

# COMPARATIVE

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## CONNECTIONS

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**CHINA - SOUTHEAST ASIA RELATIONS**

### **XI JINPING STRESSES COOPERATION AND POWER – ENDURING CONTRADICTION?**

**ROBERT SUTTER, GEORGE WASHINGTON UNIVERSITY  
CHIN-HAO HUANG, YALE-NUS COLLEGE**

Supported by Chinese officials and authoritative commentary, President Xi Jinping continued a moderate and cooperative posture toward Southeast Asia in early 2018, reaching a highpoint in Xi's keynote address on April 10 at the annual Boao Forum for Asia in Hainan Province. Then, the posture switched dramatically to the surprise of many at home and abroad. On April 12, Xi appeared in military uniform addressing troops in the South China Sea participating in the largest naval review in China's history. Perhaps signaling the United States, Vietnam, Japan, Taiwan, and others challenging Chinese activities in the South China Sea, the switch starkly showed the kind of power Beijing is prepared to use in pursuit of its national objectives. Most other Chinese actions toward Southeast Asia and involving the South China Sea in first four months of 2018 emphasized the positive, with China making major advances in relations, especially with the Philippines.

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## Is China Janus-faced?

Foreign observers have often seen a major contradiction between China's strong emphasis on economic and political cooperation, mutual benefit, and harmonious relations with Southeast Asia, and its steely determination in using all aspects of state power to have its way in the South China Sea and other disputes. Chinese leaders deny the contradiction, but critics routinely characterize Chinese leaders as Janus-faced, using the benign face of cooperation and beneficence to cover an underlying ambition of control and dominance.

This dualism was on display when President Xi gave priority attention to Southeast Asia following his remarkable consolidation of power at the Chinese National People's Congress in March. Two major initiatives emphasized cooperation and mutual benefit on the one hand and power on the other. Xi's keynote address to the Boao Forum reassured China's neighbors and concerned powers like the United States of China's determination to pursue cooperation, mutual benefit, and harmony. He pledged that Chinese practices will not "threaten anyone," nor "attempt to overturn the existing international system," nor "seek a sphere of influence." The Chinese leader followed with cordial bilateral meetings emphasizing positive relations with Southeast Asian and other regional leaders attending the annual forum.

Against this positive and accommodating backdrop came the surprise news flash on April 12, accompanied by media displays of Chinese naval power, reporting that President and military commander in chief Xi Jinping dressed in military fatigues was on board a Chinese destroyer in the South China Sea near Hainan Province and conducting a review of China's largest ever naval [armada](#). At least 10,000 personnel took part in the review, which featured China's sole aircraft carrier, *Liaoning*, and involved 48 naval vessels and 76 fighter jets. Xi told the assembled troops that China's need for a world-leading naval force "has never been more pressing than today" and that its Navy has now "stood up in the East" with new power and resolve.

The Chinese government had given little coverage to the forces that had gathered in the previous weeks. In late March, foreign media using satellite photos of the Chinese naval forces in the South China Sea prompted questions to

Chinese defense spokespersons who said the activities were routine. Xi's naval review on April 12 came as the assembled forces had been conducting several days of military exercises in the South China Sea.

Observers saw the exercises and review as intended, at least in part, to respond to the active US naval presence in the South China Sea, notably two US aircraft carrier battle groups sent there in March and April. The aircraft carrier *Carl Vinson* traveled beyond its usual area of responsibility in the US Third Fleet in the eastern Pacific and deployed to the South China Sea. It conducted anti-submarine exercises with Japanese forces and notably made a four-day visit to DaNang, Vietnam, in early March. This marked the first visit of a US aircraft carrier to a Vietnam port since the end of the US war there in 1975. Another Third Fleet aircraft carrier, *Theodore Roosevelt*, transited from the Middle East through the South China Sea in April. It visited Singapore and conducted exercises with Singapore forces and then carried out exercises near the Philippines that were observed by Philippine officers visiting the carrier on April 10, just as the Chinese naval exercises near Hainan Province were getting underway.

Following Xi's review of the fleet, China announced that it would hold live-fire military drills in the Taiwan Strait on April 18. The last such live fire drills were held in 2015. The terse and relatively low-level official statement on the website of a Fujian Province Maritime Department said that sea traffic would be banned on April 18 from 8:00-24:00 in an area in the Taiwan Strait due to live-fire drills. The area was along the mainland coastline north of the Taiwan-held island of Kinmen and near the city of Quanzhou. The website did not provide further details about the nature of the weapons to be fired. The exercise did not appear to be directly connected to the maritime exercises in the South China Sea, but it underscored China's resolve on having its way on territorial disputes.

## National People's Congress shows moderation on Southeast Asia

Leadership rhetoric during the annual National People's Congress (NPC) session tends to emphasize nationalistic themes stressing Chinese domestic priorities and salient foreign issues. Designed to follow and to implement policy decisions and leadership selections for the next five years made at the 19<sup>th</sup> Chinese

Communist Party Congress held in October 2017, the March 2018 NPC session was particularly important as the first of five annual sessions of the newly formed 13<sup>th</sup> National People's Congress. As noted elsewhere, Xi Jinping achieved remarkable success in consolidating leadership supporting his priorities for the foreseeable future.

In his remarks at the end of the Congress, Xi had little to say that was relevant to Southeast Asia and the South China Sea other than to reaffirm a general stance to protect “every inch” of China’s territory. Prime Minister Li Keqiang’s lengthy government work report at the start of the Congress also had little to say that related to Southeast Asia and the South China Sea other than to report that “state sovereignty and maritime rights were resolutely safeguarded” by the Chinese government over the last five years. The prime minister’s annual press conference after the National People’s Congress session featured a lengthy response to a question by a Singapore reporter that underlined China’s moderation and benign intent toward Southeast Asian and other neighbors. Li averred that China seeks a peaceful international environment needed for its modernization, has no intention to pursue expansion, increasingly shares its economic success through the Belt and Road and other initiatives, and remains focused on domestic modernization.

Echoing this moderate line, State Counselor and Foreign Minister Wang Yi used his annual press conference at the Congress to:

- Emphasize cooperation with ASEAN involving: (a) developing the proposed China-ASEAN Strategic Partnership Vision 2030; (b) broadening political and security cooperation along with growing economic and social ties; (c) developing new platforms for cooperation such as the Lancang-Mekong economic development belt and the Regional Comprehensive Economic Partnership (RCEP) trade agreement.
- Pursue the “golden opportunity” to advance mutually beneficial peace and development in the South China Sea involving the development of a code of conduct to preserve “hard-won tranquility.” In obvious reference to

the United States, he criticized unnamed “outside forces” making “frequent shows of force” with fully armed air and naval forces, thereby creating “the most destabilizing factor for peace and stability in our region.”

- Dismiss the Indo-Pacific strategy pursued by the US and partners in Japan, Australia, and India as an approach that will “fade like bubbles of sea foam.”

### Other South China Sea developments

As discussed in the US-China relations section of this issue of *Comparative Connections*, Chinese authorities handled in low-keyed fashion US freedom of navigation operations (FONOPs) challenging Chinese territorial claims in the South China Sea in 2018. The reactions involved Chinese warships warning a US Navy destroyer sailing in waters near the Chinese-claimed Scarborough Shoal on Jan. 17 and another US Navy destroyer sailing in waters near the Chinese-claimed Mischief Reef on March 23. The Chinese Defense Department and Foreign Ministry spokespersons criticized the US actions, as did Chinese official media. Chinese media also took note of unconfirmed reports that Australia and Great Britain would join the US in conducting their own FONOPs targeting Chinese claims in the South China Sea in 2018. Australian media on April 20 reported that three Australian ships traveling to Vietnam for a goodwill visit were challenged by Chinese warships in the South China Sea. Prime Minister Malcolm Turnbull and other Australian officials avoided confirmation of the episode while they reiterated Australia’s policy to maintain and practice the right of freedom of navigation throughout the world including the South China Sea. The Chinese Defense Ministry confirmed that Chinese warships encountered Australian warships in the South China Sea on April 15.

In addition to the unprecedented Chinese military display in mid-April, China’s Air Force in early February dispatched advanced *Su-35* fighter jets to carry out joint combat missions over the South China Sea. Purchased from Russia in 2015, the *Su-35* fighters were delivered in 2017 and are now ready for use over the South China Sea.

Meanwhile, the *Philippine Daily Inquirer* published a series of aerial photos of China's seven outposts in the Spratly Islands that offered views of the Chinese military facilities at a level of detail rarely seen. The photos prompted an update on the Chinese building efforts by the CSIS Asia Maritime Transparency Initiative, a [report](#) for the International Institute of Strategic Studies (IISS), and other assessments and commentary. They showed that China, despite assertions to the contrary, has continued land reclamation activities in the disputed territories, with a focus on completing infrastructure on the artificial islands, including aircraft hangers, possible missile emplacements, underground bunkers and storage facilities, barracks, and administration buildings. On April 9, *The Wall Street Journal* cited unnamed US officials for the information that China has installed equipment on two outposts in the Spratly Islands capable of jamming communications and radar systems, representing what the US officials said was a significant step in its creeping militarization of the South China Sea. The IISS offered an overall judgment that China was not merely establishing fortified flag markers of China's sovereignty in the South China Sea. Rather, it was establishing a "network of platforms ... enhancing significantly China's projection of military power into the region."

### China-Philippines relations

President Rodrigo Duterte and his administration's leading officials continued strong efforts to solidify ever closer relations with China while keeping the United States at arm's length. The highlight in 2018 was Duterte's visit to China for the Boao Asian Forum and a meeting with Xi in April. Prior to the trip, the Philippine leader told the media that "I simply love President Xi Jinping. He understands my problem. He is willing to help. I'd like to say thank you to China." The problem referred to is the Philippines' need for infrastructure and rebuilding, including the devastated city of Marawi following the months-long combat operations to retake control of the city from Islamic extremist militants in 2017. Media reports said China was in line to be awarded a contract to reconstruct the city. And, Duterte seemed pleased when he left China with \$9.8 billion worth of letters of intent covering agriculture, technology, pharmaceuticals, land development, and infrastructure. The Philippines presidential

spokesman told the media that Xi would visit the Philippines in November 2018.

Philippines Foreign Secretary Alan Peter Cayetano stressed the positive during his visit to China in March to prepare for Duterte's trip. He claimed that relations had reached a "golden era," and Chinese counterpart Wang Yi seemed to agree, noting that bilateral ties "are in the best shape they've ever been." Showing Beijing's priority to improving relations with the Philippines, newly installed Vice President Wang Qishan's first official meeting with a foreign leader was with Cayetano. Supporting statistics showed that China had become the Philippines largest trading partner (valued at \$51.2 billion in the past year), albeit with a trade deficit as China was the Philippines' largest source of imports but only its fourth largest export destination.

Cayetano notably raised the prospect of a joint development agreement with China on sharing contested resources in the South China Sea. Duterte has repeatedly expressed his preference for resource-sharing arrangements with Beijing. And former President Gloria Macapagal Arroyo (2001-2010), a longtime advocate of such cooperation with China, is "the chief foreign policy adviser to Duterte," according to the [South China Morning Post](#).

The positive approach to China has been accompanied by careful efforts to distance the Philippines from the US over South China Sea disputes. The Chinese complaint over the US Navy destroyer sailing in waters near Scarborough Shoal in January saw Manila affirm that it would not get involved in the dispute. Duterte, in February, said the Chinese military installations on Philippines-claimed territory in the Spratly Islands are aimed at the United States, not the Philippines. Meanwhile, as US-China trade disputes rose over the past month, Duterte did not take sides but confided in Xi that China should "defend the East" in any trade war with the United States, according to the Philippines presidential spokesman. Duterte also argued in February that Manila should advance military relations with China to include sending troops to China for training, thereby providing more balance in the Philippines' reliance on the US for such military support.

Expert and media commentary in the Philippines continues to highlight obstacles and limitations regarding Duterte's direction toward

China and away from the United States. Joint development of the South China Sea faces serious legal obstacles; this approach was tried under Arroyo and failed amid corruption charges. The reality of the reported Chinese investment and other economic support remains challenged by available data. As of early 2018, Japan still was ahead of China in infrastructure investment since the 2000s – \$230 billion vs \$155 billion. Prominent commentator Richard Heydarian reported in April that in Duterte’s first year in office Chinese investment in the Philippines amounted to only \$27 million whereas Japan invested \$490 million and the United States invested \$160 million. He also advised that the Philippine military remains wary of Chinese territorial encroachment. Nonetheless, academic specialist Renato Cruz De Castro warned that the Philippine-US security relations are under increasing stress, which has “the potential to unravel the alliance in the near future.”

#### **Briefly noted**

Vietnam-China Relations. Vietnam took steps in 2018 to improve its regional position in the face of China’s power. In addition to welcoming the US aircraft carrier *Carl Vinson* to Vietnam despite Chinese objections, Vietnam’s president in March visited India and endorsed the concept of the Indo-Pacific. That month Vietnam for the first time joined India in participating in the *Milan* military exercises in the Indian Ocean. This development coincided with the China-India dispute over contested leadership in the Maldives Islands, and prompted criticism of Vietnam in some Chinese media. Vietnam’s prime minister also advanced strategic relations with both Australia and New Zealand, strengthening Vietnam’s relations with governments at odds with China’s ambitions in the South China Sea. Nevertheless, Hanoi remained on good terms with China. The annual meeting of the Vietnam-China Steering Committee for Cooperation, held in Hanoi in early April, saw State Counselor and Foreign Minister Wang Yi reach numerous agreements with his Vietnamese counterpart, with both sides promising to keep the peace in the South China Sea and to address disputes peacefully. Facing apparent Chinese pressure, Vietnam again decided to cancel oil drilling activity of a Spanish energy firm in disputed waters for the second time in a year.



*1Chinese media footage showing the naval task force currently operating in the eastern Indian Ocean; including an amphibious assault ship, a guided missile destroyer and frigate, and a supply ship (CCTV 7)*

Lancang-Mekong. Prime Minister Li Keqiang’s participation in the second Lancang- Mekong Cooperation (LMC) Leaders Meeting in Phnom Penh in January 2018 showed progress made in this China-backed regional body since it began two years ago. By contrast, other regional mechanisms including the US’ Lower Mekong Initiative and the long-running Mekong River Commission seemed to be on the wane. China’s advantages include geographic proximity, control of the river’s headwaters, and strong interest in funding and directing development projects that also are of keen interest to states bordering the river, especially Cambodia and Laos. Indeed, Li married his appearance at the LMC with a visit to Cambodia, featuring 20 new development agreements signed with Prime Minister Hun Sen. Worth several billion dollars, the agreements reinforced Hun Sen’s position as Beijing’s most reliable client in Southeast Asia.

Australia, Vanuatu. The active debate in Australia during late 2017 over Chinese covert and overt efforts to influence public and leader opinion discussed in the January issue of *Comparative Connections* spilled over into 2018 with strong legislation and stronger official rhetoric targeting China’s practices. In response, Beijing adopted a harder posture against the Turnbull government, limiting high-level Australian official visits to China.

Meanwhile, a new concern emerged in Australia, New Zealand and other countries with a strong stake in Pacific Island security, notably the United States. Citing unnamed “senior security officials,” the national security correspondent for two leading Australian newspapers disclosed on April 9 that China has approached the Vanuatu government about establishing a permanent military presence in the country,

which the officials believe could culminate in a full military base. Vanuatu has become dependent on China as a major recipient of Chinese loans and other support. The poor country of 270,000 people has a reported foreign debt of \$400 million, about half owed to China. One project built by China, a large wharf ostensibly for cruise ships, is said to be suitable for naval vessels. The Vanuatu government vehemently denied the report, as did China.

### **Negotiations on a code of conduct**

At the end of the Boao Forum this year, Wu Shicun, head of the National Institute for South China Sea Studies, observed in a panel related to the South China Sea that “the Code of Conduct as an upgraded version of the DOC should have some legally binding force.” Wu indicated “ASEAN would not want a COC that was not binding in any way.” That the comment came from a leading authority and scholar-practitioner on the South China Sea provided a positive opening on the latest thinking on the Code of Conduct. According to [The Straits Times](#) report, Wu added that a “rules-based South China Sea order is in line with the interests of all parties, including China. It can solve the urgent issues of crisis management and maintain peace and stability in the South China Sea region.” While the COC is an important mechanism for addressing potential crises, Wu articulated that it would not be an appropriate channel to resolve the larger, contested issue of territoriality and maritime jurisdiction. Echoing Wu’s observation, Jusuf Wanandi, senior fellow at the Center for Strategic and International Studies in Jakarta, suggested that “we [ASEAN and China] are looking forward to a stronger, legally binding entity” that would prevent conflict and reduce tensions. It appears that the focus of the negotiations on the COC has shifted away from the more sensitive matters surrounding sovereignty and toward building consensus around managing the dispute and reducing regional tension, as well as around maritime cooperation on sustainability, environmental protection, and fishery issues.

### **Outlook**

The recent conclusion of the ASEAN Summit reflected cautious optimism with the momentum in China–Southeast Asia security relations, particularly over the South China Sea dispute. Recent highlights include the successful testing of the “ASEAN Member States and China

MFA-to-MFA hotline” to manage maritime emergencies in the South China Sea, as well as the operationalization of the “Joint Statement on the Application of the Code for Unplanned Encounters at Sea (CUES) in the South China Sea,” adopted in 2016. The most recent round of the joint working group to implement the DOC took place in March 2018 and appeared to be making measured progress. In the ASEAN Chairman’s Statement, Singapore Prime Minister Lee Hsien Loong welcomed signs of improving cooperation between ASEAN and China as officials engage in “substantive negotiations towards the early conclusion of an effective Code of Conduct in the South China Sea on a mutually-agreed timeline.”

The COC remains a work in progress, but there are indications of what the region is looking for in the next steps of its negotiations with China. The ASEAN Leaders’ Vision statement released separately at the end of the regional summit underscored the importance of the rule of law and a rule-based order for regional security. It noted the significance behind binding legal agreements in the maritime domain and reemphasized the need for urgency in working toward the “conclusion of an effective Code of Conduct in the South China Sea.” While an “effective COC” was not spelled out at this early stage, ASEAN’s consensus seems to be coalescing around an enforceable set of commitments that would reflect ASEAN preferences and principles to reduce overall tension in the region. Indications of whether this is achievable will gain clarity in coming months, when Chinese and ASEAN officials will meet at the next round of the joint working group and senior officials meeting on the implementation of the DOC, as well as at the ASEAN–China Summit and the ASEAN Summit in the fall.

# CHRONOLOGY OF CHINA-SOUTHEAST ASIA RELATIONS

## JANUARY – APRIL 2018

**Jan. 11, 2018:** Chinese Premier Li Keqiang arrives in Phnom Penh to attend the Lancang-Mekong Cooperation (LMC) Leaders' Summit. The leaders of the six LMC countries pledge to cooperate on the development and sustainability of the Mekong River.

**Jan. 11, 2018:** Chinese Premier Li meets Cambodian Prime Minister Hun Sen for an official visit. They celebrate the 60<sup>th</sup> anniversary of bilateral ties and agree to deepen political, diplomatic, security, economic, and cultural ties in a joint communique.

**Feb. 2, 2018:** Environment ministers from the Greater Mekong Subregion (GMS) states meet in Chiang Mai and agree on a joint five-year action plan on environmental cooperation that focuses on promoting green technology, environmentally friendly logistics, climate change resilience, and disaster risk management in the GMS.

**Feb. 5, 2018:** Senior officials from China and Vietnam finalize plans for joint border checkpoints. Under the “two countries, one inspection” system, Customs officials will jointly carry out inspection work along two neutral zones and checkpoints. The joint border inspection will become operational in May 2018.

**Feb. 6, 2018:** Singapore's Foreign Minister Vivian Balakrishnan hosts ASEAN foreign ministers and announces the regional grouping has agreed to work toward the conclusion of an effective code of conduct for the South China Sea.

**Feb. 13, 2018:** Second meeting of China-Philippines Bilateral Consultation Mechanism on the South China Sea (BCM) is held in Manila.

**March 1-2, 2018:** Chinese and the ASEAN officials meet in Nha Trang, Vietnam, for the 23<sup>rd</sup> Joint Working Group meeting on the Implementation of the Declaration on the Conduct of Parties in the South China Sea.

**March 17-29, 2018:** China and Cambodia carry out the second *Golden Dragon* joint military exercise. The live-fire exercise takes place in a mountainous area in Cambodia, with drills focusing on counter-terrorism, infrastructure repairs, mine clearance, and humanitarian assistance and disaster relief.

**March 21, 2018:** The United Wa State Army, one of Myanmar's main ethnic groups, indicates that it would like the greater involvement from the Chinese government to provide stability at the China-Myanmar border and to help resolve the ongoing conflict between the ethnic groups and the Myanmar government.

**March 21-24, 2018:** Philippine Foreign Secretary Alan Peter Cayetano visits China and meets Foreign Minister Wan Yi. They agree that China and the Philippines will cautiously proceed with discussions on joint oil and gas exploration in the South China Sea.

**March 26, 2018:** China carries out a naval drill involving the *Liaoning* aircraft carrier and more than 40 other combat ships in the waters south of Hainan. Officials from the People's Liberation Army (PLA) say the drill is part of a routine exercise, although the scale and location reflect China's growing capabilities to maneuver military assets in and around the South China Sea.

**March 30, 2018:** China's State Councilor and Foreign Minister Wang Yi [meets](#) Thailand's Prime Minister Prayut Chan-o-cha on the sidelines of the Greater Mekong Sub-region Summit in Hanoi.

**April 1, 2018:** Chinese Foreign Minister and State Counselor Wang Yi visits Hanoi and meets Vietnamese counterpart Pham Binh Minh. They agree to refrain from taking unilateral measures that would complicate the maritime dispute in the South China Sea and pledge to resolve differences through the bilateral steering committee for cooperation and in regional forums.

**April 3, 2018:** China agrees to work with the Lancang-Mekong Cooperation (LMC) states and the Mekong River Commission for sustainable management of the Mekong River and to promote sustainable development goals in the region.

**April 11, 2018:** Wu Shicun, head of China's National Institute for South China Sea Studies, observes that the negotiations on the South China Sea between China and ASEAN should conclude with a legally binding Code of Conduct.

**April 18, 2018:** Philippine Foreign Affairs Secretary Cayetano announces that China and the Philippines will conduct joint explorations for oil and gas in the South China Sea.

**April 27, 2018:** Song Tao, head of the CCP International Department, visits Nay Pyi Taw and meets Myanmar President U Win Myint and State Counselor Aung San Suu Kyi. The two sides agree to increase high-level, party-to-party exchanges and strengthen bilateral diplomatic and political cooperation.