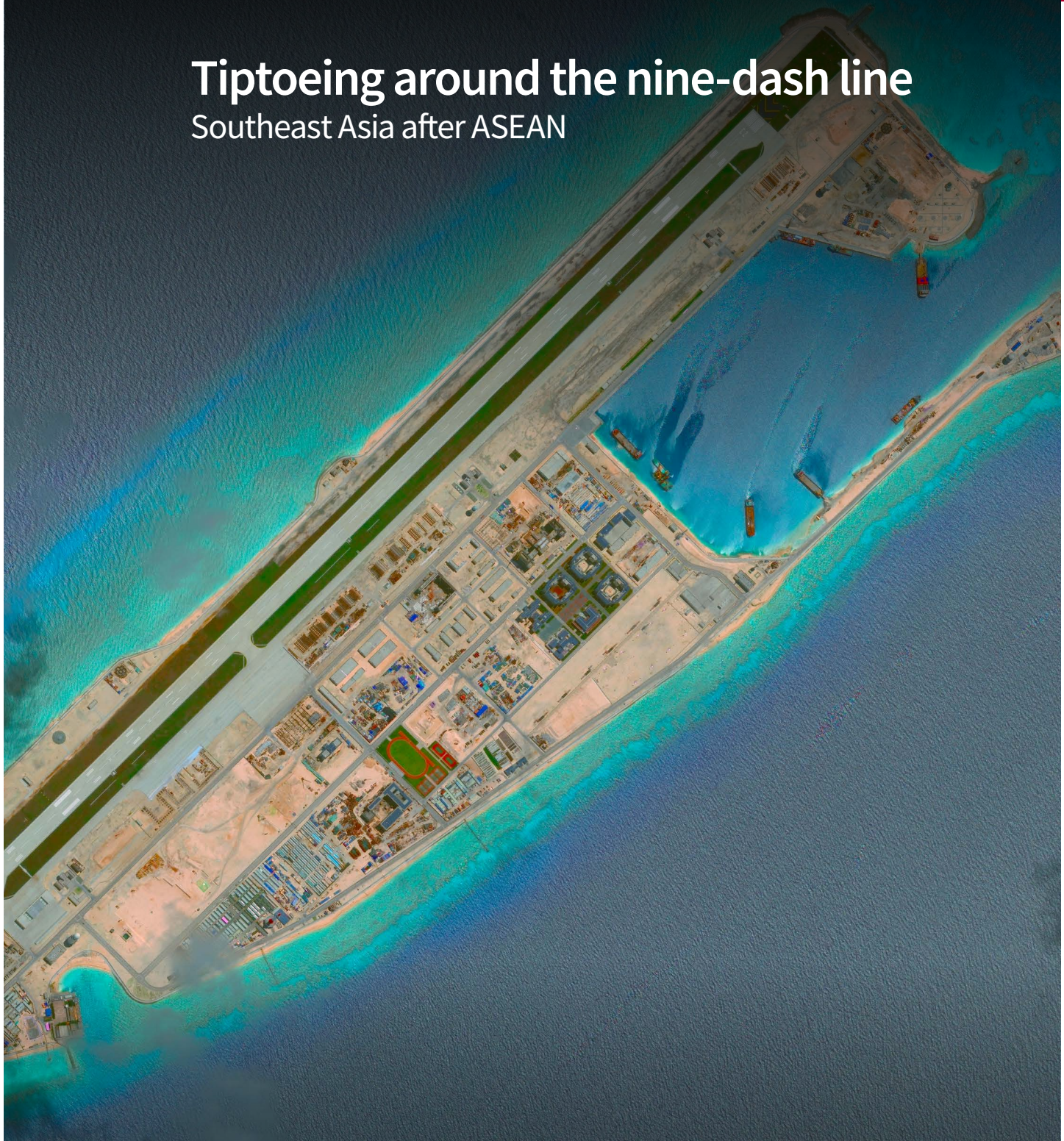


STRATEGY

A S P I

Tiptoeing around the nine-dash line Southeast Asia after ASEAN



Peter Chalk and Amelia Long

February 2017

A S P I

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Cover image: Land reclamation on Fiery Cross Reef, South China Sea, 3 June 2016. Image courtesy CSIS Asia Maritime Transparency Initiative/DigitalGlobe.

Tiptoeing around the nine-dash line

Southeast Asia after ASEAN



Peter Chalk and Amelia Long

February 2017

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CONTENTS

EXECUTIVE SUMMARY	5
CHAPTER 1 ASEAN's past, present and future	8
CHAPTER 2 The South China Sea disputes and ASEAN, US, Australian and Japanese responses	13
CHAPTER 3 PRC influence in Southeast Asia	18
CHAPTER 4 Conclusion	25
REFERENCES	32
NOTES	36
ACRONYMS AND ABBREVIATIONS	39



Southeast Asian leaders link arms at the opening of the 28th and 29th ASEAN Summits and other related summits in the National Convention Center Tuesday, 6 September 2016 in Vientiane, Laos. From left to right; Malaysia's Prime Minister Najib Razak, Myanmar's Foreign Minister Aung San Suu Kyi, Singapore's Prime Minister Lee Hsien Loong, Thailand's Prime Minister Prayuth Chan-ocha, Vietnam's President Tran Dai Quang, Laos' President Bounnhang Vorachith, Laos' Prime Minister Thongloun Sisoulith, Philippines' President Rodrigo Duterte, Brunei's Sultan Hassanal Bolkiah, Cambodia's Prime Minister Hun Sen and Indonesia's President Joko Widodo © Bullit Marquez /AP via AAP.

EXECUTIVE SUMMARY

Southeast Asia is one of the most diverse regions on the planet, and its geopolitical importance is on the rise. While individual states in this part of the world have been strategically significant in the past, Southeast Asia now finds itself thrust into the limelight of international affairs as a result of the competition currently occurring between the US and China. Those developments have placed greater strategic weight and heightened attendant stresses on the Association of Southeast Asian Nations (ASEAN), the principal group representing the 10 countries in the region.

Even as ASEAN's strategic pertinence steadily increases, the member states of the grouping face a dilemma over collective action that challenges not only perceptions of ASEAN's efficacy but also the overall security of Southeast Asia. How they and other interested actors—including the People's Republic of China (PRC), the US, Australia and Japan—choose to act now will shape the region for decades to come.

The most significant factor in ASEAN's failure to make concerted progress in the security field is its core principle of consensus-based decision-making. As a result of the association's significant growth in membership over the 1990s, reaching unanimous agreement on sensitive political issues has proven increasingly elusive. While some of that difficulty stems from the simple problem of reaching concurrence within a wider membership, in large part it's also due to varying levels of Chinese economic support to individual ASEAN states.

Those difficulties have been glaringly evident in efforts to resolve competing territorial claims in the South China Sea (SCS)—an issue that has clearly stretched ASEAN's capacity to take a unified, concrete stance on a common security problem. Its failure to take a concerted stance on those disputes has major importance, as they directly relate to the PRC's rise and increased assertiveness in the Asia-Pacific.

The US, Australia and Japan have all been active in seeking to curb Beijing's spreading influence in Southeast Asia. While the three countries recognise the inevitability of China's heightened hegemonic status, they appear to share a common concern that, if left unchecked, it could metastasise into a revisionist agenda that's explicitly aimed at overturning the regional status quo.

If ASEAN can't be relied upon to act as a forceful collective body to address threats and concerns associated with a more outwardly aggressive China—and in the absence of the emergence of a smaller network of like-minded, more activist states (of which there's currently no sign)—it's essential that the US, Australia and Japan (all of which share a deep interest in securing a stable and prosperous Southeast Asia) further develop and consolidate strategies that go beyond ASEAN for achieving their security and economic interests in the region.

The United States

In the absence of a unified ASEAN, the US will have little choice but to return to its traditional policy of interacting with Southeast Asian countries on a bilateral 'hub and spokes' basis. While not ideal, that would at least allow for focused agreements that, taken in their sum, could still further American strategic interests in the region. Of particular importance would be support for defence reform efforts, especially those that are designed to augment external force projection and maritime capabilities.

Washington is already working closely with several Southeast Asian states in that area, and the basic thrust of those efforts is to counter the PRC's growing assertiveness in the SCS. Should ASEAN prove to be inadequate in offsetting China's claims in this body of water, it can be expected that those and other bilateral assistance efforts would be significantly increased, although in many cases challenges will be manifest: the election of a distinctly less supportive and cooperative leadership in the Philippines; negative reactions to President Trump's vitriolic anti-Islamic rhetoric in Indonesia and Malaysia; the lack of civilian rule in Thailand; and ongoing human rights concerns in Vietnam.

Assuming that those difficulties can be resolved, a central question remains over the US's future role in Southeast Asia: will the newly elected Republican government continue to adhere to the basic parameters of the 'pivot' that was initiated under the Obama presidency? The distinct lack of clarity that has surrounded the Trump administration's perception of the Asia-Pacific and how that squares with its much touted 'America first' foreign policy is one of the main variables that both Australia and Japan will need to contend with.

Australia

While Australia continues to emphasise the importance of its multilateral ties with ASEAN, it's the country's bilateral relationships with activist states that will be the key to the future of Canberra's security engagement in the region—in much the same manner as the American hub-and-spokes model.

An obvious candidate for Australian partnering is Indonesia. Despite growing nationalism, Jakarta remains the geopolitical 'anchor' in Southeast Asia and continues to exercise considerable influence across the region. The two countries also have a strong and established history of military-to-military relations that Canberra could usefully leverage as a springboard for further strengthening their bilateral ties.

In the maritime realm, Australia could help to foster trust, interoperability and joint readiness among like-minded navies in Southeast Asia by boosting the scope and tempo of regional bilateral and multilateral littoral training efforts. On the political level, it could also studiously work to ensure that regular 2+2 foreign and defence ministers' meetings are held with partner countries, which will help to keep channels of communication open on a wide range of political, military and international policy issues.

Arguably, however, one of the most important actions Australia can take to secure its future strategic interests in Southeast Asia is to ensure that the US remains actively committed to the region. Canberra must harness the 65 years of goodwill gleaned from being one of Washington's closest allies to draw American attention back to Southeast Asia should it waver—not least by selling the benefits of a bilateral alliance that has played such a pivotal role in promoting peace and stability in what remains one of the most dynamic and rapidly developing parts of the world.

Japan

As with Australia and the US, Japan's cooperation with ASEAN on sensitive multilateral security issues can't progress far unless the association's 10 member states project a united front. In the absence of such a collective stance, Tokyo has little choice but to continue its regional defence work by expanding and strengthening partnerships bilaterally—and the deteriorating situation in the SCS and its escalating strategic and economic competition with China are two of the more important drivers behind those efforts.

Continuing to assist Southeast Asian states to reach a minimum level of credible deterrence in the SCS is demonstrably in Japan's strategic interest, as it's dependent on free and open sea lanes in those waters for the importation of natural resources and fossil fuels. To that end, the government has moved to bolster the coastguard and navy capabilities of maritime Southeast Asian nations and gradually broaden the scope of its own existing and future participation in US and regional offshore security exercises in the area. Tokyo could usefully buttress and

complement those efforts by expanding its existing set of investment initiatives and promoting itself as a prominent alternative source of development capital—something that would be potentially attractive to Southeast Asian states desperately in need of external economic assistance to promote growth.

As with Australia, a significant challenge confronting Japan is the future role of the US in the Asia–Pacific. Trump’s distaste for ‘freeloading’ allies should be a cause for particular concern in Tokyo, given that its defence expenditure remains at only around 1% of its GDP. In order to signal the importance of the American alliance, Japan could commit to an increase in host-nation support funds. That would, one hopes, gain the attention of a US American president with a transactional world view and sway his perception of the importance of maintaining a regional balance of power against China.

CHAPTER 1

ASEAN's past, present and future

Southeast Asia, one of the planet's most diverse regions, is on the rise. While individual states in this part of the world have been strategically significant in the past, as a grouping of the 10 countries that make up the Association of Southeast Asian Nations (ASEAN), they have been increasingly thrust into the limelight of international affairs as a result of their geostrategic salience in the fierce competition taking place between the US and China. Washington and Beijing have both seen this collective bloc, located at the epicentre of the seismic shift in the perceived importance of the Indo-Pacific, as a much-valued prize in their own stand-off for regional influence.

ASEAN states differ from one another in land area, population, urbanisation, culture, economic development, religion, language and technological advantage. However, when united under a single organisational umbrella, they collectively equate to the world's third largest population, at over 620 million—surpassed only by China and India. Their combined economies are projected to rank as the world's fourth largest fiscal area by 2050—made possible by the rapid development that the region has experienced since the end of the Asian financial crisis (Fuchs 2015; Petri & Plummer 2013). Those factors make ASEAN directly relevant to the major power plays that are currently occurring in Southeast Asia, and, indeed, the wider Asia-Pacific—but only if the association can act as a coherent bloc.

This latter consideration is important because, even as ASEAN's potential strategic pertinence steadily increases, its 10 member countries face a dilemma that challenges not only perceptions of the association's efficacy, but also the overall security of Southeast Asia. How they and other interested actors—including China, the US, Australia and Japan—choose to act now will shape the region for decades to come.

The history of ASEAN's security function

ASEAN was formed in August 1967 to promote a cooperative institutional partnership between Southeast Asian states that had until then been characterised by a high degree of mutual suspicion, both militarily and politically. In the years preceding the association's creation, the region was characterised by conflict, uneven economic development and disrupted relationships (Whelan 2012:9). The two primary causes for those antagonistic ties were Indonesia's opposition to the formation of the Federation of Malaysia and the Philippines' border tensions with Malaysia over Sabah in north Borneo (Emmers 2003:11). However, after communist revolutionaries seized power in Cambodia, Laos and Vietnam, five Southeast Asian countries—Indonesia, Malaysia, the Philippines, Thailand and Singapore—banded together to create an organisation that would foster peace and stability within the region on the understanding that this would be achieved without encroaching on one another's domestic affairs.

To that end, the five founding members enshrined what's known as 'the ASEAN Way', meaning a commitment to the 'peaceful settlement of regional disputes' under the principles of non-interference and decision-making through consensus, which were enshrined in the Treaty of Amity and Cooperation (Li 2016). Those tenets made it possible for the original quintet to put aside their internal and external tensions and, instead, focus on ensuring Southeast Asia's

wider security by developing their economies as part of a productive area-wide effort. That model provided the underpinning for a formal regional arrangement that has since been expanded to include Brunei (in 1984), Vietnam (in 1995), Myanmar and Laos (both in 1997), and Cambodia (in 1999).

Although ASEAN was created with the primary intent to encourage regional security and stability, its main functions have been predominantly economic and political. The association's founding document, the Bangkok Declaration, emphasised that member states are 'determined to ensure their stability and security from external interference ... in order to preserve their national identities' (ASEAN 1967). However, the declaration mentioned no specific mechanisms to achieve such an outcome—an omission that has potentially constrained ASEAN in playing a larger role in determining its security as part of the wider Asia-Pacific.

The ASEAN Regional Forum (ARF) is the most obvious body available to ASEAN for encouraging multilateral discussion on security concerns in the Asia-Pacific. The forum was established in July 1994 amid fears that the end of the Cold War would see the US retreat from Asia, creating a power vacuum that China and Japan would competitively seek to fill—potentially to the detriment of ASEAN unity (Ba 2009:160). In response, the association's member states sought to expand the diplomatic culture that had proven so successful in resolving their own internal disputes to others in the region. Therefore, the ARF's first decade was predominantly spent holding dialogues and workshops to encourage 'the ASEAN Way'.

The ARF's subsequent development saw the crystallisation of two main objectives. The first was to 'foster constructive dialogue and consultation on political and security issues of common interest and concern'; the second was to 'make significant contributions to efforts towards confidence-building and preventative diplomacy in the Asia-Pacific region' (ASEAN Secretariat 2014). Based on ASEAN's creeds of non-intervention and consensus-based decision-making, the ARF was not designed to resolve disputes but to promote peace among member states through the creation of norms that would ultimately see the dissipation of conflicts of interest (Garofano 1999).

However, tensions among ARF member states have continued to arise, ranging from competing territorial claims in the South China Sea (SCS), to recurrent border spats between India and Pakistan in Kashmir, to Japan and South Korea's unremitting disagreement over sovereign control of the Dokdo/Takeshima Islands. Those ongoing sources of friction and antipathy indicate that the ARF hasn't been able to achieve its first objective, or make headway on its second.

The ASEAN+3 grouping, which includes the 10 states of ASEAN plus China, Japan and South Korea, has similarly had little impact on the resolution of regional security tensions. Its biggest successes to date have been in the field of economics. One notable example is the Chiang Mai Initiative, which has been credited with fiscally stabilising East Asia and facilitating the fast pace of growth and development in Southeast Asia (Davies 2016).

Besides the ARF and the ASEAN+3 grouping, member states have recently sought to create a more robust institutional structure in which resolute decisions about sensitive and complex issues can be made and, of greater import, acted on. Known as the ASEAN Political-Security Community (APSC) and instituted as part of a wider ASEAN Community,¹ its intended purpose is to ensure that the people and governments of Southeast Asian states live peacefully with one another and coexist with the rest of the world in a just and harmonious environment. In order to achieve that, the APSC Blueprint, created in 2009, proposes that member states focus on six areas of cooperation or strategic convergence—political development; norm setting and norm sharing; conflict prevention; conflict resolution; post-conflict peace-building; and implementing mechanisms (ASEAN 2012). If achieved, the APSC would provide member states with a single regime of intergovernmental collaboration for building a region of shared values and norms that's stable, resilient and free from foreign military interference (ASEAN 2009, Tan Munir Majid 2014).²

Problematically, however, there's little, if any, sign that the ASEAN ten are prepared to depart from the long-held defining normative principles that have traditionally shaped the way they act and conduct business. The component governments continue to show a preference for the twin cardinal principles of unanimity and non-interference in each other's internal affairs. The favoured approach to problem solving remains one that's informal and

incremental. And there's been no move to establish a specific mechanism to penalise noncompliance with agreed courses of action—meaning that adherence is still largely a matter for individual states to consider. These realities necessarily raise the question of whether ASEAN will truly be able to realise a more rules-based security community that's able to systematically take on and tackle tough policy issues (Chalk 2015:23).

A common theme running through all these organisational initiatives—and the most significant factor in ASEAN's failure to make concerted progress in the security field—is the core principle of consensus-based decision-making. As a result of the association's significant growth in membership over the 1990s, unanimous agreement on sensitive political issues has proven increasingly elusive. While this stems partly from the simple difficulty of reaching concurrence within a wider membership, it's also due to varying levels of Chinese economic support to individual ASEAN states. As is discussed in Chapter 2, that's been especially evident in the SCS disputes.

The unanimity 'roadblock' has led many to conclude that the ASEAN approach to security will inevitably default to a position of 'all talk, no action', with little prospect of that ineffectual status quo changing any time soon. Compounding matters are the association's non-interventionist tendencies, which mean that even if agreement on a particular set of mitigation measures were to be reached they would be virtually impossible to enforce on a region-wide level.

Challenges to ASEAN

ASEAN faces a number of prominent challenges to the norms and rules laid out in its charter, as well as threats to its unity. The first and arguably most prominent is the aggressive stance of the People's Republic of China (PRC) on competing territorial claims in the SCS. That issue has clearly stretched ASEAN's capacity to take a unified, concrete stance on a common security problem. Almost half of the association's member states are embroiled with Beijing over contested control of reefs and islands in this body of water, including Brunei, Malaysia and, most notably, Vietnam and the Philippines. Indonesia's exclusive economic zone (EEZ) around the Natuna Islands also overlaps with some of the features inside the so-called 'nine-dash line' that the PRC has used to demark what it considers to be its historic and inalienable territorial 'rights' in the SCS. Although Jakarta doesn't see itself as a party to this particular issue, it has consistently championed a multilateral solution to the impasse (which runs directly counter to China's emphasis on a 'one-on-one' resolution).

To give concrete expression to its territorial stakes in the SCS, China has commenced a program of land reclamation and the militarisation of a number of contested features in the area. That course of action directly threatens Southeast Asian security and has important implications for the wider regional balance of power. In response Vietnam has undertaken its own—albeit much smaller—land-building initiative. Other states have tried to use the international legal framework to counter the legitimacy of the PRC's claims, notably the Philippines, which in 2016 received a favourable ruling from the Permanent Court of Arbitration over the Spratly island chain (Hunt 2016). However, as is discussed in Chapter 2, Beijing has merely dismissed the decision as 'invalid', and at the time of writing there's no indication that it will have any meaningful impact on Chinese policy. That reaction, as well as more aggressive Chinese efforts aimed at fortifying islands in the SCS, directly undermines the first of ASEAN's stated purposes: 'to maintain and enhance peace, security and stability and further strengthen peace-oriented values in the region' (ASEAN 2016).

But it's not just ASEAN's charter that's threatened by the PRC's assertive behaviour. As mentioned above, varying degrees of Chinese economic support to ASEAN member states also have the potential to fracture the association's unity. The 10 member countries have been divided over whether maintaining territorial integrity and protecting national sovereignty are more important than the aid and investment they receive from Beijing. Those tensions have already had an impact on Cambodia, which has directly blocked ASEAN on at least two occasions from making a strong collective statement on the SCS for the sake of preserving critical Chinese economic assistance. The general issue of self-interest in preserving relations with the PRC constitutes a significant threat to ASEAN unity that must be taken seriously by any state that has strategic interests, economic interests, or both, in the region.

A further but related challenge to ASEAN solidarity is the strategic competition between China and the US. Both Washington and Beijing have clearly sought to court the regional grouping—collectively as well as on a bilateral basis—to further their own agendas in Southeast Asia. Few issues so seriously threaten the stability, prosperity and security of ASEAN as how that rivalry is being played out in the SCS, and how the overlapping territorial claims between the PRC and certain Southeast Asian states, serious in their own right, feed into that hegemonic enmity. If they continue as they are, Sino-American power rivalries have the potential to effectively polarise ASEAN as member countries either seek to align themselves with China or the US or, alternatively hedge their bets. That outcome will cement the gridlocked state that has prevented ASEAN from making necessary and concerted contributions to the stability and security of Southeast Asia, setting a dangerous precedent for what could be a turbulent period ahead.

It's true that one of the purposes of the proposed APSC (and the wider ASEAN Community of which it's a subcomponent) is to better situate ASEAN in achieving 'centrality'—a term coined to emphasise how robust internal cohesion can be leveraged to both advance economic progress and manage the regional bloc's relations with external states (Chalk 2015:12).³ As noted above, however, the inherent flaws in the association's institutional structures, a continued preference for non-interference in internal affairs and, especially, consensus-based decision-making suggest that the member nations are still not equipped to undertake forceful collective action. Under such circumstances, it's unlikely that smaller ASEAN countries that are reliant on Chinese ('no strings attached') aid and investment would be willing to independently stand up to the PRC over its military involvement in the region, or support partners that may wish to do so.

Exactly how germane Beijing's strategic competition with Washington will be as a potential source of friction in ASEAN remains to be seen, not least because a distinct lack of clarity has surrounded President Trump's perceptions of the Asia-Pacific and how those views square with his much-touted 'America first' foreign policy.

There are three possible directions that the new US Government could pursue in its engagement with the region.

There are three possible directions that the new US Government could pursue in its engagement with the region.

The first is business largely as usual—to continue with the basic parameters of Obama's Asian pivot or rebalance, but without any trace of the Trans-Pacific Partnership (TPP), which Trump has explicitly denounced as contrary to American economic interests (and which he already withdrew from in January 2017). That scenario would be preferable for Southeast Asian states that rely on Washington to act as their main security guarantor, even if it means that they may need to boost the percentage of GDP that they spend on defence. However, working with a Trump administration that's built around anti-Islamic rhetoric may prove difficult for Muslim-majority states such as Indonesia and Malaysia.

The second option for Washington would be to adopt a more 'isolationist' stance that involves some degree of US withdrawal from Asia and a general refusal to focus on anything west of Hawaii. That would represent a wholesale reversal of the Obama administration's attitude towards the region and is a prospect that leaves many Southeast Asian nations highly unsettled, as it would effectively mean that they would lose the primary guarantor of security and stability in their neighbourhood (Hong Hiep 2016).

The third option would be a combination of the previous two policies, in which the new president and his advisers pick and choose those parts of the pivot that they wish to persevere with. Although that scenario would still see some American involvement in the region, its inherently unpredictable character would be likely to generate a significant degree of uncertainty among Southeast Asian states over their future security.

On top of the tensions created by state actors that are external to ASEAN, the diverse member countries that make up this grouping have their own set of equally serious challenges to deal with. Disparate forms of government and uneven economic development have complicated their bilateral relations, while residual tensions associated with ongoing territorial disputes, cross-border threats (piracy, trafficking and terrorism) and environmental challenges (climate change, haze, pollution) have, at times, escalated into major political fallout.

Certain Southeast Asian countries have heeded those issues and have begun to pivot away from ASEAN as a central body for regional security decision-making. Indonesia is a case in point. The current President, Joko Widodo, has arguably already abstained from the country's traditional leadership role in ASEAN, as the association's fundamentals contradict his vision for the archipelagic state to more strongly pursue its own national needs—for instance, to consolidate Jakarta's position as a 'global maritime fulcrum'. As was predicted by senior diplomat Rizal Sukma in 2009, Indonesia appears to be distancing itself from ASEAN's established system of multilateralism and, instead, adopting a preference for smaller group collaboration (Sukma 2009).

This last point raises the question of whether more activist, like-minded Southeast Asian states could move to create an entirely new, purpose-built structure for dealing with particular security concerns where their thinking aligns—for example, on territorial disputes in the SCS. While possible, such an institution would run into two main problems that would be likely to hinder its inception.

First, encouraging Southeast Asia's hard strategic minds to unite over sensitive security challenges would carry the perceptible risk of souring bilateral relations with the PRC, which would undoubtedly interpret the purpose of any such move as necessarily directed against external actors. That would be particularly true if the grouping included other claimants to islands in the SCS, which in Beijing's thinking would be a direct affront to its core goals in the region and require some sort of appropriate response. Fear of exactly what that retribution might mean for their own national interests would be likely to discourage even highly motivated states from seeking membership. Second, no matter what its constituency, the bloc would be too small to act as a credible counterweight to any major state in the Asia-Pacific—especially China.

Where to from here?

Due to ASEAN's consensus-based decision-making formula, it's likely that we will continue to see its inaction on issues of regional security, particularly those that relate directly or indirectly to the geopolitical struggle taking place between Washington and Beijing. If the regional group can't be relied upon to act as a forceful collective body to address threats and concerns associated with a more assertive China—and in the absence of the emergence of a smaller network of like-minded, more activist-oriented states (of which there's currently no sign)—it's essential that the US, Australia and Japan, all of which share a deep interest in securing a stable and prosperous Southeast Asia, begin to think beyond the association and develop alternative strategies for achieving their security and economic interests in the region.

The remainder of this report is organised as follows:

- Chapter 2 examines the SCS disputes, the manner by which the PRC has moved to enforce its self-defined sovereignty in the area and how other Southeast Asian claimants, the US, Australia and Japan have reacted to those actions.
- Chapter 3 discusses the primary policy tools that Beijing has emphasised to expand its strategic influence in Southeast Asia and the various means that Washington, Canberra and Tokyo have used in an attempt to blunt those efforts.
- The conclusion in Chapter 4 weighs American, Australian and Japanese options for advancing their respective interests in Southeast Asia in the absence of a unified ASEAN.

CHAPTER 2

The South China Sea disputes and ASEAN, US, Australian and Japanese responses

The PRC and its claims in the South China Sea

The PRC has four core objectives in Southeast Asia. The first is to ensure the continued economic growth of the region, which Beijing clearly understands is integral to its own future prosperity and to stability in this part of the world. The second is to prevent American strategic encirclement by extending its own military reach across Southeast Asia. The third is to ensure its access to key energy resources in the SCS, which stretches from the Taiwan Strait to Singapore and contains more than 250 small islands, atolls, cays, shoals and reefs. The fourth is to use soft power instruments as effective apolitical tools for broadening the country's social and cultural reach in the region while simultaneously limiting the appeal of the US (Chalk 2015:14).

Of those goals, consolidating influence in the SCS is arguably one of the most important. The PRC is the most populous country on the planet and has experienced rapid and sustained economic growth over the past 10 years. Both factors have driven the state's energy needs, especially for liquid fuels, and the SCS is thought to contain sizeable deposits of oil and gas. More intrinsically, establishing a concerted presence in this body of water would provide China with an effective mechanism to expand its influence throughout Southeast Asia, thereby ideally situating the country to achieve its other three main objectives in the region.

The PRC has asserted sovereignty of over 90% of the SCS, adopting an increasingly forward posture to enforce its jurisdiction over the disputed Parcel and Spratly islands, the Scarborough Shoal and the Macclesfield Bank. Beijing justifies its ownership of those areas on the basis of initial discovery and historical disputes that date back to the 2nd century BC. The geographical extent of China's claims have also been variously represented in maps depicting 9, 10 and 11 dashed lines, the most recent of which was circulated to the United Nations in 2009 (ISDP 2016, Glaser 2011).

The PRC has taken several steps to give concrete expression to its self-defined territorial holdings in the SCS. In 2007, the country elevated the status of the administrative authority overseeing the Parcel and Spratly islands to that of a county-level 'city' in Hainan Province. Three years later, Beijing listed for the first time its claims in the SCS as among its 'core national interests', alongside Taiwan. In 2012, the PRC not only announced that the Spratlys, Paracels and Macclesfield Bank had become a Chinese area known as Sansha City with its own governing officials, but also confirmed that it was dispatching a military garrison to guard those living on the islands (Kurlantzick 2012; ISDP 2016; Perlez 2012a, 2012b; Pal 2013). In 2014 and 2015, satellite images showed that China had been undertaking extensive reclamation work to build artificial reefs and islands in the Spratly and Parcel island chains. Most recently, in July 2016, new satellite images confirmed that Beijing had built aircraft hangars on Fiery Cross, Subi and Mischief reefs, which could be used to accommodate as many as 80 military jets. Those photographs also

revealed cylindrical structures that American officials believe could be reinforced air defence facilities containing surface-to-air batteries (Neill 2016, Global Security 2016).⁴

Apart from those directed measures, Beijing has also steadily increased its national defence budget, investing considerable sums in enhancing the country's anti-access/area-denial platforms. The government has committed to upgrading and expanding Chinese space and C4SIR⁵ technologies in addition to constructing advanced combat aircraft, amphibious assault vessels, submarines, modern surface warships and land-attack and anti-ship ballistic and cruise missiles (Thayer 2012). Most commentators concur that at least one contributing factor accounting for the PRC's acquisition of those capabilities is its desire to project power and influence in the SCS (Chalk 2013a:15).

The PRC and Southeast Asian claimants in the SCS

China's activities in the SCS—which it argues have been triggered by American freedom of navigation operations (FONOPs) in the region (see below)—have brought Beijing into direct conflict with four Southeast Asian states that have similarly staked claims to islands and shoals in those waters: the Philippines, Vietnam, Malaysia and Brunei. Tensions have been greatest with Manila, as much of the maritime territory that Beijing claims lie within the Philippines EEZ. The most contentious area covers the Spratlys, which is situated only a few hundred kilometres from Palawan and were formally incorporated as Filipino territory in 1978 (as the Kalayaan Island group).⁶

In January 2013, the Benigno Aquino administration initiated arbitration proceedings at The Hague, contesting Chinese claims over features in the SCS that fall within the Philippines EEZ. In July 2016, the Arbitral Tribunal at the Permanent Court of Arbitration (PCA) backed Manila's position, declaring that there was no evidence that the PRC had historic rights to the waters or resources contained within its dashed-line territorial demarcation of the region and was violating Philippine sovereign rights by operating there (Global Security 2016, Hunt 2016). Unsurprisingly, Beijing dismissed the ruling as 'illegal and invalid', accusing the tribunal of being biased and professionally incompetent and warning that its adjudication carried a perceptible risk of intensifying conflict and even confrontation (Cheng 2016, ISDP 2016).

Although enmity has been high with the Philippines, the country's current leader, Rodrigo 'Rody' Duterte, has adopted a somewhat more conciliatory stance towards the PRC and appears less willing than his predecessor to work with the US to counter Chinese claims in the SCS. In his first official visit as president, Duterte travelled to Beijing, where he made it clear that he not only wanted to revisit Manila's defence relationship with America but was also intent on significantly improving Filipino-Sino relations. It's certainly conceivable that the latter objective could involve making concessions to the PRC in the light of the Arbitral Tribunal's findings.⁷ Indeed, at the time of writing, the official Philippine position had already shifted, with the government declaring that, while the court's ruling over the SCS should be upheld, there is also clear recognition of the need to engage China in bilateral talks as a means of resolving ongoing 'contentious' issues between the two countries (Cruz 2016).

Vietnam has been similarly forthright in resisting the PRC and, at least in kinetic terms, arguably more active than the Philippines. The national coastguard has been used repeatedly to intercept Chinese trawlers in contested areas of the SCS and in 2014 was involved in a series of ship-to-ship clashes after Beijing erected an oil rig in waters off the Paracel Islands.⁸ Most recently, in 2016, Hanoi moved to fortify several islets and reefs that it possesses with mobile rocket launchers that are capable of simultaneously striking multiple targets at a range of up to 150 kilometres (93 miles). The platforms are thought to form part of the state-of-the-art EXTRA rocket artillery system that the government recently acquired from Israel (Torode 2016).

ASEAN versus the PRC's position on resolving disputes in the SCS

The collective Southeast Asian stance on the SCS is that those territorial disputes should be dealt with peacefully through multilateral dialogue and judicial arbitration and in accordance with the Declaration on the Conduct (DoC) of Parties in the South China Sea. Signed in 2002, the DoC reaffirms the primacy of reaching a solution with

ASEAN members as a whole and sets out 10 principles among which are the exercise of self-restraint, cooperative environmental protection, joint marine scientific research, compliance with international law and a commitment to building trust and confidence (Chang 2015, ISDP 2016).

China has consistently argued that it will deal with each of the claimants only on an individual basis and has rejected the involvement of any outside parties.

Despite signing the DoC, China has consistently argued that it will deal with each of the claimants only on an individual basis and has rejected the involvement of any outside parties—including the PCA—which it argues would be tantamount to ‘imposed’ dispute settlement. While the PRC is a party to the UN Convention on the Law of the Sea, the government views any compulsory mechanism for resolving competing territorial claims to be ‘inappropriate’ and directly contrary to its own legitimate rights. Further, while acceding to the notions of freedom of navigation and overflight—which are recognised as fundamental rights enshrined in international law—Beijing insists that those principles should not and, indeed cannot, be used as a pretext for undermining Chinese sovereignty and security (ISDP 2016).

The PRC’s adoption of such an approach carries significant implications for ASEAN unity and could potentially create a schism that divides member states into three main clusters:

- those that regard China’s behaviour as an issue of fundamental importance: the four claimant states (particularly the Philippines⁹ and Vietnam); Singapore (which is concerned about ensuring unrestricted access to sea lanes through the SCS); and Indonesia (which has traditionally argued that a multilateral approach is essential to maintain ASEAN’s political and diplomatic cohesion)
- those that have no major stake in the matter: Myanmar and Laos
- those that are prepared to acquiesce for the sake of preserving highly beneficial economic ties with China: Thailand and Cambodia.

Potential fissures between the 10 ASEAN member nations have already become apparent. In 2012, they were unable to agree on the wording of a joint communiqué at the end of their biannual meeting in Phnom Penh. The failure to reach consensus (which was a first for the bloc) was due to Cambodia’s reluctance to include any references to the SCS disputes in the concluding statement—largely as a result of pressure from China, the country’s principal trading partner—even though they were a major topic of discussion on the agenda (Perlez 2012c, Puy 2012).

A similar pattern occurred two years later in Myanmar. In that instance, the final summit report contained no criticisms of Chinese activities in the SCS, despite strong protestations from Vietnam, and merely called on all parties involved ‘to refrain from taking actions that would escalate tension’ (Tiezzi 2014).

The most recent incarnation of this diplomatic impasse took place in Laos in July 2016, where Cambodia again refused to support any official dispatch that was denunciatory of Chinese actions in the SCS, this time in relation to the Arbitral Tribunal’s ruling in favour of Manila (Mogato et al. 2016). Facing the prospect of a repeat of the 2012 failure to issue a unanimous declaration, summit participants eventually reached a compromise in which Beijing and the ASEAN member states agreed that they wouldn’t establish any structures on the ‘presently uninhabited islands, reefs, shoals, cays and other features and [would] handle their differences in a constructive manner’.¹⁰

Those entirely suboptimal outcomes raise the question of whether ASEAN is able or willing to take on a rigorous collective security stance or will merely default to the traditional remedy of sweeping sensitive issues (such as the SCS disputes) under the rug. In the latter scenario, one of two outcomes is likely. Either each of the parties concerned reaches an understanding with Beijing on a bilateral basis and unilaterally renounces its sovereignty

claims, probably in exchange for some benefit, such as preferential economic treatment (which could arguably occur with the Philippines), or the most powerful state—China—wins out and uses force to expel its rivals.

US, Australian and Japanese responses

The US has openly expressed concern over any solution that would see the PRC assuming uncontested sovereignty in the SCS, not least because those waters are thought to contain sizeable oil and natural gas reserves,¹¹ provide 10% of the global fish catch and carry around US\$4 trillion in annual ship-borne trade (Glaser 2011).¹² Indeed, maintaining freedom of navigation in the wider region is now arguably one of Washington's most pressing political and economic priorities in Southeast Asia.

Despite its strong economic ties with China, Australia has similarly been wary of the PRC's actions and intentions in the SCS.

Despite its strong economic ties with China, Australia has similarly been wary of the PRC's actions and intentions in the SCS. Like Washington, Canberra has significant interests in this body of water, both economically in terms of freedom of navigation, and geopolitically as one of America's closest allies¹³ and most ardent supporters of its role in upholding a rules-based regional order.¹⁴

Japan has also exhibited concern. The SCS is of considerable strategic importance to the country, not least because upwards of 60% of the fossil fuels that it uses for energy production pass through this particular body of water.¹⁵ Tokyo has additionally interpreted Beijing's actions in the area as a wider policy of territorial expansion in the Asia-Pacific that, if consolidated, will make a solution to competing sovereignty claims over contested islands in the East China Sea much more difficult to effect.¹⁶

The anaemic ASEAN response to China's claims in the SCS and the possibility that it could lead to a situation in which a vital global maritime corridor is effectively left to Chinese control have encouraged the US, Australia and Japan to progressively step up unilateral efforts aimed at securing the integrity of those shipping lanes.

The United States

The basic American approach has emphasised FONOPs that are specifically geared to send a clear message to China that its assertiveness, rejected legally by the Arbitral Tribunal, won't be allowed to stand in practice either (Cheng 2016). In October 2015, the destroyer USS *Lassen* conducted a maritime patrol within 12 nautical miles of an artificial Chinese reef that had been constructed in the Spratlys, sparking a strong rebuke from Beijing. The following month, American B-52 bombers flew a series of sorties near other territories claimed by the PRC, while in December a P-8 Poseidon reconnaissance plane was dispatched to Singapore for seven days to support 'maritime security efforts' in the SCS as part of an enhanced defence cooperation accord with the city-state (Minnick 2016).¹⁷ The latter arrangement buttressed an earlier agreement with Kuala Lumpur that similarly permits American surveillance flights from Malaysian territory (Perlez 2016a). In January 2016, the guided missile carrier USS *Curtis Wilbur* mounted a FONOP near Triton Island (which is part of the Paracels) in what Washington described as an exercise to ensure the right of innocent passage. Four months later, USS *William P Lawrence* sailed within 12 nautical miles of Fiery Cross Reef, directly challenging the prior notification requirements that China has insisted on for entry into those waters (Tomlinson 2016, Panda 2016). Most recently, in October 2016, USS *Decatur* successfully reconnoitred the entire Paracel island chain. Although characterising the operation as routine, Pentagon Press Secretary Josh Ernest went on to affirm that its main point was 'to let China know that it cannot unlawfully restrict the navigation rights, freedoms and lawful uses of the sea that the US and all states are entitled to exercise under international law'.¹⁸

Australia

While Australia hasn't been as visible in its response to China in the SCS and has yet to conduct a surface FONOP similar to those of the US, it has undertaken various initiatives of its own. The Royal Australian Navy regularly conducts presence patrols, exercises and port calls that are geared to ensuring full maritime transparency and awareness throughout the region. The country additionally carries out its own airborne surveillance operations over the SCS and Indian Ocean. Codenamed 'Gateway' and first instituted in the 1980s, these aerial missions involve P-3 Orion aircraft. During 2016, every flight undertaken as part of this mission was verbally challenged by Beijing.¹⁹

It's also worth noting that the shadow defence minister, Richard Marles, has confirmed that a future Labor administration would allow the military to initiate independent FONOPs in the SCS. Significantly, Marles was somewhat vague over whether that authorisation would extend to sanctioning operations within 12 nautical miles of the various artificial islands that the PRC has constructed in contested waters.²⁰

Japan

Since April 2014, when Japan loosened its self-imposed ban on arms exports, the country has moved to deter China's actions in the SCS by helping to build and strengthen the offshore capabilities of other claimants, notably Vietnam and the Philippines but more recently Malaysia as well (such initiatives are discussed in Chapter 3). To a similar end, Tokyo has funded a series of seminars for those three states as well as Indonesia that aim to highlight the importance of maintaining a rules-based global order. This effort is run by the Coast Guard and is currently coordinated through the Japan International Cooperation Agency; it will be complemented by a new initiative in 2017 that will see the symposiums expanded to other Southeast Asian states, such as Thailand and Myanmar.²¹

More directly, Tokyo has given added weight to the possibility of its Maritime Self-Defense Force (MSDF) joining American FONOPs and participating in regional bilateral and multilateral exercises to achieve its strategic goals in the SCS. In October 2015, Japan conducted its first drill with the US Navy in the disputed waters, following this up six months later by deploying three MSDF vessels—two destroyers and a submarine—to observe the annual Exercise Balikatan in the Philippines. In a speech given before the Washington DC-based Center for Strategic and International Studies in September 2016, Defense Minister Tomomi Inada specifically asserted that, in the context of competing claims in the SCS, engagement of this sort plays a key role in helping to uphold 'the rules-based international maritime order'. She went on to affirm that the MSDF would continue to collaborate with the US Navy and would seek to expand its involvement in other exercises with partner nations in Southeast Asia.²²

CHAPTER 3

PRC influence in Southeast Asia

Historically, the PRC was able to exert only limited influence in Southeast Asia. The country's support for communist parties and insurgencies in Thailand, Myanmar, Malaya, the Philippines and Vietnam, as well as its backing for the genocidal Khmer Rouge regime in Cambodia, gave rise to a high degree of mutual suspicion, mistrust and animosity that severely constrained Beijing's ability to forge cordial, much less meaningful, regional relationships. However, the normalisation of diplomatic contacts in 1990, first by Indonesia and then Singapore and Brunei, paved the way for the formal establishment of ties with ASEAN as a whole in 1991, China's admission into the ARF three years later and eventually the institution of a full dialogue partnership (Ong 2004).²³ Since then, a broad spectrum of bilateral and multilateral agreements has been signed, embodying protocols and reciprocal understandings that transcend the political, economic, social and security realms.

Besides territorial annexation in the SCS, the PRC has sought to further expand and consolidate its influence in Southeast Asia through two primary channels: economics and 'soft power'. This chapter examines the extent to which those tools of foreign policy have been instrumental in fostering Beijing's presence in the region and how three other major players in this part of the world—the US, Australia and Japan—have sought to offset this penetration.

Economics

During the August 2013 ASEAN–China Summit in Brunei, China enunciated a two-point political consensus for Southeast Asia that explicitly recognised that the key to deepening cooperation and strategic trust was through the expansion of economic ties for mutual benefit. At the same meeting, Beijing unveiled several proposals for boosting growth and development in Southeast Asia—including the creation of the Asian Infrastructure Investment Bank (AIIB) and the construction of a 21st century maritime equivalent of the ancient Silk Road. The former, which came online in 2015 with a funding stream of A\$132 billion (US\$100 billion), will be used to finance a burgeoning network of power, energy, transportation, telecommunications and agricultural projects across Asia. The latter aims to boost commerce to Africa, Europe, the Middle East and Asia by building and expanding ports, industrial parks, roads and rail links across dozens of countries on those four continents (Parameswaran 2013, Mazza 2015:1–2). It's supported by a A\$53 billion (US\$40 billion) Silk Road Fund and is now generally referred to as the 'One Belt, One Road' initiative.

Beijing has additionally sought to create a single Asian-oriented trading zone that will link itself and ASEAN with five dialogue partners (Australia, New Zealand, Japan, South Korea and India). That effort is currently being fleshed out in negotiations to conclude the 16-member Regional Comprehensive Economic Partnership Agreement (RCEPA). If established, the bloc would create an integrated market with a combined population of over 3 billion people and a collective GDP of around US\$20 trillion (A\$26 trillion)—representing a significant economic boon for the Asia–Pacific by providing an institutional arrangement that should stimulate a major increase in inter-state trade across

the region (Miller 2015:4, MTI 2014). It would also provide a strong counterweight and alternative to the TTP—an initiative formerly championed by the US that's discussed in greater detail below.

The AIIB, One Belt, One Road and the RCEPA are all designed to increase the interconnectivity between the PRC's trade and financial sector and those of its immediate neighbours as well as with other emergent and established economies. The basic objective is to accrue material benefits by boosting local development and growth and spurring the general intensity of free trade. On a more intrinsic level, however, the three initiatives are aimed at expanding Chinese penetration of extant markets—both Southeast Asian and more broadly—in the expectation that this will lead to associated increases in influence and power.²⁴

Beijing has accompanied those grand schemes with directed multilateral and bilateral trade, investment and development agreements. China is now the most important source of imports for Malaysia, Singapore, Laos and Cambodia, the largest foreign investor in Cambodia, Laos and Myanmar and a prime economic partner for Thailand, the Philippines and Indonesia (Miller 2015:1, Vinayak et al. 2014).²⁵ Overall, the two-way flow of goods between Southeast Asia and the PRC increased more than six fold during the past decade, topping US\$400 million (A\$527 million) in 2013. ASEAN has also now surpassed Australia, the US and Russia to become the PRC's principal global destination for foreign direct investment, which reached roughly US\$92 billion (A\$121 million) in 2013 (Parameswaran 2013, Lohman 2015).

For the most part, the use of economics has been highly instrumental in availing the spread of Chinese influence in Southeast Asia. The importance of maintaining healthy trade and investment relations with Beijing is well understood in the region's capitals. As George Yeo, the former foreign minister of Singapore has observed: 'Historically in East and Southeast Asia ... there has really only been one major power rising and ebbing: China. When it rises, it's best to accord some respect in return for which one derives considerable economic advantage.'²⁶

To be sure, the positive reception to Beijing's economic penetration reflects a growing recognition that it's essential to Southeast Asia's own collective prosperity, not least given the relative fiscal downturn afflicting ASEAN's other major trading partner—the US. However, it's also a product of the specific manner in which Beijing goes about doing business in this part of the world—a stylistic approach that has generally garnered appreciation disproportionate to the size of benefits delivered. One factor that's been especially instrumental is the PRC's readiness to conclude agreements without the conditions that are often attached by other (Western) states, such as democratic reform, respect for human rights and a commitment to market opening. The willingness to make deals without qualifying prerequisites sits well with many Southeast Asian governments, as it resonates with their own normative preference for non-interference in internal affairs (Chachavalpongpun 2013).

Just as importantly, Beijing routinely characterises its economic dealings as agreements among equals, and reinforces that message by inking accords at lavish, well-organised receptions where recipient countries are not only treated with respect but are granted full equality with the donor.²⁷ As one China specialist at the Australian National University has observed, those events convey exceptionally strong symbolism, imparting an impression of inclusiveness that the West simply does not comprehend.²⁸

The utility of the economic tool could change, however, in a post-ASEAN Southeast Asia, as opinions on how quickly and on what scale economic partnering with the PRC should occur haven't been uniform among member states. Some have shown concern that over-reliance on Chinese trade is an increasingly problematic contributory element in limiting overall foreign policy autonomy. Myanmar is a case in point—and, indeed, this is one of the reasons why the former administration of Thein Sein moved to open up the long-isolated country to the rest of the world.²⁹ Equally, the perceived benefit of working with Beijing has certainly been more discernible for the less developed continental states of Laos and Cambodia than for more advanced and growing maritime countries that don't have as pressing a need for external investment, such as Malaysia, Indonesia and Singapore. The latter have also begun to express vocal concerns over certain negative consequences that have resulted from bilateral agreements, including adverse environmental impacts arising out of large-scale infrastructure projects, visibly corrupt bureaucratic practices to win business tenders, and loss of competitiveness due to the importation of cheap Chinese goods.³⁰

Moreover, the long-term utility of working with Beijing will be highly dependent on the viability of China's own economy. That's an important consideration, as in many ways the PRC can be viewed as a fiscally fragile superpower. The country's annual per capita income is around A\$7,900 (US\$6,000), which is smaller than that of the Dominican Republic, a fifth that of Taiwan and only slightly more than a seventh that of the US (DeSilva-Ranasinghe 2011).

The PRC is now also heavily dependent on imports of energy and raw materials, while export-led growth—a key driver of the state's development—is inherently limited due to its inability to stimulate domestic consumption. Shifting China away from that model will be difficult because of the country's extreme inequalities in wealth,³¹ concomitant absence of a vibrant middle class, and rapidly ageing population—all factors that tend to encourage saving over buying.³²

Soft power

Besides economics, Beijing has sought to expand its influence throughout Southeast Asia on the back of non-military 'soft' power by employing instruments such as education, diplomacy and culture to improve the PRC's general appeal across the region while simultaneously limiting that of the US. In particular, the government has made a conspicuous effort to cast China as a benign state that's fully committed to peaceful development and the strengthening of shared Asian values.

To that end, the PRC has endeavoured to foster people-to-people links through tourism, study grants and fellowships, cultural visits and events, and the opening of Cantonese and Mandarin language schools throughout Southeast Asia. A concerted push has been made to enhance general understanding and awareness of Chinese history, literature, art, music, philosophy and intellectual achievement through the establishment of Confucius Institutes in major regional cities and capitals. And a rigorous diplomatic and informational campaign has been instituted to promote a positive view of the PRC and offset any lingering perceptions that the country poses a threat to the overall stability of Southeast Asia.³³

The extent to which Beijing has been able to project a vision of a peaceful rise that's credible and legitimate is somewhat difficult to determine.

The extent to which Beijing has been able to project a vision of a peaceful rise that's credible and legitimate is somewhat difficult to determine. On the one hand, its emphasis on sustainable development, coexistence and shared values has, to a degree, resonated with ASEAN's own commitment to harmony and unity. The PRC has also done a reasonably good job of overhauling and professionalising its civil service, consciously employing adept embassy officials to solicit wider support for the so-called 'Chinese Dream' by portraying it as the most efficacious way of ensuring a regional order that's characterised by common prosperity and conflict-adverse behaviour. The proliferation of Cantonese newspaper, television and radio outlets in many Southeast Asian countries has given added impetus to reinforcing that message (Chalk 2015:18).

That said, the promotion of soft power to forge a better understanding of Chinese social and cultural norms has fallen foul of a central administration that in many ways lacks genuine self-awareness—something that's been especially true with regard to the SCS disputes. Sinologists and other informed observers tend to take the view that Beijing's aggressive and uncompromising stance on sovereignty claims in this body of water is working directly against the government's attempts to showcase the country as one that's responsible, politically flexible and ready to play by the accepted 'rules of the game'. That attitude has not only negatively affected bilateral relations with

Vietnam and, at least until Duterte's election, the Philippines, but has also engendered a perception of China as a regional bully among other ASEAN member states (Chalk 2015:18).

Curbing China's influence in Southeast Asia

The US, Australia and Japan have all been active in seeking to curb China's spreading influence in Southeast Asia. While the three countries recognise the inevitability of the PRC's rise, they appear to share a common concern that, if left unchecked, the country's growing power could metastasise into a revisionist agenda that's explicitly aimed at overturning the regional status quo. Viewing that as a potential threat to local stability, Washington, Canberra and Tokyo have all taken steps to bound Beijing's spreading influence and increasing prominence in this part of the world.

The United States

Early in his administration, President Barack Obama announced the 'Asia rebalance'—a 'pivot' that became official policy in January 2012 with the release of a new Defense Strategic Guidance. That document explicitly recognised the need for America to re-embrace partner nations in the Asia-Pacific, leveraging their significant and growing capabilities to build a network of states that nurtures, strengthens and sustains a predictable and stable rules-based regional order (US DoD 2012, Fuchs 2015).

The US has repeatedly asserted that it has no intention of shutting China out of its strategic 'backyard' and that its newly energised policy of Asian engagement is in no way a thinly veiled strategy of containment. That said, it's clear that an important, if not central, factor motivating a significant element of this geopolitical realignment has been China's heightened regional assertiveness. As Kevin Rudd, the former prime minister of Australia, has observed, had Washington not moved to re-engage this part of the world, and in particular blunt Beijing's hardline realist view of international relations, the world could easily have concluded that an overstretched American administration had lost much of its staying power in Asia (Rudd 2013). Such a perception would have direct implications for the PRC's cost-benefit calculation of its foreign policy priorities in Southeast Asia and could well tip the balance of this ratio in favour of adopting a posture that's far more outwardly adventurist in tenor.

As noted in Chapter 2, the US has certainly been worried about any solution to the SCS disputes that gives Beijing uncontested jurisdiction over this body of water, and it has visibly responded to that concern by stepping up the tempo and scope of its own FONOPs in the region. Washington has also consistently argued for a multilateral, collective solution to settle competing claims (vocally endorsing Indonesian efforts to achieve such an outcome), has supported defence reform to boost the power projection capabilities of other Southeast Asian countries that are party to the impasse (notably the Philippines and Vietnam³⁴) and, in July 2016, explicitly backed the Arbitral Tribunal ruling in favour of Manila.

In the economic field, the US championed the enactment of the TPP. Signed in Auckland on 4 February 2016, this agreement aims to promote trade and investment through the establishment of marketplaces that are transparent and accountable. The initiative included the US, Canada, Chile, Peru, Mexico, Japan, New Zealand, Australia, Vietnam, Brunei, Malaysia and Singapore, which have until 2018 to ratify the accord.³⁵

Washington cast the TPP as an essential step in revitalising an open, rules-based global economic system that will provide more jobs for each of the signatory countries and significantly add to their annual growth rates. However, the pact's timing also strongly suggests that it's a response to major commercial and financial deals that the PRC is currently spearheading, such as the AIIB, One Belt, One Road and the RCEPA. That became glaringly evident when Obama announced on the signing of the agreement, 'Partnership would give the US an advantage over other leading economies ... The TPP allows America—and not countries like China—to write the [economic] rules of the road for the 21st Century'.³⁶

While a central component of Obama's pivot to Asia, this aspect of US policy was terminated within days of Donald Trump assuming the presidency, and there's no indication that it will be renewed. The new Republican administration has asserted that it intends to adopt a more aggressive stance against foreign competitors, stressing that deals such as the TPP merely benefit low-wage countries to the detriment of American jobs.³⁷ How this reversal on trade policy will affect Washington's future economic engagement in Southeast Asia remains to be seen.

The US has inked some highly important bilateral defence deals to provide its military with greater access to Southeast Asian military bases.

Finally, the US has inked some highly important bilateral defence deals to provide its military with greater access to Southeast Asian military bases. Three in particular are worth mentioning. The first came in November 2011, when Washington signed an agreement with Australia allowing US Marines to regularly deploy in and out of Darwin. The accord initially sanctioned the stationing of 250 soldiers to the Northern Territory capital region and has since seen troop levels rise to around 1,250 (Tow 2012, Calmes 2011, Teare 2011). Although not strictly speaking a Southeast Asian pact, and although limited in size, it will certainly facilitate the rapid movement of American soldiers to address contingencies that might arise in this part of the world.

A second and arguably more important deal was the April 2014 conclusion of the Enhanced Defense Cooperation Agreement (EDCA) with Manila. The 10-year accord permits the US to access and use designated military facilities in the Philippines (although only on a rotational basis and at the invitation of the government) for the dual purposes of promoting defence interoperability and force modernisation. To financially buttress the agreement, the White House provided the Philippines with a record US\$79 million (A\$112 million) in military assistance during the 2015 financial year, much of which has since been earmarked for the construction of a training and logistical base to strengthen the country's armed forces (Parameswaran 2015a, Banerjee 2015, Downing 2014).

Although Duterte has stressed that he wants to drastically reconfigure security relations with Washington, including ending joint military exercises and decoupling existing agreements such as the EDCA (which he views as promoting dependence on America), that's unlikely to occur. The Philippine defence establishment, and in particular Secretary Delfin Lorenzana, is clearly unwilling to roll up a bilateral alliance that's not only well established but has also paid significant dividends in denting the activity of militant threat groups in Mindanao as well as generally safeguarding and promoting vital Philippine interests.³⁸

Third and most recently was the US–Singapore Defense Cooperation Agreement (DCA), which was signed at the end of 2015. The accord provides for an expanded bilateral security relationship by building on the 2005 Strategic Framework Agreement and the 1990 memorandum of understanding permitting American use of military facilities in the city-state. An integral element of the DCA is a clause granting permission for the initial deployment of an American P-8 Poseidon reconnaissance plane to Singapore, endowing Washington with an additional location from which to conduct maritime surveillance flights over disputed areas in the SCS. The agreement also delineates new areas for collaboration, including humanitarian assistance and disaster relief, cybersecurity, biothreats and public communications (Parameswaran 2015b).

As noted in Chapter 1, it remains to be seen whether newly elected President Trump will continue with the basic parameters of the 'pivot.' Indeed, that's one of the key uncertainties that both Australia and Japan will need to contend with.

Australia

Despite having close economic ties with the PRC, Australia has also sought to stem Chinese influence in Southeast Asia. The basic thrust of the government's approach has been to endorse the US as the most powerful state in the world, to emphasise the intimate political and security relationship Canberra enjoys with Washington and to legitimise the American presence as the main factor upholding peace and stability in the region. Those various points were explicitly enunciated in the 2016 Australian Defence White Paper:

The United States will remain the pre-eminent global military power over the next two decades. It will continue to be Australia's most important strategic partner through our long-standing alliance, and the active presence of the United States will continue to underpin the stability of our region. The global strategic and economic weight of the United States will be essential to the continued stability of the rules-based global [and regional] order upon which Australia relies for our security and prosperity.³⁹

Besides recognising the US as the pre-eminent power in Asia, Australia has taken several steps to give concrete expression to its regional alliance with Washington. As noted above, Canberra has sanctioned the rotational deployment of US Marines out of bases in Darwin and is a signatory of the TPP. In addition, the defence forces of the two countries hold Exercise Talisman Sabre, a regular biennial training activity that's primarily designed to enhance interoperability and promote joint combat readiness and efficiency. Finally, Australia has conducted surveillance overflights in the SCS that support American FONOPs in those waters and could yet initiate its own set of such operations in the future.

Japan

For its part, Japan has sought to build broad-based ties with several key states in Southeast Asia through the conclusion of so-called strategic partnerships. Thus far, agreements have been made with Vietnam, Indonesia, the Philippines and Malaysia (Mazza 2015:3–4).⁴⁰ Since Tokyo is highly reliant on shipping lanes through the SCS for imports of critical resources, especially energy, the substance of those accords (enacted and planned) has, unsurprisingly, focused on enhancing the maritime capabilities of Southeast Asian states that have stakes in those waters as a means of denying the PRC a free hand to exercise its own claims in the region.

Notable recipients of assistance have been the Philippines and Vietnam—the two most ardent critics of current Chinese actions in the SCS. Both countries have been provided with low-interest development assistance loans to procure Japanese-built surveillance ships, and each has been gifted various second-hand craft. In the case of the Philippines, P3-C Orion observation planes as well as TC-90 aircraft have also been supplied or pledged, and in May 2015 the MSDF held its first-ever joint exercise with the Philippine Navy. There has even been talk of concluding a visiting forces agreement that would grant Japanese access to Filipino defence bases. Given the historically acrimonious relationship between the two governments, which go back to the Japanese occupation of the archipelago during World War II, those steps are a significant, not to mention bold, development in the construction of more meaningful bilateral ties (Mazza 2015:3, Tatsumi 2016).

Japan has since added Malaysia to its maritime capacity building support program. In November 2016, Prime Minister Shinzo Abe announced that he would gift the country two 90-metre patrol ships that had previously been in the service of the Japan Coast Guard. The vessels are due to be delivered in early 2017, and their provision is directly tied to augmenting Kuala Lumpur's ability to resist PRC assertiveness in and around the SCS.⁴¹

Besides constructing strategic partnerships, Japan has sought to limit, or at least dilute, growing Chinese economic influence in Southeast Asia through investment initiatives of its own. Pertinent examples include:

- committing funds in conjunction with Thailand and Myanmar to help develop the Dawei industrial zone along the Andaman Sea coastline
- underwriting the expansion of the Indian port of Ennore across the Bay of Bengal to provide an alternative trade and shipping hub to Beijing's Belt and Road initiative

- contributing to the enhancement of the East–West Economic Corridor that links Vietnam to Burma through Laos and Thailand
- providing grant money to Cambodia for the construction of a bridge across the Mekong River to Vietnam
- pledging 750 billion yen (A\$8.5 billion) in aid as part of a wider effort that’s being undertaken with the Asian Development Bank to boost capital for infrastructure projects in the Mekong River nations
- leveraging the Japan Bank for International Cooperation to buttress the Challenger Emerging Market Fund LP and CapAsia ASEAN Infrastructure III LP, both of which bankroll critical communications, transport, banking and energy grids in emerging Asian economies.⁴²

A combination of strategic partnerships and investment is likely to continue to form the basis of Japanese policy in Southeast Asia, although the scale and tempo of this engagement could very well increase as the country seeks to expand its influence in the region. In the area of strategic partnerships, there could be more joint training exercises of the sort that the MDSF conducted with the Philippines in 2015, as well as the initiation of early moves to assist with maritime surveillance and reconnaissance. In the investment domain, Tokyo may well look at taking advantage of heightened opportunities for underwriting large-scale infrastructure projects, particularly as weaker Southeast Asian economies begin to open up and develop (Domínguez 2016). In both areas, however, it’s China that will be the determining factor. As Koh Swee Collin, an associate fellow at the S. Rajaratnam School of International Studies in Singapore, observes:

These geopolitical, economic and technical factors all combine to justify Japan’s strategic ‘pivot’ to Southeast Asia. And it is China’s assertiveness which has undoubtedly provided the most convincing and overarching driving force of all.⁴³

CHAPTER 4

Conclusion

US, Australian and Japanese options in the absence of a unified ASEAN

ASEAN's prevarication over the SCS disputes would seem to suggest that, rather than taking on a rigorous collective security stance to mitigate contentious challenges, the bloc will continue to adhere to a problem-solving approach that's incremental, informal and effectively devoid of meaningful action. Such a reality has profound implications for the ways the US, Australia and Japan seek to advance their security and economic interests in the wider Asia-Pacific, particularly with respect to balancing an increasingly assertive China.

The United States

At the heart of the US pivot to Asia are the ten ASEAN member countries. As noted in Chapter 1, this bloc has a consumer base of 620 million people, a combined GDP that exceeds A\$2.9 trillion (US\$2 trillion) and a healthy foreign direct investment to GDP ratio of 52%. It also constitutes Washington's fourth largest trading partner and remains the principal business destination for American private-sector companies, currently hosting more than US\$150 billion (A\$207.5 billion) in foreign direct investment (Fuchs 2015, Petrie & Plummer 2013:3).

Besides this economic salience, for at least two reasons ASEAN has strategic import for the US. First, as a regional bloc, the association straddles some of the world's busiest shipping lanes—those connecting the PRC, Japan, South Korea, Australia, Europe and the Middle East. Second, ASEAN is also highly relevant as an institutional forum for potentially managing China's rapidly rising influence as Beijing seeks to redefine its regional and global roles (Bower 2012).

Recognising those traits, Washington has pursued what has been termed a 'rebalance within the rebalance'. Essentially, this aims to place appropriate emphasis on Southeast Asia—collectively represented by ASEAN—as one of the most dynamic parts of the world that needs to be engaged more deeply and broadly than ever before. The US has sought to give concrete expression to its recalibrated orientation through an intensive diplomatic campaign. By the end of the Obama administration's tenure, that included return presidential visits that had focused exclusively on Southeast Asia (a first since the Vietnam War), the creation of a financial post dedicated to the region within the Treasury Department, and the appointment of an Ambassador to ASEAN—a position currently held by Nina Hachigan (Simon 2015, Bower 2012, Lohman 2016:4).

However, if ASEAN can't be counted on to act as an integrated body for dealing with tough security issues and no smaller network of like-minded, more activist, countries emerges, the US will have little choice but to return to its traditional policy of interacting with Southeast Asian countries on a bilateral hub-and-spokes basis. While not ideal, that would at least allow for focused agreements that, taken in their sum, could still further American strategic

interests in the region. Of particular importance would be support for defence reform efforts, especially those that are designed to augment external force projection and maritime capabilities.

Washington is already working closely with Indonesia, the Philippines and Vietnam in this area, where the basic aim is to counter the PRC's growing assertiveness in the SCS and concomitantly ensure freedom of navigation through a strategically vital maritime corridor. Should divisions in ASEAN over this issue become even more acute, it can be expected that those bilateral assistance efforts would be significantly increased.

Before the election of President Duterte, the US would almost certainly have focused its emphasis on supporting the Philippines. Not only does the country sit geographically and legally at the centre of the SCS disputes, but there are also good operational reasons why it would be an American partner of choice.

In 1951, the two countries signed the Mutual Defense Treaty, committing each side to come to the other's support in the event of an attack. During the Cold War, that accord provided a legal context for sanctioning the establishment of permanent American defence outposts in the Philippines—notably the Clark Air Base just outside Manila and the Subic Bay Naval Station. While those facilities generated domestic opposition, rooted in memories of American colonialism, that eventually forced the closure of the naval base in 1991 and the early termination of the lease for the air base,⁴⁴ bilateral security ties remained robust and gained extra momentum after the 9/11 attacks in the US. Fears that Southeast Asian militants were seeking to establish a regional beachhead for transnational jihadist extremism in Mindanao and its surrounding islands spurred a massive influx of American counterterrorism training and assistance (provided under Operation Enduring Freedom—Philippines). In addition, it prompted then-president George W Bush to elevate the status of the Philippines to that of a major non-NATO ally in 2003. Finally, in 2014 the US signed the EDCA, which arguably represents the most significant fillip in American–Filipino defence relations in recent times (Chalk 2014:15, Lohman 2016:4).

The election of Duterte as President of the Philippines in 2016 has somewhat clouded the future trajectory of US–Philippines defence cooperation.

However, the election of Duterte as President of the Philippines in 2016 has somewhat clouded the future trajectory of US–Philippines defence cooperation. His campaign platform built on the promise of revisiting the EDCA, and during his visit to Japan in October he specifically declared that he wanted all American troops out of the country within two years.⁴⁵ Those pronouncements have caused growing consternation in Washington, prompting Assistant Secretary of State Daniel Russel to assert that they were creating 'a real climate of uncertainty about the Philippines' intentions [towards the US].⁴⁶

Despite Duterte's pronouncements, there's unlikely to be a major modification in the fundamentals of the US–Philippine security alliance. As noted, the defence establishment is clearly unwilling to decouple relations with Washington. Moreover, Duterte has started to backtrack on some of his earlier statements (which appear to have been as much about stirring populist sentiment as anything else), confirming that joint military manoeuvres such as Exercise Balikatan would continue and that existing defence agreements would be respected.⁴⁷ In the words of one American official, 'When rubber meets the road, nothing has changed.'⁴⁸

Beyond the Philippines, the US would doubtless also look to deepen defence cooperation with other Southeast Asian governments—although in virtually all cases there will be challenges. Given existing links, Jakarta and Hanoi would be obvious candidates for strengthening security ties. Difficulties that could stymie progress in these two instances include heightened nationalism in Indonesia (Joko Widodo has adopted a decidedly inward-looking posture since assuming the presidency in 2014), the decidedly negative reaction to Trump among many of Jakarta's

political elite because of his vitriolic anti-Muslim rhetoric during the 2016 presidential election,⁴⁹ and ongoing concerns about human rights and political freedoms in Vietnam.

Another possibility would be Malaysia. During much of the Obama administration's tenure, the two countries developed increasingly cordial relations in both the defence and the economic realms. Premier Razak pushed hard to ensure that legislators in Kuala Lumpur approved the TPP in 2016 and has also allowed P-8 Poseidon reconnaissance planes to undertake surveillance flights over the SCS from Malaysian territory. For his part, Obama welcomed Razak as his personal guest on a golf course in Hawaii and in 2014 made the first visit to Malaysia by a sitting American president in nearly half a century (Perlez 2016b).

On the other hand, bilateral relations have taken a significant downturn as a result of a US Department of Justice investigation into the transfer of 2.67 million ringgit (US\$700 million) from 1 Malaysia Development Berhad—a government-run strategic development company—to Razak's personal bank accounts that close family friends then allegedly used to buy real estate and other assets in the US (Holmes 2015, Matthews & Hope 2015). Not only has the Malaysian leader openly bristled at the allegations, but the ongoing case has also reportedly encouraged him to look at strengthening links with Washington's major competitor in Southeast Asia—Beijing.⁵⁰ As Murray Hiebert, a regional expert at the Washington DC-based Center for Strategic and International Relations, observes:

Najib is said by his aides to be angry and to feel humiliated by the Justice Department's investigation of him under US kleptocracy laws. This is prompting him to tilt toward China in order to burnish his image, restore his international standing and provide aid and credits ahead of upcoming elections expected next year.⁵¹

As in Indonesia, there's also been an adverse reaction in the country to the Trump electoral victory, which could further compound deteriorating bilateral relations. Recent surveys of popular attitudes towards the US have already indicated a high degree of dissatisfaction with the extreme views on Islam voiced both by the president and by some of his closest advisers.⁵²

A final option for the US is Thailand, which like the Philippines is a major non-NATO ally. However, all defence ties with Bangkok were suspended following the May 2014 coup d'état that replaced the Pheu Thai Party with a military junta and can't be resumed until civilian rule is restored. Somewhat problematically, General Chalermchai Sitthisat, the country's current Chief of the Army, has said that democratic elections won't occur until late 2017, and there's been conjecture that they may even be delayed into 2018 (Maresca 2016).⁵³

Besides strengthening defence ties, the US could also work more closely with enabling partners in a burden sharing capacity. In Southeast Asia, there's no better example of such a country than Singapore. The city-state has the most advanced and capable military in the region, has long allowed American planes and warships to operate out of its bases, enjoys an extremely high degree of interoperability with US forces and has signed a number of agreements that provide for expanded security cooperation with Washington (Lohman 2016:4). Increasing the tempo of its engagement with Singapore would not only provide the US with a valuable sounding board for securing vital strategic interests in Southeast Asia, but would also help to enhance and further legitimate the American intelligence and diplomatic presence in this part of the world.

Australia

Australia, the first external state to be named as one of ASEAN's dialogue partners in 1974, has a deep and colourful history with the 10 states that now constitute the regional grouping.

Much like those of the US, Australia's economic interests have become more and more intertwined with those of Southeast Asia. The ASEAN community is the country's second largest trading partner, and the two-way flow of goods and services has amounted to over A\$100 billion (US\$76.7 billion) annually since 2014 (DFAT 2015).⁵⁴ The ASEAN – Australia – New Zealand Free Trade Agreement is another important (and often underappreciated) component of the bilateral relationship, bolstering economic ties by easing the transfer of resources and agriculture

and development assistance to the association's ten member states (on which many heavily depend) (Goydych & Matthews 2016).

Strategically, in much the same way as for the US, Southeast Asia represents a vital gateway to some of Australia's most important sea lines of communication. Safeguarding its northern approaches was named as one of the country's three 'strategic defence interests' in the 2016 Defence White Paper, as was a secure nearer region to mitigate security challenges that threaten Canberra's growing economic relationships in the Asia-Pacific and beyond (Defence Department 2016). Both ASEAN and Australia place equal importance on the maintenance of a rules-based global order, and each has put that commonality to good use by focusing on joint action to combat mutual areas of concern, such as human trafficking (Goydych & Matthews 2016).

However, the SCS disputes have again glaringly highlighted where ASEAN's enthusiasm for a collective approach to regional security falls short. A focal point for the bloc's 28th bilateral forum with Australia, which was held in April 2016, was the criticality of jointly guaranteeing freedom of navigation, overflight and general peace and stability in the disputed areas of this body of water. Just three months later, after the Arbitral Tribunal handed down its landmark ruling in the *Philippines v. China* case, ASEAN failed to act on that strong rhetoric (which came with Canberra's endorsement), as its consensus-based decision-making blocked some claimant states from taking meaningful action in condemning Beijing's aggression (Mogato et al. 2016).

Thus, while Australia's existing multilateral ties to ASEAN are an important, if cosmetic, way of showing good faith and commitment, its bilateral relationships with Southeast Asian states will be the key to the future of its security engagement in the region—in much the same manner as the American hub-and-spokes model.

Vietnam is one obvious partner for Australia, both on account of the country's vocal stance on the SCS disputes as well as Hanoi's already established relationship with the US in countering Chinese assertiveness and bolstering regional maritime domain awareness.

Indonesia is another logical candidate for Australian partnering. The two countries have a strong and solid history of military-to-military cooperation that has generated a good deal of goodwill, which Canberra could use as a springboard for further strengthening bilateral ties. While building up economic capacity and improving military resilience and self-sufficiency are two of the largest preoccupations for President Widodo, Australia should indicate its support for wider Indonesian defence reform, particularly Jakarta's Minimum Essential Force program. The main objective behind this initiative is to gradually wean the Indonesian National Armed Forces off munitions that are procured from foreign vendors and instead provide them with platforms that have a far more explicit domestic production 'footprint'. The overall goal is to attain an ideal, self-sufficient posture that's capable of independently ensuring the safety of the country by 2024 (Chalk 2016:13, Laksmana 2014, Mahadzir 2016). One way Australia could contribute to that effort is to encourage the partnering of both countries' defence industries on more cooperative projects. The joint production of a mine-resistant armoured vehicle for the Indonesian Army that's based loosely on Australia's Bushmaster, which was announced following the October 2016 Defence and Foreign Ministers' Meeting in Bali, is one example of how this collaboration could proceed.⁵⁵

Australia could also help an internally focused Indonesia foster a closer partnership with the US. Leveraging the SCS disputes would be one way to effect such an outcome, as Washington is already working with Jakarta to promote its ability to offset Chinese assertiveness in the disputed waters.⁵⁶

In the maritime realm, Australia could help to foster trust, interoperability and joint readiness among like-minded navies in Southeast Asia by boosting the scope and tempo of regional bilateral and multilateral littoral training efforts. To that end, Canberra could encourage Jakarta to expand their pre-existing Cassowary and New Horizon exercises, consider broaching the topic of including the US as an observer in future iterations of those manoeuvres, and suggest conducting the Five Power Defence Arrangements' Exercise Bersama Lima on an annual rather than biannual basis.

On the political level, Australia could work studiously to ensure that regular 2+2 foreign and defence ministers' meetings are held with partner countries, which will help to keep channels of communication open on a wide range of political, military and international policy issues. Australia could also look at ways of elevating the level of that engagement, which would further buttress and improve the type of political interactions that are so integral in sustaining and deepening bilateral partnerships.⁵⁷

Arguably, one of the most important things Australia can do to secure its future strategic interests in Southeast Asia is to ensure that the US remains actively committed to the region. It's simply unrealistic to expect that the 10 member states of ASEAN—unilaterally or collectively—could act as a credible and forceful counterweight to China on their own. The only state that's capable of exerting that leverage is the US.

Therefore, it's essential that President Trump and his close advisers are convinced early on that they can play a leading role in Asia and develop a proper, effective working relationship with Beijing. Australia must harness the 65 years of goodwill gleaned from being one of Washington's closest allies to draw American attention back to Southeast Asia should it waver—not least by selling the benefits of a bilateral alliance that has played such a pivotal role in promoting peace and stability in what remains one of the most dynamic and rapidly developing parts of the world.

Australia must show that it's a willing and ready partner of the US in Southeast Asia and that it won't merely 'freeload' off Washington's continued engagement in the region.

In particular, Canberra should act swiftly to forge ties at senior levels with the new Trump administration, use its unique position to borrow the ears of US policymakers and impress on them the potential ramifications of some of the more concerning policy missives and tweets that have emerged from the White House since the 8 November 2016 election (Karp & Hutchens 2016). Just as importantly, Australia must show that it's a willing and ready partner of the US in Southeast Asia and that it won't merely 'freeload' off Washington's continued engagement in the region. Increasing the defence budget to 2% of GDP and improving the American military's access to vital military infrastructure will both be integral to that approach.

While Australia has a direct (and obvious) interest in holding the US to the past commitments of the 'pivot', a stable and coherent relationship with Washington can't be taken for granted, meaning that the country must be prepared to become more independent and self-reliant. As former Australian foreign minister Gareth Evans noted following Trump's election, '[Australia] can no longer—assuming we ever could—take coherent, smart American leadership for granted. We must do more for ourselves and work together more, while relying less on the US' (Evans 2016). Staying firm on the defence spending target of 2% of GDP will be useful here, as would speeding up the glacial pace of the Australian Defence Force's modernisation.

That said—and with these caveats in mind—there's no credible security substitute for the US in Southeast Asia. Canberra therefore needs to redouble its efforts both to positively sway the new American administration's views on remaining engaged with the region and to impress on ASEAN member states the overall importance of continuing to work alongside Washington over the next four years. Both will be challenging, given the 'America first' priorities of Trump and the highly adverse reaction his fearmongering and bigoted comments on Islam have engendered in Muslim majority countries such as Malaysia and Indonesia.

Whatever course of action Australia ultimately pursues, it's critical that the country remains sensitive to the rise of nationalism in Southeast Asia. Canberra must be aware that any policies or initiatives on its part that are perceived as overly 'pushy' or aggressive are liable to stoke negative emotions in the region and result in opposite effects to the ones intended. Internally focused administrations, such as those of Joko Widodo and Rodrigo Duterte, wouldn't

be overly receptive to another polity, particularly a Western state, telling them how they should approach issues of national sovereignty (like the SCS) or lecturing them on the importance of maintaining close relations with the US. The Australian Government needs to tread carefully as it approaches Southeast Asian countries for future partnerships and remain alert as to how its political and diplomatic overtures will be interpreted by leaders and citizens alike.

Japan

Tokyo has had a deep and interconnected relationship with ASEAN since 1973 commencing with the establishment of a joint forum on synthetic rubber, but since extending into a multitude of areas aimed at promoting the stability, development and prosperity of Southeast Asia. Japan is both a major trading partner of and investor in ASEAN, only superseded by China in the former case and the European Union in the latter.

Although their ties have largely been rooted in economic agreements and people-to-people exchanges, the two parties have more recently extended the boundaries of their collaboration. Following the Japan–ASEAN Commemorative Summit in December 2013, the national leaders adopted a vision statement of friendship and cooperation and issued a joint statement expressing solidarity and common recognition of an array of regional and global issues, ranging from maritime security to counterterrorism (MoJ 2015). Japanese responses to those issues are being coordinated through Tokyo’s Mission to ASEAN, which opened in Jakarta in 2011 and is currently overseen by Ambassador Kazuo Sunaga, who assumed the office in March 2016 (ASEAN Secretariat 2016).⁵⁸

However, as with Australia and the US, Japan’s cooperation with ASEAN on sensitive multilateral security issues can’t progress far unless the association’s 10 member nations project a united front. In the absence of such a collective stance, Tokyo has little choice but to continue its regional defence work by expanding and strengthening partnerships bilaterally. The deteriorating situation in the SCS and Japan’s escalating strategic and economic competition with China are two of the more important drivers behind those efforts.

Marking a departure from its post-war pacifist defence and foreign policy stance, Japan adopted two new security laws in March 2016 that permit the country’s armed forces to participate (under certain circumstances) in foreign conflicts and no longer restrict their ambit to a purely self-defence role. While by no means a remilitarisation, the changes do add to Tokyo’s capacity to engage its major security ally, the US, as well as ASEAN states on defence and security issues in Southeast Asia—albeit in limited ways. This development may allow Japan to become a more involved player in the region, as was evidenced by the aforementioned speech of Defence Minister Inada in 2016 where she outlined plans for the MSDF to scale up its involvement in the SCS in response to the PRC’s militarisation of reclaimed features in the disputed waters (Inada 2016). While some may hold the view that any increased presence of that sort wouldn’t necessarily be welcomed by countries unwilling to incur the costs of China’s displeasure, Tokyo can at least depend on the support and understanding of Southeast Asian governments that have sought out defence and security partnerships with Japan, both bilaterally and through ASEAN (Koh 2015).⁵⁹

Continuing to assist Southeast Asian states to reach a minimum level of credible deterrence is demonstrably in Tokyo’s strategic interest. Raising the cost of military action by the PRC against Southeast Asian claimant states is vital to Japan, as it’s dependent on free and open sea lanes in the SCS and the wider Asia–Pacific for the importation of natural resources and fossil fuels. To that end, Japan has undertaken two main actions: first, to bolster the coastguard and navy capabilities of maritime Southeast Asian nations and, second, to gradually expand the scope of its existing and future participation in US and regional maritime security exercises (see Chapter 2).

Nonetheless, Tokyo must remain mindful about crossing a red line that could escalate the SCS disputes to the detriment of all participants. While Beijing hasn’t (yet) engaged in any retaliatory activity for Tokyo’s bilateral and multilateral war gaming and its joint patrols with the US Navy, direct and ongoing participation in American FONOPs would almost certainly be an intolerable provocation from the standpoint of China. Indeed, Senior Colonel Yang Yujun, spokesperson for the PRC’s Defense Ministry, has explicitly asserted that the People’s Liberation Army won’t sit idly by if Japan moves in that direction, warning that it wouldn’t be wise to test the government’s limits in a conflict in which Tokyo’s sovereignty is not at stake (MND 2016).

Besides supporting the maritime capabilities of non-Chinese claimants, the booming economic progress of many Southeast Asian states offers another way for Tokyo to pursue its strategic interests in the region: encouraging a rapidly growing middle class (which is forecast to reach 400 million by 2020) to look to Japan for engagement on future infrastructure and investment. That type of interaction would hold two main advantages for the Northeast Asian nation. First, it could lead to trickle-down fiscal benefits for the Japanese economy, which has recently flagged as a result of internal structural weaknesses and stagnant incomes. Second, it would open an avenue through which Tokyo could further expand its presence in individual Southeast Asian states, thereby diluting the PRC's own economic penetration of the region (Long 2016).

With China's massive Belt and Road initiative, the RCEPA and the AIIB all set to play a key role in spurring the region's growth for the foreseeable future, Japan could usefully expand its existing set of infrastructure initiatives and promote itself as a prominent alternative source of development capital. That would be potentially attractive to states at odds with Beijing due to its assertiveness in the SCS but nevertheless desperately in need of outside investment, such as the Philippines (Horton 2016). Similarly, Tokyo could keep a watchful eye on the PRC's ability to deliver on enterprises in countries where it has an established economic relationship. Indonesia would be pertinent in this regard. After failing to complete the construction of Bali's Bawang power plant on time and at the promised capacity, the Widodo administration will no doubt be closely monitoring progress on the Jakarta-Bandung high-speed rail link. Japan, which initially bid for the project in 2015, would be ideally situated to raise its hand for future ventures in the country should China again be unsuccessful in bringing this one in to standard and on budget (Connelly 2016).

In common with the US and Australia, Tokyo will confront challenges to its strategic goals in Southeast Asia, and it must be able to anticipate those pitfalls accordingly. One of the more significant problems impeding closer regional cooperation is the not-too-distant historical legacy of Japanese aggression and occupation during World War II. In December 2015, President Abe attempted to make amends for some of those transgressions, apologising to South Korea for the use of so-called 'comfort women'—a source of friction that has so negatively affected its relations with many other countries in the wider Asia-Pacific (MFA 2015). A willingness to accept fault over past atrocities may see Southeast Asian states somewhat more receptive to giving Tokyo the benefit of the doubt as it seeks to strengthen its partnerships across the region.

As with Australia, a more current issue is the future role of the US in the Asia-Pacific and what that will mean for Japan. Trump's distaste for 'freeloading' allies should be a cause for particular concern in Tokyo, given that its defence expenditure remains at around only 1% of GDP (Gale & Tsuneoka 2016). In order to signal the importance of the US alliance, Japan could commit to an increase in host-nation support funds (HNSF). The country currently pays Washington around US\$1.6 billion to offset the expense of stationing American troops on its soil. Augmenting that sum would, one hopes, gain the attention of a president with a transactional world view and sway his perception of the importance of maintaining a regional balance of power against China (Moon Cronk 2015). It's true that moving in that direction could be politically difficult for President Abe, as there's a strong sentiment among Japanese that, at around 48% of the total costs, they are already shouldering the fiscal brunt of accommodating the US. Working out a formula that doesn't significantly increase this allocation but that allows Trump to claim victory back home by stating that Japan is contributing more to the bilateral relationship would be one conceivable way out of this impasse. To that end, Tokyo will need to juggle and rearrange where it's spending its yen—and perhaps chip in slightly more towards HNSF.

To be sure, Japan faces many sources of insecurity closer to its own borders than to Southeast Asia, not least its own set of territorial disputes with China and Taiwan over the Senkaku/Diaoyu/Diaoyutai Islands and North Korea's development of ballistic missiles. However, for the sake of setting a precedent on potential repercussions should the rules-based global order be challenged and the safety of the free sea lanes it depends upon for imports be compromised, it's vital that the country does all it can to work cooperatively with regional governments as well as to encourage the Trump administration to maintain an enduring and sizeable presence in this part of the world.

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NOTES

- 1 The APSC is one of three pillars of the proposed ASEAN Community. Launched in 2015, this institutional initiative is mainly aimed at transforming the regional grouping into a more integrated and consolidated bloc that can take decisive, joint action to address the various state and non-state challenges that are likely to affect Southeast Asia in coming years. For further details, see Chalk (2015).
- 2 It's hoped that the APSC will be in place by 2020.
- 3 See also Acharya (2013:20), Petri & Plummer (2013:6–7).
- 4 'China has reclaimed 3,200 acres in South China Sea says Pentagon', *The Guardian*, 13 May 2016.
- 5 Command, control, communications, computers, intelligence, surveillance, reconnaissance.
- 6 'Presidential Decree no. 1596—Declaring certain area part of the Philippine territory and providing for their government and administration', Chan Robles Law Library, 11 June 1978, [online](#).
- 7 Author interviews, Manila, November 2016. See also Cheng (2016).
- 8 'Q&A: South China Sea disputes', *BBC News*, 12 July 2016, [online](#); 'Vietnam says China still ramming boats, airs sinking video', *Bloomberg News*, 5 June 2014.
- 9 It should be noted that should Duterte continue on his conciliatory approach to Beijing, the Philippines would be likely to move to the third ASEAN cluster—those member states that are prepared to acquiesce to China for the sake of lucrative economic deals.
- 10 'ASEAN finally issues joint statement on South China Sea, leaves out arbitration ruling', *Shanghaiist*, 27 July 2016, [online](#).
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- 12 'The South China Sea is an important world energy trade route', *Today in Energy*, 4 April 2013, [online](#).
- 13 Australia shares an extremely close and intimate defence relationship with the US. The two countries have fought together in every major conflict since World War I; share largely seamless intelligence ties and enjoy an exceptionally high degree of operational interoperability.
- 14 'Asia (issues): the South China Sea', Lowy Institute, 25 October 2016.
- 15 See, for instance, Mollman (2016).
- 16 Japan and China both claim sovereignty over 80 tiny, uninhabited islets in the East China Sea that Tokyo refers to as the Senkaku Islands and Beijing as the Diaoyu Islands.
- 17 'Singapore greenlights US spy plane deployment amid South China Sea disputes', *rt.com*, 7 December 2015, [online](#).
- 18 Cited in Lawrence (2016).
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- 22 See also Mollman (2016).
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- 24 See, for instance, Mazza (2015:3).
- 25 'China, Malaysia say bilateral relations "at highest level"', *The Philippine Star*, 8 November 2016.
- 26 Cited in 'For rest of Asia, America might be a friend, but China cannot be an enemy', *China-US Focus*, 26 August 2014.
- 27 Author interviews, Canberra and Sydney, June 2013.
- 28 Author interview, Australian National University, June 2013.
- 29 For more on the reform process and general opening up of Myanmar, see Chalk (2013b).
- 30 Author interviews, Canberra and Sydney, June 2013.
- 31 There are around 251 billionaires and 2.7 million millionaires in China, who sit alongside more than 180 million people living on less than A\$1.65/day. Quite apart from its impact in distorting the parameters of national purchasing power, this chronic imbalance could well pose a major domestic sociopolitical challenge to the PRC as increasing numbers of ordinary citizens mobilise to demand a greater share of the country's wealth. Beijing understands that and is now actively looking at a number of measures to facilitate more equitable economic development, including removing the residential permit system (which restricts people to living in the same region that they were born in), ending corruption and overhauling property rights for rural landowners so they can sell their holdings at fair market value
- 32 Author interviews, Canberra, June 2013, and Shanghai, November 2014.
- 33 Author interviews, Sydney and Canberra, June 2013. See also Chachavalpongpun (2013).
- 34 For more on US assistance to Vietnam and the Philippines (as well as Indonesia, which is also being provided in the wider context of the SCS disputes) see Chalk (2016, Chapter 3).
- 35 'Trans Pacific Partnership trade deal signed in Auckland', *BBC News*, 4 February 2016, [online](#).
- 36 Cited in 'Trans Pacific Partnership trade deal signed in Auckland'.
- 37 See, for instance, Baker (2017).
- 38 Author interviews, Manila, November 2016.
- 39 Defence Department (2016). See also Lohman (2016:7–8).
- 40 Additional memorandums of understanding for greater cooperation and exchanges have been negotiated with Vietnam, the Philippines and Indonesia, and a similar arrangement with Malaysia is expected in the near future.
- 41 See 'Japan to offer Malaysia two large patrol ships'.
- 42 'Japan to offer Malaysia two large patrol ships'.
- 43 Koh, cited in Domínguez (2016).
- 44 The US initially acquired a 99-year lease over the Clark Air Base under the terms of an agreement made with the Philippine Government in 1947. That tenure was subsequently revised twice (first to 25 years and then to 10 years) before Washington finally agreed to hand the facility back to Manila by September 1992. In the event, American personnel withdrew from the base in June 1991, largely due to the catastrophic damage caused by the volcanic eruption of neighbouring Mount Pinatubo.
- 45 'Rodrigo Duterte wants US troops "to leave Philippines"', *BBC News*, 26 October 2016, [online](#).
- 46 Cited in 'US "consternation" over Philippines' Duterte comments', *BBC News*, 24 October 2016, [online](#).
- 47 See, for instance, Diaz & Crisostomo (2016).
- 48 Author interview, Manila, November 2016.

- 49 Author interview, Washington DC, January 2017. See also Suryadinata & Izzuddin (2016). Vice-President Jusuf Kalla has already called Trump a ‘threat to global peace’, while Defense Minister Ryamizard Ryacudu cautioned the new president to avoid worsening tension in the Asia–Pacific and making matters worse for Indonesia.
- 50 See, for instance, Qin Jize & Zhang Zhihao (2016). At the time of writing, Malaysia and China have signed a dozen deals, including for the purchase of four patrol ships with low-interest loans and assistance for the construction of a planned railway.
- 51 Hiebert, cited in Perlez (2016b).
- 52 Author interviews, Washington DC, January 2017.
- 53 ‘Thai general promises not to stage coup after elections’, *BBC News*, 2 January 2017, [online](#).
- 54 Australia has robust free trade agreements with Singapore, Thailand and Malaysia, and is currently seeking to finalise another one with Indonesia.
- 55 ‘Indonesia and Australia to collaborate on armoured vehicle’, *Australian Defence Magazine*, 1 November 2016, [online](#).
- 56 Although Indonesia has no claims in the SCS, it has consistently argued for a multilateral solution to the disputes and remains a firm advocate of ensuring freedom of navigation in this region. Moreover, Jakarta has signalled its discontent with the PRC’s claims over waters surrounding the EEZ of the Natuna Islands, which lie south of the Spratlys.
- 57 This is particularly true with regard to Vietnam, where strategic dialogues are limited to deputy secretaries and vice ministers.
- 58 ‘Japan opens mission to ASEAN in Indonesian capital’, *Kyodo*, 26 May 2011.
- 59 Indeed, even Cambodia, which as noted throughout this report has frequently deferred to the imperatives of Beijing, has demonstrated an interest in forging a more robust defence and economic relationship with Japan, expressing such sentiments after a bilateral meeting between both countries’ leaders in 2013.

ACRONYMS AND ABBREVIATIONS

APSC	ASEAN Political and Security Community
AIB	Asian Infrastructure and Investment Bank
ASEAN	Association of Southeast Asian Nations
ARF	ASEAN Regional Forum
DCA	Defense Cooperation Agreement
DoC	Declaration of Conduct
EDCA	Enhanced Defense Cooperation Agreement
EEZ	exclusive economic zone
FONOPs	freedom of navigation operations
GDP	gross domestic product
HNSF	host-nation support funds
MSDF	Maritime Self-Defense Force (Japan)
PCA	Permanent Court of Arbitration
PRC	People's Republic of China
RCEPA	Regional Comprehensive Economic Partnership Agreement
SCS	South China Sea
TPP	Trans-Pacific Partnership

WHAT'S YOUR STRATEGY?

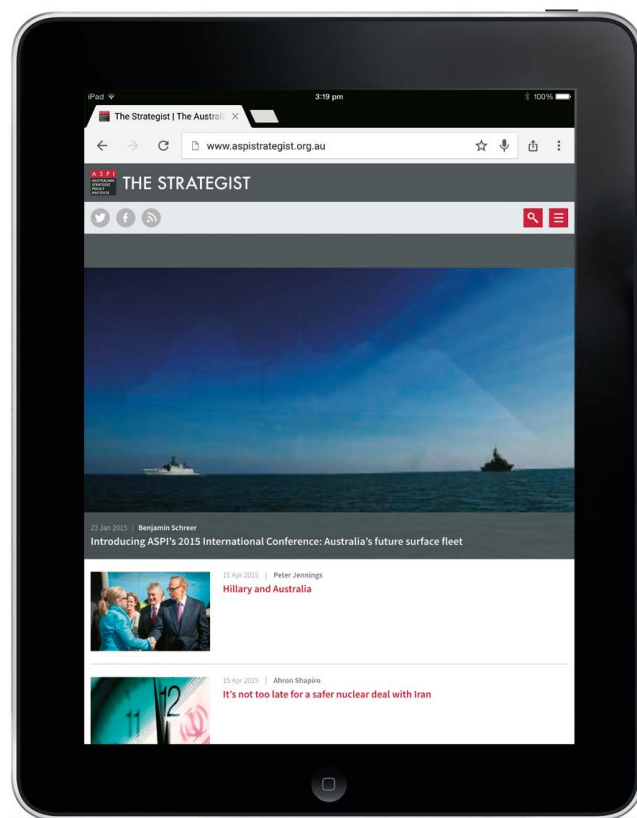


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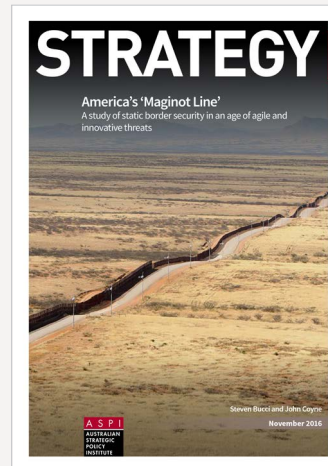
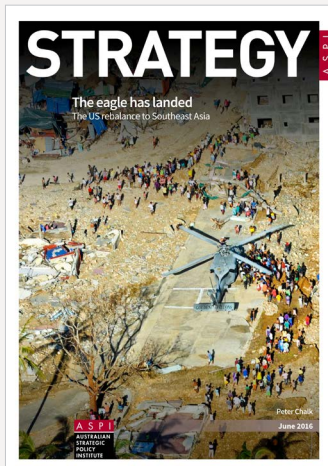
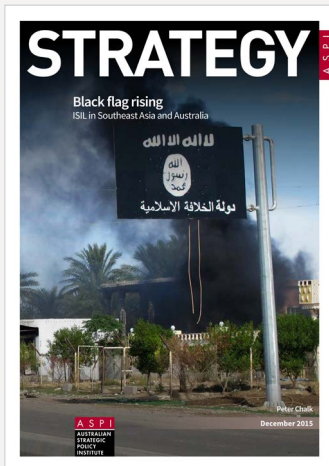
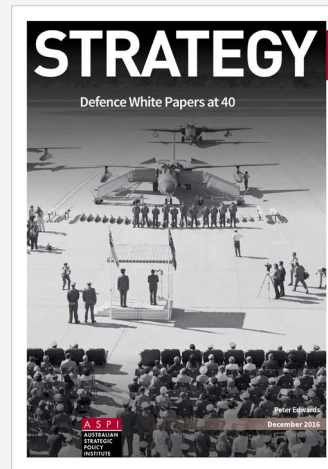
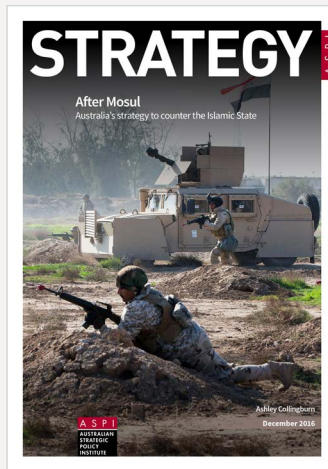
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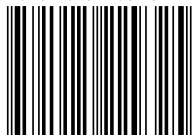
Tiptoeing around the nine-dash line

Southeast Asia after ASEAN

Southeast Asia is one of the most diverse regions on the planet, and its geopolitical importance is on the rise. While individual states in this part of the world have been strategically significant in the past, Southeast Asia now finds itself thrust into the limelight of international affairs as a result of the competition currently occurring between the US and China. Those developments have placed greater strategic weight and heightened attendant stresses on the Association of Southeast Asian Nations (ASEAN), the principal group representing the 10 countries in the region.

Even as ASEAN's strategic pertinence steadily increases, the member states of the grouping face a dilemma over collective action that challenges not only perceptions of ASEAN's efficacy but also the overall security of Southeast Asia. How they and other interested actors—including the People's Republic of China (PRC), the US, Australia and Japan—choose to act now will shape the region for decades to come.

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