *BBC* reports that the Chinese Navy repeatedly warned away a civilian aircraft flying over the South China Sea near Chinese occupied islands and reefs in November.

**Dec. 19, 2015:** Chinese Navy announces the second of two large military exercises in the South China Sea over the past month involving operations of advanced ships, submarines, and combat aircraft from China’s three naval fleets.