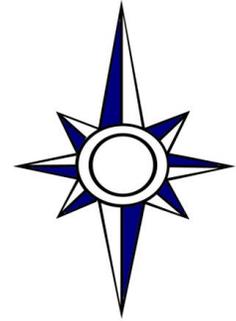


Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



China-Southeast Asia Relations:

China Advances, More Opposition in South China Sea

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China's abrupt deployment in the disputed Paracel Islands of the South China Sea on May 2 of a 40-story oil rig along with a protecting armada of over 100 fishing, coast guard, and reportedly military vessels shocked the region and particularly Vietnam, the other main claimant to these islands. Concurrent disclosures showed large-scale dredging creating Chinese controlled islands on four previously submerged reefs in the disputed Spratly Islands with China fortifying some of these sites for surveillance and power projection far from the Chinese mainland.

The egregious Chinese advances demonstrated how far Beijing is prepared to go in confronting its neighbors, the US, and other powers concerned with regional stability to advance its broad territorial claims in the South China Sea. They were reinforced by China's rebuff of a strong Pentagon complaint on Aug. 22 over heavily armed Chinese jet fighters harassing US reconnaissance aircraft in dangerously close maneuvers. Domestic support for the Chinese moves to defend and advance control in the South China Sea elicited uniformly positive treatment in Chinese media while Chinese leaders exuded confidence in facing predictable negative international reactions.

Nevertheless, probably unanticipated by Beijing's planners were mass demonstrations in Vietnam that turned violent, killing five Chinese and injuring many more while causing widespread damage to Chinese and other Asian invested enterprises. Sharply critical rhetoric and moves at odds with Chinese interests by the US, Japan, Australia, and some Southeast Asian countries also underlined deepening wariness and growing diplomatic and security measures directed at China. Chinese delegates at the annual Shangri-La Defense Forum in late May were on the defensive in the face of direct attacks on China led by the US and Japan. Beijing nonetheless stood firm in blaming Vietnam for all negative consequences of their dispute and dismissed international assessments that Chinese territorial advances were counterproductive and accelerating US and regional cooperation against China.

Against this background, China's removal of the rig and its protective fleet in mid-July, much earlier than expected, was widely interpreted outside China as designed to reduce tensions, at least for a time. Major foreign policy speeches by President Xi Jinping, State Councilor Yang Jeichi, and other senior leaders emphasized the positive in China's avowed commitment to development and peaceful coexistence. Chinese officials duly noted determination to protect sovereignty and maritime rights and took aim at US alliances and the alleged US role in encouraging other claimants to act against China. A US proposal in July to freeze oil exploration, reef reclamation, or other changes in the status quo in the South China Sea set the stage for friction at the ASEAN Regional Forum (ARF) in August, with China rejecting US involvement

and regional initiatives that would curb China's freedom of action in pursuing its claims. Beijing's prompt dismissal of US complaints of Chinese harassment of surveillance flights in the South China Sea was followed by high-level Sino-Vietnamese talks in Beijing on Aug. 27 where the two sides reached an agreement to avoid acts that would worsen maritime disputes and to support overall peace and stability in the South China Sea.

Crisis with Vietnam

When China deployed the *Haiyang Shiyou 981* oil drilling rig to the Paracel Islands (China: Xisha, Vietnam: Hoang Sa) in early May, Vietnam promptly protested and confronted the protecting armada with coast guard and fishing fleets, frogmen deploying nets, and other obstacles. Both sides kept count of the repeated ramming of boats and other damage from the confrontations at sea. A Vietnamese Foreign Ministry briefing on June 5 reported that 19 Vietnamese vessels were damaged by Chinese ramming and water cannon attacks, injuring 12 Vietnamese officers. Vietnamese media on May 26 highlighted the sinking of a Vietnamese fishing boat after being rammed by a Chinese government ship. A Chinese government document on June 8 said as many as 63 Vietnamese vessels confronted the rig and protecting Chinese boats, ramming Chinese government ships 1,416 times. Both sides also highlighted official contacts over the crisis. China said in mid-June that 30 such contacts had taken place. A highlight was the June 17-18 visit of China's senior foreign affairs specialist, State Councilor Yang Jiechi, to Hanoi for previously scheduled talks with his Vietnamese counterpart and Prime Minister Nguyen Tan Dung, which nonetheless failed to ease the crisis.

Much greater violence and destruction came when popular protests supported by the Vietnamese government in mid-May were followed by widespread rioting, burning, and destruction targeting China and Chinese properties but involving many enterprises from Taiwan and other countries. *Xinhua* reported on June 9 that five Chinese were killed in the riots. It said that 20 foreign factories were destroyed and over 1,000 foreign companies were damaged, with Taiwan enterprises bearing the brunt of the attacks. Initial Vietnamese government offers apologizing and compensating for the deaths, injuries, and destruction were rejected by China.

The US, on May 7, led international criticism of China for its "provocative" deployment of the oil rig and disruption of stability in the South China Sea. Japan and other concerned powers followed. The ASEAN foreign ministers on May 10 issued a statement on the crisis that avoided explicit mention of China. Concurrently, the Indonesian foreign minister told the media he was disappointed with China's action. The US and its allies led the criticism of China at the Shangri-La Dialogue in late May. The G-7 also issued a statement along these lines in early June.

Vietnam endeavored to buttress its position against China through international maneuvers. Vietnam's prime minister joined Philippine leaders in criticizing China's South China Sea behavior at the ASEAN Summit on May 11, resulting in another ASEAN statement of concern over rising tensions in the area. In a joint statement with Philippine President Benigno Aquino in Manila on May 21, Vietnam's Prime Minister Dung supported joint efforts for international support to oppose Chinese violations in disputed areas in the South China Sea. Against the background of the Philippines legal challenge in the Permanent Court of Arbitration in The Hague against Chinese claims in the South China Sea, Dung indicated that Hanoi was now

considering legal actions against China. On May 20, Vietnam agreed to join the US-supported Proliferation Security Initiative, a move quickly welcomed by the US. Vietnam's deputy prime minister met in Tokyo with Prime Minister Abe Shinzo on May 22, following Japan's initiative to begin Japan-ASEAN defense minister meetings later this year. Hanoi warmly welcomed the August visit to Vietnam of the US Chairman of the Joint Chiefs of Staff Gen. Martin Dempsey. The visit followed recent trips to Hanoi by leading Asian affairs officials from the US National Security Council and State Department and came amid rising calls by US congressional and non-government advocates for US arms sales in Vietnam.

Apart from showing solidarity with Vietnam, the Philippines complained repeatedly over Chinese dredging and expanding land reclamation projects for military and other use in the disputed Spratly Islands. It warned in August against oil exploration by Chinese ships in the energy-rich Reed Bank region claimed by the Philippines. It took other initiatives that were criticized by China, including an agreement on maritime borders between the Philippines and Indonesia in May and President Aquino's support during a visit to Tokyo in June of Prime Minister Abe's efforts to allow Japan to engage in collective self-defense.

Others in ASEAN were much more reticent in criticizing or offending China. Although Malaysian officials continued to affirm claims to South China Sea territory also claimed by China, Prime Minister Najib Razak visited China for six days in late May and met President Xi Jinping without any apparent sign of discord over the South China Sea or other issues. Singapore's foreign minister ended a visit to China in mid-June pledging to avoid "finger pointing" and to serve as a "bridge" between China and ASEAN as Singapore undertakes the role of coordinating country for China-ASEAN relations in 2015.

Chinese officials and government media explained the withdrawal of the oil rig in mid-July as warranted by the completion of exploration work a month ahead of schedule. Some analysts argued the rig was moved to safer territory in anticipation of a threatening typhoon. Many foreign commentaries saw the move designed to ease tensions with Vietnam and to reduce international criticism of China prior to the ASEAN Regional Forum (ARF) in August and the East Asia Summit (EAS) in November.

Chinese interest in easing tensions with Vietnam was underlined by the three-point agreement involving easing maritime border disputes and improving relations reached during talks on Aug. 27 between Vietnamese Communist Party Special Envoy Le Hong Anh and Chinese Communist Party Politburo Standing Committee Member Liu Yunshan. As reported by Chinese and Vietnamese media, the agreement pledged that the two sides would "avoid actions that might complicate and expand the disputes" and would "safeguard the overall stability of bilateral relations and peace in the South China Sea." Xi Jinping endorsed improving relations with Vietnam in meeting Ahn at the end of his visit. On Aug. 26, the Chinese Foreign Ministry spokesperson noted that China had accepted Vietnamese apologies and offers of compensation for the deaths, injuries, and property damage caused by the anti-Chinese riots in May. That Chinese opinion nonetheless remained wary of Vietnamese intentions was shown in the state-controlled but not always authoritative *China Daily*, which warned of unnamed powers influencing Vietnam to contest Chinese claims and alleged Vietnam's calculations that "outside intervention can help it win bigger through confronting Beijing."

China's island building prompts stronger opposition

The summer months featured increasing concern by the Philippines, the US, and other powers about stepped-up Chinese efforts to use sophisticated dredging equipment, barges, and other means to move sand to expand the size of some of the small islets and reefs held by China in the disputed Spratly Islands. The result is new or larger islands on heretofore submerged territory. These outposts are being fortified and seen as providing a base for further expansion. An analysis by Andrew Erickson and Austin Strange in mid-July said the Chinese reclamation effort centers on Fiery Cross Reef where China has created a five-square mile fortified installation. China in the past two years has built a 74-acre island on previously submerged Johnson South Reef and equipped it with radar and satellite communications equipment, anti-aircraft and naval guns, a helipad, and a dock. Similar dredging and island building is underway at Cuateron Reef, Gaven Reef, and Johnson North Reef.

The Philippines heightened attention to the island building with public protests in May and June. Philippine Foreign Minister Albert Del Rosa on June 16 called for a moratorium on such construction. In July, the US incorporated concern over land reclamation in its proposals to freeze provocative actions. The Philippines came up with a "triple action plan" that it planned to advocate at the ARF meeting in August. One of the three steps called for a moratorium on such actions as construction of structures that raise tensions in the region.

ASEAN Regional Forum

The US and the Philippines publicly articulated their plans prior to the August ARF while Chinese officials and government media remained comparatively quiet. Chinese Foreign Ministry officials duly refused proposals for a construction freeze and have continued periodic criticism of alleged US interference, underlining Chinese insistence that China and ASEAN handle their problems by themselves. Just prior to the ARF meeting, China announced it would build five lighthouses in the disputed Paracel Islands and the Foreign Ministry spokesperson highlighted China's determination to continue building lighthouses in both the Paracel and Spratly Islands.

Foreign Minister Wang Yi rebuffed the "triple action plan" advocated by the Philippine foreign minister in ASEAN meetings with China and the broader ARF meeting. Secretary of State John Kerry supported Manila's efforts in seeking ways to encourage restraint and reduce tensions. Chinese government media said Kerry's efforts to promote a freeze on construction and other provocative actions received a cool response from Southeast Asian participants at the ARF. However, the Singapore foreign minister said that the freeze proposal was generally supported by the ASEAN claimant states.

After the ARF meeting, ASEAN foreign ministers issued a statement that the organization "remained seriously concerned over recent developments that had increased tensions in the South China Sea," but without any mention of China. According to sources and officials at the meeting, the initial draft of the statement did not include the word "seriously," but it was subsequently approved and added in the final version following a formal request by Vietnam. The statement

also reaffirmed the importance of the freedom of navigation in and above the high seas and for all parties to abide by international law. Interestingly, *Kyodo News Agency* reported the initial draft also contained a line on concerns over “the current tensions in the East China Sea,” and that it had called for countries involved in that dispute “to refrain from taking unilateral action that would increase tensions and change the status quo.” The final version, however, deleted the East China Sea discussions, with Brunei, Cambodia, Laos, Myanmar, and Thailand requesting that the paragraph be dropped from the official, final version. The Philippines, Singapore, and Vietnam favored the inclusion of the paragraph while Indonesia and Malaysia abstained.

Chinese government media highlighted as a new “major step” Wang Yi’s call at the press conference after the ARF meeting for a “dual-track” approach that includes disputes being addressed by countries directly concerned through friendly negotiations in a peaceful way, and peace and stability in the South China Sea being jointly maintained by China and ASEAN countries. Other commentary saw the proposed approach as being in line with longstanding Chinese practice. Wang also proposed having informal ASEAN-China leaders’ meetings in conjunction with the Boao Forum for Asia, held every April on Hainan Island, and the China-ASEAN trade fair, held in September in Nanning, Guangxi Zhuang autonomous region.

China-Myanmar trade relations

China’s relations with Myanmar saw some mixed developments in recent months. On the positive side, a number of key senior-level engagements took place, including Vice Chair of the Central Military Commission Xu Qiliang’s visit to Myanmar in May to discuss stepping up bilateral military personnel training and border security. Later that month, officials from the two sides met with other Mekong River Basin border states to discuss border management and joint law enforcement to help ensure stability and security along the borders. Of symbolic importance was President Xi Jinping’s invitation to President Thein Sein (and India’s Vice President Mohammad Hamid Ansari) to Beijing for an event commemorating the 60th anniversary of the establishment of the “Five Principles of Peaceful Coexistence.” In August, when Foreign Minister Wang Yi visited Myanmar for the ARF, he also met Thein Sein.

Managing and resolving bilateral trade and investment issues dominated most of the discussions between China and Myanmar. In recent months, Chinese economic investments and activities in Myanmar have provoked and renewed some angst and flare-ups in the country, mostly because they have led to severe, negative environmental impact, involved land confiscation without proper compensation, and lacked development and employment opportunities for the local communities where the Chinese projects were set up. A recent report in the *Nikkei Asian Review* found that there has been increased backlash against the pervasive economic role of Chinese state-owned enterprises in Myanmar’s extractive industry, with a number of Chinese operations targeted by the local population. In late May, for example, two Chinese contractors working in the Letpadaung copper mine in central Myanmar were kidnapped and taken hostage. Myanmar officials have responded to the public pressure by forcing some Chinese companies in violation of national laws to shut down their operation. In 2011, for example, the government suspended the Chinese-run \$3.6 billion Myitsone Dam project.

The backlash in Myanmar has led to a dramatic drop in Chinese investment. According to official data from Myanmar's Central Statistical Organization, Chinese foreign direct investment from April 2013 to January 2014 amounted to \$46 million – a paltry sum compared to FY2012, which saw \$407 million and \$4.3 billion in FY2011. However, given Myanmar's close proximity to China's southwest corridor and China's growing demand for Myanmar's natural resources, it is likely that Chinese investors will eventually return to Myanmar. More Chinese companies are now investing in corporate social responsibility and responding to community-based needs and priorities, attributable in part to the number of recent high-level visits and exchanges focusing on better management of bilateral trade, investment, and economic issues.

Outlook

The agreement with Vietnam after the spike in tensions over the deployment of the Chinese oil rig reduced tensions and offers the potential to forestall the kinds of assertive and provocative Chinese actions seen in the South China Seas over the past two years. Beijing will have an opportunity to explain its evolving South China Sea positions in the important APEC Leaders Meeting and East Asian Summit in November, which are slated to include a one-day summit between President Obama and President Xi Jinping. Meanwhile, prospects for a more unified position in ASEAN's continued negotiations with China on a binding code of conduct in the South China Sea will be further tested at a senior-level working group meeting in Bangkok in mid-October and again at the East Asia Summit in November.

Whatever optimism comes from recent developments is tempered by ongoing evidence of often intense competition and disagreement. Beijing remains suspicious of Vietnam's closer ties with the US, Japan, and the Philippines. It sharply rebuffs US complaints of dangerous harassment of US surveillance flights; expands, develops, and militarizes land holdings in disputed islands; and advances oil exploration efforts, most recently in the energy rich Reed Bank. The Chinese moves are often backed by a strident Chinese elite and public nationalism along with continued heavy investment in sophisticated oil rigs, coast guard fleets, and other means to control territory and resources in the South China Sea.

Chronology of China-Southeast Asia Relations

May – August 2014

May 2, 2014: China National Offshore Oil Corporation (CNOOC) deploys a deep water drilling rig, the *HD-981*, in disputed waters near the Paracel Islands in the South China Sea.

May 4, 2014: China's Maritime Safety Administration announces that all ships are prohibited from entering a 1.6 km radius (subsequently expanded to 5 km) surrounding an oil drilling area near the Paracel Islands until operations end.

May 6, 2014: Xu Qiliang, vice chairperson of China's Central Military Commission (CMC), meets Myanmar's Air Force Commander-in-Chief Khin Aung. They agree to increase bilateral military ties, including personnel training, high-level exchanges and visits, and joint collaboration to contribute to stability in the border areas.

May 6, 2014: Philippine National Police maritime patrol arrests 11 Chinese fishermen whose vessel is intercepted 60 nm off the coast of Palawan with 500 endangered species of turtles on board. China demands the release of the fishermen, saying they were in an area where China has “undisputable” sovereign rights.

May 7, 2014: Vietnam releases video showing Chinese ships repeatedly ramming and using water cannons against Hanoi’s patrol vessels in the area where Beijing has placed an oil rig.

May 9, 2014: Xu Qiliang leads a military delegation to Phnom Penh and meets Deputy Prime Minister/Defense Minister Tea Banh to sign a military cooperation agreement. China agrees to provide grants and scholarships for Cambodian military personnel and officers to study in China.

May 10-11, 2014: Myanmar hosts the 24th ASEAN Summit in Nay Pyi Taw.

May 19, 2014: Philippines and Indonesia reach a settlement of maritime boundaries.

May 26, 2014: China’s Ministry of Foreign Affairs spokesperson expresses hope for continuity of normal ties with Thailand, following the Thai military’s announcement of a coup. He urges all parties to exercise restraint and to resolve their differences through dialogue and consultation.

May 27-June 1, 2014: Prime Minister Najib Razak makes a state visit to China and meets Premier Li Keqiang. They agree to accelerate the use of local currency settlements for two-way trade and investment. On the South China Sea, they reaffirm the need to uphold freedom and safety of navigation in the high seas, and to exercise self-restraint and resolve their differences through continued dialogue in accordance with the UN Conventional on the Law of the Sea.

May 30, 2014: China’s Ministry of Public Security hosts a meeting with counterparts from Cambodia, Laos, Myanmar, Thailand, Vietnam, and the UN Office on Drugs and Crime to address the growing threat of illicit drugs and narcotics in the Greater Mekong Sub-Region. They agree to increase cross-border cooperation.

June 4, 2014: Minister of Public Safety Guo Shengkun meets Cambodian Deputy Prime Minister/Interior Minister Sar Kheng in Beijing to discuss bilateral law enforcement cooperation, particularly on combating telecom fraud and tracking fugitives who have fled abroad. They sign a five-year action plan to increase joint coordination on cross-border crime.

June 4, 2014: Vietnam releases video footage showing a large Chinese ship chasing and ramming one of its fishing boats, which subsequently sank.

June 4, 2014: Permanent Court of Arbitration announces that China will have until Dec. 15 to file a memorial countering Philippine evidence in its case against Chinese claims in the South China Sea. China’s Foreign Ministry restates its refusal to participate in the case.

June 9, 2014: Wang Min, China’s deputy permanent representative to the United Nations, submits a position paper to UN General Secretary Ban Ki-moon alleging that Vietnam “illegally and forcefully disrupted the Chinese operation” of its oil rig in the South China Sea.

June 11, 2014: Vietnam's mission to the UN submits a position paper for circulation to the General Assembly demanding that China withdraw its oil rig from the area in the Paracel Islands, its escort vessels from Vietnam's maritime zones, and to stop "all activities that are interfering with maritime safety and security, and affecting regional peace and security."

June 12, 2014: Chinese State Councilor Yang Jiechi meets Singaporean Minister for Foreign Affairs K. Shanmugam in Beijing. They pledge to further strengthen economic, cultural, and security as they prepare to celebrate 25 years of formal bilateral relations next year.

June 16, 2014: Philippine Foreign Secretary Albert del Rosario calls for a moratorium on actions that can provoke tensions in the South China Sea.

June 18, 2014: Chinese State Councilor Yang Jiechi visits Vietnam and meets Prime Minister Nguyen Tan Dung and Foreign Minister Pham Binh Minh in Hanoi to exchange views on bilateral relations and ongoing maritime tensions.

June 27-30, 2014: Myanmar President Thein Sein visits China and meets President Xi to celebrate the 60th anniversary of an agreement on the five principles of peaceful coexistence between China, India, and Myanmar.

July 4, 2014: Chinese Coast Guard detains six Vietnamese fishermen for "illegally operating in Chinese territory."

July 17, 2014: China removes its offshore oil rig from contested waters near the Paracel Islands, a month before schedule.

July 24, 2014: Fan Changlong, vice chairperson of the CMC, visits Jakarta and meets Indonesian Defense Minister Purnomo Yugisantoro to discuss prospects for deepening bilateral military and security relations, including more frequent high-level visits, defense consultations, navy dialogues, personnel training, and joint military drills.

July 28, 2014: President Xi Jinping meets Laotian counterpart Choummaly Sayasone in Beijing. They discuss development of a comprehensive strategic cooperative partnership, including closer cooperation in agriculture, energy, and infrastructure development, as well as law enforcement activities along the border areas and the Mekong River Basin.

Aug. 5-10, 2014: The 47th ASEAN Foreign Ministers Meeting/Post Ministerial Conference, the 21st ASEAN Regional Forum, the 15th ASEAN Plus Three Foreign Ministers Meeting, and the fourth East Asia Summit Foreign Ministers' Meeting are held in Nay Pyi Taw.

Aug. 8, 2014: Chinese Foreign Ministry spokesperson defends China's right and intention to build lighthouses throughout disputed South China Sea islands.

Aug. 11, 2014: Following the ASEAN Regional Forum (ARF), Southeast Asian foreign ministers issue a joint statement expressing serious concerns over rising tensions in the South

China Sea and call for ASEAN to intensify consultations with China and have substantive discussions for the conclusion of a legally binding code of conduct in the South China Sea.

Aug. 11, 2014: Chinese Foreign Minister Wang Yi meets President Thein Sein in Nay Pyi Taw as part of his official visit to Myanmar to attend the 21st ARF. They discuss deepening business, trade, and economic activities, including building and expanding new economic corridors in South and Southeast Asia.

Aug. 16, 2014: President Xi Jinping meets Singaporean counterpart Tony Tan Keng Yam in Nanjing at the opening of the Youth Olympic Games. They pledge to deepen cooperation in the Suzhou Industrial Park Zone, the Tianjin Ecological City, and other joint flagship investment and development projects in China and Singapore.

Aug. 18, 2014: Philippine officials publicly warn against Chinese ships doing oil exploration in the energy-rich Reed Bank.

Aug. 22, 2014: Senior security officials from China and Indonesia meet in Beijing and pledge closer bilateral cooperation on combating terrorism and extremist activities.

Aug. 23, 2014: Chinese Defense Ministry spokesman rejects a US protest of the previous day accusing China of dangerous harassment of US surveillance flights over the South China Sea.

Aug. 26, 2014: Chinese Foreign Ministry spokesperson accepts Vietnam's apology and compensation for the deaths, injuries, and damage caused by anti-China riots in May.

Aug. 27, 2014: Sino-Vietnamese talks in Beijing reach an agreement to avoid acts that would worsen maritime disputes and to support overall peace and stability in the South China Sea.