



REPORT

# Southeast Asian perspectives on US–China competition

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# INTRODUCTION

AARON L CONNELLY<sup>1</sup>

More than any other region, Southeast Asia has become a venue for strategic competition between the United States and China over the past decade. The People's Liberation Army challenges the US military's dominance in the South China Sea; American and Chinese diplomats face off over the nature of the regional order at summits in Southeast Asian capitals convened by the Association of Southeast Asian Nations (ASEAN); and leaders of both countries tour the region touting the relative advantages of economic engagement with one over the other.

Too often, however, Southeast Asian perspectives on US–China competition have been regarded by analysts and policymakers in both Washington and Beijing as peripheral to debates over that competition and the future of the region. In Washington, China specialists naturally dominate the conversation about the future of the region; likewise in Beijing, policymakers focus on understanding American views of the region more than they do on the region's view of itself.

Perhaps as a result, both US and Chinese policymakers can be dismissive of Southeast Asian priorities and perspectives. When Southeast Asian officials expressed displeasure with Chinese policy in the South China Sea at a ministerial meeting in 2010, former Chinese Foreign Minister Yang Jiechi is said to have exclaimed in frustration, "China is a big country and other countries are small countries, and that's just a fact".<sup>2</sup>

While the United States under the Obama administration was much more solicitous of Southeast Asian views than China, it remains common in Washington to hear individual Southeast Asian positions on key issues characterised by policymakers as weak or counterproductively non-aligned, and ASEAN meetings criticised as ineffectual talk shops.

Yet Southeast Asians are the ones who will have to inhabit the region that US and Chinese competition will shape over the years to come. And as Cambodia's chairmanship of ASEAN in 2012 and the Philippines' pursuit of arbitration over the South China Sea disputes from 2013 to 2016 have demonstrated, Southeast Asian governments will also shape that competition and their region.

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<sup>2</sup> John Pomfret, "US Takes a Tougher Tone with China", *The Washington Post*, 30 July 2010, <http://www.washingtonpost.com/wp-dyn/content/article/2010/07/29/AR2010072906416.html>.

In order to explore and elevate Southeast Asian perspectives on US–China competition, the Council on Foreign Relations and the Lowy Institute in April 2016 convened nearly two dozen Southeast Asian scholars and policymakers from around the region to discuss their perspectives and those of their governments at a conference in Singapore. The discussion at the conference focused on five areas: the role of the United States and China in Southeast Asia; the regional trade and investment architecture; regional maritime issues; transnational issues in the region; and the future of ASEAN.

The challenge in convening a conference or editing a volume designed to capture and elevate Southeast Asian perspectives is in the region's diversity. The ten states of ASEAN boast vast differences in population, economic development, political system, culture, and geography. As a result, any attempt to distil the insights of the region into a single volume such as this will naturally contain omissions and imperfections. We hope that it has nevertheless put forward a representative sample of the insights of some of the region's most perceptive scholars on some of the most important issues to Southeast Asians today — great power rivalry, terrorism, and the illicit trade of goods.

Despite the region's diversity, a common thread to our discussions in Singapore and in the region since then has been a desire on the part of Southeast Asian states for a more consistent level of engagement on the part of both great powers, approached with a sense of partnership and informed by a deeper acquaintance with the region.

Southeast Asian scholars generally welcomed the Obama administration's rebalance policy, but argued that economic engagement lagged military engagement, and questioned whether it was sustainable given the rise of populist figures in US politics such as President Donald Trump on the right and Senator Bernie Sanders on the left. The Southeast Asian desire for steady and even-handed US engagement in the region seems unlikely to be met by President Trump, who has adopted a more transactional and unpredictable approach to diplomacy than his predecessor, has demonstrated little familiarity with the region, and has reduced US economic engagement with the region by withdrawing from the Trans-Pacific Partnership.

As for China, Southeast Asian scholars have noted the strong economic growth in the region powered by the Chinese economy, but have expressed concern that continued access to China's capital and markets could depend on political alignment with Beijing. As a result, Southeast Asian governments have sought to multilateralise Beijing's economic engagement with the region as much as possible, as in the Chiang Mai Initiative and the Asian Infrastructure Investment Bank, and occasionally adopted a wary perspective on projects such as the Belt and Road Initiative.

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At a deeper level, however, some Southeast Asian scholars have expressed concern that Chinese leaders do not regard their southern neighbours as fully equal sovereign partners. Beijing's use of military and economic power to coerce Southeast Asian countries into accepting the assertive enlargement of its position in the South China Sea is just one example of behaviour that has raised concern. Beijing's rhetoric about the Chinese diaspora in Southeast Asia, which assumes a particular responsibility on the part of Beijing for the welfare of ethnic Chinese citizens of Southeast Asian countries, has also led to unease. Would Beijing exercise its perceived responsibility without regard to the sovereign prerogatives of the countries that make up a region it considers its 'backyard'?

Our discussions in Singapore and Southeast Asian scholars' contributions to this volume also make clear that the United States must strike a careful balance in the management of tensions in the region: Southeast Asian governments want the United States and China to demonstrate that they can work through moments of increased tension quickly and peacefully, but at the same time they want the United States to demonstrate a resolve to meet its security commitments under Chinese pressure. (There is no corresponding doubt about Beijing's resolve.) The Obama administration's handling of the unlawful Chinese seizure of a US Navy survey drone in the South China Sea in December 2016, which was returned without incident days later, is an example of successful management of tensions — though an erratic series of tweets on the subject from Donald Trump, president-elect at the time, raises questions about how such an incident will be handled in the future.

Southeast Asian scholars who are concerned about US–China competition, and their limited ability to influence it, are fond of quoting an African proverb: "Whether the elephants fight or make love, the grass gets trampled." But as one Southeast Asian scholar reminded us, in some Southeast Asian states, elephants can be taught to dance. Contributors to this volume have expressed guarded optimism that Southeast Asian countries can take advantage of US–China competition in ways that benefit the region, particularly by drawing the United States and China into a continued commitment to respect ASEAN's role as the centre of regional institutions.

ASEAN's centrality gives Southeast Asian states some ability to set the agenda. But if ASEAN and its constituent states are to help to steer Beijing and Washington away from confrontation, as several Southeast Asian scholars noted, it will need stronger leadership and stronger institutions in the years ahead. Southeast Asian leaders' attention have increasingly been drawn inward in recent years by domestic political strife and by leaders focused more on pocketbook issues rather than regional leadership. Given a small secretariat and ASEAN's rotating chairmanship, these developments have diminished ASEAN's ability to influence events.

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Upcoming ASEAN chairmanships by Singapore in 2018 and Vietnam in 2020, perhaps the two states most interested in leadership by ASEAN, open windows of opportunity in which Southeast Asian leaders can play a bigger role in regional affairs. But in the longer term, Southeast Asia's ability to influence great power competition, and to attract more engagement and a spirit of partnership from the United States and China, will depend on the emergence of a new cadre of Southeast Asian leaders interested in advancing regional goals.



# SOUTHEAST ASIA IN THE US DEBATE

JOSEPH CHINYONG LIOW<sup>1</sup>

*...Southeast Asia appears to be fast becoming an arena for acute Sino-US strategic competition.*

For better or worse, Southeast Asia appears to be fast becoming an arena for acute Sino-US strategic competition. Here more so than anywhere else, tensions and strategic differences are playing out over Chinese and American views as to what the Asia-Pacific should look like, and the norms that should govern affairs in the region.

At issue, as far as the United States is concerned, are substantive misgivings about Chinese capabilities and intentions. The United States remains the preponderant military power in the Asia-Pacific, and will retain this advantage for some time. The Trump administration has expressed its intention to work with Congress to substantially increase US defence spending. But the gap with China has been closing in the past few years faster than many defence analysts had predicted. Beijing has in recent years ramped up its defence spending, concentrating considerable effort in defence technology. While it remains to be seen if this effort can be sustained given the slowdown of the Chinese economy, few would question the resolve of the Chinese leadership to close the defence technology gap with the United States, whether on land, sea, in the air, or in cyberspace.

More disconcerting, however, is the matter of the opacity of Chinese intentions. Specifically relevant to Southeast Asia, doubts continue to linger regarding the purpose of Beijing's expansion of naval power — both in terms of the People's Liberation Army Navy as well as the capabilities of its merchant marine. Calls for transparency aside, where the views of the Chinese leadership as to ownership of the South China Sea features and waters are concerned, what is clear to most observers is the fact that China is intent on strengthening its control of this region. Based on its reaction to the ruling of the international arbitral tribunal in *Philippines v China*, China is not prepared to countenance any obstacle, including the rule of law. As one senior Chinese think tank researcher cryptically suggested: "The Asia-Pacific may be big enough for everyone, but the West Pacific may not be big enough. The South China Sea is certainly not big enough."<sup>2</sup> Needless to say, this is viewed in Washington, and in many Southeast Asian capitals, as a growing challenge to the rule of law that has governed affairs in the region thus far.

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<sup>2</sup> Discussion with Chinese think tank researcher in Singapore, 27 May 2016.

While Chinese activity in the South China Sea appears to have slowed down in the year after the arbitral tribunal hearing, few would suggest this to be indicative of any shift in Chinese thinking. Arguably, a more accurate reading would attribute this apparent lull in the South China Sea to an upturn in bilateral relations with the Philippine Government under Rodrigo Duterte — which, ironically, has afforded China extra latitude in the South China Sea — and Beijing's own preoccupation with both developments in the Korean Peninsula as well as the upcoming 19th Party Congress.

This challenge of growing Chinese assertiveness in the maritime heart of Southeast Asia is rendered more complex by the growing economic influence that China is bringing to bear on the region. China has for some years now been the main trading partner of every Southeast Asian economy. Perhaps even more significant, China has also become a major source of foreign direct investment in recent years. Economic interdependence between China and Southeast Asia has been advanced through initiatives such as the still vague Belt and Road Initiative and the less vague Asian Infrastructure Investment Bank — which in March 2017 approved its first loans to Indonesia. The inaugural Belt and Road Forum was held in May 2017 in Beijing with spectacular aplomb, and attended by nine out of ten Southeast Asian countries, mostly at Head of State or Head of Government levels. China also participates in the ongoing Regional Comprehensive Economic Partnership (RCEP) negotiations towards the creation of a regional free trade area, although this initiative is not, as some in Washington have mistakenly surmised, a Chinese-driven initiative.<sup>3</sup>

The situation is complex, because while this economic influence has been welcomed by Southeast Asian states for the growth that it has brought to the region, it has also created a situation where certain states have become all but beholden to China and highly dependent on Chinese investments. The collective Southeast Asian voice, institutionalised in the form of ASEAN, is thus vulnerable to inducement to break ranks through the use of economic tools of diplomacy. Indeed, this has already occurred on a number of occasions over the South China Sea disputes, and will likely recur with discomfiting frequency in the coming years.

Confronted with this growing disaffection and apprehension from the region towards its actions (and intentions), Beijing is adamant that the cause of all this was the Obama administration's 'Pivot' policy. Announced in 2011 but whose elements were already evident by 2009 when President Obama visited Japan, the Pivot heralded the 'return' of US attention to the Asia-Pacific after years of 'overweighted' preoccupation and commitments to the Middle East. Attendant to this was a deliberate focus on Southeast Asia, which saw, among other things, the creation of a US mission to ASEAN in Jakarta in 2010, the

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<sup>3</sup> The United States is not currently a member of the RCEP group of countries.

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establishment of a ASEAN–US Strategic Partnership in 2015, and President Obama's hosting of ASEAN leaders in Sunnylands, California, in 2016. From Beijing's perspective, its assertiveness in the region is but a reaction to the Pivot and, in particular, Washington's intent to rebalance 60 per cent of its military forces to the Asia-Pacific region by 2020. That US alliances in the region and defence relationships with regional partners have been strengthened as part of the Pivot have served further to heighten Chinese suspicion that there is an incipient containment strategy designed to block its rise.

Although there were initial concerns that US engagement in Southeast Asia might be reduced during the Trump administration, the evidence so far appears to indicate more continuity than change, at least on the security front. After demurring for several months, the White House approved the conduct of two freedom of navigation operations in the South China Sea in May and June. The visit by Vice President Mike Pence to Indonesia in April as part of an Asia tour, the first by a Trump cabinet official, was received warmly. Of significance is the fact that during the visit the vice president confirmed President Trump's attendance at the East Asia Summit, ASEAN–United States Summit, and APEC meeting to take place in the Philippines and Vietnam later this year. Meanwhile, Secretary of Defense James Mattis attended the Shangri-La Dialogue, where his speech hit all the right notes on US commitment to the region, albeit without reference to any practical measures through which this commitment would be expressed. He also met with ASEAN defence ministers on the sidelines of the Dialogue. In the same vein, Secretary of State Rex Tillerson met his ASEAN counterparts in Washington in May. On the economic front, however, the withdrawal of the United States from the Trans-Pacific Partnership and the Trump administration's avowed disdain for multilateral trade and economic initiatives has set back US economic interests in the region for the immediate future — a glaring development in light of the substantive advances in Chinese economic engagement of the region discussed earlier.

At issue in all of this is a fundamental disconnect between the core strategic interests of both the United States and China that threatens to undermine the regional security architecture. China seeks the accommodation of what it deems to be its legitimate interests in the US-led global order. Failing that, it is increasingly clear that — at least in its immediate vicinity (which includes Southeast Asia) — Beijing is prepared to challenge the prevailing order, to the extent of presenting possible alternatives. This is already evident in the realm of economics and trade, and it is increasing its role in defence cooperation as demonstrated in the sale of submarines to Thailand and the Philippines' appeal to Chinese assistance to combat maritime piracy in the Sulu Sea. The United States, on the other hand, may be prepared to accommodate Chinese aspirations at least to some extent, but is still vexed by how to do this without compromising its own imperative of primacy. It bears

noting that in the United States, this strategic disconnect transcends and, indeed, has been complicated by failed attempts on the part of the Trump administration to elicit greater effort from China to put the brakes on North Korea's nuclear program. Needless to say, driving this disconnect is a mutual lack of trust.

So, is there a silver lining in all of this, especially for Southeast Asia? Many observers would suggest not. After all, as the adage goes, the strong do what they can while the weak suffer what they must. Yet at the same time, despite the often provocative (and emotive) tone of President Donald Trump, neither the United States nor China want conflict, and both are acutely aware that neither would benefit from it. To that end, it serves the interests of both parties to continue dialogue in order to build trust and at least manage, if not dispel, suspicions. Here is where Southeast Asia can conceivably play a role beyond simply serving unwittingly as the arena for major power rivalry to play out.

Certainly, Southeast Asia has little influence over how Sino-US relations will evolve, and regional states should harbour no illusions in that regard. However, 'little influence' is not 'no influence'. While it is unlikely that Southeast Asia can, or desires to, devise a Solomonic solution to major power rivalry, it might, by way of ASEAN, be able to contribute to efforts to foster greater understanding and trust between the United States and China. Indeed, notwithstanding its own well-documented shortcomings, it remains the case that ASEAN can still provide a useful neutral platform for China and the United States to talk, and it behoves the major powers to demonstrate their commitment to regional peace and stability by using the East Asia Summit, the ASEAN Defence Ministers' Meeting Plus, the ASEAN Regional Forum, and other ASEAN-convened forums actively, so as to enhance mutual understanding. In this respect, President Trump's apparent commitment to attend the November round of summitry is encouraging.

In addition to this, Southeast Asian states can contribute to the creation of a stable regional security architecture during these uncertain times on at least two other counts. First, Southeast Asian states should prioritise the deepening of their own integration towards the end of regional cohesion and unity in order to lend substance to its self-assumed obligations of 'centrality'. This would in turn provide a crucial foundation for the second imperative, which would be for ASEAN states to further their engagement with other extra-regional powers. By expanding and deepening their engagement with regional middle powers such as Japan, India, Australia, and Russia, Southeast Asian states can create for themselves some extra strategic 'latitude' which would serve their collective interests well in times of geostrategic uncertainty.

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# ASEAN CENTRALITY IN THE SOUTH CHINA SEA

EVAN A LAKSMANA<sup>1</sup>

ASEAN member states' incoherent responses to the July 2016 ruling by the international arbitral tribunal in *Philippines v China*, as well as the near failure of the group's foreign ministers to agree to a joint communiqué on the issue at their meeting two weeks later, has led critics to once again question ASEAN's centrality to the regional institutional architecture. Some have even argued, for example, that deference to ASEAN places US strategic objectives at the mercy of ASEAN's confused institutional strategic vision.<sup>2</sup> After all, the member states' different geopolitical and national interests will always present challenges for ASEAN's ability to act as a coherent regional actor.

If ASEAN member states will always have divergent interests — which has allowed China to drive a strategic wedge between them on a regular basis regarding the South China Sea — should we then dismiss the notion of ASEAN centrality altogether?

## WHAT IS ASEAN CENTRALITY?

We should be clear about what ASEAN centrality is and is not. For one thing, centrality is not interchangeable with or equivalent to consensus, particularly if the latter is defined solely in terms of complete unanimity on all regional challenges at all times. When observers raise the bar for centrality in this manner, as seen in the South China Sea in particular, signs of dissent are often interpreted as indicative of the organisation's growing irrelevance.<sup>3</sup>

For another, ASEAN consensus is in fact only one of the preconditions for, or pathways towards, centrality. After all, as defined by the ASEAN Charter, centrality is the notion that ASEAN should be the “primary driving force” in shaping the group's external relations in a regional

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<sup>2</sup> Taylor Wettach, “Don't Count on ASEAN to Save the South China Sea”, *The National Interest*, 10 August 2016, <http://nationalinterest.org/feature/dont-count-asean-save-south-china-sea-17309>.

<sup>3</sup> Matthew Davies, “ASEAN Centrality Losing Ground”, *East Asia Forum*, 4 September 2016, <http://www.eastasiaforum.org/2016/09/04/asean-centrality-losing-ground/>.

architecture that is open, transparent, and inclusive.<sup>4</sup> Centrality is therefore not an outcome, or some end-state to run towards. It is the run itself — an ongoing process of continuous engagements with external partners. Of course, if you are running as a group, it is preferable that there is consensus on how fast the pace should be and where the finish line is. In other words, it is not a question of whether ASEAN is central, but to what extent and how.

If we can now understand ASEAN centrality as a process, we should also consider what consensus actually implies. When we consider the broader history of ASEAN's decision-making processes, diplomatic culture, and the rise of the so-called 'ASEAN way', then consensus does not always imply unanimity of position — particularly if it is only narrowly defined by joint statements.<sup>5</sup> Sometimes consensus can be an agreement to disagree — not necessarily a stark choice between 'agree on all words' or 'no statement at all'.

After all, not only did ASEAN members put the "ASEAN Minus X" principle in the ASEAN Charter as a formula for "flexible participation" (Article 21), but some of the group's strategic successes have happened via informal mechanisms without unanimous public statements.<sup>6</sup> So unanimity of position in joint statements should not be the all-important benchmark of centrality. In fact, as Satu Limaye argues, we need to avoid "ASEANology", the parsing of each ASEAN gathering's developments and communiqués regarding the South China Sea, altogether.<sup>7</sup>

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Yet, while centrality is an ongoing process, it was originally 'granted by default' during the post-Cold War strategic uncertainty in which distrust, disengagement, and rivalry permeated relations between regional powers (mainly the United States, Japan, and China). As Lee Jones has argued, ASEAN's centrality in managing great power relations then correlated with the incapacity of great powers to successfully mediate their relations on their own.<sup>8</sup> In other words, centrality was initially 'given'

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<sup>4</sup> See Article 1 of the *Charter of the Association of Southeast Asian Nations* (Jakarta: ASEAN Secretariat, January 2008), <http://www.asean.org/wp-content/uploads/images/archive/publications/ASEAN-Charter.pdf>.

<sup>5</sup> On these longer trends, see for example Amitav Acharya, *Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order* (London: Routledge, 2001); Jürgen Haacke, *ASEAN's Diplomatic and Security Culture: Origins, Development and Prospects* (London: Routledge, 2003).

<sup>6</sup> According to Article 21 of the ASEAN Charter, "in the implementation of economic commitments, a formula for flexible participation, including the ASEAN Minus X formula, may be applied where there is a consensus to do so". This formula, in other words, allows ASEAN to move ahead on economic integration projects or commitments even if there is no unanimous agreement on certain policies.

<sup>7</sup> Satu Limaye, "Why ASEAN Is Here to Stay and What That Means for the US", *The Diplomat*, 30 August 2016, <http://thediplomat.com/2016/08/why-asean-is-here-to-stay/>.

<sup>8</sup> Lee Jones, "Still in the 'Drivers' Seat', But for How Long? ASEAN's Capacity for Leadership in East-Asian International Relations", *Journal of Current Southeast Asian Affairs* 29, No 3 (2010), 95–113.

*...ASEAN now needs to earn centrality, not just inherit it.*

to ASEAN because it was the best neutral alternative and by the 1990s had done relatively well in regional affairs.

This historical context of centrality often led to a sense of self-congratulatory complacency among ASEAN member states, but as polarising issues such as the South China Sea suggest, increasing the degree of centrality can only happen through strong and sustained leadership from within ASEAN. Put differently, ASEAN now needs to earn centrality, not just inherit it. After all, as ASEAN has historically 'operationalised' centrality by acting as the convener for regional forums such as the East Asia Summit, the strategic flux instigated by China's rise means that ASEAN might become nothing more than an event organiser rather than a regional playmaker.

### WHAT CAN ASEAN DO IN THE SOUTH CHINA SEA?

If we understand ASEAN centrality as an ongoing process of engagement with external powers — from China to the United States — and that the concept historically meant convening regional multilateral meetings, what should we reasonably expect of the group with regards to the South China Sea? The answer is: that depends. At a time when conceptual confusions plague sound policy analysis, recalibrating expectations based on the limits and promises of ASEAN is a responsible option.

However, before we can understand ASEAN's possible role in the South China Sea, we should first break down the issue into three policy areas: dispute resolution, tension management, and pragmatic de-escalation steps. These three areas represent long-term, medium-term, and short-term policy challenges, respectively. On the first, a final, legally binding resolution of maritime delimitations and territorial disputes under the United Nations Convention on the Law of the Sea cannot occur without bilateral negotiations between the claimant states (China, Vietnam, Malaysia, Brunei, Philippines, and possibly Taiwan). ASEAN cannot and should not be expected to resolve the South China Sea disputes in this sense.

The second element, tension management, is a key — though certainly not the only — prerequisite for dispute resolution in the South China Sea. That is to say, without stable, peaceful, and legitimate tension management mechanisms, a final resolution to the dispute might be harder to attain. This is the strategic value of the ASEAN–China framework, realised through the implementation of the Declaration on the Conduct of Parties in the South China Sea and ongoing communication and engagement through the Code of Conduct (CoC) processes. There is no other regional mechanism that involves regular, albeit slow, negotiations to legally regulate behaviours in the area that includes all the claimants in a multilateral setting. A regional tension management mechanism that excludes ASEAN and involves only the

region's great powers would be subject to changing geopolitical interests, not to mention stronger domestic political impulses, and lack an institutionalised pathway to sustained engagement.

In this regard, great power cooperation, primarily between the United States and China, is more suitable to short-term de-escalation policies and strategies. Whether we agree on the 'root causes' of the current cycle of escalation in the East and South China Seas, observers generally consider the pre-2009 period to have been relatively stable, even in disputed parts of the region. Short-term political and diplomatic deals — whether public or not — should be useful to at least take us back to that period. While many are sceptical about the prospects for China rolling back its militarisation of artificial islands, for example, or the United States scaling back its freedom of navigation operations, only creative diplomatic strategies can de-escalate the current situation. In this sense, without de-escalatory steps, a regional tension management mechanism through an ASEAN–China framework would be harder to achieve.

Breaking down the issue of the South China Sea into these policy areas allows us to recalibrate expectations about what ASEAN can or cannot achieve, rather than rehashing futile 'glass half-full, half-empty' debates.

First, regional resources — diplomatic, financial, and political — should be aligned accordingly. If external powers want ASEAN to regain centrality (and not be divided among themselves), then they should stop their divisive behaviours and talk to each other about how to de-escalate the situation. In this regard, discussions between Washington and Beijing are paramount, not just for the purposes of better managing their own strategic rivalry and cooperative dynamics but also because the United States and China could influence other ASEAN members. Meanwhile, the ASEAN–China CoC process should be supported as a way to temporarily manage the tension before the environment is suitable for direct bilateral talks on maritime delimitation. However, the recent rapprochement between Manila and Beijing and the beginning of bilateral negotiations between them — if sustained — could render the CoC process moot or unnecessary.

Second, for ASEAN to thrive in its engagement with external powers, whether on the South China Sea or other issues, we cannot rely on the nature of the group's rotational chairmanship. Not only do differing domestic priorities result in different foreign policy positions, but often the nature of the individual regimes and their democratic processes, or the lack thereof, mean that different heads of state have wildly different ideas about ASEAN. This is exacerbated by the fact that ASEAN's 'founders generation' is gone, and the current and emerging elite may have less of a commitment to ASEAN's centrality and the projects that support it, or are limited in their ability to push them through.<sup>9</sup> Indonesia's

*...for ASEAN to thrive...we cannot rely on the nature of the group's rotational chairmanship.*

<sup>9</sup> Limaye, "Why ASEAN Is Here to Stay and What That Means for the US".



leadership, in this regard, is critical. As former Indonesian Deputy Foreign Minister Dino Patti Djalal recently noted, “ASEAN centrality needs to be earned and thus it is important for [Jakarta] to take the lead”.<sup>10</sup>

Third, regardless of whether or not external powers can be relied on to de-escalate tensions, ASEAN should better implement its own integration commitments, particularly through the ASEAN Community framework built upon three pillars (political-security community, economic community, and socio-cultural community). Only by ensuring that the political and economic development gaps are narrowed between ASEAN member states (particularly Laos and Cambodia, for example) can we hope to prevent great powers from dividing the group, and perhaps ensure that consensus can be better managed and achieved.

Finally, what should Washington expect? Under President Obama, engagement with ASEAN was an uncontroversial way through which the United States could pursue its ‘pivot’ or ‘rebalance’ strategy. After all, ASEAN’s community projects were beneficial for US businesses and the various ASEAN-led institutions (from the ASEAN Regional Forum to ASEAN Defence Ministers’ Meeting Plus) offered platforms to articulate US-backed international rules and norms.<sup>11</sup> Additionally, while ASEAN should not be expected to ‘solve’ the South China Sea disputes, it could — given proper strategic investment — productively manage regional tension and strengthen rules-based regional architecture.

Under President Trump, however, these benefits will be lost in the new administration’s regional calculus. Not only will Trump’s penchant for bilateralism effectively sideline ASEAN, but the ideologically skewed world view of his advisers over rivalry with China will further downgrade Southeast Asia’s strategic value. Consider, for example, the fact that Trump has pulled out of the Trans-Pacific Partnership and his administration’s confrontational rhetoric about China and the South China Sea. Thus, while Southeast Asia has assumed for over two decades that China’s rise was the region’s greatest strategic challenge, America’s spiralling uncertainty under Trump might now be the biggest question mark.

*...America’s spiralling uncertainty under Trump might now be the biggest question mark.*

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<sup>10</sup> Marguerite Afra Sapiie, “As ASEAN’s ‘Natural Leader’, Indonesia Should Assert Leadership”, *The Jakarta Post*, 18 September 2016, <http://www.thejakartapost.com/seasia/2016/09/18/as-aseans-natural-leader-indonesia-should-assert-leadership.html>.

<sup>11</sup> Limaye, “Why ASEAN Is Here to Stay and What That Means for the US”.

# THE US–PHILIPPINES ALLIANCE: DUTERTE’S STRATEGY OF DIVERSIFICATION

RICHARD JAVAD HEYDARIAN<sup>1</sup>

Among democracies, seldom does change in political leadership accompany a significant reconfiguration in a nation’s foreign policy. After all, the euphoria of elections — animated by high-minded promises of change — normally succumbs to bureaucratic inertia and exigencies of continuity once new leaders settle into office. History shows that the actual responsibilities of power tend to have a moderating effect on even the most rambunctious candidates.

Yet the election of Rodrigo Duterte, the former mayor of the frontier city of Davao, could very well introduce some seismic shift in the Philippines’ external relations. A self-described ‘socialist’, with long-established ties to leftist-progressive circles, the new president has promised to pursue an ‘independent’ foreign policy.<sup>2</sup> While he is yet to elaborate on the precise contours of his preferred policy direction, it is highly likely that Manila will explore a diversification strategy, where America is no longer *the* ally, as has been the case in recent years, but only one among many.

Early into his time in office, Duterte’s strategic priority has been to reopen what were essentially frozen communication channels with the leadership in Beijing, which has adopted an increasingly intransigent position on the South China Sea disputes.<sup>3</sup> For the Filipino leader, the immediate concern is the proper management of maritime spats with the Asian juggernaut lest a horrific war breaks out.<sup>4</sup>

*...Manila will explore a diversification strategy, where America is no longer the ally...*

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<sup>2</sup> Maricar Cinco, “Duterte: I’m a Socialist, Not a Communist; Last Card”, *Inquirer.net*, 18 April 2016, <http://newsinfo.inquirer.net/779984/duterte-im-a-socialist-not-a-communist-last-card>; Alex de Jong, “The Philippines’ New Strongman”, *Jacobin*, 28 May 2016, <https://www.jacobinmag.com/2016/05/philippines-duterte-populism-marcos-neoliberalism/>.

<sup>3</sup> Keith Johnson, “China’s Gone Ballistic since the Hague Ruling”, *Foreign Policy*, 5 August 2016, <http://foreignpolicy.com/2016/08/05/chinas-gone-ballistic-since-the-hague-ruling/>.

<sup>4</sup> Marlon Ramos, “Duterte Asks FVR to Head Negotiations with China, Says ‘War Not an Option’”, *Inquirer.net*, 15 July 2016, <http://globalnation.inquirer.net/141178/duterte-war-with-china-not-an-option-fvr-asked-to-head-negotiations>.

*...a new American government...has also raised hopes of a reset in recently frayed bilateral relations between Manila and Washington.*

Duterte also seeks to normalise bilateral ties in order to end China's de facto investment siege on the Philippines. More specifically, Duterte eyes massive Chinese infrastructure investments not only in the industrialised northern island of Luzon, but, perhaps of even greater concern, in his home island of Mindanao, which has been racked by poverty, conflict, and underdevelopment for almost half a century.<sup>5</sup>

This is precisely why the Duterte administration opted for an extremely subdued, if not excessively self-constrained, diplomatic rhetoric after securing a landmark legal victory against China.<sup>6</sup> For the new Filipino administration the way forward is an equilateral balancing, whereby the Philippines refuses to side with one superpower against the other, but instead strives to extract maximum strategic benefits from all potential partners. With Duterte rapidly securing his grip on the Philippine state, he is increasingly in a position to introduce a radical rethink in the Southeast Asian country's external relations.<sup>7</sup> The inauguration of a new American government, under President Donald Trump, has also raised hopes of a reset in recently frayed bilateral relations between Manila and Washington.

## THE NEW STRONGMAN

It is hard to underestimate the deep bonds of culture, economy, and history that tie the United States and its former Asian colony, the Philippines, together. Given the depth of US influence and popularity among the Philippine security establishment, intelligentsia, and broader populace, Filipino presidents have historically pivoted, almost instinctively, towards Washington as *the* ally.

In fact, the very composition of the Philippine political elite has preserved an unshakable alliance between the two countries.<sup>8</sup> Filipino leaders tend to come from the old pro-American *cacique* (elite), educated in the West or Western-oriented universities in Manila, and have enjoyed and maintained cordial ties with the US government.

<sup>5</sup> Pia Ranada, "Duterte: China Offering to Build Manila-Clark Railway in 2 Years", Rappler, 21 June 2016, <http://www.rappler.com/nation/137177-duterte-china-build-manila-clark-railway>.

<sup>6</sup> Jonathan de Santos, "DFA Calls for Restraint, Sobriety after Tribunal Favors Philippines", *Philstar*, 12 July 2016, <http://www.philstar.com/headlines/2016/07/12/1602130/dfa-calls-restraint-sobriety-after-tribunal-favors-philippines>; Richard Javad Heydarian, "The Day After: Enforcing The Hague Verdict in the South China Sea", *Southeast Asia View*, 25 July 2016, <https://www.brookings.edu/opinions/the-day-after-enforcing-the-hague-verdict-in-the-south-china-sea/>.

<sup>7</sup> Joshua Kurlantzick and Richard Javad Heydarian, "A Debate on the New Philippine Administration", *Asia Unbound*, 1 August 2016, <https://www.cfr.org/blog-post/debate-new-philippine-administration>.

<sup>8</sup> Benedict Anderson, "Cacique Democracy in the Philippines: Origins and Dreams", *New Left Review* 169 (May–June 1988).

In contrast, Duterte is a proverbial breath of fresh air. Not only does he — geographically and figuratively — hail from the margins of the Philippine political elite, but also underwent a radically different political socialisation.<sup>9</sup> Comfortably perched in Davao, he rarely hobnobbed with the (Washington-friendly) elite in Manila. During his college days, concurrent with the height of the Vietnam War, he was mentored by progressive leaders such as Jose Maria Sison, while once in office he maintained close ties with communist leaders and a whole host of rebel groups.<sup>10</sup>

Astutely presenting himself as the ‘man of the people’, an anti-establishment politician *par excellence*, Duterte has utilised a cocktail of charm, fear, and fiery rhetoric to build up support — with astonishingly rapid success. Authoritative polls suggest that Duterte enjoys the support of a vast majority of the population (79 per cent),<sup>11</sup> which has given him the momentum to assemble a ‘super-majority’ coalition in the Philippine legislature.<sup>12</sup>

In coming years, he will be appointing the bulk of the Supreme Court justices.<sup>13</sup> And he has sought the unflinching loyalty of law enforcement agencies and the armed forces by engaging in an unprecedented charm offensive, featuring salary increases among other perks and emotionally charged gestures of moral support, stating he is willing to die along with them and protect them against charges (of human rights violations) if necessary.<sup>14</sup>

*...Duterte has rapidly transformed the texture of Philippine relations with superpowers, breaking one diplomatic taboo after another.*

## OLD FRIENDS, NEW RELATIONS

Consolidating his domestic political position, Duterte has rapidly transformed the texture of Philippine relations with superpowers, breaking one diplomatic taboo after another. He not only verbally confronted the US ambassador on the campaign trail — when he told Western diplomats to “shut their mouths” and threatened to cut off

<sup>9</sup> Randy David, “The Political Outsider”, *Inquirer.net*, 24 April 2016, <http://opinion.inquirer.net/94430/the-political-outsider>.

<sup>10</sup> Angel Tesorero, “President-elect Duterte through the Eyes of His Mentor”, *Khaleej Times*, 12 May 2016, <http://www.khaleejtimes.com/nation/general/teacher-who-made-a-president-honouring-the-best-in-journalism>.

<sup>11</sup> AJ Bolando, “Distrust of China Increases in Latest Pulse Asia Poll”, *Philippine Star*, 2 May 2017, <http://www.philstar.com/headlines/2017/05/02/1696007/distrust-china-increases-latest-pulse-asia-poll>.

<sup>12</sup> Gil C Cabacungan, “From 3 to 300, PDP-Laban Forms ‘Supermajority’ in House”, *Inquirer.net*, 26 May 2016, <http://newsinfo.inquirer.net/787547/from-3-to-300-pdp-laban-forms-supermajority-in-house>.

<sup>13</sup> Marites Dañguilan-Vitug, “Aquino Successor to Appoint 11 SC Justices”, *Rappler*, 6 December 2014, <http://www.rappler.com/newsbreak/in-depth/77160-aquino-successor-supreme-court-justices>.

<sup>14</sup> Bea Cupin, “Duterte to PNP: ‘Do Your Duty and I Will Die for You’”, *Rappler*, 1 July 2016, <http://www.rappler.com/nation/138296-duterte-ppnp-duty-die-for-you>.

*...Duterte, unlike any of his predecessors, has openly questioned whether the United States is a reliable ally...*

diplomatic ties if elected — but insulted him using crude language once he assumed office.<sup>15</sup>

Duterte has also refused to scale back his constant criticism of America’s purported lack of commitment to the Philippines. On multiple occasions, Duterte, unlike any of his predecessors, has openly questioned whether the United States is a reliable ally, specifically whether it will come to the Philippines’ rescue in an event of conflict in the South China Sea over Manila-claimed territories such as Scarborough Shoal. Unsurprisingly, Duterte’s unconventional posturing seems to have caught Washington’s attention.

Former President Barack Obama was the first foreign leader to talk to Duterte directly after the latter’s election victory, while, within a span of weeks, two senior US diplomats, State Department Counselor Kristie Kenney and Secretary of State John Kerry, visited Manila to mend any potential tension in bilateral ties. In particular, human rights, in light of Duterte’s wholesale ‘war on drugs’ campaign, and relations with China are emerging as potential areas of friction in Philippine–US ties. When US President Barack Obama criticised his campaign against drugs, Duterte responded with expletives and long tirades against American ‘imperialism’. To dissuade Washington from further criticising his human rights record, the Filipino president has threatened to expel US Special Forces stationed in the Philippines, end all joint military exercises, and, if necessary, abrogate existing bilateral security agreements.

Over the succeeding months, Duterte tightened American access to Philippine bases; dragged his foot on implementing the Enhanced Defence Cooperation Agreement (EDCA); cancelled any plans for joint patrols with the United States in the South China Sea; denied US Navy access to Philippine bases for conducting freedom of navigation operations in the area; and indefinitely postponed the Cooperation Afloat Readiness and Training Exercise (Carat) as well as the US–Philippine Amphibious Landing Exercise (PHIBLEX) joint drills. Citing human rights concerns, the Obama administration withheld shipment of firearms to the Philippine National Police and threatened to cancel the renewal of a \$400 million Millennium Challenge Corporation aid package to the Philippines.<sup>16</sup>

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<sup>15</sup> Cedric Castillo and Michaela del Callar, “Duterte Tells US, Australia: Sever our Ties if I become President”, GMA News Online, 20 April 2016, <http://www.gmanetwork.com/news/news/nation/563428/duterte-tells-us-australia-sever-our-ties-if-i-become-president/story/>.

<sup>16</sup> Richard Javad Heydarian, “Despite Duterte’s Tough Talk, Relations with the US Will Stay Strong”, *The New York Times*, 18 October 2016, <https://www.nytimes.com/roomfordebate/2016/10/18/can-the-us-philippine-alliance-survive-duterte/despite-dutertes-tough-talk-relations-with-the-us-will-stay-strong>. For more analysis, see Richard Javad Heydarian, “Abe’s Mission Impossible in Manila”, *Asia Unbound*, 18 January 2017, <http://blogs.cfr.org/asia/2017/01/18/abes-mission-impossible-manila/>.

By contrast, Duterte has adopted an extremely conciliatory diplomatic approach towards China. To rekindle bilateral diplomatic ties, he appointed former President Fidel Ramos, who also had to deal with Chinese maritime assertiveness in the mid-1990s, as a special envoy to China. After a five-day exploratory ‘ice breaker’ visit to Hong Kong, where Ramos met some senior Chinese officials and academics, Beijing welcomed more extensive negotiations on Mainland China.<sup>17</sup>

Ramos’ backdoor channelling paved the way for Duterte’s trip to China in October 2016, his first major state visit, where he bagged \$24 billion in economic deals. At the end of Duterte’s visit, Chinese Vice Foreign Minister Liu Zhenmin triumphantly declared that “bilateral relations have fully recovered and the two countries will return to the track of dialogue and consultation to address maritime issues”.<sup>18</sup>

There were also discussions over potential joint development agreements in disputed areas such as the Scarborough Shoal, where Duterte secured at least a provisional arrangement, which allows Filipino fishermen to access the disputed shoal.<sup>19</sup>

## STRATEGIC INDETERMINACY

For Duterte, the maritime spats are inherently intractable, so the key concern for now is conflict management through de-escalation. The new Philippine Government seems to be anticipating a post-American regional order, where no single power, whether China or the United States, enjoys primacy. It is unlikely that the Philippines will pivot fully into the Chinese orbit, since this would risk a massive backlash among the Filipino public as well as its ‘Americanised’ security establishment, which is deeply suspicious of China. Duterte’s most senior advisers, including Ramos, have openly warned him against undermining bilateral ties with the United States.

If Duterte’s diplomatic gambit with China backfires, or fails to bear any tangible strategic dividend, he would likely swing back to a more US-aligned foreign policy — especially if there is a surge in domestic

*The new Philippine Government seems to be anticipating a post-American regional order, where no single power, whether China or the United States, enjoys primacy.*

<sup>17</sup> An Baijie and Deng Yanzi, “Beijing Says it would Welcome a Ramos Visit”, *China Daily* (USA), 11 August 2016, [http://usa.chinadaily.com.cn/china/2016-08/11/content\\_26428608.htm](http://usa.chinadaily.com.cn/china/2016-08/11/content_26428608.htm).

<sup>18</sup> Richard Javad Heydarian, “Duterte Confuses, Risks Making China Bolder in South China Sea”, *The Straits Times*, 24 October 2016, <http://www.straitstimes.com/opinion/duterte-confuses-risks-making-china-bolder-in-south-china-sea>.

<sup>19</sup> Paterno Esmaguél II, “Joint Development in EEZ ‘Prohibited’ — Carpio”, *Rappler*, 14 July 2016, <http://www.rappler.com/nation/139695-carpio-joint-development-eez-constitution>; Desiree Sison, “China and Philippines Push for Joint Fishing Rights in Scarborough Shoal During South China Sea Talks”, *Chinatopix*, 13 August 2016, <http://www.chinatopix.com/articles/98142/20160813/china-philippines-push-joint-fishing-rights-scarborough-shoal-during-south.htm>; Richard C Paddock, “Chinese Vessels Leave Disputed Fishing Grounds in South China Sea”, *The New York Times*, 28 October 2016, [https://www.nytimes.com/2016/10/29/world/asia/south-china-sea-scarborough-shoal.html?\\_r=0](https://www.nytimes.com/2016/10/29/world/asia/south-china-sea-scarborough-shoal.html?_r=0).

*...Trump invited Duterte to visit the White House after what was described as a “very friendly” conversation.*

anti-China sentiment. In fact, Duterte himself warned China against any unilateral actions within Philippine-claimed waters, specifically if “minerals [within the Philippine exclusive economic zone] are already being siphoned” off by China.<sup>20</sup>

The election of Donald Trump, who has vowed not to impose US values on other countries and to take a tougher stance against China in the South China Sea, has also raised the prospects of a reset in bilateral relations. Since Trump’s election, the Duterte administration has gradually moved towards restoring bilateral military cooperation, from giving the green light for the implementation of the EDCA to welcoming new American weapons and equipment for counterterrorism and counter-insurgency operations. In April, Trump invited Duterte to visit the White House after what was described as a “very friendly” conversation.<sup>21</sup> Despite the sound and fury of Duterte’s anti-American rants, the Philippine security establishment and political leadership fully acknowledge the indispensability of US military support, both in the South China Sea (against China) and in Mindanao (against insurgents and terrorist groups). Amid concerns over the rise of Islamic State affiliated groups in Mindanao, the Philippines has welcomed assistance from American Special Forces as well as high-grade intelligence and equipment from the Pentagon.

But Duterte seems interested in negotiating a *modus vivendi*, whereby the Philippines will fully restore, and even expand, bilateral military cooperation with its chief ally in exchange for American acquiescence on human rights issues. This is why Manila will carefully watch if the Trump administration will withstand US congressional criticism of Duterte’s controversial war on drugs, deliver a new batch of firearms to the Philippine National Police, and renew the Millennium Challenge Corporation.

In short, Duterte’s foreign policy will likely be shaped by broader developments in the region as well as the policies of the two major powers (China and the United States), rather than following dogma and pure personal vision. It will be a tough balancing act for the former provincial mayor.

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<sup>20</sup> Paterno Esmaguél II, “Duterte to Cite Hague Ruling if China Siphons Off Minerals”, Rappler, 29 December 2016, <http://www.rappler.com/nation/156966-duterte-hague-ruling-china-minerals>.

<sup>21</sup> White House, Readout of President Donald J Trump’s Call with President Rodrigo Duterte of the Philippines, Press Release, 29 April 2017, <https://www.whitehouse.gov/the-press-office/2017/04/29/readout-president-donald-j-trumps-call-president-rodrigo-duterte>.

# VIETNAM–CHINA RELATIONS: DOES VIETNAM HAVE A FORMULA FOR CHINA?

HUONG LE THU<sup>1</sup>

Sino-Vietnamese relations have gone through multiple cycles of deterioration and normalisation. The geographical proximity of China and Vietnam and the long historical record of Chinese invasions and occupation, as well as the states' current ideological-political affinity, similar development path, economic dependence, and ongoing maritime disputes all complicate this inherently asymmetrical relationship.

Yet at the current juncture, among Southeast Asian countries, when it comes to facing up to China's assertiveness in the region, Vietnam appears to be the most strategic country — perhaps next to Singapore — among Southeast Asian states. This paper argues that Vietnam possesses three key assets that give it some leverage: its experience in dealing with China's aggression; its strategic position at the frontier of China's southern boundaries; and diplomatic clout that could make China's expansion efforts politically and strategically costly.

First, Vietnam's past experience with Chinese aggression has been instructive. Historically, Vietnam was an integral part of Imperial China's plans for southern expansion. Although China dominated Vietnam for a thousand years until 938 CE, it failed in the ensuing millennium to incorporate Vietnam into its territory. Vietnam has, through the centuries of wars, sustained its national identity and cultivated a strong need to resist China's dominance. Defeats from the much smaller country led Vietnam to become China's "southern boundary stone of the notion of itself".<sup>2</sup> But Vietnam has also been punished severely when Hanoi's politics did not align with Beijing's will, both in terms of security and economics. Take recent history, for example: after a long and bloody war with the United States and the conflict with the Chinese-backed Khmer Rouge in Cambodia, Vietnam fell into isolation. Only after the improvement of ties with China, and then also with the United States, did Vietnam come out of its diplomatic isolation and poverty.

The foundation of the current bilateral relationship is based on the normalisation of ties with Beijing in 1991, which had been damaged by

*...Vietnam possesses three key assets that give it some leverage.*

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<sup>2</sup> Brantly Womack, *China and Vietnam: Politics of Asymmetry* (Cambridge: Cambridge University Press, 2006), 9.



the short but intense border war in 1979. The improvement of ties did not come without compromise on Hanoi's side. Since then, the principle of 'Three No's' in Vietnam's defence policy — no military alliances, no foreign military bases in Vietnam, and no use of other force against another country — has been adopted to bolster Beijing's confidence that Vietnam will not form alliances against it. Vietnam's room for manoeuvre has been curbed by this principle, leaving Hanoi hoping that Beijing will keep its promise to be a good neighbour and a good friend. Under the motto of 'cooperating while struggling', Hanoi has engaged in a strenuous exercise of accommodating the giant next door while defending its sovereignty. Both governments have laid the foundation for bilateral channels of communication, which range from Party-to-Party talks and regular defence meetings, to the establishment of a hotline to directly connect leaders on the matter of the South China Sea.

Second, Vietnam's location on China's southern border, especially in the context of the South China Sea disputes, enhances Vietnam's strategic position. Although the proximity to its much larger neighbour leaves Vietnam vulnerable to China's assertiveness, its geographical position also has its advantages. Vietnam has 3260 kilometres of coastline on the South China Sea — a critical waterway. Since Hu Jintao articulated a case for making China a maritime power in 2012, China's urge to dominate in the South China Sea has become more apparent. Vietnam's geographic position is therefore key to both Beijing's aspirations and many major and middle power efforts to block them. As a result, Vietnam's maritime dispute with China receives more attention than it otherwise would.

For example, when in May 2014 the China National Offshore Oil Company deployed the *Haiyang Shiyou 981* oil rig to Vietnam's claimed exclusive economic zone, there was a real threat that the crisis would escalate into a conflict. The Vietnamese saw the incident as the most dangerous development in Sino-Vietnamese relations since the 1979 border war. Although the crisis was eventually resolved without an escalation, it attracted the attention of foreign powers and has not only had an enduring effect on the bilateral relationship but also exposed the fragility of regional stability. China's strategic ambitions have been challenged, but at the same time they have been fuelled by the growing presence of external powers in the South China Sea. With the signs of drastic changes in the Philippines under Rodrigo Duterte's presidency,<sup>3</sup> Vietnam's stance on the South China Sea becomes even more central to regional disputes.

This leads to the third asset, Vietnam's growing clout in diplomatic and defence partnerships. A balance of power is a small country's best friend. Perhaps there is no better reminder of the costs that a small

*Vietnam's geographic position is therefore key to both Beijing's aspirations and many major and middle power efforts to block them.*

<sup>3</sup> Malcolm Cook, "Duterte's China Charm Offensive", *Nikkei Asian Review*, 10 October 2016, <http://asia.nikkei.com/Viewpoints/Malcolm-Cook/Malcolm-Cook-Duterte-s-China-charm-offensive>.

country can be forced to bear as a result of great power competition than Vietnam — a word that was once synonymous with war in the Western world, and not the name of a country. But Vietnam now seeks to leverage great power rivalry to maintain peace and protect its sovereignty, rather than getting involved in confrontations with the giants. Since the *Haiyang Shiyou 981* incident, Hanoi's relations with Washington, Tokyo, and Delhi have intensified and expanded to include military-to-military cooperation with a special focus on maritime security. Vietnam's remarkable rapprochement with the United States and intensive improvement of ties with other great powers are thought to be the keys to mitigating China's threat. President Obama's visit to Hanoi in May 2016 and the annulment of the decades-long arms embargo was truly momentous and set the stage for an optimistic new phase in the relationship. As I have argued elsewhere, the current state of the US–Vietnam relationship is the best in the history of the two countries.<sup>4</sup>

That said, Donald Trump's election generated uncertainty as to whether the new-found momentum in Hanoi–Washington ties can be sustained. One of Trump's first decisions after assuming office was withdrawal from the Trans-Pacific Partnership, a multilateral trade deal from which Vietnam expected to benefit.<sup>5</sup> Despite the initial disappointment, Hanoi proactively sought engagement with Trump's Washington. In May 2017, Vietnamese Prime Minister Nguyen Xuan Phuc paid a visit to the White House, the first by a Southeast Asian leader, and only the third by an Asian leader after Shinzo Abe and Xi Jinping. The visit resulted in a number of trade deals, but more importantly, mutual reassurance of each side's intention to continue cooperation. Should President Trump visit Vietnam in November during the APEC summit as planned, further improvement in relations between Washington and Hanoi can be expected.

Southeast Asia has always been prone to great power politics, and in recent years the alignment of individual governments in the region has occasionally fluctuated. Given how different the current geopolitical considerations and national interests are among the Southeast Asian countries, Vietnam's example cannot serve as a formula for dealing with China. Any formula would have a relatively short shelf life, as political constellations in Southeast Asia evolve relatively dynamically, reflecting the volatile shifts in power. Vietnam can, however, serve as a reference point, given its track record in resisting China's dominance. While there is no one formula for dealing with China, at a minimum there are three things that Vietnam, and other Southeast Asian countries, need to do.

*While there is no one formula for dealing with China, at a minimum there are three things that Vietnam, and other Southeast Asian countries, need to do.*

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<sup>4</sup> Huong Le Thu, "Bilateral and Regional Significance of Obama's Visit in Vietnam", CSIS PacNet No 48, 2 June 2016, <https://www.csis.org/analysis/pacnet-48-bilateral-and-regional-significance-obama's-visit-vietnam>.

<sup>5</sup> Huong Le Thu, "High Hopes and a Big Let-down: Vietnam and the TPP", *The Interpreter*, 29 November 2016, <https://www.lowyinstitute.org/the-interpreter/high-hopes-and-big-let-down-vietnam-and-tpp>.

First, recognise that not all Chinese economic engagement is a golden ticket, and could become a debt trap.<sup>6</sup> Many of China's investment strategies<sup>7</sup> bring short-term and tangible gains, but in the longer run builds up leverage for Beijing and in many cases undermines local interests. At present, the majority of Southeast Asian countries are preoccupied with domestic politics and therefore tend to be inward looking. For some Southeast Asian countries, the attractiveness of China as an economic opportunity seems to be stronger than its perceived threat. But finding a balance between opportunity and threat is a challenge common to all Southeast Asian states. Vietnam stands at the frontier of the group that feels the 'China threat'. In fact, it is the China threat that has pushed Vietnam to take more forward-thinking decisions in defence, diplomacy, and trade policies. The current structural changes in geopolitics remind Hanoi of a historically coercive and expansive China. It is important that other Southeast Asian nations realise that economic inducements come with larger, longer-term costs. Asymmetric relationships require that smaller countries remain strategically savvy. Continental Southeast Asia lies just over China's border and consequently is exposed to the effects of the infrastructure investments that link the region to China. The Mekong sub-region, for example, while the recipient of improvements from Chinese infrastructure investments, has also experienced the severe repercussions of China's hydro-electric dams along the Mekong River, which have affected water distribution and agricultural output.<sup>8</sup>

*...Vietnam and other Southeast Asian countries need to constantly reinvent strategies to keep up with Beijing's growing capabilities on all frontiers.*

Second, Vietnam and other Southeast Asian countries need to constantly reinvent strategies to keep up with Beijing's growing capabilities on all frontiers. Understanding China's strategic culture and historical background has been beneficial to Vietnamese leaders, but they cannot afford to be complacent. Modern warfare is comprehensive, making resistance to China's coercion much more complex and difficult than it once was. Economic, ecological, diplomatic, psychological, and information warfare loom even larger than the threat of traditional war on the battlefield. China has invested in leadership in all forms of power, be it military, economic, energy, or technology. China is maximising its leverage in all forms of coercion — punishment or inducement — turning them into political tools.

Finally, to be effective, neither Vietnam nor any other country can work alone in dealing with the China threat. It is important that Southeast Asian countries work together and in conjunction with the international community and in accordance with the rule of law. Ensuring a strong

<sup>6</sup> Brahma Chellaney, "China's Debt-Trap Diplomacy", *Project Syndicate*, 23 January 2017, <https://www.project-syndicate.org/commentary/china-one-belt-one-road-loans-debt-by-brahma-chellaney-2017-01?barrier=accessreg>.

<sup>7</sup> Ibid.

<sup>8</sup> Huong Le Thu, "The Mekong: An Emerging Security Frontier in China–Vietnam Relations", CSIS *CogitAsia*, 24 April 2016, <https://www.cogitasia.com/the-mekong-an-emerging-security-frontier-in-china-vietnam-relations/>.

bond with its Southeast Asian counterparts and reinforcing ASEAN members' commitment to the regional agenda is a necessity. Hanoi needs to redouble its advocacy of ASEAN unity and coordinate its efforts with Singapore, which is also eager to safeguard ASEAN's relevance, in order to keep its neighbours aware of the links between national and regional security interests.

# US–CHINA COMPETITION AND THE TRADE IN ILLICIT GOODS

CHIT WIN<sup>1</sup>

The United States and China are competing against each other for political and economic influence in Southeast Asia. Countries in the region are managing their relations so they do not become victims of this emerging power rivalry. However, there are a few areas where the region can benefit from their presence. With the escalation of threats from transnational terrorism, the United States and China have worked with ASEAN countries to address international security issues with a common purpose. As ASEAN's strategic partners, both the United States and China have played a constructive role in dealing with these non-traditional security threats.

However, while US and Chinese engagement on topical issues such as terrorism and cybercrime receives public attention because of the perception of immediate risk, their involvement in the region's long-standing problems such as trafficking in persons, drug trafficking, and transboundary haze receives far less attention, and is often overlooked in public discussion by issues such as the South China Sea dispute. This paper questions the effect of US–China competition in Southeast Asia on ASEAN's efforts to combat the illicit trade in goods including drugs. It argues that the region receives minimal benefit from US–China engagement because of their diverse interests and approaches to these issues. However, ASEAN could reap greater benefits by more astutely cultivating superpower competition for leadership in these sectors.

The illicit trade in goods such as drugs, wildlife, and timber cast dark shadows on ASEAN states. The region's ambitious dream of a 'Drug-Free ASEAN by 2015' was undermined by a sustained boom in the domestic use of illicit drugs. According to the United Nations *World Drug Report 2016*, the seizure of methamphetamines in the region quadrupled between 2009 and 2014.<sup>2</sup> Illegal smuggling of wildlife is another concern for the region, which is both a key supplier and consumer of wildlife, as well as a global transit point in what is a multibillion dollar trade.<sup>3</sup> Timber smuggling is also becoming a major problem in countries such as Myanmar and Indonesia, responsible for the loss of millions of hectares of forest.

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<sup>2</sup> United Nations Office on Drugs and Crime, *World Drug Report 2016* (Vienna: United Nations, 2016), 53.

<sup>3</sup> United Nations Office on Drugs and Crime, *World Wildlife Crime Report: Trafficking in Protected Species* (Vienna: United Nations, 2016), 33, 45.

In combatting these illicit trades, ASEAN has established institutional linkages with both the United States and China. For ASEAN, the two superpowers present different approaches forged by their competing regional interests. China is an important country for all ASEAN member states, but especially for those that share land borders with the Asian behemoth. At the same time, the ASEAN countries serve as fundamental political, strategic, and economic partners for China. Transnational crimes in the region are of mutual concern partly because China has almost 4000 kilometres of land border with three Southeast Asian countries, namely Myanmar, Laos, and Vietnam.

Chinese security scholars look at China's engagement with ASEAN as well as with other regional forums on non-traditional security issues through the lens of domestic security. The rising expenditure on Chinese internal security, surpassing its defence expenditure, demonstrates the Chinese Government's strenuous efforts to maintain law and order.<sup>4</sup> Illicit trade in goods is deemed one of the major internal security threats. A Memorandum of Understanding (MoU) on Cooperation in the Field of Non-traditional Security Issues<sup>5</sup> signed in 2004 and renewed in 2009, as well as the Plan of Action formulated in accordance with the MoU,<sup>6</sup> have enabled biannual consultations between ASEAN and China both at ministerial and senior official levels.<sup>7</sup> They also facilitate cooperation in the form of information exchanges, joint training, and other cooperation between law enforcement agencies.

However, Beijing's policies are interpreted and implemented differently at the local level. That makes it difficult for ASEAN countries seeking to manage a complex regional law enforcement environment. China's interest in protecting its citizens, as well as corruption at various levels and collusion between agencies in ASEAN, have made it even harder to achieve success when it comes to policy implementation.

In contrast to China, US engagement with ASEAN on illicit trade in goods is minimal compared to its attention to other issues in the region.

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<sup>4</sup> Patricia Thornton, "China's Non-traditional Security", in *Routledge Handbook of Chinese Security*, Lowell Dittmer and Maochun Yu eds (Oxon: Routledge, 2015), 69.

<sup>5</sup> Memorandum of Understanding between the Governments of the Member Countries of the Association of Southeast Asian Nations (ASEAN) and the Government of the People's Republic of China on Cooperation in the Field of Non-traditional Security Issues, <http://asean.org/memorandum-of-understanding-between-the-governments-of-the-member-countries-of-the-association-of-southeast-asian-nations-asean-and-the-government-of-the-people-s-republic-of-china-on-cooperation-in-t/>.

<sup>6</sup> See the Plan of Action for The Memorandum of Understanding between the Association of Southeast Asian Nations (ASEAN) and the Government of the People's Republic of China on Cooperation in the Field of Non-traditional Security Issues, [http://asean.org/?static\\_post=plan-of-action-for-the-memorandum-of-understanding-between-the-association-of-southeast-asian-nations-asean-and-the-government-of-the-people-s-republic-of-china-on-cooperation-in-the-field-of-non-trad](http://asean.org/?static_post=plan-of-action-for-the-memorandum-of-understanding-between-the-association-of-southeast-asian-nations-asean-and-the-government-of-the-people-s-republic-of-china-on-cooperation-in-the-field-of-non-trad).

<sup>7</sup> There are two levels of consultation between ASEAN and China: ASEAN Ministers Meeting on Transnational Crime Plus China; and ASEAN Plus China Senior Officials Meeting on Transnational Crime.

Unlike China's official-led approach, there is no international agreement governing US anti-trafficking interactions with ASEAN, nor such high-level policy engagement. As of 2016, there had been eight rounds of consultations between ASEAN senior officials on transnational crime and their US counterparts. But they largely focused on other topical issues such as terrorism and cybercrime.<sup>8</sup> Although the United States has been critical of the region's efforts in combatting illicit drugs, it has offered assistance on a bilateral basis. In 2015, of US\$32.3 million for various counter-narcotics programs in the Asia-Pacific, US\$28.6 million went to ASEAN countries.<sup>9</sup>

There are two reasons for the low level of US engagement on non-traditional security issues in the ASEAN region. First, the ASEAN–US relationship was only elevated to the level of a strategic partnership at the 3rd ASEAN–US Summit in Kuala Lumpur in 2015. China became ASEAN's strategic partner 13 years ago in 2003. Therefore, US–ASEAN institutional engagement is still in its infancy. Institutional engagement is important because it involves interaction between government agencies at different levels. It provides an opportunity to learn from each other and develop a relationship. Second, although illicit trade in drugs, wildlife, and timber are important non-traditional security issues in the region, from the US perspective they are not a primary concern. They simply do not pose an immediate threat to US domestic security. There has been increased interaction between the United States and ASEAN in addressing these non-traditional security issues after the ASEAN–US Special Leaders' Summit in Sunnylands, California, in February 2016.<sup>10</sup> However, it will take some time before the United States becomes involved not only at the policy level but also at the enforcement level; and not only on a bilateral basis, but on a multilateral basis.<sup>11</sup>

Competition between the United States and China in Southeast Asia has not yet affected, either positively or negatively, efforts to combat illicit trade in goods including drugs, and the region has not managed to mobilise US and Chinese engagement effectively in the area of illicit trade. The United States approaches the region with a strong normative agenda, and emphasises bilateral connections in its efforts to discourage illicit flows of goods. Chinese engagement is built on a much more robust ASEAN-level mandate, but one that still struggles to gain traction when it comes to implementation. In the future, the ideal will be for

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<sup>8</sup> ASEAN Secretariat, "Overview of ASEAN–US Dialogue Relations", in *ASEAN Secretariat's Information Paper* (Jakarta: ASEAN Secretariat, 4 January 2016), 3.

<sup>9</sup> US Agency for International Development, *US Overseas Loans and Grants: Obligations and Loan Authorizations*, CONG-R-0105, July 1, 1945–September 30, 2015, 130–152.

<sup>10</sup> "ASEAN, US to Further Strengthen Relations", News Release, 29 April 2016, <http://asean.org/asean-us-strengthen-relations/>.

<sup>11</sup> Bureau for International Narcotics and Law Enforcement Affairs, *International Narcotics Control Strategy Report: Volume 1 — Drug and Chemical Control* (Washington DC: US State Department, March 2016), 38.

ASEAN to better harness the competitive instincts of the two superpowers. If ASEAN can create a realistic trilateral arrangement to combat illegal activities, it would help foster productive competition between the United States and China as they seek leadership in the global fight against trafficking of drugs and other illicit goods.



# US–CHINA COMPETITION AND COUNTERTERRORISM

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In comparing Chinese and US counterterrorism engagement with Southeast Asian states, it will become quickly apparent that cooperation is much more mature between and among certain states relative to others. This is a function of those states' own threat perceptions, national security priorities, and historical experience. While, as a matter of course, counterterrorism cooperation regularly features in declaratory statements of ties between Southeast Asian countries and the United States and China, the reality is that only a number of Southeast Asian states — the Philippines, Thailand, Indonesia, Malaysia, and Singapore — have trained their focus on counterterrorism. They have done so, overwhelmingly, in cooperation with the United States rather than China.

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Counterterrorism efforts in Southeast Asia surged in the first few years of the 2000s, triggered by events outside the region. Although Southeast Asian states had been battling terrorists of different creeds even prior to their conception as independent nations, the attacks of 11 September 2001 in the United States suddenly, unfortunately, and unfairly thrust the region into the terror spotlight. Links between al-Qaeda and local/regional networks such as Jemaah Islamiyah and Abu Sayyaf were used to cast Southeast Asia as a potential 'second front' in the United States' global war on terror. Although Southeast Asia strongly resented this characterisation because of the innuendo and implications attached to it, and although the counterterrorism agenda eventually dominated many of the wide-ranging bilateral initiatives and exercises with the United States already in place, the region nevertheless offered its full cooperation.

Much of that cooperation was welcome and earnest. It certainly did not hurt that the United States provided generous funding and assistance to countries previously hamstrung by limited counterterrorism capabilities. The establishment of Indonesia's special counterterrorism police force, Detachment 88, for example, drew a budget of US\$40 million annually from the US State Department's Antiterrorism Assistance Program. The United States also contributed significantly to the setting up of the Southeast Asia Regional Centre for Counter-Terrorism (SEARCCT) in Malaysia soon after the September 11 attacks. In mid-2006, the United States was the largest provider of training courses in SEARCCT and

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continues to support the organisation's research and training initiatives. Recently, the United States provided assistance to counter-narrative initiatives in Malaysia intended to plug the counter-radicalisation gap in the country.<sup>2</sup>

For long-standing treaty allies of the United States such as the Philippines and Thailand, counterterrorism collaboration naturally evolved into an extension of formal defence arrangements at the height of the global war on terror. As part of Exercise Balikatan 02-1/Operation Freedom Eagle – Philippines, for example, Filipino and US boots on the ground flushed out Abu Sayyaf operatives from Basilan, and paved the way for infrastructure construction and community-based projects in the area. Even when Balikatan was cancelled in 2007, US counterterrorism aid to the Philippines continued.

Despite the United States' predominantly military campaign against terrorism in other regions, US–Southeast Asia cooperation in counterterrorism has been focused on civilian capacity- and institution-building, law enforcement, and intelligence exchange. This is, in part, due to Southeast Asia's treatment of terrorism as a crime rather than a war, its tried-and-true experience of winning over hearts and minds during the days of the communist insurgency, as well as the sensitive history of civil-military relations in some countries in the region. As a result, agencies such as the US Department of State, Central Intelligence Agency, and Department of Justice have led the way in engaging with their counterparts and law enforcement personnel across Southeast Asia. The Department of State, for example, has provided training and equipment to hundreds of Indonesian police officers who, in turn, have trained their colleagues in crisis response, K-9 handling, and blast investigation. Significantly, intelligence exchange between US and Thai officers netted suspected Jemaah Islamiyah leader Hambali in August 2003. Additionally, despite rhetoric from Malacañang Palace that has at times seemed reticent of the United States, the latter together with partners such as Australia has extended valuable reconnaissance and intelligence information to Manila in countering the siege of Marawi in recent months.

Even countries in the region less acquainted with the threat of terrorism have received some level of US support in this field. Attention has been paid, for example, to raising Cambodian and Lao border control standards and buttressing the latter's banking sector against terrorist financial flows.

Beyond bilateral engagement, the United States has also engaged Southeast Asian states collectively through a range of regional and international programs such as Southeast Asia Cooperation and

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<sup>2</sup> Farik Zolkepli, "Centre to Counter IS Spin", *The Star*, 22 October 2015, <http://www.thestar.com.my/news/nation/2015/10/22/centre-to-counter-is-spin-messaging-operations-to-put-a-stop-to-terrorism-propaganda/>.

Training (SEACAT)<sup>3</sup> as well as through ASEAN-led frameworks. The United States and Southeast Asian countries engage multilaterally on counterterrorism discussions within the ASEAN Regional Forum (ARF) and conduct joint military exercises on tactical responses to terrorism under the rubric of the ASEAN Defence Ministers' Meeting Plus. The first such exercise was held in Indonesia in September 2013 and the most recent in Brunei in May 2016.

With the exception of its engagement with Indonesia, China's involvement in counterterrorism partnerships with the rest of Southeast Asia has been cursory and largely been through regional initiatives and frameworks. The Plan of Action to Implement the Joint Declaration on ASEAN–China Strategic Partnership for Peace and Prosperity (2016–2020), for example, lists counterterrorism in passing as a non-traditional security area which would benefit from the sharing of information, experiences, and best practices. Other entry points have been through the ARF as well as the Conference on Interaction and Confidence-Building Measures in Asia when, as president from 2014 to 2016, China sought to expand anti-terrorism cooperation with Southeast Asia.

On balance, however, China's engagement with Southeast Asia on this matter has been comparatively nascent and minimal. This may be explained by a few factors: first, China has focused primarily on its ethnic Uighurs who have been implicated in militancy abroad, such as the 2015 Erawan bombing in Bangkok, Thailand or the Mujahidin Indonesia Timur in Sulawesi.<sup>4</sup> It is too soon to tell how this will impact China–Southeast Asia counterterrorism interactions in the near term because few Uighurs have been involved in these activities. China will likely seek more substantive cooperation, beyond extradition, if participation by Uighurs in militant activities becomes greater and more sustained. China has already demonstrated greater interest in counterterrorism initiatives in the region. China and Indonesia have already had four official counterterrorism consultations and a number of military joint exercises focused on counterterrorism, such as Knife Sharp and Sharp Knife Airborne, since 2011. In 2016, it was announced that China will be providing technological support to enhance the operation of Malaysia's Regional Digital Counter-Messaging Communications Centre (RDC3).

Second, and the above notwithstanding, although ties between China and countries such as Malaysia and Singapore have been growing steadily for decades, counterterrorism cooperation has been slow in part due to the delicate, complicated history of communist terrorism overshadowing past relations. That era may be definitively buried with the rise of groups such as al-Qaeda and the self-proclaimed Islamic State. But unlike in the United

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<sup>3</sup> SEACAT began in 2002 under the name Southeast Asia Cooperation against Terrorism and was renamed in 2012 to enlarge the scope of the region's military and coast guard exercises.

<sup>4</sup> Santoso, or Abu Wardah, was leader of the Mujahidin Indonesia Timur and allied to Islamic State. He was killed by Indonesian forces in central Sulawesi in July 2016.

States, there has been no cataclysmic terrorist tragedy or episode affecting China in recent times that ties it to Southeast Asia.

Third, China's defence and security relationship with Southeast Asia has been negligible compared to its vast, extensive trade and investment ties with the region. There is therefore no natural start point to expand the former to cover counterterrorism activities. That is slowly changing, of course, but it does not compare to the decades-long head start in cooperation — and trust — between the United States and many Southeast Asian countries on counterterrorism.

China and Southeast Asia have some way to go to build their own, similar relationship in counterterrorism. Strong trade and investment ties are a helpful but insufficient primer. It will take substantial trust-building in the broader security landscape for cooperation to be meaningful, particularly if relations are tested in the event of a devastating attack.

While Southeast Asian states have developed a level of predictability and familiarity in working with the United States on counterterrorism, the early years after the September 11 attacks were not without difficulty. It was not lost on Southeast Asia that although the United States seemed politically and diplomatically disinterested in the region, after it had been attacked it had no trouble refocusing single-minded — and at times, overbearing — attention on the region on the issue of counterterrorism. This perception was exacerbated on the ground by reports of torture sites in Southeast Asia and the co-opting of authorities in the region for the 'extraordinary rendition' of detainees. With cooperation having quickly shifted to capacity-building for the long term, however, there is arguably a greater base of understanding between both parties upon which to respond to rapidly evolving terror threats.

At the time of writing, it is premature to tell how US–Malaysia cooperation in counterterrorism will unfold under President Donald J Trump's administration. The US–Malaysia Comprehensive Partnership of 2014, meant to institutionalise and insulate the bilateral relationship from the vagaries of political change makes only a passing mention of countering violence and extremism through the promotion of tolerance and interfaith understanding. This may itself be upended if current developments continue. Team Trump's antagonistic rhetoric towards Muslims during the election campaign trail disquieted many in Muslim-majority Malaysia and the chaotic execution of President Trump's executive order on immigration in his first few weeks in office led many to wonder whether Malaysia would be next on an extreme vetting list. Changes in policy vocabulary and substance emphasising 'radical Islamic terrorism' within the Trump administration will also deepen the perception that Islam and Muslims are being singled out, entrenching long-held suspicions and conspiracy theories of US motivations in counterterrorism. This will, in turn, likely complicate effective long-term counterterrorism campaigns and cooperation in this region and beyond.

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