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CHINA - SOUTHEAST ASIA

BROAD CONFIDENCE, COERCIVE ADVANCES, COMPLICATED REGIONAL RESPONSES

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Chinese officials and authoritative commentary continued their positive portrayal of China-Southeast Asia relations. Routine public assessments avowed confidence that differences over the South China Sea and challenges posed by the United States were manageable while China's economic attraction for the region would grow. Against this favorable background, Chinese maritime forces, in moves Beijing did not publicize, challenged Vietnam and Malaysia over oil and gas drilling rights in the South China Sea. They also continued to use maritime force to challenge Manila's efforts to construct modest infrastructure upgrades at Philippine-occupied Thitu Island.

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China plays offense

In the aftermath of Beijing's Second Belt and Road Forum attended by nine of the 10 ASEAN heads of government in late April, Beijing commentary [highlighted](#) growing economic ties with Southeast Asia despite the fallout from US-China trade war. The value of China-ASEAN trade in the first half of 2019 was up 4.2% over the previous year, with ASEAN surpassing the US to become China's second largest trading partner after the European Union. China-ASEAN investment was valued at \$205 billion.

For the first time in eight years, China sent its defense minister to the Shangri-La Dialogue in June. The minister, Gen. Wei Fenghe, highlighted progress with ASEAN in negotiating a code of conduct for the South China Sea, defended China's "limited" defense facilities on Chinese-controlled land features in the South China Sea, and rebutted criticisms of the US acting defense secretary, countering that US shows of force were the most serious destabilizing factor in the region.



Figure 1 Wei Fenghe attends the Shangri-La Dialogue in Singapore. Photo: The Straits Times

Low-level officials and media commentary criticized repeated US freedom of navigation operations, training exercises, and other military demonstrations involving US allies and partners. Recent Chinese military moves in the South China Sea included the deployment, reported in June, of *J-10* jet fighters to Woody Island in the Paracel Islands. Those planes followed the deployment of *J-11* fighters to the island over the past three years. In late June, China carried out tests of what some Western [reports](#) judged were anti-ship ballistic missiles in the South China Sea.

In July, the anniversary of the 2016 UNCLOS tribunal ruling against China's expansive claims to the South China Sea passed without official notice by Southeast Asian governments. The authoritative 2019 Chinese national defense [white paper](#) duly included Southeast Asia in assessing rising competition with the United States amid what it saw as the shift of world economic and strategic concerns to the Asia-Pacific region. The extensive coverage of Foreign Minister Wang Yi's participation in ASEAN-related meetings in Bangkok on July 30-Aug. 3 stressed incremental progress seen in completing the first reading of the draft text of the Code of Conduct for the South China Sea, and underlined the importance of completing the long delayed Regional Comprehensive Economic Partnership (RCEP) free-trade agreement involving 18 Asia-Pacific countries but excluding the United States.

Criticizing US policy

Some official Chinese [commentary](#) said the meeting between Wang and US Secretary of State Mike Pompeo in Bangkok on Aug. 1 was "surprisingly constructive." It cited Pompeo's remarks to Wang that the US was not asking Southeast Asian nations to choose sides between the US and China, and that the US did not intend to contain China. In contrast, Wang seemed defiant when he told the media after the meeting with Pompeo that China would not allow anyone to block its right to development in the South China Sea. Chinese media also strongly criticized Pompeo earlier for his public attacks on Chinese policies prior to his Asia-Pacific trip, including remarks in a State Department [statement](#) of July 20 targeting China's coercive measures to block the Philippines, Vietnam, and others from economic development involving the South China Sea. They responded in kind to the senior US envoy's repeated criticism of Chinese policies and practices during his extensive trip to the region, including Australia and the Pacific Islands. The Chinese Foreign Ministry spokesman and supporting official commentary rebuffed the State Department statement on Aug. 22, which took specific aim at Chinese intimidation of Vietnam's efforts to develop South China Sea energy resources clearly within Vietnam's EEZ, but also within the boundaries of China's nine-dash line.



Figure 2 Wang Yi meets Mike Pompeo in Bangkok. Photo: Reuters

[Experts](#) from the authoritative National Institute for South China Sea Studies in recent commentaries painted a sober outlook for US-China tension in the South China Sea. They made the case that differences between the two powers were not only the result of mutual distrust and strategic suspicion but were created by a clash of vital interests of the United States and China in the South China Sea that defied easy resolution. Against this background, they advised China to be wary of US efforts to bring allies and partners, notably India, to join the United States, Japan, and Australia to thwart Chinese ambitions in the South China Sea. They judged that Philippine President Rodrigo Duterte faced significant opposition in reconciliation with China from the Philippines military, which seeks closer ties with US counterparts and “the pro-America lobby” in Manila. They added that the recent involvement of US Coast Guard forces now deployed to the Asia-Pacific and involved in exercises with Philippine counterparts near Scarborough Shoal was emblematic of substantially strengthened recent efforts by the US to foster the ability of disputants in the South China Sea to defend maritime interests against Chinese Coast Guard and maritime militia forces. The experts also viewed with concern the US government’s continued involvement with the [Lower Mekong Initiative](#), with Secretary Pompeo attending the group’s second ministerial meeting in Bangkok on Aug. 1, judging that the US is attempting to turn Mekong River countries against Beijing on account of China’s controversial hydropower dams that impact downstream agriculture and fisheries.

The Philippines: coercive pressure and economic attraction prompt domestic disagreement

President Duterte and his close associates continued to seek economic benefit from Chinese trade and investment. The president endeavored to play down the months-long presence of over 100 Chinese vessels, assumed to be members of the Chinese maritime militia, intimidating Philippine efforts to modernize an air strip and other infrastructure on Thitu Island. The results of the mid-term Philippines congressional elections in May removed from the Senate many strong opponents of Duterte’s policies, but the continued Chinese pressure on Thitu, a dramatic incident reportedly involving a Chinese militia boat ramming and sinking a Philippines fishing boat in Reed Bank in June, and what was viewed in Manila as provocative passages of Chinese warships through Philippine waters put the president on the defensive. The US meanwhile followed Secretary Pompeo’s pledge in March of a willingness to come to the defense of Philippine forces under attack in the South China Sea with remarks by the US ambassador to the Philippines in June that indicated US support would come in the event of an armed attack by Chinese government militia. Against this background, Philippine Defense Secretary Delfin Lorenzana and other security experts became more vocal in criticizing Chinese actions and registering concerns over proposed Chinese investments in militarily sensitive areas of the country.

Meeting in Beijing at the Second Belt and Road forum in late April, President Duterte and Chairman Xi Jinping did not publicly refer to the Thitu Island standoff as they recalled commitments to peace in the South China Sea. Duterte [said](#) China was his country’s “longterm and reliable friend.” But the Thitu standoff resulted in public opinion turning against China and the Philippine military reportedly working more closely with US counterparts.

A Chinese militia ship reportedly rammed and sank a Philippine fishing boat at Reed Bank and left the 22 occupants in the water to be rescued by a Vietnamese fishing boat. The strong outcry in the Philippines saw the Foreign Affairs Department protest and Defense Secretary Lorenzana condemn the Chinese crew’s “cowardly action.” After several days of silence, Duterte downplayed the incident as a “little

maritime accident.” He also disclosed that he had an agreement with Chairman Xi that allowed Chinese vessels to operate within the Reed Bank and other parts of the Philippines Exclusive Economic Zone (EEZ). Public opposition to the president’s China policy grew and the military reportedly sought closer security ties with the US as a hedge against China.

Subsequent comments by Duterte emphasized the futility of confronting China. Regularly scheduled dialogues between the two governments continued in an avowedly friendly atmosphere. Despite calls for improved relations with China, Defense Secretary Lorenzana in late July [pointed](#) to Chinese behavior in the South China as “bullying.” In August, Duterte signed a multi-billion deal calling for Chinese firms to develop infrastructure and tourist facilities on islands near Subic Bay and other sensitive security areas of the country. Media reports seemed to confirm that defense officials had not yet been consulted about the agreements. It was reported in August that the Philippine government had protested the undeclared passage of five Chinese Navy vessels, including its aircraft carrier, through Philippine territorial waters since February 2019. The ships had shut off their automatic identification systems during the passage.

The highly anticipated Xi-Duterte summit in Beijing at the end of August produced limited substantive progress on the territorial dispute. In the lead-up to his visit, Duterte had [indicated](#) his resolve to defend the Philippines’ territorial claims in the maritime dispute, citing the backing of the 2016 UNCLOS arbitral tribunal’s ruling in Manila’s favor. At their meeting, the two leaders broached the ruling, but did not settle on any agreement, with Xi stating China’s position of not recognizing the outcomes of the tribunal. Instead, they confirmed their commitment to completing the Code of Conduct negotiations through ASEAN before 2021. On the bilateral front, they also agreed to form committees for joint oil exploration.



Figure 3 Rodrigo Duterte meets Xi Jinping. Photo: Kyodo

Vietnam and Malaysia face South China Sea coercion

Concurrent Chinese use of Coast Guard forces and related means to intimidate Vietnam and Malaysia demonstrated that recent Chinese coercion against the Philippines was part of a broader pattern of incremental Chinese advances at the expense of Southeast Asian neighbors. Maintaining a cordial and friendly public attitude in relations with both countries, Beijing eschewed publicity regarding its coercive tactics that sent clear negative messages to Kuala Lumpur and Hanoi. The intimidating Chinese behavior was well covered by the [Asia Maritime Transparency Initiative \(AMTI\)](#) and regarding Vietnam by the [Thayer Consultancy Background Briefs](#).

In July, AMTI reported the intimidation activities of two Chinese Coast Guard vessels in waters near Luconia Shoals off the coast of Malaysia’s Sarawak State. AMTI recounted Chinese Coast Guard harassment of Malaysian ships supplying a Malaysian-sponsored rig drilling new gas wells in the area very close to Malaysia but nonetheless within China’s nine-dash line claim. AMTI cited unverified reports that the harassment prevented the drilling rig from operating, but AMTI Director Gregory Polling and a colleague wrote in a commentary in late August that the main Chinese vessel involved in the harassment “gave up” and returned to Hainan Island in late May but soon after departed for similar harassment work against Vietnam.

The AMTI report went on to show that one of the Chinese Coast Guard vessels active in intimidating the Malaysian gas drilling operation became involved during June and July in intimidating Vietnamese supply vessels

supporting gas drilling being carried out for Vietnam by the Russian firm Rosneft. The report indicated that the drilling continued despite the harassment.

A more serious Chinese challenge to Vietnam occurred when a Chinese survey vessel on July 3 began surveying a large area of seabed close to the Vietnamese coast but within the boundaries of China's nine-dash line. The Chinese actions seemed particularly challenging as Vietnam in 2017 and 2018 had been forced by stern private Chinese warnings to suspend oil exploration activities in the area. Vietnamese Coast Guard vessels faced-off against the Chinese survey vessel and its Chinese Coast Guard escorts.

Beginning in mid-July, Vietnam began publicly reporting the standoff and publicly demanded the withdrawal of the Chinese survey ship from Vietnam's EEZ. The Thayer Consultancy Background Briefing reported that the issue was raised by two members of the Vietnamese Communist Party Politburo then making separate visits to China and the Vietnamese foreign minister raised the issue in a meeting with Foreign Minister Wang Yi during the ASEAN-related meetings in Bangkok. As noted above, Secretary Pompeo's criticism of Chinese coercion preventing others from developing oil and gas resources in the South China Sea came in a State Department statement of July 20, three days after the Vietnamese public demand for the withdrawal of the Chinese survey vessel.

Vietnam's Foreign Ministry promptly reported the departure of the survey vessel from the disputed area on Aug. 7, but the vessel was reported a week later to have returned to the controversial survey work, accompanied by several Chinese Coast Guard ships. The Chinese ships were faced by a number of Vietnamese Coast Guard ships and some reports said Vietnam sent a Navy warship to face the Chinese challenge.

Cambodia's reported secret agreement for Chinese naval outpost

The Wall Street Journal on July 22 [reported](#) that Cambodia, the Southeast Asian country most closely aligned with China and heavily dependent on Chinese economic, political, and military support, signed a secret agreement allowing Chinese armed forces to use a Cambodian Navy base near the port of Sihanoukville on the Gulf of Thailand. An early

draft of the agreement, seen by US officials, would allow China to use the base for 30 years, with automatic renewals every 10 years after that. China would be able to post military personnel, store weapons, and berth warships. The existence of an agreement was denied by the Chinese and Cambodian governments. US officials were concerned by the negative impact of a Chinese military facility capable of threatening neighbors and adding to Beijing's coercive expansion in the South China Sea. The report went on to disclose that US officials also were concerned with the possible Chinese military use of a new airport with a two-mile-long runway capable of serving the largest civilian and military aircraft built as part of an extensive 99-year land lease being developed by a Chinese company located along the coast 40 miles from the purported naval facility. In November, Cambodian Prime Minister Hun Sen replied to a letter from Vice President Mike Pence denying that there were any plans for a Chinese military base in Cambodia.

China's growing security partnerships in Southeast Asia

Discussion of expanding Chinese security cooperation in Southeast Asia through dialogues, exercises, arms sales, and related means figured prominently in the authoritative Chinese national defense white paper and in recent Chinese official media commentary. China held several days of naval exercises with seven ships from Southeast Asian navies in April. It sponsored the first ASEAN-China military exercise last year and it recently made significant arms sales to and engaged in institutional dialogues on security matters with Thailand and Malaysia. A [report](#) on the subject published by the Wilson Center in July by a prominent regional specialist saw four key trends driving ever closer Chinese-Southeast Asian security cooperation, adding to the already substantial economic and diplomatic influence China exerts in the region. The first is common security challenges, such as the need for stronger Chinese-Southeast Asia law enforcement curbing drug trade, piracy, and other illegal practices along the upper Mekong River. Second was China's increased involvement in institutions like the China-ASEAN Defense Minister Meeting, forums dealing with nontraditional security issues, and international naval demonstrations to advance closer security cooperation with Southeast Asian countries. The third is the purported

greater willingness of Southeast Asian states to develop closer economic and diplomatic ties with China to accommodate Beijing's drive to develop closer security ties as well. The fourth is Xi Jinping's strong desire to deepen and formalize security cooperation with Southeast Asia as part of the Chinese government's interest in shaping a China-centric Asian order less reliant on the United States and its alliances and partnerships.

ASEAN and intensified China-US regional rivalry

Against the background of seemingly passive and anxious Southeast Asian reactions to intensified China-US rivalry, [Amitav Acharya](#) and other commentators saw the ASEAN Outlook on the Indo-Pacific document released in June after a year of deliberation as a carefully crafted path forward for Southeast Asian nations to preserve their values and ASEAN centrality in difficult circumstances. The document avoided wording offensive to China or the United States and was seen as broadly consistent with ASEAN's main roles in regional security involving norm-setting and confidence-building, rather than exercising hard power or engaging in conflict resolution. Acharya saw the document as influenced by and broadly consistent with Indonesia's ASEAN centered Indo-Pacific strategy. Secretary of State Pompeo publicly endorsed the ASEAN outlook during talks with ASEAN leaders in Bangkok on Aug. 1.

Meanwhile, there is general agreement that uncertainty associated with the US-China tariffs, trade and investment restrictions, and related disruption of production chains important to Southeast Asian manufacturers will negatively impact regional economic prospects. The so-called silver lining of this new situation – the opportunity for trade and investment to be diverted from China to Southeast Asia – remains to be determined. Preliminary data [showed](#) Vietnam among those that have benefited from such diversion, but Malaysia, China's largest trading partner in Southeast Asia, has not.

Outlook

Beijing seems set on a course of private coercion over South China Sea disputes as a complement to its extensive economic, political, and security engagement with Southeast Asian countries.

The US interest in countering such aggressive Chinese expansion remains strong. The broader deterioration of US-China relations adds to the likelihood of intensified US-Chinese tensions in Southeast Asia.

CHRONOLOGY OF CHINA-SOUTHEAST ASIA RELATIONS

MAY – AUGUST 2019

May 1, 2019: China and Myanmar agree on a \$148 million grant to support economic and technical cooperation between the two governments. Under the agreement, China would provide support for socio-economic projects as well as humanitarian assistance in Myanmar. They also agreed on a Memorandum of Understanding on the China-Myanmar Economic Corridor Cooperation Plan (2019–2030) that would establish border economic cooperation zones in Myanmar’s Shan and Kachin states.

May 5, 2019: Vietnam’s Foreign Ministry [rejects](#) China’s annual fishing ban in the South China Sea, citing sovereignty infringement. The annual ban, which runs from May 1 to Aug. 16 this year, affects the Paracel Islands, parts of the Gulf of Tonkin, and Scarborough Shoal.

May 16, 2019: Chinese Chairman Xi Jinping meets Cambodia’s King Norodom Sihamoni in Beijing on the sidelines of the Conference on Dialogue of Asian Civilizations (CDAC). They pledge to increase cultural, educational, and people-to-people exchanges.

May 30, 2019: Chinese Defense Minister Gen. Wei Fenghe and Singaporean counterpart Ng Eng Hen agree to revise a defense pact that would allow for larger bilateral military exercises and an increase in high-level dialogue between defense officials.

June 9–10, 2019: Chinese vessel [sinks](#) a Filipino fishing boat near Reed Bank and leaves the 22 Filipino crewmen stranded.

June 11, 2019: Chinese Premier Li Keqiang sends a congratulatory message to the newly elected prime minister of Thailand, Prayut Chan-ocha. Li expresses interest in deepening comprehensive strategic cooperation in Sino-Thai relations.

June 13, 2019: Philippine government calls for an official investigation into the incident involving the Chinese boat sinking a Filipino fishing boat.

June 17, 2019: President Rodrigo Duterte [calls](#) the sinking of a Philippine fishing boat by a Chinese vessel “just a collision,” warning against military action toward China.

June 20–23, 2019: Southeast Asian leaders [meet](#) in Bangkok for the 34th ASEAN Summit. They adopt a joint declaration to combat plastic pollution in oceans and release statements regarding regional economic and security collaboration, the de-escalation of tensions in the South China Sea, and investigations into human rights violations in Myanmar.

July 19, 2019: Vietnam’s Foreign Ministry [accuses](#) Chinese oil survey vessel *Haiyang Dizhi 8* of activities that “violated Vietnam’s exclusive economic zone and continental shelf,” in the South China Sea.

July 20, 2019: US Department of State [calls](#) on China to “cease its bullying behavior” in coercing ASEAN members from pursuing oil and gas activities in the South China Sea.

July 22, 2019: *The Wall Street Journal* publishes report indicating that China and Cambodia signed an agreement to establish a Chinese naval base in Cambodia. The two governments publicly deny the report.

July 25, 2019: China and Malaysia agree to restart the East Coast Rail Link project. The rail project will be managed by a joint venture company of China and Malaysia to operate and maintain the rail line network.

July 26, 2019: Chinese ambassador to Myanmar visits Rakhine state to promote and support establishment of the Kyaukphyu Special Economic Zone, development of a deep sea port in the Bay of Bengal, and an offshore gas terminal.

July 29, 2019: Cambodian Prime Minister Hun Sen [commits](#) \$40 million to weapons purchases from China “to strengthen the army.”

July 31, 2019: Philippines Foreign Affairs Secretary Teodoro Locsin [files](#) a diplomatic protest against China after over 100 Chinese fishing vessels were recorded around Philippines' claimed Pag-asa (Thitu) Island.

Aug. 6-7, 2019: China's Maritime Safety Administration [conducts](#) training near the Paracel Islands.

Aug. 15, 2019: Chinese survey ship *Haiyang Dizhi 8* returns to the Spratly Islands where it has been engaged in a month-long stand-off with the Vietnamese government.

Aug. 17, 2019: Ships from the People's Liberation Army (PLA) are spotted in waters south of the Philippines. Officials in Manila express deep concerns and note that the passage is not "an act of friendship."

Aug. 17, 2019: China and Laos launch a joint humanitarian rescue exercise near Vientiane. The drill includes medical rescue operations in response to natural disasters. More than 500 soldiers are involved.

Aug. 29, 2019: Chairman Xi and President Duterte meet in Beijing. The visit marks Duterte's fifth state visit to China since taking office in 2016, and his eighth meeting with Xi.