China-Southeast Asia Relations:
Setback in Bali, Challenges All Around

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China endeavored to win regional influence and goodwill by emphasizing reassurance and mutually beneficial relations with Southeast Asian counterparts. Nevertheless, it failed to keep the issue of the South China Sea off the agenda at the East Asia Summit as Prime Minister Wen Jiabao was placed on the defensive and compelled to defend China’s approach to resolving territorial and maritime security issues related to China’s broad claims and sometimes assertive actions. Official Chinese commentaries reacted to the setback in Bali with criticism directed at the US, but they tended to avoid hyperbole sometimes seen in unofficial Chinese media. Official commentaries were measured as they depicted various economic, political, and security initiatives during President Obama’s trip to the region as challenges to Chinese interests. They also registered opposition to initiatives by Japan and India regarding Southeast Asia and the South China Sea that were seen as at odds with Chinese interests. Myanmar’s decision to stop a major hydroelectric dam project being built by Chinese firms added to China’s challenges and complications as it raised questions about China’s influence in the country while Myanmar’s new civilian government tried to improve relations with the US and other powers.

Emphasizing engagement, mutual benefit, and managing tensions

There were fewer publicized clashes between Chinese and Southeast Asian disputants in the South China Sea during this reporting period than earlier in the year. The Chinese foreign affairs apparatus also strongly emphasized positive engagement with Southeast Asia as China’s top foreign affairs official, State Councilor Dai Bingguo, visited Vietnam in September in an effort to ease tensions and improve relations. Dai offered a lengthy commentary in official Chinese media in October, stressing the message of a recent State Council white paper underlining the importance of China’s continued pursuit of peaceful development as a means to reassure neighbors and other concerned powers as Chinese influence rises in international affairs. Prior to the Chinese meetings with ASEAN and the East Asia Summit (EAS) in Bali in November, the Chinese Foreign Ministry took the initiative to release a rarely used special “paper” detailing the impressive progress made in nine areas of diplomatic, economic, and other relations between China and the ASEAN during the past two decades.

Also getting special attention this year was the eighth annual China-ASEAN Business and Investment Summit held in October in Nanning, Guangxi Zhuang Autonomous Region, which featured a keynote address by Prime Minister Wen Jiabao. His remarks and related commentary in official Chinese media highlighted the successes of China-ASEAN economic cooperation under the China-ASEAN Free Trade Agreement, in effect since January 2010. According to Chinese figures, China has become ASEAN’s largest trading partner and ASEAN is China’s...
fourth largest trading partner and third largest source of imports. According to Chinese figures, China has become ASEAN’s largest trading partner and ASEAN is China’s fourth largest trading partner and third largest source of imports. Trade has continued to grow rapidly, increasing 26.4 percent in the first nine months of 2011 from a level of almost $300 billion in 2010. Prime Minister Wen said that cumulative ASEAN investment in China amounted to $67 billion and Chinese investment in ASEAN was $13.5 billion.

While in Guangxi, Wen also participated in a signing ceremony with Malaysian Prime Minister Najib Razak inaugurating the China-Malaysia Qinzhou Industrial Park. Malaysia in recent years has been China’s largest trading partner among the ASEAN countries, with bilateral trade valued at $74.2 billion in 2010 according to Chinese trade data. Extensive Chinese media coverage of the signing and the park recalled that Wen had endorsed the planned enterprise earlier this year while visiting Malaysia.

Chinese leaders have appeared increasingly preoccupied at home, notably with issues related to the leadership succession in 2012, and they have been less active than in other periods in traveling to developing countries and other foreign venues. Nevertheless, senior Chinese leaders were actively engaged and emphasized positive interaction with Southeast Asian and other participants at the APEC meetings in Hawaii in early November and the ASEAN and Asian leadership meetings in Bali later that month.

President Hu Jintao took pains to emphasize cooperation in meeting his Vietnamese counterpart Truong Tan Sang during the APEC sessions, the first encounter of the two presidents. Although the Chinese Foreign Ministry and other commentary registered opposition to Japanese diplomacy encouraging a multilateral approach to resolving the South China Sea disputes, Hu stressed efforts to improve Sino-Japanese relations during his meeting with Prime Minister Noda Yoshihiko at the APEC gathering. Premier Wen Jiabao dealt constructively with Noda at the ASEAN Plus 3 meetings in Bali. Chinese official media also reported on the positive meeting between Wen and Indian Prime Minister Manmohan Singh at the Bali meetings despite noting recently publicized strong Sino-Indian differences over the involvement of an Indian company working with Vietnam to exploit South China Sea oil resources claimed by China.

Though international reporting on the Bali meetings highlighted Wen Jiabao having to deal with the South China Sea issue at the EAS on Nov. 19, Chinese accomplishments in Bali included Wen using the China-ASEAN meeting on Nov. 18 to further advance China-ASEAN economic relations. He announced a China-ASEAN maritime cooperation fund valued at several hundred million dollars and pledged another $10 billion in loans for ASEAN in addition to $15 billion in loans pledged two years earlier. After the Bali meetings, Wen traveled to Brunei for the first visit by a Chinese prime minister. He signed several energy agreements and called for the two countries to cooperate and engage in “joint exploration” in the South China Sea. Reporting on Wen’s visit, China Daily cited an expert at the China Institutes of Contemporary International Relations for the view that any Chinese-supported joint exploration “should be mutually beneficial and not destabilize the region.” The expert said that China-Brunei gas exploitation in the South China Sea “could offer an example in the region.”
Chinese Vice President Xi Jinping rounded out high-level Chinese trips to the region with official visits to Vietnam and Thailand in late December. In both countries, Xi met with senior officials and reaffirmed the importance of bilateral political, economic, and security relations.

Meanwhile, despite China’s claimed interest in engagement, cooperation, and stability in connection with Southeast Asia and the South China Sea issues, their actions reflected little evidence of an inclination to compromise over key issues in dispute. In fact, economic interests seem to be adding to national sovereignty and security issues, reinforcing Chinese adherence to its broad territorial claims. For example, Chinese media have featured numerous reports emphasizing the growing importance of the maritime economy for Chinese development and future prosperity. Advances in deep-sea oil drilling technology appear to have added to imperatives for China to exploit its claimed resources in the South China Sea, among other contested maritime areas. *China Daily* reports in September of extensive efforts to map the seabed claimed by China cited a government report for the assessment that the gross product of Chinese marine industries including offshore oil and gas exploration, marine transport, coastal tourism, fisheries, and shipbuilding industries, will surpass 5.3 trillion yuan ($814 billion).

**China-Vietnam relations**

State Councilor Dai Bingguo spent five days in Vietnam in September as the co-chair of the fifth meeting of the China-Vietnam Steering Committee on Cooperation. Dai also met Vietnamese party leader Nguyen Phu Trong and Prime Minister Nguyen Tan Dung. In reports covering the Hanoi meetings, official Chinese media emphasized the close economic ties and active official consultations despite ongoing disputes over territorial claims in the South China Sea. The reportage and press release from the meetings highlighted agreement to solve the South China Sea disputes through negotiations, though *China Daily* cited unnamed analysts for the view that “it’s still too early to predict whether the two countries will settle the issue soon.”

Dai’s visit paved the way for Nguyen Phu Trong’s first visit to China on Oct. 11-15, when the Vietnamese party chief met Chinese counterpart, Hu Jintao on the day of his arrival. Official Chinese media highlighted Hu’s emphasis on both sides avoiding actions that would complicate or exacerbate tensions over the South China Sea as they seek “cool-headed and constructive” ways to resolve differences. During the visit, the two governments signed an agreement setting basic principles to guide the settlement of maritime issues. The principles referred to the Law of the Sea, the “Declaration of the Conduct of the Parties” in the disputed sea, bilateral talks between China and Vietnam, seeking agreement on “easy issues first and difficult issues later,” and biannual meetings of border negotiation delegates. A joint statement released at the end of the visit focused on the agreement to sustain stability over maritime disputes while seeking greater agreement through stepped up negotiations.

That the agreements reached during the Vietnamese-Chinese party leaders’ summit would take time to resolve differences seemed evident when the Chinese Foreign Ministry spokesperson on the day of Nguyen’s departure rebuked Vietnam and India for reaching an agreement on Oct. 12 during Vietnamese President Truong Tan Sang’s visit to India calling for joint India-Vietnam oil exploration in areas of the South China Sea claimed by China. Official Chinese media on Oct. 16 said Truong’s visit to India, his first visit outside of ASEAN, was part of a broader pattern of
South China Sea disputants, especially Vietnam and the Philippines, seeking the involvement of other powers to improve their positions in disputes with China. In this vein, Chinese media noted the new security dialogue established between Vietnam and India, Japan’s new “strategic dialogue” with the Philippines and assistance in bolstering the Philippine Coast Guard, and the “more challenging” situation for China posed by recent US initiatives with Vietnam, the Philippines and others as part of its re-engagement in the Asia-Pacific region. Chinese Vice President Xi Jinping dwelt on common ground during his meetings in Hanoi in December; he noted the two sides would seek closer policy planning and coordination in areas of differences, including the South China Sea.

**China-Philippines relations**

Like Vietnam, the Philippines has alternatively engaged and disputed with China over South China Sea issues. Under the leadership of President Benigno Aquino, the Philippines has emerged over the past year as the most vocal opponent of China’s claims and policies in the disputed sea, though such opposition has been accompanied by close Philippines-China engagement over areas of mutual benefit. Thus, Aquino and a large delegation of Philippine business people received a warm welcome during his first official visit in early September. The joint statement reaffirmed the 2009 Joint Action Plan for Strategic Cooperation signed by the previous Philippine president. It also endorsed a Five Year Development Program for Trade and Economic Cooperation, and set a target of doubling bilateral trade to $60 billion in 2016. Another notable area of growing cooperation included expanding tourist arrivals in both countries from the current level of 1 million to 2 million by 2016. The statement put discussion of maritime issues at the end. There, it emphasized the positive by noting general agreements on not allowing the disputes to impact other aspects of cooperative relations and on maintaining stability and peaceful dialogue consistent with the 2002 Declaration on the Conduct of Parties in the South China Sea.

Official Chinese commentary welcomed the results of the bilateral summit but highlighted unnamed analysts for the view that the “dispute in the South China Sea is unlikely to be resolved by a single state visit.” *China Daily* criticized the buildup of Philippine maritime surveillance capabilities with the support of the US and cited specialists who argued “US diplomatic and military involvement in this issue is only to ‘contain China’ and prevent China from becoming a ‘dominant power.’”

October featured a public dispute over a Philippines military vessel confronting Chinese fishermen in disputed waters in the South China Sea. Also, 3,000 US and Philippines marines conducted exercises for two weeks near the disputed Spratly Islands. Strong US support for the alliance with the Philippines came in Secretary of State Hillary Clinton’s visit to Manila in mid-November and the signing of the so-called Manila Declaration on board a US warship in Manila Bay. Chinese commentary duly noted how President Aquino and the Philippines foreign minister used these and other signs of US, Japanese, and other international support in thus far vain efforts to get ASEAN to adopt a more united and firm stand in dealing with China over the South China Sea.
China-United States-Southeast Asia-Pacific relations

Chinese leaders Hu Jintao and Wen Jiabao emphasized the positive in public interchange with President Obama about Southeast Asian and Pacific issues in Hawaii and Bali. Chinese media viewed critically US support for using the EAS in Bali to address the South China Sea disputes and related security issues despite China’s insistence that the group should stick to economic and development questions that did not intrude on sensitive Chinese sovereign claims. Nevertheless, official Chinese reaction avoided the kind of adversarial response seen in reaction to Secretary of State Clinton’s intervention on the South China Sea disputes during the ASEAN Regional Forum meeting in July 2010. At the same time, the depictions of recent US economic, political-diplomatic, and security initiatives in various Chinese commentaries showed an array of challenges for Chinese efforts to advance its influence and power in Southeast Asia and the nearby Pacific in the future.

Economic challenges – the role of the Trans Pacific Partnership (TPP)

Official Chinese commentary occasionally voiced reservations about the TPP in the past, but devoted little attention to the subject in recent months, until it was strongly featured by the US and some of its TPP partners in the lead-up to the Hawaii APEC meeting in November. Some Chinese commentaries suggested that TPP will have difficulty overcoming individual member countries’ concerns to form a meaningful bloc; others averred that if Japan moves forward to join the group along with Southeast Asian economies such as Vietnam and Malaysia, the result could be the isolation of China, which finds it difficult to adhere to the standards of the TPP. Also forecast was the erosion of Chinese efforts to support the more exclusive East Asian regional group, ASEAN Plus 3, which does not allow for participation by the US or other non-East Asian countries. Adding to Chinese concerns over the implications of the TPP was the fact that US advocacy of the higher free trade standards of the TPP vs. lower standard Chinese-backed free trade agreements came in tandem with toughening US rhetoric from President Obama and other US officials criticizing China’s alleged efforts to “game” the international economic system to the advantage of China and the disadvantage of others.

Political-diplomatic challenges

The Obama administration’s vision of renewed engagement in the Asia-Pacific region came in US officials’ speeches and remarks during the president’s meetings and trip to the region, starting with a detailed presentation by Secretary Clinton during the APEC meetings in Hawaii. She highlighted the goal of creating a strong US-backed trans-Pacific community favoring political freedom, human rights, free trade, and security. Clinton’s recollection of the success of the US-backed Atlantic community and the Obama government’s support for creating a similar order in the Asia-Pacific prompted Chinese commentary warning that China would see such an arrangement as a direct threat to China’s security and to continued Chinese one-party rule, a top priority of the Beijing leadership.

The complications for China associated with Myanmar’s halt of a large-scale Chinese dam project and its reaching out to the political opposition, the US, and other powers are reviewed in a separate section, below. Here we will simply note that Secretary Clinton’s widely publicized
visit to Myanmar in December was seen by some Chinese commentators as weakening Chinese influence with Myanmar, though official Chinese reaction to the US diplomatic initiative was limited as China sought to emphasize the positive in receiving Myanmar’s Army chief for a visit to China in November and in Dai Bingguo’s visit to Myanmar in December.

Security challenges

Limited Chinese commentary has reviewed warily the US agreement with Australia to allow for periodic deployment of US Marines and positioning of military supplies in northern Australia. Some reviews have discussed the overall strengthening of US alliances with Canberra, Manila and Bangkok, a proposed uptick in US deployments of Navy ships to Singapore, and an emerging US defense approach of “air-sea battle” as a means to counter China’s growing anti-access abilities along the rim of Asia. *Global Times* and some other non-official outlets have warned of the “steep price” that the US and its partners will pay for such actions directed at China, noting the importance of the Chinese economy for these states.

China-Myanmar relations

In spite of the recent warming in relations between the US and Myanmar, China-Myanmar ties appear to remain strong. China is Myanmar’s second largest economic partner and its largest foreign investor. However, Myanmar’s decision in September 2011 to suspend the construction of the Myitsone hydropower dam, which was to be financed by a Chinese company, seemed to indicate that the new political leadership in Myanmar is balancing relations with China with constructive and positive outreach to the US and other regional partners such as India and ASEAN member states.

Notwithstanding the dam’s suspension, senior officials have remained in close contact and communication. Following the announcement on the dam project, Vice President Xi Jinping met Myanmar’s senior military generals in Beijing and reaffirmed that the two sides should continue to strengthen and deepen security and defense ties. State Councillor Dai Bingguo held a cordial meeting with Myanmar’s President Thein Sein during his attendance at the Fourth Summit of the Greater Mekong Subregion Economic Cooperation (GMS), held in Myanmar in December. At the previous GMS summit, held in Laos in 2008, the Chinese delegation was led by Prime Minister Wen Jiabao. The Chinese Ministry of Foreign Affairs also noted that “China welcomes Myanmar and Western countries to improve their relations on the basis of mutual respect... We hope Myanmar’s move will be conducive to the country’s stability and development.”

Other commentaries in China, however, were less sanguine about the recent turn in China-Myanmar relations. An editorial in the *Global Times* made a more skeptical and cautious assessment: “This incident [the suspension of the hydropower dam project] made some to believe that Myanmar is showing goodwill to the West at the expense of Chinese interest.” Other Chinese analysts also opined that Secretary Clinton’s historic visit to Myanmar is aimed at China, signaling a new US policy to isolate and contain China’s rise and influence in the region. Whether Sino-Myanmar relations will change merits closer and continued observation. For now, it appears that the increasing interdependent trade and economic relationship between China and Myanmar will see limited impact on bilateral relations.
Mekong murders lead to joint river patrols

Chinese authorities reacted strongly and swiftly to the murders on Oct. 5 of 13 crew members of two Chinese cargo ships on the Mekong River where the borders of Thailand, Myanmar and Laos meet. China halted its river traffic, leaving 26 boats and 164 crew members stranded in Thailand. The action had a major economic impact as China provides most of the larger ships involved in the growing trade and transportation on the waterway connecting China’s Yunnan province with downriver destinations in Southeast Asia. In 2010, 1.5 million tons of cargo and 400,000 passengers traveled the waterway, according to Chinese reports. China sent police escorts vessels on Oct. 16 and Oct. 23 to bring the stranded vessels and crews back to Yunnan.

Beijing directed the Chinese Embassy in Thailand and the Consulate in Chiang Mai to press Thai authorities to investigate and track down the killers. The Chinese Foreign Ministry on Oct. 13 publicly pressed Thailand, Myanmar, and Laos to step up investigations, which Chinese official media said had stalled due to “chaotic border management.” Chinese reports linked the murders to drug trafficking in this lawless region. Later in October, China’s Ministry of Public Security held a conference in Yunnan province and a vice minister of public security led a delegation to press the investigations. On Oct. 31, Thai media reported that nine Thai soldiers were under arrest in connection with the murders.

In late October, China’s Ministry of Public Security hosted a two-day meeting in Beijing attended by a Thai deputy prime minister, the minister of defense of Laos, and Myanmar’s minister of home affairs. The result was an agreement to share intelligence, patrols, and law enforcement along the river. According to Chinese reports, China’s involvement will include a new force of 1,000 armed police in patrol vessels adapted from merchant ships. Xinhua reported that Chinese armed police began joint Mekong River security patrols on Dec. 9 with forces from Myanmar, Laos, and Thailand. Various foreign media speculated about possible adverse reaction to the involvement of Chinese security forces in downriver countries, while Chinese authorities emphasized the need for the Chinese police to handle the new duties in a responsible and respectful manner.

Outlook

Placed on the defensive in the face of challenges to Chinese interests in the South China Sea and elsewhere in the region, Chinese leaders will be watched carefully at home and abroad for signs that China will adopt more accommodating or more assertive approaches to relations with neighboring countries and other concerned powers, notably the US. Any decisions or shifts in Chinese policies may be slow in appearing. Chinese leaders are generally less active in interaction with Southeast Asian leaders during the cold weather of the winter months which makes visits to Beijing unattractive to Southeast Asian visitors; Chinese leaders tend to drop from public view during the long spring festival holidays. Of more importance, Chinese authorities appear preoccupied with the intensive and sensitive preparations for the large-scale leadership transition that will take place later in 2012. A major shift in China’s approach to Southeast Asian neighbors and to the US, Japanese, Indian, and other foreign involvement there could prove disruptive in the leadership transition process.
Chronology of China-Southeast Asia Relations
September – December 2011

Sept. 7, 2011: The fifth China-Vietnam Steering Committee on Cooperation meeting convenes in Hanoi to focus on bilateral management of the South China Sea. They agree to resolve differences in accordance to the Declaration on the Conduct of Parties in the South China Sea.

Sept. 14, 2011: Officials and experts meet in Jakarta for the annual China-ASEAN Forum on Social Development and Poverty Reduction. Discussions focus on ensuring that economic growth is both sustainable and inclusive.

Sept. 15, 2011: Li Jinhua, vice-chair of the National Committee of the Chinese People’s Political Consultative Conference, visits Indonesia and meets counterpart Taufik Kiemas. They agree to foster deeper bilateral political ties and exchanges.

Sept. 18, 2011: Wang Jiarui, director of the International Department of the Communist Party of China Central Committee meets visiting Laotian President Choummaly Saynashone. They agree to strengthen the strategic partnership between China and Laos.

Sept. 19, 2011: Senior Chinese and Vietnamese military leaders conclude a dialogue, agreeing to broaden bilateral defense and security cooperation and to build mutual trust and confidence by engaging in continued senior-level consultation to help resolve regional territorial disputes.

Sept. 22, 2011: He Guoqiang, member of the Standing Committee of the CPC Central Committee Political Bureau, meets a Laotian delegation led by Bounthong Chitmany, president of the Central Control Committee of the Lao People’s Revolutionary Party, in Beijing to discuss bilateral cooperation in the areas of anti-corruption, future prospects for furthering exchanges, and sharing governance experiences in tackling corruption issues.

Oct. 6, 2011: Chinese Ministry of Foreign Affairs confirms that at least 12 Chinese nationals were killed on Oct. 5 on the Mekong River after two Chinese cargo ships were attacked and hijacked. Officials from China, Thailand, Myanmar, and Laos agree to maintain close communication and cooperation to handle the investigation and ensure the safety of cargo ships.

Oct. 10, 2011: Vice President Xi Jinping and Foreign Minister Yang Jiechi meet Myanmar’s Minister of Foreign Affairs U Wunna Maung Lwin in Beijing to discuss the settlement of the suspended Myitsone hydropower dam project. They reaffirm the commitment to maintain their strategic and comprehensive partnership.

Oct. 13, 2011: China and Vietnam agree to hold regularized bilateral discussions twice a year to help reduce tensions in the South China Sea. Officials also announce that they would set up a hot line to address any disagreements.

Oct. 31, 2011: Officials from China, Laos, Myanmar, and Thailand formally establish the “Law Enforcement Cooperation along the Mekong River Mechanism” to jointly tackle cross-border crime and ensure the safety of passenger and cargo ships along the Mekong River.

Nov. 3, 2011: Gen. Ma Xiaotian, deputy chief of the general staff of the PLA, attends the first ASEAN Defense Ministers Meeting Plus (ADMM+) Experts Working Group Meeting on Humanitarian Assistance and Disaster Relief and calls for strengthening military-to-military cooperation in these areas. The meeting draws more than 50 officials from ASEAN member countries, Australia, China, India, Japan, New Zealand, Russia, South Korea, and the US.

Nov. 3, 2011: China announces it will provide nearly $9.5 million to Cambodia for flood relief.


Nov. 17-19, 2011: Premier Wen Jiabao attends ASEAN-related meetings in Bali and reassures regional leaders that China will not seek hegemony in the region but will maintain its firm stance on the South China Sea issue.

Nov. 20, 2011: Premier Wen Jiabao visits Brunei and meets state officials.

Nov. 27-29, 2011: Commander-in-Chief of Myanmar Defense Services Min Aung Hlaing visits China and meets Vice President Xi Jinping and Xu Caihou, vice chair of the Central Military Commission to promote and deepen military cooperation.

Nov. 30, 2011: Chinese and Laotian officials pledge closer cooperation on poverty alleviation and economic development, increasing trade ties, and agricultural training.

Dec. 5, 2011: Wu Bangguo, chairperson of the Standing Committee of the National People’s Congress, meets Cambodian counterpart Heng Samrin in Beijing. They agree to consolidate further bilateral cooperation, including security exchanges and parliamentary visits. China also pledges to share its experiences on economic development and poverty alleviation measures.

Dec. 5, 2011: Cai Yingting, deputy chief of general staff of the PLA, visits Laos to discuss expanding bilateral military exchanges to promote regional peace and stability.

Dec. 10, 2011: China joins Mekong River security patrols with forces from Myanmar, Laos and Thailand for the first time.


Dec. 19-20, 2011: Chinese State Councilor Dai Bingguo attends the Fourth Summit of the Greater Mekong Subregion Economic Cooperation (GMS) and calls for closer regional transportation and infrastructure cooperation to help foster regional business, trade, agricultural, and economic relations.

Dec. 20-24, 2011: Vice President Xi Jinping visits Vietnam and Thailand. In Vietnam, he meets officials and reaffirms the importance of bilateral political, economic, and security relations. In Thailand, he signs a series of economic agreements, including a three-year bilateral currency swap arrangement and a joint high-speed train project.