
ASEAN's Relations with the Great Powers in the Post-Cold War Era: Challenges and Opportunities

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Introduction

At the time of its formation in August 1967, few ascribed much hope of success to the Association of Southeast Asian Nations (ASEAN).¹ Previous attempts at regional organisation—in the form of Maphilindo (1963) and the Association of Southeast Asia (1961–67) either collapsed or stalled. Instability was exacerbated as Indonesia's relations vis-à-vis its immediate neighbour, the newly created Federation of Malaysia, were defined in terms of President Sukarno's policy of *Konfrontasi* or confrontation (1963–66) whereby Jakarta opposed the establishment of Malaysia, which was viewed as an instance of British neocolonialism. Moreover, the strategic environment could hardly have been worse. The Cold War had come to Southeast Asia. The Vietnam War was in its third year, and was to drag on to 1975, when the victorious Vietnamese communists astounded the world by securing victory over their United States-backed South Vietnamese rivals. This was merely the prelude to the Third Indochina War (1979–91), where the Southeast Asian region was rocked yet again. Thailand, backed by its ASEAN partners, China, and to a lesser degree, the US, fought back efforts by Soviet-backed Vietnam to extend its influence over Southeast Asia. Regional stability was elusive.

Yet, by 1997, a high-ranking Singaporean diplomat felt confident enough to state that, "after 30 years, ASEAN is the most successful regional organisation in the Third World. Cooperation has replaced conflict as the region's dominant dynamic. ASEAN will continue to play a major role in shaping our region's political, economic and security architecture in the 21st Century."²

There is spirited debate about the question of ASEAN's agency in this narrative, but few would disagree that ASEAN has exceeded expectations.³ A collection of states with varying interests and capabilities, ASEAN now shows us that lack of power is not necessarily destiny, and that a focus on economic development and diplomacy can secure regional and national interests at the same time. Yet, the organisation's future remains uncertain. A major reason for this uncertainty relates to a factor that has always been intertwined with ASEAN's evolution; that is, the larger Asian strategic neighbourhood in which ASEAN is lodged.

It is this issue to which this study addresses. ASEAN's relations with the great powers during the post-Cold War era will be evaluated, with particular reference to the US, China and, to a lesser degree, Japan.

The central theme in this narrative is ASEAN's attempt to persuade each one of these states to behave in ways that bolster regional stability, as the organisation defines it.

Challenges and opportunities have flowed from this ambitious aim, and as our discussion illustrates, ASEAN has had a mixed record. Moving forward, ASEAN faces the same fundamental challenge, with attendant opportunities, if the challenges are met well. We round off our analysis with a discussion of the implications of the analysis for New Zealand.

1 The five founding members of ASEAN were Indonesia, Malaysia, the Philippines, Singapore and Thailand. Brunei joined in 1984. As a consequence of a phased membership expansion after the Cold War, ASEAN now counts in its

2 membership all ten of the Southeast Asian states. Vietnam was admitted in 1995. Laos and Myanmar joined in 1997, while Cambodia was admitted in 1999.

3 Ricardo Saludo "Crossroads For ASEAN", *Asiaweek*, 12 December 1997.

3 Amitav Acharya, *Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order* (London: Routledge, 2001); David Martin Jones, Nicholas Khoo and M.L.R. Smith, *Asian Security and the Rise of China: International Relations in an Age of Volatility* (Cheltenham: Edward Elgar, 2013).

1967

1997

ASEAN and the US: Dealing with the 'Distant Power'

ASEAN's perennial challenge with the US is to keep it engaged in Asia, but on very specific terms. From ASEAN's perspective, the ideal Asia policy for the US is one that emphasises stable great-power relations and cooperation with ASEAN. This translates into a set of specific policies: stable US-China relations; a de-emphasis

on values issues, such as human rights and liberal democracy; and cooperation on matters of common interest. In the post-9/11 era, this pertains principally to counterterrorism and integrating China peacefully into the region. As this review will show, there have been challenges in achieving these aims.

The Geography and History of US-ASEAN Relations

At the outset of the analysis, there is a critical structural element in US-ASEAN relations that needs to be highlighted. Together with China, the US is the great power that most significantly impacts the Southeast Asian region that the ASEAN states inhabit. However, unlike China, the US role in Southeast Asia is not an inevitable one. Whereas China is destined by geography to have a close interaction with the Southeast Asian states, there is no land border compelling the US to interact closely with the region. Well into the early twentieth century, the US held a strong isolationist outlook in its thinking on world politics.⁴ Thus, notwithstanding its role as a colonial power over the Philippines from 1898 to 1946, prior to World War Two, the US interest in Southeast Asia was relatively weak.⁵

It was really only because of the Cold War strategic context that Washington developed a deep interest in Southeast Asia.⁶

Here, the region was seen as a critical component in the US policy of containing communism.⁷ The Southeast Asian region was divided on the question of the value of communism as a political and economic model, with the US invariably favouring the capitalist, non-communist portion of ASEAN. This history invariably lingers on in Southeast Asian views of the US as an external power in the region's international politics. For states that were on the non-communist side of the Cold War, the US is still viewed as coming to Southeast Asia's aid at a critical time. For the regimes that embraced communism, there is an appreciation of the less benign aspects of US power, even if this is more than counterbalanced by the knowledge that US power can be overcome, albeit at a cost. In the post-Cold War era, geography and history invariably introduce an anxiety factor in ASEAN's relations with the US. Given the historical record of a variable Cold War-era US commitment to Southeast Asian security, and the sheer distance between it and Southeast Asia, the ASEAN leaders realise that the degree of this great power's involvement in Southeast Asia can vary, sometimes significantly.

⁴ Walter LaFeber, *The American Age: United States at Home and Abroad Since 1750* (New York: W.W. Norton and Company, 1989).

⁵ Gary Hess, *The United States' Emergence As A Southeast Asian Power, 1940-50* (New York: Columbia University Press, 1987).

⁶ Andrew Rotter, *The Path To Vietnam: Origins of the American Commitment to Southeast Asia* (Ithaca: Cornell University Press, 1987).

⁷ William Duiker, *U.S. Containment Policy and the Conflict in Indochina* (Stanford: Stanford University Press, 1994).

ASEAN and the US 1991-1997

With these points in mind, ASEAN's relations with the US in the post-Cold War era have gone through two distinct phases, with the Asian financial crash of 1997-98 serving as an inflection point. From 1991 to 1997, the US-ASEAN relationship reflected a strong sense of drift and conflict. With the Cold War over, the two sides engaged in repeated sparring over topics varying from human rights and liberal democracy to the appropriate approach to China. At the same time, the ASEAN states remained deeply interested in a US regional presence, both as an economic partner and in its role in providing an amorphous stability to the region. The dilemma facing ASEAN was this: How could they secure a US commitment to regional stability even as some ASEAN states vigorously contested the US approach to specific policy issues? As the narrative that follows illustrates, this was a challenge.

ASEAN is ever-aware of its strategic vulnerability and has always sought a favourable balance of forces in the region. This has included a significant role for the US, which is viewed as a check on the Asian great powers, China and Japan. This was true in the Cold War, and the post-Cold War era has been no different.⁸ ASEAN watched with concern the intense domestic debate in the US on the question on retrenchment from Asia and Europe, so as to attend to internal economic issues.⁹ ASEAN's modest response was to create a formal institution to facilitate continued US engagement in Southeast Asia. Thus arose the ASEAN Regional Forum (ARF), which first met in Bangkok in July 1994, and has continued to the present.¹⁰ Interestingly, in this period,

all the five original ASEAN members (as well as the sixth, Brunei) entered into formal agreements to allow the US military access to their facilities.¹¹

While ASEAN-US military cooperation and strategic dialogue slowly developed, frictions arose in other spheres. The issues of human rights and liberal democracy were a lightning rod in relations for the better part of the 1990s. Here, the Tiananmen protests and ensuing Chinese crackdown in 1989 spilled over into US-ASEAN relations. The ASEAN states, while concerned at both the events surrounding the protests and subsequent crackdown, were eager for the US to see the bigger strategic picture in China, and de-emphasise values issues. The episode was viewed by the ASEAN states as an internal affair.¹² Accordingly, they sought to emphasise the need for stability at a time of crisis and transition.

To ASEAN's general satisfaction, their viewpoint resonated with the US president at the time. President George H.W. Bush, a former US Chief Liaison Officer to the People's Republic of China (1974-75) and Central Intelligence Agency director, was the President at the time of Tiananmen. His inclination was to contain the damage to US-China relations, and not to impose the heavier sanctions than many in the American polity were calling for. This played no small part in stabilising US-China relations. But it did not help him in the 1992 US presidential elections. His presidential rival, Bill Clinton, criticised Bush for "coddling dictators" and for his "indifference to democracy."¹³ Clinton was elected in December 1992.

1991

1997

⁸ For detailed discussion of the ARF's origins and evolution see Alice Ba, *[Re]Negotiating East and Southeast Asia: Region, Regionalism and the Association of Southeast Asian Nations* (Stanford: Stanford University Press, 2009), 159-192.

⁹ See Eugene Gholz, Daryl Press, Harvey Sapolsky, "Come Home

10

America: The Strategy of Restraint in the Face of Temptation", *International Security*, 21 no. 4 (Spring 1997), 25-33.

John Garofano, "Power, Institutions, and the ASEAN Regional Forum: A Security Community For Asia?", *Asian Survey*, 42 no. 3 (2002), 502-521.

11

Ba, *[Re]Negotiating East and Southeast Asia*, 165-169.

12

Ian Storey, *Southeast Asia and the Rise of China: The Search for Security* (London: Routledge, 2011), 41.

13

David Lampton, *Same Bed, Different Dreams: Managing U.S.-China Relations 1990-2000* (Berkeley: University of California Press, 2001), 33.

The ASEAN leaders looked on in despair as the most important bilateral relationship determining Southeast Asia's stability went into a tailspin. US-China relations lurched from one crisis to the next. Assured of a Democratic Party majority in both houses of congress for 1993-94, Clinton devised a China policy that established a link between trade and human rights, in order to pressurise the Chinese to reform their human rights practices.¹⁴ In what was an education in international politics for the Clinton administration, the Chinese balked. In May 1994, Clinton had to capitulate with no meaningful Chinese concessions. A second lesson came quickly, with a crisis over Taiwan.¹⁵ Following heavy lobbying by pro-Taiwanese interests, members of congress in both houses of congress voted in favour of Taiwanese President Lee Tenghui making the commencement speech at his alma mater Cornell University in June 1995.¹⁶ Critically, the Clinton administration backtracked on a previous assurance to Beijing, and allowed a visa to be issued for the visit. The result was the extended 1995-96 Taiwan Straits Crisis.¹⁷ Belated US intervention brought the crisis to a halt. ASEAN watched nervously on the sidelines. Fortunately, escalation brought clarity to Beijing and Washington on the need for a more stable relationship. This was symbolised in the exchange of state visits between President Clinton and President Jiang Zemin over 1997-98.¹⁸ It also reassured the ASEAN states.

Yet, if the Southeast Asians sought to advise the US to de-emphasise liberal democratic values in relations with China, some of their leaders were inclined to emphasise non-liberal values in relations with the US, in the form of "Asian values".¹⁹ This was essentially the "Asian values" debate, led by Singaporean leader Lee Kuan Yew, closely followed by Malaysian Prime Minister Mahathir Mohamad, and a bevy of Southeast

Asian public intellectuals.²⁰ At least in the short-term, the debate had a divisive impact on US relations with the ASEAN states. It took a particularly powerful empirical shock to settle this theoretical debate.²¹ The particularly deep-seated Asian Financial crisis of 1997-98 shattered Asian confidence, and raised powerful questions. Asian-values proponents were at a loss to explain the economic turmoil. If, as was claimed, Asian values were responsible for Asian economic success, did the obvious economic catastrophe mean that Asian values had somehow changed in a short period of time? This was implausible. Or, was it a case that it was specific economic policies that accounted for the empirical record? To the neutral, this latter explanation seemed more persuasive. The debate ended on that note.²²

The tables were turned in the ASEAN-US relationship. Just as claims for Asian values grated US ears, US calls for transparency to root out 'crony capitalism' grated on Southeast Asians. Both sides wanted to move on. They had reason to.

1991

1997

¹⁴ Lampton, *Same Bed, Different Dreams*, 39-46.

¹⁵ *Ibid.*, 46-55.

¹⁶ Bruce J. Dickson, "Taiwan's Challenge to U.S. Foreign Policy", in Bruce J. Dickson and Chen-min Chao eds., *Assessing the Lee Teng-hui Legacy in Taiwan's Politics*, (Armonk, New York: M.E. Sharpe, 2002), 268.

¹⁷ Robert Ross, "The 1995-96 Taiwan Strait Confrontation: Coercion, Credibility and the Use of Force",

International Security, 25 no.2 (Fall 2000), 87-123.

¹⁸ Clinton visited China 25 June to 3 July 1998. Jiang visited the US from 27 October to 3 November 1997.

¹⁹ The debate is summarised in Melanie Chew, "Human Rights in Singapore: Perceptions and Problems", *Asian Survey*, 34 no. 11 (1994), 933-948.

²⁰ For Lee Kuan Yew's view, see Fareed Zakaria, "Culture is Destiny: A Conversation With Lee Kuan Yew",

Foreign Affairs, 73 no. 2 (March/April 1994), 109-126.

²¹ Robert Wade, "Wheel Within Wheels: Rethinking the Asian Crisis and the Asian Model", *Annual Review of Political Science*, 3 (2000), 85-115.

²² Mark R. Thompson, "Whatever Happened to 'Asian Values'?", *Journal of Democracy*, 12 no. 4 (2001), 154-165; Francis Fukuyama, "Asian Values and the Asian Crisis", *Commentary*, no. 105 (February 1998), 23-27.

US-ASEAN Relations, 1998 to the Present

The 1997-98 Asian financial crisis was a signal that the more malign aspects of globalisation, at least in the financial sense, had come to Asia. More was to follow. In 2001, a different, and arguably darker, aspect of globalisation rocked the US-ASEAN relationship. This came in the form of the terrorist attacks of 9/11. The Global War on Terror (GWOT) had arrived, and the US expected cooperation from ASEAN. Moreover, from the perspective of the ASEAN states, there was the troubling revelation that Southeast Asia was actually an important battlefield in the GWOT. Even as ASEAN-US cooperation in the GWOT evolved, China's rise brought with it a mixed picture. As described in the section on ASEAN's relations with China, substantial increases in mutual economic benefits were accompanied by very real and high-profile territorial disputes between China and certain ASEAN states. The ASEAN states increasingly sought out a US economic and military presence to meet the acute challenges involved in maintaining regional stability. The US responded with the Obama administration's rebalance to Asia-Pacific policy.

1998

2016

Cooperating in the Global War on Terror

Following the 9/11 attacks on the US, the US concern was that Southeast Asia, with its significant Muslim population would become a “second front” in the GWOT. Cooperation was imperative. The broad terms of ASEAN-US cooperation in the GWOT were set out in an official document signed in Bandar Seri Begawan, Brunei in August 2002. The second front designation was not an exaggeration. In the course of their operations in Afghanistan during Operation Enduring Freedom, US coalition special forces discovered a videotape containing surveillance conducted by a hitherto unknown Al Qaeda affiliate in Southeast Asia called Jemaah Islamiah (JI). The videotape contained footage indicating plans to attack US targets and Western embassies in Singapore. The JI was subsequently responsible for a series of bombings across Indonesia. These included the Bali nightclub bombings of 12 October 2002, which killed 202 people; the 5 August 2003 attack on the J.W. Marriott Hotel; and the bombing of the Australian embassy in Jakarta, on 9 September 2004, and the Bali restaurant bombings of 1 October 2005. Its members were active across Southeast Asia, and particularly in the Philippines, Thailand, Malaysia and Singapore.

In the GWOT, the weakness of ASEAN's multilateral anti-terrorism cooperation efforts actually strengthened bilateral US cooperation with specific ASEAN states.²³ A joint US–Thai operation secured the arrest of the strategic coordinator of Al-Qaeda activity in Southeast Asia, Riduan ‘Hambali’ Isamuddin in Bangkok in August 2003.²⁴ Thailand, like the Philippines, is a major non-NATO US ally and has established close links with the US through the Joint Counter Terrorism Intelligence Centre in the US Pacific Command Joint Intelligence Centre at Hawaii. In the Philippines, President Gloria Macapagal-Arroyo (2001–10) effectively employed the rhetoric of the GWOT to build closer ties with the US. Arroyo's pledge to fight terrorism secured a military aid package for the more forceful prosecution of the long-standing internal problem of Islamic-inspired Moro separatism in Mindanao, the southern of the three island groups of the Philippines. Strong cooperation with the US continues with her successor Benigno Aquino. Cooperation with the Indonesian police force also helped Indonesia's counterterrorist *Detasemen Khusus 88* (Detachment 88) to develop. In March 2011, an agreement on combating transnational crime, focused on countering terrorism was signed. Singapore's Joint Counter Terrorism Centre regularly shares information with its US counterpart in Hawaii referenced above. In the context of the Islamic State in Iraq and the Levant's (ISIL) rise, both sides have renewed their anti-terrorism cooperation in early 2015.²⁵ Former Malaysian Prime Minister Mahathir Mohamad used the war on terrorism to re-establish relations with the US, which had soured during the 1990s.²⁶ In May 2002 a memorandum of understanding was signed enhancing law enforcement and intelligence cooperation. Following Mahathir's resignation in October 2003, Malaysia's new Prime Minister Abdullah Ahmad Badawi (2003–09) pledged Malaysia's continuing support for the war against terrorism. Since 2009, Badawi's successor, Najib Razak has condemned jihadist violence, particularly in Southern Thailand. To be sure, domestic politics has constrained cooperation between the US and both Malaysia and Indonesia. But, in sum, the GWOT has been a positive example of how overlapping interests in dealing with a common threat have led to cooperation with the US.

²³ Jones, Khoo, and Smith, *Asian Security and the Rise of China*, 105.
²⁴ Raymond Bonner and Seth Mydans, “An Intensive Hunt Led to a Terror Suspect and, Officials Hope, Details of Future Plots”, *New York Times*, 16 August 2003.

²⁵ Jeremy Au Yong, “Singapore, U.S. Pledge to Cooperation in Anti-Terror Fight”, *Straits Times*, 15 February 2015.

²⁶ David Capie, “Between a Hegemon and A Hard Place: The ‘War on Terror’ and Southeast Asian-U.S. Relations”, *Pacific Review*, 17 no. 2, (2004), 230.

2002

2015

Hedging on China's Rise: The South China Sea

Particularly since 2008, the high-profile frictions in the South China Sea involving China's contested claims with the four claimant ASEAN states, Brunei, Malaysia, the Philippines and Vietnam, have led to a renewed awareness of the US's importance as a counterbalance to China. (These developments are covered in detail in the next section.) To the extent that general concern for stability unites the ASEAN states, there is an emerging convergence of interest and views on the South China Sea between most of the ASEAN states and the US.

There was therefore strong ASEAN support in November 2011 when the Obama administration announced a new Asian rebalancing policy.

Indeed, Southeast Asia is at least as important as other parts of Asia in the rebalancing policy. This was made clear by US National Security Adviser Thomas Donilon in early 2013.²⁷ The administration has repeatedly stated that its policy is not designed to take sides in the various ASEAN states' disputes with China.

That said, to the extent that the US policy is focused on maintaining the status quo, its position supports the militarily far weaker ASEAN claimants, and diverges with China's policy in the South China Sea. ASEAN's concerns have focused on the discrepancy between the rhetoric of the rebalancing and the implementation of US policy.²⁸ These concerns have reduced, but not evaporated, with the appointment of Ashton Carter as US Secretary of Defense in December 2014. In May 2015, Carter made the most explicit critique of China's activities in the South China Sea by any official serving in the Obama administration since 2009.²⁹

²⁷ Donilon stated in a speech at the Asia Society that: "The U.S. is not only rebalancing to the Asia-Pacific, we are rebalancing within Asian to recognize the growing importance of Southeast Asia." <http://www.whitehouse.gov/the-press-office/2013/03/11/remarks-tom-donilon-national-security-advisory-president-united-states-a> accessed on 21 October 2015.

²⁸ Mark E. Manyin et al. "Pivot to the Pacific? The Obama Administration's 'Rebalancing' Toward Asia", *Congressional Research Service* (Washington DC, 2013), 10.

²⁹ Mathew Rosenberg, "U.S. Rebukes China on Efforts to Build Artificial Islands", *New York Times*, 27 May 2015. For Secretary Carter's speech see: <http://www.defense.gov/Speeches/Speech.aspx?SpeechID=1944>

2008

2015

ASEAN and China: The Challenges of Establishing a Stable Relationship

As in its relations with the US, ASEAN's perennial challenge with China is to keep it engaged in Asia, but on very specific terms. From ASEAN's perspective, the ideal Chinese policy toward Southeast Asia would emphasise trade and investment, and accommodation rather than conflict on territorial sovereignty-related issues.

As it has turned out, economic interdependence has been mutually beneficial and significant. The military side has been more challenging, particularly as China's rise has seen a rise in territorial disputes in the South China Sea between Beijing and some of the ASEAN member states.

The Geography and History of Sino-ASEAN Relations

Geographic proximity and a long history of interaction heavily condition the ASEAN states' relations with China. Geography matters deeply for ASEAN and China, and in ways that are fundamentally different from ASEAN's relationship with the US³⁰ Unlike the US, parts of China are in Southeast Asia. Unsurprisingly, there is considerable evidence that China views Southeast Asia as a natural sphere of influence and interest.³¹ The Southeast Asian states understand this reality, and welcome the role of extra-regional actors in adding a balancing element to the region's international politics. In effect, this constrains Beijing's options. China's stance on the role of external actors, and by extension ASEAN's foreign policy, is more complex. At a rhetorical level, the involvement of non-Asian powers in Southeast Asian affairs has been either a source of outright critique or suspicion since the current Chinese regime assumed power in 1949. In practice, external intervention has been welcomed for instrumental reasons, to deter other external actors. From 1949 to the late 1960s the US's intervention in Southeast Asia was vigorously opposed by Beijing. After the Sino-Soviet border war of 1969, and Sino-American rapprochement in 1972, the US was welcomed, and it was the Soviet Union's regional presence that was the target of criticism. The upshot is that no great power, and that is what China is, likes its power circumscribed.

History also matters deeply. Invariably, states in Southeast Asia assess China's contemporary foreign policy in terms of its current behaviour. But, they also keep firmly in mind Beijing's complex impact on Southeast Asia during the Cold War and pre-Cold War period.³² Indeed, history and geography interact in complex ways. The extended collapse of the Qing dynasty during the nineteenth century led to a mass exodus of ethnic Chinese from China to Southeast Asia. This significantly transformed Southeast Asia. According to one estimate, Southeast Asia is home to more of the global ethnic Chinese diaspora than any one other region.³³ While the ethnic Chinese have been largely successfully integrated into Southeast Asia, their presence has been a central concern in these states' relationships with China. That said, ethnicity should not be equated with a policy that automatically supports China. Far from it. These states have distinct interests which transcend ethnicity. Thus, Singapore, the state with the largest proportion of ethnic Chinese, is arguably the strongest supporter of the US regional presence in Southeast Asia. It has held this position since the Cold War. Conversely, Malaysia, a state that has a majority non-Chinese population, arguably has one of the best relationships with China among the ASEAN states. It was the first ASEAN state to establish diplomatic relations with China, on 31 May 1974.

1949

1974

30 China shares borders with three of the mainland Southeast Asian states: Myanmar (Burma), Laos and Vietnam. The other states of Southeast Asia—Brunei, Cambodia, East Timor, Indonesia, Malaysia, Philippines, Singapore, Thailand — do not share borders with China, but they are relatively near China.

31 Jay Taylor, *China and Southeast Asia: Peking's Relations with Revolutionary Movements*, Expanded ed. (New York: Praeger, 1976), 385.

32 C.P. Fitzgerald, *China and Southeast Asia Since 1945* (Longman, 1973).

33 Leo Suryadinata, *China and the ASEAN States: The Ethnic Chinese Dimension* (Singapore: Marshall Cavendish, 2005), 4.

China and ASEAN in the Post-Cold War Era: Economic and Security Relations

During the Cold War, ASEAN's economic relations with China were unimpressive. In the post-1978 reform era, only Singapore ranked among China's top ten trading partners.³⁴ In the post-Cold War period, ASEAN's economic relations with China have been transformed. At the November 2000 ASEAN-China Summit, Chinese Premier Zhu Rongji proposed the creation of a China-ASEAN free trade area. This was achieved via a two-stage process, between 2010 to 2015.³⁵ China is now ASEAN's top trading partner, constituting 14.5 percent of ASEAN's trade.³⁶ It is among the top five trading partners of every ASEAN state.³⁷ At the 13th ASEAN-China Summit in October 2010 in Hanoi, China pledged to realise two-way trade volume of US\$500 billion and Chinese direct investment of US\$10 billion by 2015. This appears to be very achievable. That said, attention to the balance of trade raises political questions which are relevant to New Zealand as much as ASEAN (discussed in the last two sections of this report). In 2013, ASEAN states had a collective deficit of US\$45 billion in its trade with China.³⁸ Also, Chinese foreign direct investment in Southeast Asia clearly lags behind its trade. In 2013, China only contributed to 2.3 percent of ASEAN's total FDI stock.³⁹ Conversely, Singapore

occupies a disproportionate role in both Chinese FDI in ASEAN (41 percent), and in ASEAN states' FDI in China (accounting for 6 percent of China's FDI).⁴⁰

As indicated earlier, security relations have been much more complex and unstable than economic relations. The People's Republic of China has a long-standing claim to the territories in the South China Sea, dating back to August 1951. Force has been used by China on a number of occasions, most notably against South Vietnam in 1974, and against a unified Vietnam in 1988. In the post-Cold War era, the issue has taken on a new twist as China has become a net importer of petroleum in 1993, emerging as the second largest importer in 2009 (behind the US). The possibility of untapped oil in the seabed of the South China Sea has raised the stakes. The period from late 1994 to 1995 saw China occupying the contested Mischief Reef area, building structures in an area claimed by the Philippines. A variety of actors ranging from Brunei, Malaysia, the Philippines, Taiwan and Vietnam have maintained counterclaims to China's, adding to the intractability of the issue.

Against this backdrop, ASEAN has sought to deal with the territorial dispute via multilateral dialogue and socialisation practices. For a while, this much celebrated ASEAN Way appeared to have succeeded, if not in completely resolving the issue then at least in taking the sting out of it.⁴¹ In 1996, China ratified the United Nations' Convention on the Law of the Sea (UNCLOS), but opted out of its dispute settlement mechanism. After a period of relative calm following the signing of the 2002 Declaration of Conduct on the South China Sea, these maritime disputes have emerged as an even more serious regional security issue. In 2008, an agreement signed by China, the Philippines and Vietnam to conduct a joint seismic survey of disputed areas in the South China Sea lapsed.

1978

³⁴ Madelyn C. Ross, "China's International Economic Behaviour", in Thomas W. Robinson and David Shambaugh eds. *Chinese Foreign Policy: Theory and Practice* (Oxford: Clarendon Press, 1994), 443.

³⁵ The ASEAN-China Free Trade Area (ACFTA) came into force for China and the original ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand)

on 1 January 2010. ACFTA came into force for China and the remaining ASEAN countries on 1 January 2015.

³⁶ See table of ASEAN's top trading partners on ASEAN's website: http://www.asean.org/images/2015/July/external_trade_statistic/table20_asof17June15.pdf

³⁷ Nargiza Salidjanova and Iacon Koch-Weser, *China's Economic Ties with ASEAN: A Country-by-Country*

Analysis (Washington DC: U.S.-China Economic and Security Review Commission, 2015), 3.

³⁸ Salidjanova and Koch-Weser, *China's Economic Ties with ASEAN*, 6.

³⁹ *Ibid.*, 6.

⁴⁰ *Ibid.*, 7.

⁴¹ Storey, *Southeast Asia and the Rise of China*, 64-98.

2015

Following the failure to achieve noticeable progress from the 2002 Declaration of Conduct on the South China Sea, in May 2009, Malaysia and Vietnam made a joint submission to UNCLOS on their territorial claims in the South China Sea. In response, China submitted a map to UNCLOS that appeared to assert Chinese sovereignty over most of the South China Sea, including not only land features, but also the waters inside the line.⁴² This escalation focused regional attention on the July 2010 ASEAN Regional Forum in Hanoi. At the meeting, the US Secretary of State Hillary Clinton called for the peaceful settlement of maritime disputes based on UNCLOS.⁴³ In response, Chinese Foreign Minister Yang Jiechi responded with what one US official described as “a twenty-five-minute stem-winder that shook the meeting”.⁴⁴ Yang countered that Secretary Clinton’s comments “were, in effect, an attack on China”.⁴⁵ Yang, who reportedly was “staring directly at Secretary Clinton for much of the time”, declared that “China is a big country. Bigger than any other countries here.”⁴⁶ Since this incident, there has been a marked deterioration in Sino-ASEAN relations over the South China Sea. Culpability for this deterioration rests on one’s interpretation of events. Since this is a report we will seek to present the basic chronology, and as far as possible, de-emphasise interpretational aspects.

In September 2010, the Chinese government seized a Vietnamese shipping vessel in the vicinity of the Paracel Islands. At the ASEAN Defence Minister’s Meeting (ADMM) Plus Eight in Hanoi in mid-October 2010, Vietnam placed the issue of the South China Sea territorial disputes on the agenda for discussion. While no actual progress was achieved at the meeting, this act itself was a direct challenge to China. Beijing has consistently refused a multilateral approach to the dispute, insisting instead on settling claims bilaterally. China’s disputes with the Philippines and Vietnam intensified. In March 2011, a stand-off occurred when a Philippine vessel was conducting a seismic survey in the natural gas-rich Reed Bank in the Spratly Islands. Manila claimed that four similar skirmishes occurred between April and May. The Aquino government subsequently began referring to the South China Sea as the “West Philippine Sea”.⁴⁷

In July 2011, ASEAN and China agreed to a set of guidelines for implementing the 2002 Sino-ASEAN Declaration on the South China Sea.

In August, President Hu Jintao stated after meeting with Philippine President Aquino that “the countries concerned may put aside disputes and actively explore forms of common development in the relevant sea areas”.⁴⁸ On 6 September, the Chinese government released a white paper that suggested further moderation in its approach to disputed waters. The document reaffirmed Deng Xiaoping’s well-known guidance on “setting aside disputes to pursue joint development”.⁴⁹ In January 2012, a Sino-ASEAN meeting led to the establishment of four working groups to explore marine environmental cooperation, marine scientific research, search and rescue operations, and ways to combat transnational crime.

However, at the same time that Beijing appeared to embrace a more accommodating stance, it was also prepared to respond robustly to defend its interests. A stand-off occurred between Chinese and Philippine naval vessels over the Scarborough shoal in the Spratly Island chain in April and May 2012. China outmanoeuvred the Philippines. With a typhoon approaching, both sides agreed to withdraw from the area. The Chinese quickly returned to occupy the shoal in June, claiming ownership without firing a shot. Significantly, Chinese sources reveal strong public support in China for this robust posture.⁵⁰

⁴² Jacques deLisle, “Troubled Waters: China’s Claims and the South China Sea”, *Orbis*, 56 no. 4 (Fall 2012), 614–615.

⁴³ Lee Kuan Yew, “Battle for Pre-eminence”, *Straits Times*, 2 October 2010.

⁴⁴ Jeffrey A. Bader, *Obama and China’s Rise: An Insider’s Account of America’s Asia Strategy* (Washington, DC:

Brookings Institution Press, 2012), 105.

⁴⁵ Lee, “Battle for Pre-eminence”.

⁴⁶ Bader, *Obama and China’s Rise*, 105.

⁴⁷ International Crisis Group (ICG), *Stirring Up the South China Sea (I)*: Regional Responses, Report No. 229 (24 July 2012), 7.

⁴⁸ International Crisis Group (ICG), *Stirring Up the South China Sea (I)*, Report No. 223 (23 April 2012), 36.

⁴⁹ ICG, *Stirring Up the South China Sea (I)*, 35.

⁵⁰ “Zhongguo gongzhong dui nanhai zhengduan de taidu diaocha” [Survey on Chinese public’s attitude toward South China Sea disputes], 2 May 2012. Available at: <http://opinion.huanqiu.com/1152/2012-05/2679784.html>

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Meanwhile, China protested Vietnam's passing of a June 2012 maritime law declaring sovereignty over the Paracel and Spratly Islands. In that same month, China unilaterally established a municipality called Sansha (three sandbanks in Chinese) in the South China Sea, with Yongxing (or Woody) island serving as the administrative hub. According to the official Chinese Xinhua news agency, Sansha's jurisdiction extends over 13 square kilometres of land and 2-million square kilometres of surrounding water, effectively establishing Chinese control over much of the South China Sea.⁵¹ In a direct challenge to Vietnam, the China National Offshore Oil Corporation's (CNOOC) invited bids for a new batch of oil exploration blocks, some of which were within the 200-mile limit that Vietnam claims as its exclusive economic zone.

At least in the short-run, China has had some success in driving a wedge between the ASEAN states, forestalling a unified regional response to its South China Sea policy. At ASEAN's June 2012 Summit, held in Phnom Penh, ASEAN members failed even to agree on a diplomatic statement to address overlapping claims in the South China Sea. For the first time in its 45-year history, ASEAN failed to agree on a post-summit communiqué. This was because Cambodia refused to include a reference to the South China Sea disputes in the final communiqué. One Filipino official claimed that Cambodia used its position to exercise a de facto veto over proceedings.⁵²

Singaporean Foreign Minister Kasiviswanathan Shanmugam went further. Reflecting on the damage inflicted on ASEAN's credibility, he observed that: "To put it bluntly, it is a severe dent on ASEAN's credibility".⁵³ At the November East Asian Summit, also held in Phnom Penh, Cambodia and China again tried to neutralise debate over the South China Sea dispute. Chairing the Summit once more, Cambodia unilaterally announced that ASEAN had agreed with China that "they would not internationalise the South China Sea", and focus instead on "the existing ASEAN-China mechanisms".⁵⁴

If anything, the ability of ASEAN and China to reach an accommodation on the South China Sea disputes has declined since the ascension of a new Chinese leader Xi Jinping in late 2012. The Chinese position doubtless reflects a perception of US cooperation with regional states that are in dispute with China. The Aquino government has reinvigorated the once estranged US-Philippines military relationship. In July 2013, Manila and Washington started negotiations on the establishment of a rotational air and naval agreement that allows for an increased US military presence.⁵⁵ In December 2013, Secretary of State John Kerry made high-profile stopovers in Hanoi and Manila, announcing increases in US military aid to both.⁵⁶

Just ahead of the 24th ASEAN Summit on 10-11 May 2014, and immediately after a 22-29 April regional visit by President Obama, regional stability took a turn for the worse. Tensions in the Sino-Vietnamese relationship escalated. Just prior to the summit, beginning on 1 May, in what must have been a long-planned operation, the Chinese state-owned China National Offshore Oil Corporation (CNOOC) towed in a giant 40-storey tall drilling rig to a potential drilling site in the Paracel Islands. These islands are claimed by China and Vietnam, but occupied by China since 1974. The rig was accompanied by a Chinese convoy. It is unclear as to which side started the ramming, but in the ensuing scuffle, both sides' ships were subject to assault.⁵⁷

51 Associated Press, "Tiny Island, Big Reach", 24 July 2012.

52 Nirmal Ghosh, "ASEAN Forum Fails to Reach Accord", *Straits Times*, 14 July 2012.

53 Editorial, "Severe Dent on ASEAN's Credibility", *Today*, 14 July 2012.

54 Ben Bland, "ASEAN Curbs U.S. Regional Security Role", *Financial Times*, 18 November 2012.

55 Keith Bradsher, "U.S. Forging Closer Military Ties with Philippines", *New York Times*, 12 July 2013.

56 Associated Press, "U.S. Takes Aim at China, Ups Naval Aid to SE Asia", 16 December 2013.

57 Gerry Mullany and David Barboza, "Vietnam Squares Off with China in Disputed Seas", *New York Times*, 10 May 2014.

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Vietnamese anger spilled over into physical attacks on Chinese workers in Vietnam. More than 3000 Chinese workers were evacuated by the Chinese embassy in Hanoi and its consulate in Ho Chi Minh city.⁵⁸ Unconfirmed reports suggest that four persons (at least one of whom was Chinese) were killed and 135 wounded.⁵⁹

The issue came to a head with a more targeted US intervention. At the annual IISS Shangri-La meeting on 1 June, US Secretary of Defence Chuck Hagel gave voice to regional concerns by directly critiquing Chinese policy.⁶⁰ He noted that “the US will not look the other way when fundamental principles of the international order are being challenged”.⁶¹ The Chinese response was unequivocal. In his presentation, the Chinese representative, Lieutenant General Wang Guanzhong, deputy chief of general staff of the People’s Liberation Army strongly contested Hagel’s views.⁶²

Since October 2014, the international politics of the South China Sea has been characterised by a mix of developments. In a widely cited speech delivered at a Central Work Conference on Foreign Relations Chinese leader Xi Jinping appeared to indicate an emphasis on cooperation in its East Asian policy.⁶³ He reiterated the importance of “neighbourhood diplomacy” first emphasised in an important meeting in Beijing in October 2013. Balanced against these positive developments are contrary trends that strongly suggest that inter-state competition over the South China Sea is alive and well. In late January 2015, satellite imagery revealed that the Chinese had been hard at work creating artificial islands in various reefs in the South China Sea. This includes suspected Chinese dredging activity at the following reefs: Cuarteron, Fiery Cross, Gaven, Hughes, Subi and the Union reefs (Johnson South and Johnson North reefs).⁶⁴ As a consequence of this activity, the US estimates that from May 2014 to April 2015,

the expansion of Chinese territory stands at between 1500 and 2000 acres.⁶⁵ For example, dredging activity at Hughes Reef, a shoal in the Spratly Islands, has led to the construction of a 90,000 square yard island, complete with a helicopter pad and radar facility.⁶⁶ Significantly, a satellite photo taken of the same location in March 2014 revealed only a small concrete platform at high tide.

At the ASEAN April 2015 Summit in Kuala Lumpur, ASEAN Secretary General Lê Lúong Minh contested China’s claims in the South China Sea. Asked about a recent Chinese Foreign Ministry spokesperson’s unusually blunt criticism of his alleged lack of neutrality on this issue,⁶⁷ he responded: “What kind of neutrality are they talking about? Can I be neutral to ASEAN interests? How can I be neutral to the truth?”.⁶⁸ In a 16–17 May 2015 trip to Beijing, US Secretary of State John Kerry was told by his counterpart Wang Yi that: “China’s determination to safeguard its sovereignty and territorial integrity is as firm as a rock and is unshakable ... but we also hope to maintain peace and stability in the region and are committed to international freedom of navigation.”⁶⁹

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⁵⁸ Jane Perlez, “Vietnamese Block Anti-Chinese Protests after Days of Violence over Oil Rig”, *New York Times*, 18 May 2014.

⁵⁹ Perlez, “Vietnamese Block”.

⁶⁰ For Secretary Hagel’s speech see: <http://www.iiss.org/en/events/shangri-la-dialogue-2013-c890/first-plenary-session-ee9e/chuck-hagel-862d>

⁶¹ Hagel, IISS Speech.

⁶² For General Wang’s speech see: <http://www.iiss.org/en/events/shangri-la-dialogue/archive/2014-c20c/plenary-4-a239/wang-guanzhong-2e5e>

⁶³ Reuters, “Xi Tones Down Foreign Policy Rhetoric”, 30 November 2014.

⁶⁴ Derek Watkins, “What China Has Been Building in the South China Sea”, *New York Times*, 31 July 2015.

⁶⁵ Eva Dou and James Hookway, “China Lashes Out over U.S. Plan on South China Sea”, *Wall Street Journal*, 13 May 2015.

⁶⁶ Davis S. Cloud, “China’s Man-Made

Islands in Disputed Waters Raises Worries”, *Los Angeles Times*, 28 January 2015.

⁶⁷ Reuters, “China Slams ASEAN Chief for South China Sea Comments”, 11 March 2015.

⁶⁸ Ben Otto and Jason Ng, “ASEAN Chief Says ‘Can’t Accept’ Beijing’s South China Claims”, *Wall Street Journal*, 26 April 2015.

⁶⁹ Tom Mitchell, “China and US Seek to Defuse Maritime Tensions”, *Financial Times*, 17 May 2015.

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ASEAN and Japan: Converging Interests

Working on the principle that increased great power involvement secures greater stability, ASEAN has sought Japanese engagement in Southeast Asia. From ASEAN's perspective, there is a significant convergence of interests with Japan. Both parties depend on an open international economic system and stable US-China relations. However, over the last decade or so, the emergence of conflict with China over territorial sovereignty issues has become a common concern.

The Geography and History of ASEAN–Japan Relations

Geographic proximity meant that Japanese expansionism during World War Two directly affected Southeast Asia. One cannot understate the legacy of Japanese imperialism in Southeast Asia. It caused carnage in the region and was a serious impediment to the development of Japan's post-World War Two relationship with Southeast Asia. Yet, even here, there was one effect of Japanese imperialism that significantly altered Southeast Asia in a positive direction. Japan's expansionism shattered the view that British, French and Dutch colonialism was an inevitable mode of governance in Southeast Asia. Following World War Two, in different ways, these colonial powers withdrew from Southeast Asia after World War Two.

However, adverse Japan's impact was on the Southeast Asia states in the 1941–45 period, geographic proximity was to bring with it a mutually beneficial increase in economic interdependence between Japan and the non-communist, export-driven Southeast Asian economies. As the Japanese economy boomed after the onset of the Korean War, Southeast Asia's leaders were impressed with the subsequent development of the Japanese economic model.⁷⁰

Japan's post-World War Two boom generated enormous amounts of capital and resources that had to be systematically invested in the wider global economy. Southeast Asia was a natural destination.

The Japanese began to seriously invest in Southeast Asia in the 1970s. This significantly bolstered the ASEAN economies at a time of strategic uncertainty characterised by the Vietnam War (or Second Indochina War, 1965–75) and the Third Indochina War (1979–91).⁷¹ Together with open access to the US market, this generated the East Asian economic miracle, in which the Southeast Asian states were central participants.⁷² The rationale for Japan's engagement with Southeast Asia was articulated in the so-called Fukuda doctrine in 1977.⁷³ Japanese Foreign Direct Investment (FDI) into the ASEAN states increased further following the Plaza Accord of September 1985 which effected a significant strengthening of the Yen.⁷⁴ Continued Japanese engagement with ASEAN was further crystallised with the Takeshita and Hashimoto doctrines in 1989 and 1997 respectively.⁷⁵

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70 Chalmers Johnson, *Japan: Who Governs: The Rise of the Developmental State* (W.W. Norton: 1995).

71 See trade, foreign direct investment, and official development assistance figures in Suelo Sudo, *The Fukuda Doctrine and ASEAN* (Singapore: Institute of Southeast Asian Studies, 1992), 248–255.

72 Stephen Haggard, *Pathways From the Periphery: The Politics of Growth in the Newly Industrialising Countries* (Ithaca: Cornell University Press, 1991).

73 Sudo, *The Fukuda Doctrine*.

74 Michael W. Donnelly and Richard Stubbs, "Japan and Southeast Asia: Facing an Uncertain Future", in

Bruce Burton and David Wurfel eds. *Southeast Asia in the New World Order: The Political Economy of a Dynamic Region* (London: Macmillan Press, 1996), 169–173.

75 Suelo Sudo, *The International Relations of Japan and South East Asia* (London: Routledge, 2002).

Japan and ASEAN in the Post-Cold War Era: The South China Sea Dimension

The reality of Japan in the post-Cold War era is that it has been in relative decline, even as its neighbour China has risen. At the same time, there have been some real and severe frictions.⁷⁶ This sets a framework for China-ASEAN-Japan triangular relations. The key theme in the China-ASEAN-Japan triangle over the last six years has been converging and increasing ASEAN and Japanese concerns about China's maritime behaviour (discussed above). Even as Sino-ASEAN relations have deteriorated, Japan has begun to involve itself in the South China Sea issue by taking moves that in effect side with the Philippines and Vietnam.

Interestingly, as Sino-Japanese tensions over the contested Senkaku/Diaoyutai islands have escalated, Japanese policy had clearly evolved in ways that demonstrate a willingness to counter the Chinese maritime activity in Southeast Asia. In symbolism that will not be lost on the Chinese, during a state visit by Vietnamese President Truong Tan Sang from 16 to 19 March 2014, Tokyo and Hanoi turned their eight-year old Strategic Partnership into an Extensive Strategic Partnership. On 1 August 2014, Japanese Foreign Minister Fumio Kishida

announced that Japan would provide six patrol boats to Vietnam. On 29–31 January 2015, at a meeting between Secretary of Defence Gen Nakatani and his Filipino counterpart Voltaire Gazmin, both sides committed to regular defence dialogues. On 4 June 2015, in direct opposition to Chinese calls, Japan signed an agreement to provide naval patrol vessels to the Philippines.⁷⁷ On 12 May, joint naval drills were conducted in the South China Sea.⁷⁸ Press reports also emerged that Japan was considering joint patrols with the US in the South China Sea. A Japanese source was quoted to the effect that “we have to show China that it doesn't own the sea”.⁷⁹ In late June, a Japanese PC-3 Orion surveillance plane (with three Filipino guest crew on board) conducted surveillance over Reed Bank, an area claimed by both China and the Philippines.⁸⁰ The Japanese are clearly linking their policy to Chinese policy. Thus, in a July visit to Washington DC, the Chief of Japan's Self-Defense Forces, Admiral Katsutoshi Kawano commented that Japan's activism in the South China Sea could include patrols and anti-submarine activity.⁸¹

76 Nicholas Khoo, “China's Policy Toward Japan: Looking for a Great Power Peace in the Wrong Places”, *Georgetown Journal of Asian Affairs*, 1 no. 1 (2014), 49–76.

77 Megha Rajagopalan, Kiyoshi Takenaka and Suilee Wee, “China Warns Japan Against Meddling in South China Sea Dispute”, Reuters, 23 May 2015.

78 Toko Sekiguchi, “Japan to Provide Patrol Vessels to Philippines”, *Wall Street Journal*, 4 June 2015; Yuka Hayashi, “Japan, Philippines Hold Joint Naval Drills in the South China Sea”, *Wall Street Journal*, 13 May 2015.

79 Nobuhiro Kubo, Tim Kelly, David Brunstrom, “Japan Considering Joint U.S. Air Patrols in South China Sea”, Reuters, 29 April 2015.

80 Manuel Mogato, “Japanese Plan Circles Over China-Claimed Region in South China Sea”, Reuters, 23 June 2015.

81 Idrees Ali, “Japan Military Chief Says South China Sea Surveillance Possible”, Reuters, 16 July 2015.

ASEAN's Challenges and Opportunities

From the analysis that has been presented,
a number of challenges and opportunities can
be identified for ASEAN.

1. ASEAN and the South China Sea Disputes

ASEAN clearly faces a challenge on the South China Sea issue. The organisation's members pride themselves on their ability to take a strategic view to regional order management issues. But, as this discussion of Sino-ASEAN interactions over the South China Sea illustrates, it is highly unlikely that the organisation can effectively resolve this issue with China by itself. Indeed, given China's relative size and capabilities in respect to the ASEAN states, the involvement of external actors, be they international organisations and/or interested states such as the US, is probably the only way this issue can be resolved in a manner that satisfactorily takes ASEAN states interests into account. However, even with the involvement of external actors, achieving a solution will be a challenge, as it will require a compromise of some kind in Chinese policy. China has consistently disagreed with what it calls the "internationalisation" of the South China Sea disputes, insisting that disputes be settled bilaterally between the disputing parties. Nevertheless, the task for ASEAN, or at least its key members, is to: (A) skilfully create an international consensus for the peaceful resolution of the South China Sea disputes; and (B) secure Beijing's agreement to this consensus. In this sense, the South China Sea issue is an opportunity for ASEAN to test its widely celebrated conflict resolution practices.⁸² Failure to do so will mean increasing drift and institutional paralysis on this issue.

⁸² Ba, [Re] Negotiating East and Southeast Asia.

2. ASEAN and the 'Management' of China's Rise

The point articulated above leads logically to a second challenge for ASEAN. Even as some of its members have intense disputes with China, ASEAN seeks to manage China's rise in ways that foster regional stability, as the organisation defines it. The management of China's rise is an international issue, and we should not be surprised to see that ASEAN is finding it a challenge. However, as it stands, our analysis suggests that it is ASEAN rather than China that is being "managed". In economic relations, the asymmetrical economic relationship that is developing between China and ASEAN means that it is ASEAN that increasingly needs China, rather than China needing ASEAN. On strategic issues, where there is an increasingly asymmetrical military balance between China and ASEAN, it is difficult to see how ASEAN can "manage" China. While it is possible that China will not actually utilise force against rival ASEAN claimants on the South China Sea issue, it would be naive not to expect China to manipulate the threat of force to achieve policy outcomes. As strategists have long recognised, this aspect is as central to international politics as the actual use of force.⁸³ Thus, China may exert significant leverage over ASEAN on the South China Sea issue merely by using rhetoric. Here, a Chinese declaration of an Air Defence Identification Zone (ADIZ) over the South China Sea will bring with it the presumption that various pressure tactics, including force, may be used to defend it. There is a precedent for this. China's declaration of an ADIZ over the East

China Sea on 23 November 2013 was as much a demonstration of power as a movement of its naval assets. Such a Chinese move cannot be ruled out in the South China Sea. Barring a clearer US statement against changing the status quo in the South China Sea, along the lines of the US statement that the Senkaku Islands are covered by the US-Japan security treaty, we should not be surprised to see such a development.⁸⁴

The foregoing suggests strongly that non-binding agreements designed to 'manage' China's rise, such as the 2002 Sino-ASEAN Declaration on a Code of Conduct, have borne little relation to what is actually occurring on the ground. In the event that an agreement on a Code of Conduct is reached, it will require strict implementation and monitoring. Again, for ASEAN to move forward, it will have to find creative ways to seek greater cooperation with interested international actors. In other words, ASEAN should find creative ways to 'internationalise' the issue of the management of China's rise. Certainly, if ASEAN does not succeed in this, it will find its unity increasingly jeopardised, which brings us to our third point.

⁸³ Thomas C. Schelling, *The Strategy of Conflict* (Cambridge: Harvard University, 1960).

⁸⁴ Justin McCurry and Tania Branigan, "Obama Says U.S. Will Defend Japan in Island Dispute with China", *Guardian*, 24 April 2014.

3. ASEAN Unity

ASEAN unity is increasingly being challenged by China's rise. In particular, its celebrated consensus model has weakened as its membership has expanded. As the events in Phnom Penh in 2012 suggest, ASEAN is divided on certain aspects of its China policy. In some respects, this is not surprising. In 2009, the late Singapore leader Lee Kuan Yew pointedly highlighted this reality to a high-ranking US official. Lee intimated that the newer ASEAN states are closer to China than their fellow members, and have incentives to remain so.⁸⁵ This is consistent with reports that since 2004, obtaining consensus at ASEAN meetings has been delayed as certain ASEAN states consider how China will react, and in some case relay back to Beijing what is going on in internal ASEAN discussions.⁸⁶ Looking to the future, in the face of a divided ASEAN, some ASEAN states may feel compelled to act unilaterally, to cooperate with other great powers, rather than seek an elusive ASEAN consensus. Indeed, as the discussion on terrorism cooperation with the US suggests, there is strong evidence of this occurring in the post-9/11 era.

⁸⁵ Lee was quoted as saying that China's close ties with Laos, Cambodia, and Burma meant that "within hours of ASEAN meetings everything that is discussed in ASEAN meetings is known in Beijing". See <http://wikileaks.de/cable/2009/06/09SINGAPORE529.html>

⁸⁶ Joshua Kurlantzick, *Charm Offensive: How China's Soft Power Is Transforming the World* (New Haven: Yale University Press, 2007).

4. Positive External Power Involvement

An obvious challenge and opportunity facing ASEAN is how the organisation can provide additional incentives for interested actors outside Southeast Asia to contribute to the region's stability. A myriad of fora already exist to discuss regional security. The answer to the question of ASEAN's security will not lie in more meetings. It will lie in providing external actors such as the US, Japan, South Korea, Australia, New Zealand and the European Union, among others, with compelling reasons to strengthen engagement with ASEAN.

Here, the expectations of continued positive economic gains are as much if not more important in encouraging external actors to invest themselves in finding a solution to the seemingly intractable security challenges facing Southeast Asia.⁸⁷ Much useful diplomatic work has been done, including the forward movement we have seen with the Trans-Pacific Partnership Agreement (TPP) and hopefully, close behind, the Regional Comprehensive Economic Partnership (RCEP) agreement. These efforts should be strongly encouraged and supported. While economic development will not solve all these security challenges, a deteriorating economic environment will not assist the moderation of the security challenges discussed in this document.

That said, one area where external powers can assist the security situation in Southeast Asia is to support in international fora, including the United Nations, the principle of freedom of navigation. Given that prosperity in China, the US, Japan, the European Union and Russia depends on this principle, there is a basis for some creative thinking and cooperation. China's position with the ASEAN states may not be as intractable as it appears.

While in a narrow sense, China may be able to divide the ASEAN states and secure its aims over specific states in the South China Sea, this also brings with it the real risk of a significant deterioration in its relations with the US. The US is China's critical economic market, and the one state that has a clear military superiority over China, even in East Asia. While there are clearly clashing Sino-US interests, it is also true that there are compelling shared interests in limiting rivalry. Moreover, there are historical examples of strong cooperation. The Sino-American rapprochement of 1972 and subsequent strengthening of ties demonstrates that Sino-US cooperation in the pursuit of common interests is possible. This was shown recently, with the US-China statement on climate change issued during President Xi's visit to the US.

⁸⁷ Dale C. Copeland, "Economic Interdependence and War: A Theory of Trade Expectations", *International Security*, 20 no.4 (Spring 1996), 5-41.

Implications for New Zealand

A number of important implications for
New Zealand flow from the material
presented earlier.

Implications for New Zealand

The first implication of this study is that an overly economic-centric policy approach to Southeast Asia (and indeed, the wider Asia-Pacific region) obfuscates and distorts our understanding of regional dynamics. As described above, the ASEAN states are at the frontline of a broader regional trend of increased economic integration and heightened security friction. On the security front, while China can plausibly argue that it is merely defending its security interests as it defines them, the fact of the matter is that Beijing has not been able to implement a policy that stabilises the region from the effects of its continuing territorial disputes with some of the ASEAN states and Japan. It has been 14 years since China and ASEAN signed the 2002 Declaration on a Code of Conduct. ASEAN is now pushing for a permanent Code of Conduct to facilitate the resolution of the South China Sea disputes. The recent ASEAN-China meeting in Tianjin yielded little progress. New Zealand should lend as much support for the speedy conclusion of a Code of Conduct. In its various consultations with Beijing, Wellington should seek to continually impress upon Beijing the imperative for a mutually satisfactory agreement to be negotiated between the parties that are in conflict.

Second, while New Zealand's geographical location gives it some degree of immunity from the sharper edges of the current escalation in tensions, over the longer run, it is an illusion to entertain the idea that we can be a neutral bystander in the resolution of the issues discussed above. At a concrete policy level, the disputes over the South China Sea strike

at a core national security interest for New Zealand, specifically, freedom of navigation in the Asia-Pacific area. In fact, given our dependence on world trade, we arguably have a greater interest than other states in a peaceful and satisfactory resolution of the South China Sea disputes.

A third implication of this study is that, moving forward, New Zealand is likely to find that ASEAN may not be as effective a partner as it once was. ASEAN's membership expansion in the 1990s has clearly resulted in significant challenges to the organisation's consensus-seeking model of multilateral diplomacy. It is far from guaranteed that ASEAN will not be substantially weakened by the challenges it faces in dealing with its own intra-ASEAN cohesion issues, even while it faces a variety of external challenges. These include – a rising China which is at the same time undergoing economic restructuring; increasingly complex US-China relations; a relative decline in US power; a potentially weakened US-alliance network, producing a scramble for security guarantees, with Asian states forming exclusive intra-regional alliances, and seeking security guarantees from extra-regional actors; increasing instability associated with North Korea's nuclear programme; tensions between mainland China and Taiwan; Indo-Pakistani tension; and increased terrorist activity.

A final and wider implication of this study is that New Zealand policymakers cannot uncritically accept that business will carry on as usual in Southeast Asia and Asia, as it has over the last quarter of a century. There were many unique aspects of the international and regional order in that time period that have already begun to change. These include: a unique period of US dominance in the international system; a generally stable US-China relationship; a smooth rise to power for China, and accompanying Asia policy that generally contributed to regional stability; a less severe impact of Islamic-inspired terrorist elements on regional stability than was predicted.

Moving forward, questions that are worth pondering include:

- > What is New Zealand's back-up plan if regional growth stalls, particularly if Chinese economic growth slows?
- > How might New Zealand respond to a weakening of the cornerstone of the Asian security complex since 1945, namely, the US-alliance network?
- > How can New Zealand respond to the use of asymmetrical economic power for security gains by the great powers discussed in this report?
- > What will New Zealand's response be to specific developments that potentially have a negative impact on great-power calculations including: US development of missile defence technology and an expansion of China's island building and power projection activities in the South China Sea?
- > What is New Zealand's stance on the declaration of a Chinese Air Defense Identification Zone over the South China Sea?

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