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CHINA- SOUTHEAST ASIA RELATIONS

XI JINPING, LI KEQIANG EASE REGIONAL TENSIONS, CONSOLIDATE GAINS

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President Xi Jinping's marathon report at the 19th Chinese Communist Party Congress in October emphasized an ever more powerful and rejuvenated China strongly advancing territorial and other interests in regional and global affairs. China's success in constructing artificial islands in the South China Sea was cited as one of Xi's many notable accomplishments. Xi and Premier Li Keqiang adopted a more moderate and accommodating tone in November in their first foreign visits after the Congress. Xi made official visits to Vietnam and Laos concurrent with his participation at the APEC Economic Leaders Meeting in Vietnam. Li made an official visit to the Philippines in conjunction with his participation in the East Asia Summit (EAS), the ASEAN+ 3 Summit, the China-ASEAN Summit, and a meeting of the leaders of 16 nations involved in the Regional Comprehensive Economic Partnership (RCEP). Some commentators depicted the moderation as part of a broader trend in China's foreign affairs; however, Beijing has traditionally adopted a softer approach during the annual Asia-Pacific leaders meetings, presumably to avoid unwanted controversy.

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Xi at Asia-Pacific Economic Cooperation (APEC) and summits in Vietnam and Laos

President Xi Jinping's keynote [speech](#) to the APEC CEO Summit in Da Nang, Vietnam featured strong support for globalization, free trade, and multilateralism in regional and global economic relations. Commentators said Xi's message was more attractive than President Trump's, which asserted determination to end existing trade practices that disadvantage the United States. Reflecting broad Chinese ambitions, Xi and supporting Chinese [commentary](#) cited China's Belt and Road Initiative (BRI) as evidence of its interest in shared development with neighboring countries by establishing China as "the anchor" of peace, stability, and development in the Asia-Pacific region.

Xi strongly endorsed the slowly progressing APEC Free Trade Area of the Asia-Pacific, which includes all APEC members, while also pushing to finalize the 16-nation Regional Comprehensive Economic Partnership (RCEP) trade agreement that excludes the US and other Western countries. Xi strongly supported "the central role of ASEAN" in the RCEP negotiations. Chinese commentaries criticized the now halted US-led 12-nation Trans-Pacific Partnership (TPP) and the 11-nation Comprehensive and Progressive Trans-Pacific Partnership as undermining ASEAN by including only a few countries from the Southeast Asian regional group.

Vietnam Summit

As [reported](#) in the previous *Comparative Connections*, China-Vietnam relations reached a low point over the summer months with China threatening the use of force to compel Vietnam to halt oil drilling in areas of the South China Sea claimed by China. Tensions remained as a meeting of the two foreign ministers on the sidelines of the ASEAN Regional Forum in early August was canceled. Concurrently, Vietnam continued to improve relations with the United States with Defense Minister *Ngo Xuan Lich* traveling to Washington in August and announcing that a US aircraft carrier would visit Vietnam in 2018. Vietnam's Secretary General Nguyen Phuc Trong visited Indonesia in late August, calling for regional unity on South China Sea maritime disputes. Official Vietnamese protests of Chinese military exercises in the Gulf of Tonkin and in the Paracel

Islands came in late August and early September.

Early signs of easing tensions saw Vice Chairman of China's Central Military Commission Fan Changlong on Sept. 23-24 take part in the Vietnam-China Border Military Exchange Program. Earlier, in June, amid the dispute over Vietnam's oil drilling in the South China Sea, Fan had abruptly ended his official visit to Hanoi, resulting in the cancellation of the military exchange program. In the week prior to President Xi's visit to Vietnam, Foreign Minister Wang Yi met Vietnam's Deputy Prime Minister Pham Binh Minh in Hanoi and, according to a senior Chinese official, reached agreement on how to manage their territorial disputes.

Vietnam's attentive treatment of Xi during his visit included prominent publication of the Chinese leader's article on Sino-Vietnamese friendship in Vietnam's Communist Party daily *Nhan Dan*, repeated interaction with his host, General Secretary Nguyen Phuc Trong, and ceremonial functions. Agreements signed during the visit included 12 cooperation pacts on building a border trade cooperation zone and setting up a working group on e-commerce cooperation. The two sides also addressed the relationship between China's Belt and Road Initiative (BRI) and Vietnam's Two Corridors and One Economic Circle plan, and pledged to properly manage maritime issues to maintain peace and stability in the South China Sea. Nguyen added a personal touch in referring to Xi as "a kindly comrade and old friend of the Vietnamese people."

Laos Summit

President Xi's two day visit to Laos was the first by China's top leader in over a decade. Relations have become very close and reflect China's expanding presence and influence in this poor landlocked neighbor that had depended largely on Vietnam. Xi and his Lao counterpart stressed the two countries' shared future and development strategies. According to the Lao ambassador to Beijing, China ranks first in foreign investment in Laos, devoting \$6.9 billion to 771 projects. The centerpiece is the China-Laos railway project, which foreign commentary has viewed as well beyond the capacity of the Lao government to support. The five-year project began construction in December 2016 with a reported cost of \$5.8 billion. The Nov. 14 [China Daily](#) reported that

China “will finance and own” (emphasis added) 70 percent of the venture. It described the daunting construction challenges in completing the 414-km connection from Vientiane to the Chinese border rail junction. More than 60 percent of the route will require bridges and tunnels. The plan is for Laos to concurrently establish a rail link to Thailand via Vientiane, allowing China to connect to Thailand, Malaysia, and eventually Singapore by rail. Reflecting Laos’ low starting point in these ambitious ventures, the report noted that only 3 km of railroad exists in Laos.

Li at EAS, ASEAN meetings; Philippines visit

Given the protocol that the annual EAS and other ASEAN-related meetings are held at the head of government level rather than the head of state, Premier Li Keqiang rather than President Xi represents China at the summits. Li used the occasion of this year’s meetings hosted by the Philippines to argue that tensions in the South China Sea have eased and China and ASEAN are making notable progress in a code of conduct to manage maritime disputes. Li argued that China is safeguarding freedom of navigation and overflight in the South China Sea.

Li also called for the integration of BRI with the Master Plan on ASEAN Connectivity 2025 and an upgrade to the ASEAN-China Free Trade Agreement. Against this background, he and supporting Chinese commentary said conditions were right for the region to build a regional economic community. That Li envisaged a regional community that would not include the US was underlined by his emphasis on the importance of concluding the RCEP trade agreement involving ASEAN, China, and five other Asia-Pacific countries but not the US. Li participated in the first ever RECP summit held in conjunction with the various multilateral talks in Manila, urging faster progress in talks that have dragged on for five years. However, the forecast is further delay.

Philippines-China relations

Premier Li combined his participation at the ASEAN-related meetings with an official visit to the Philippines, the first by a Chinese prime minister in 10 years. The visit reinforced the positive trajectory in China-Philippines relations. The [joint statement](#) that followed the visit promised further cooperation on infrastructure, production capacity, investment,

commerce, and tourism. Fourteen documents on these matters were signed.

Earlier, Chinese reporting highlighted that China had supplied rifles and other military equipment to Philippines armed forces involved in suppressing the insurrection in the southern city of Marawi and acknowledged Chinese political support and intelligence sharing for President Duterte’s controversial suppression of drug trafficking. Meanwhile, Duterte decided to ease a recent source of tension with China by stopping construction of fishermen shelters on Sandy Cay, a recently formed *sandbar* near Philippine-controlled Pagasa (Thitu) Island in the South China Sea. Duterte had promised to raise South China Sea disputes with China at an appropriate time and, according to the Philippine presidential spokesperson, he engaged in a “frank and very candid” discussion of the disputes when he met President Xi on the sidelines of the APEC forum in Vietnam. The spokesperson stated that the leaders agreed they would not go to war over the maritime disputes.

South China Sea developments

In addition to the Chinese leaders’ visits to Southeast Asia, other South China Sea events and occurrences appeared to be in line with Chinese preferences while others posed potential challenges for China.

Code of Conduct

Chinese officials routinely voiced satisfaction with China-ASEAN interaction over the past year as they pursued the development of a code of conduct regarding disputes in the South China Sea. They appeared sanguine that China’s remarkable success in discouraging ASEAN countries from challenging Chinese claims means that the process of creating the code and the ultimate outcome will support Chinese interests in the disputed sea. Prime Minister Lee Hsien Loong, in Singapore’s role as the official coordinator of ASEAN-China relations, announced at the China-ASEAN summit in the Philippines in November that agreement was reached to start negotiations on the code. A framework for the code of conduct was reached in August. A working group reportedly is set to begin the negotiations early in 2018. The Philippines will oversee the negotiation process as the new ASEAN-China coordinator.

The US was more forthright in challenging Chinese claims and interests. President Trump supported “an effective and binding code of conduct” in a joint statement with the Singapore prime minister in late October. (China is thought to seek a non-binding code that would not limit China’s freedom of action in the South China Sea.) Trump repeated that he remained “concerned about China’s efforts to build and militarize outposts in the South China Sea” when he met Southeast Asian leaders in November. In response to what Beijing views as unwarranted US interference in matters of concern to China and ASEAN, Chinese commentary routinely highlighted the progress in the code of conduct negotiations as evidence that those countries are best qualified to manage differences, without US or other international intervention.

US freedom of navigation exercise and offer of mediation

A US destroyer carried out a freedom of navigation exercise challenging Chinese claims in waters near the Paracel Islands in October, prompting reactions by a Chinese warship and fighter aircraft and criticism by China’s defense and foreign ministries that have become routine. By contrast, President Trump’s widely publicized offer to mediate between China and other South China Sea claimants was unprecedented. The US president made the offer in remarks prior to meeting his Vietnamese counterpart in Hanoi in November. Nevertheless, any challenge for China was reduced as the Vietnamese leader and other claimants demurred or remained silent on the offer.

Indonesia and the South China Sea

Against the background of low-level tensions over Chinese claims to fishing rights and the activities of Chinese fishing boats and coast guard forces in waters claimed by Indonesia, the Jakarta government in July announced it was renaming a part of the area the “North Natuna Sea.” China’s Foreign Ministry sent an official note to the Indonesian Embassy in Beijing demanding that Indonesia reverse this decision. The note was dated Aug. 25 and was disclosed by media in Indonesia on Sept. 2. It remains to be seen how Indonesia will respond and whether Beijing will successfully counter the adverse move.

Australia, the “Quad”

Beijing has yet to counter greater activism by Australia in the South China Sea. In November, the Australian Navy completed *Indo-Pacific Endeavor 2017*, a naval exercise involving 1,200 personnel – Canberra’s biggest drill in the South China Sea in 30 years. At the same time, sharp criticism of China’s military behavior and island building in the South China Sea was featured in the Australian government’s *2017 Foreign Policy White Paper*. Beijing has not yet responded to the developing cooperation in military patrols and other naval activity in waters from the Indian Ocean to the Pacific carried out by the so-called “Quad” countries – the US, Japan, Australia, and India. Senior officials of the four governments met in Manila on the sidelines of the EAS in November and announced agreement to create a coalition to carry out patrols and other military activities in the Indo-Pacific region.

Other developments

- CSIS Asia Maritime Transparency Initiative reported in December that China continued substantial construction activities involving radars, communications, storage facilities, hangers in outposts in the South China Sea islands.
- In November, Beijing made its first publicly confirmed deployment of *J-11* fighter jets to Woody Island in the Paracel Islands.
- In December, Asian media reported that China plans to launch up to 10 satellites over the next three years to have full satellite coverage of the South China Sea.
- Chinese and foreign media reported the launching of China’s largest dredging vessel, similar to those involved in China’s South China Sea island building.
- In December China’s *AG600*, the world’s largest amphibious aircraft of possible use for operations in the South China Sea, reportedly passed technical evaluations and was ready for its first flight.

China mediates Myanmar-Bangladesh dispute over Rohingya Muslim refugees

Amid harsh international criticism of the Myanmar military for gross violations of human rights in forcing over 600,000 Muslim Rohingya refugees to flee to squalid refugee camps in neighboring Bangladesh, China has remained firm in opposing UN involvement and condemnation of the Myanmar authorities. Having good relations with both Myanmar and Bangladesh, Foreign Minister Wang Yi in November visited Bangladesh and then Myanmar, announcing a three-step plan to address the crisis: step 1 – a ceasefire and efforts to restore order and stability; step 2 – Bangladesh-Myanmar consultations leading to an understanding of how the refugees should be repatriated; and step 3 – international support for development in affected areas of Myanmar and Bangladesh.

The leaders of both countries were supportive of the Chinese plan, announcing an agreement on repatriation of refugees soon after Wang Yi's visits. Offering support, President Xi Jinping met separately in Beijing with Myanmar's military leader, Senior Gen. Min Aung Hlaing and State Counselor Aung San Suu Kyi. Chinese commentary viewed Wang's mediation as evidence of China's new willingness to undertake international responsibilities and leadership. Commentary also noted China's concern with instability in Myanmar and its interest in promoting economic development in the country.

Some experts were deeply concerned with the fate of the refugees, who had little influence in the negotiations and agreements between the two governments. They depicted China's activism as designed to protect its large-scale development project at the Kyaukpyu port, and its related gas and oil pipelines and economic zone. The project is a key element of China's Belt and Road Initiative. The port and zone are located away from the conflict concentrated in northern Rakhine State, but instability could spread. In the recent past, hostilities in northern Kachin State helped to undermine China's plans for the \$3.6 billion Myitsone dam. Meanwhile, veteran observer Bertil Lintner assessed China's approach to the Rohingya refugee crisis as a means to build more influence with the Myanmar government, adding to the regime's already heavy dependence on China for support in the face of Chinese-influenced and -armed

ethnic groups [challenging government authority](#).

Regional responses to China's Belt and Road Initiative

China's Belt and Road Initiative was officially rolled out at an international forum in May 2017 that drew representatives from more than 130 countries and 70 international organizations, including nearly 30 heads of state and government. Proposed in 2013, the BRI includes two core components – the Silk Road Economic Belt and the 21st Century Maritime Silk Road – aimed at building a transcontinental trade route spanning three continents. The initiative proposes massive investments into ports, railways, roads, and economic corridors connecting some 65 countries from China to North Africa through Central Asia and Europe.

Early prognosis of the ambitious project thus far reflects a number of considerable challenges. At a public forum in Singapore, veteran China observer Wang Gungwu cited the exorbitant costs associated with such large-scale infrastructure projects. Moreover, the historical tensions and lingering suspicions of China's motivations remain key obstacles to implementation. While nearly \$1 trillion has been pledged to cover various projects under the initiative, actual progress has been halting. For example, two years after Beijing won the contract to build Indonesia's first high-speed railway, [reports](#) indicate that work has barely started on the route from Jakarta to Bandung. Likewise, a high-speed rail project connecting southern China to Singapore has been stalled by lingering disagreements over financing issues and labor regulations in Thailand. Questions have also arisen regarding the actual benefits some of the infrastructure projects would bring to regional economic development. A 260-mile high-speed rail that runs through Laos is estimated to cost about \$6 billion, approximately half of Lao's gross domestic product for 2015. While China will take a majority stake in financing and operating the railway, the economic gains for Laos from such a project remain uncertain. As these projects evolve and new ones emerge, it remains to be seen the extent to which they will increase regional connectivity, boost regional trade, and contribute to local development and employment opportunities for partner countries.

China and Australia: crisis and acrimony

The final months of 2017 saw Australia reinforce its stronger voice and actions against China's efforts to achieve regional domination described in Graeme Dobell's [assessment](#) in the previous *Comparative Connections*. For China, the situation worsened notably. Australia's first white paper on foreign policy in over a decade took direct aim at negative features of Chinese ambitions in foreign affairs. Carrying out a major exercise in the South China Sea and joining with other members of the "Quad" to project military power and protect challenged interests in the Indo-Pacific showed Australia taking sides with a Trump administration much more directly in confronting security differences with China.

Compounding Beijing's difficulties were a series of Australian government reports and testimonies, government leaks of classified information, and media reports claiming to show how the Chinese government's active united front was attempting to win over Australian politicians with campaign contributions and other support, while exerting strong influence among ethnic Chinese citizens and the large cohort of Chinese students in Australian universities. Many in Australia warned of prejudice and racism driving reactions to the disclosures. There also was strong concern that the government may be tilting too far away from China and potentially jeopardizing Australia's large exports to China. For its part, the Turnbull government proposed and enacted stronger laws against foreign influence in Australian politics.

In late November, China's Foreign Ministry spokesperson strongly rebuked and expressed "grave concern" over the Australian foreign policy report's criticism of Chinese behavior in the South China Sea. In December, the overhaul of the Australian counter-espionage laws, including the banning of foreign donations to candidates and political parties, saw Prime Minister Turnbull name China as a country of concern behind the new law. This prompted another rebuke from China's Foreign Ministry spokesperson and an editorial in the English-language *China Daily*. The Chinese Embassy in Canberra added tough language against the Australian government, senior bureaucrats, and journalists for unjustifiably criticizing "so-called Chinese influence" in Australian politics. The Embassy added that Australian critics "have unscrupulously vilified Chinese students as well

as the Chinese community in Australia with racial prejudice." It remained to be seen what steps either side might make to ease the crisis and the resulting deterioration in relations.

Outlook

The Trump administration's [national security strategy](#) released in December uses strong language not seen from the US government for decades to warn of China's ambitions to undermine US economic, security, and political interests and displace US leadership in the Asia-Pacific. What impact the document will have on actual US behavior regarding Chinese actions in the South China Sea and other areas of US concern involving Southeast Asia remains uncertain. US collaboration with the "Quad" countries in securing maritime interests in the Indo-Pacific seems consistent with the stern view of China in the strategy. How far the US will go in countering perceived adverse Chinese actions in Southeast Asia is determined in part by the region's uncertain priority in the very full international agenda of the Trump government. And while the administration's thinking about China is clear in the national security strategy, Trump's rhetoric announcing the strategy and during his recent trip to the region failed to clarify his personal commitment to countering the China challenge.

CHRONOLOGY OF CHINA-SOUTHEAST ASIA RELATIONS

SEPTEMBER – DECEMBER 2017

Sept. 14, 2017: China's President Xi Jinping hosts the Sultan of Brunei Hassanal Bolkiah for a state visit in Beijing. They sign a number of agreements aimed at strengthening bilateral security and economic ties, as well as education and cultural exchanges.

Sept. 20, 2017: President Xi meets Singapore Prime Minister Lee Hsien Loong in Beijing. They reaffirm longstanding ties and high-level interactions and agree to deepen bilateral relations.

Sept. 29, 2017: China and Vietnam convene the 10th meeting of the Bilateral Economic and Trade Cooperation Committee in Hanoi. The focus is on forging closer connection between China's "Belt and Road Initiative" and Vietnam's "Two Corridors and One Economic Circle" economic plan.

Oct. 10, 2017: China's Ministry of Foreign Affairs says Beijing supports talks between Myanmar and Bangladesh to address the Rohingya refugee issue. It also indicates Beijing's willingness to play a constructive role in the process and to provide humanitarian relief and assistance.

Oct. 31, 2017: China and ASEAN hold a joint maritime rescue drill off the coast of Guangdong Province. The drill focuses on joint non-combat maritime cooperation simulating a shipwreck incident and involves around 1,000 rescuers and 20 ships from Brunei, Cambodia, China, Laos, Myanmar, the Philippines, and Thailand.

Nov. 1, 2017: China and Vietnam carry out a three-day joint coast guard patrol in Gulf of Tonkin. The patrol includes search and rescue exercises, maritime law enforcement, and inspection of fishing boats in the area.

Nov. 4, 2017: China's Foreign Minister Wang Yi visits Hanoi and meets senior leaders ahead of the APEC forum and President Xi's visit to Da Nang in mid-November.

Nov. 12, 2017: ASEAN and China agree to start negotiations on "a substantive and effective Code of Conduct in the South China Sea after concluding the Framework Agreement on Code of Conduct."

Nov. 12-16, 2017: China's Premier Li Keqiang visits the Philippines to attend the East Asian Summit and other ASEAN-related meetings. During a separate state visit, he meets Philippine President Rodrigo Duterte.

Nov. 12-13, 2017: President Xi visits Da Nang and attends the 25th APEC Economic Leaders Meeting. Xi also meets Vietnamese leaders to sign 12 agreements to increase bilateral diplomatic and economic relations.

Nov. 13-14, 2017: President Xi visits Laos to discuss strengthening bilateral relations through inter-party exchanges and cooperation in diplomacy, defense, law enforcement, and security.

Nov. 20, 2017: China's FM Wang Yi engages in shuttle diplomacy between Myanmar and Bangladesh and offers a three-point plan to help ease the humanitarian crisis for the Rohingya community. It involves a ceasefire, deepening bilateral consultation between Myanmar and Bangladesh, and more international engagement to help alleviate the crisis.

Nov. 27, 2017: President Xi meets senior-level military delegation from Myanmar. Xi indicates China's support for more military, security, and defense exchanges, and reiterates China's willingness to play a constructive role in Myanmar's national reconciliation and peace process.

Dec. 1, 2017: Myanmar State Counselor Aung San Suu Kyi visits China and meets President Xi. They hail close ties between the two countries and avoid any mention of the Rohingya.

Dec. 6, 2017: Chinese media airs footage of the People's Liberation Army Air Force (PLAAF) J-11B fighter jets in and around Woody Island in the Paracels.

Dec. 6, 2017: Maj. Gen. Zhao Tianxiang, commander of the People's Liberation Army Air Defense Force, leads a military delegation to Cambodia. The visit aims to increase bilateral security, and defense cooperation, including exchanges and training between military officials.