



**IMPACT OF THE  
SINO-JAPANESE  
COMPETITIVE  
RELATIONSHIP ON  
ASEAN AS A REGION  
AND INSTITUTION**

Policy Report  
December 2014

Edited by  
**Sarah Teo and  
Bhubhinder Singh**

**RSiS**  
Nanyang Technological University

S. RAJARATNAM  
SCHOOL OF  
INTERNATIONAL  
STUDIES



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## Introduction

### ***Bhubhinder Singh***

The Multilateralism and Regionalism Programme, Institute of Defence and Strategic Studies (IDSS), S. Rajaratnam School of International Studies (RSIS), hosted a roundtable on 24 September 2014 examining the impact of the Sino-Japanese competitive relationship on Southeast Asia/Association of Southeast Asian Nations (ASEAN) as a region and institution. There were two main reasons for pursuing this topic.

First, the Sino-Japanese relationship has incrementally become more competitive since the onset of the post-Cold War period. It peaked during the 2010–2013 period following the fishing trawler incident in September 2010 and subsequently Japan's nationalisation of the Senkaku/Diaoyu Islands. These incidents caused a serious deterioration in most, if not all, areas of bilateral relations. Both countries view each other as threats to each other and to the regional environment. The responses from both China and Japan have been to strengthen economic, military and diplomatic strategies. The competition is visible in several areas—military rivalry, territorial disputes, East Asian multilateralism, historical legacy and diplomatic strategies.

Second, both countries have also strengthened their relations with the ASEAN institution and its member states in economic, political and military terms. However, there is very little work done on ASEAN's response to the rising competition between Japan and China. The works out there have largely focused on the

impact of the Sino-U.S. relationship on ASEAN, the Sino-Japanese relationship itself, ASEAN's response to China's rise, and ASEAN's relations with Japan.

The questions we posed at the roundtable were: what is the impact of the Sino-Japanese competition on Southeast Asia/ASEAN?; and how is Southeast Asia/ASEAN coping with the rising tensions from the emerging Sino-Japanese competitive relationship? The articles in this policy report are penned by the presenters at the roundtable. The report examines the impact of the Sino-Japanese competitive relationship from a holistic perspective. It assesses the impact in three main areas: major power competition on specific bilateral relationships; maritime security; and regionalism and institutional-building. The reason for taking this approach is to obtain a more comprehensive understanding of the impact of probably the most important bilateral relationship in East Asia on ASEAN. The report concludes with a list of policy implications for ASEAN. With a better understanding of how ASEAN is affected by the Sino-Japanese relationship, we hope ASEAN will be better prepared in responding to related developments in arguably the most important bilateral relationship in East Asia in the short or mid-term future.

***Dr Bhubhinder Singh is an Associate Professor and Coordinator of the Multilateralism and Regionalism Programme at RSIS, Nanyang Technological University, Singapore.***

## Sino-Japanese Relations and its Effects on Archipelagic Southeast Asia

**Tang Siew Mun**

Sino-Japanese relations have been strained in recent decades. It is ironic that as trade relations have improved markedly with China becoming Japan's largest export market since 2008, their political relations have deteriorated. Issues related to Japan's war legacy continue to animate and impact negatively on its relations with China. High-profile visits by Japanese leaders—including that of Prime Minister Shinzo Abe and several of his Cabinet members—to the Yasukuni Shrine has inflamed the simmering animosity and distrust between the two nations. The breaking point came when the Japanese government moved to nationalise the Senkaku/Diaoyu Islands in order to prevent the islands from falling into the hands of former Tokyo Governor Shintaro Ishihara, a known ultra-right winger. China responded strongly to what it considered an infringement on its sovereign right and suspended all high-level contacts with Japan. The highly strung relationship is confirmed by the Genron/China Daily survey conducted in September 2014, in which 93 per cent of Japanese respondents registered negative views on China. Likewise, 87 per cent of Chinese respondents harboured the same perceptions toward their counterparts. While political and historical issues continue to cloud bilateral relations, there is a noticeable thaw with the Chinese and Japanese foreign ministers meeting informally at the recently concluded ASEAN Regional Forum meeting

in Nay Pyi Taw. Likewise, President Xi Jinping and Abe met at the sidelines of the APEC meeting. Even if the tone of the informal meeting seemed more formal than warm, it can still be considered as another step towards mending fences.

The impact of the Sino-Japanese relationship reverberate beyond Northeast Asia as it is one of the most important bilateral relations undergirding the region's stability and prosperity. In evaluating the impact of the Sino-Japanese relations on Southeast Asia, there is a need to discern the implications of the region's evolving strategic structure and balance of power. The game changer is China's re-emergence as one of the region's leading powers. It overtook Japan as the world's second largest economic power in 2010, effectively entrenching China's position as the region's biggest economy. China's trade with ASEAN increased almost ten-fold from US\$32 billion in 2000 to US\$319 billion in 2012. In contrast, Japan's trade with ASEAN increased from US\$116 billion in 2000 to US\$216 billion in 2012, trailing ASEAN-China trade in terms of the quantum and rate of growth. While China's share of ASEAN's total trade increased from 4.3 per cent in 2000 to 12.9 per cent in 2012, Japan's share decreased from 15.3 per cent to 10.6 per cent for the corresponding period. The result of the expansion of China's trade relations with ASEAN has translated into China assuming the role of ASEAN's largest trade partner since 2009.

At face value, the power balance appears to have tipped in China's favour. However, on closer examination, especially with regard to "archipelagic" Southeast Asia,<sup>1</sup> the extent of China's influence is not as pronounced. Although the overall volume of China's trade with ASEAN is 47 per cent higher than that of Japan, the breakdown of trade with individual member states suggests a lower degree of dominance, and more importantly shows Japan holding its own in terms of economic engagement. Two of the four archipelagic states covered in this paper—Indonesia and the Philippines—transacted a higher level of trade with Japan than they did with China in 2013 (see Table 1). Likewise, Indonesia and the Philippines export more goods and products to Japan than China (see Table 2).

While China is ASEAN's largest trade partner, it trails Japan with regard to foreign direct

investment (FDI). From 2010 to 2012, China's FDI to ASEAN increased from US\$2.5 billion to US\$4.3 billion, while Japan's FDI to ASEAN jumped from US\$10.8 billion to US\$23.1 billion.<sup>4</sup> FDI is a proxy barometer of the degree of trust the investor country has in the recipient country. In this regard, Japan appears to be more invested than China in the future of ASEAN.

The strategic implications of these trends are two-fold. Firstly, it suggests that given the fact that neither China nor Japan has a clear advantage over the other, archipelagic Southeast Asia would have greater latitude and policy flexibility in their approaches toward China and Japan. This finding refutes the common perception of China's growing political influence—supported by its economic clout—in Southeast Asia. The playing field is more level as far as archipelagic Southeast Asia is concerned.

Country	Total Trade with China (%)	Total Trade with Japan (%)
Indonesia	13.37	13.86
Malaysia	13.80	11.30
Philippines	11.33	14.35
Singapore	10.55	5.29

Table 1: Selected Southeast Asian states' total trade with China and Japan (2012)<sup>2</sup>

Country	Total Exports to China (%)	Total Exports to Japan (%)
Indonesia	11.40	15.86
Malaysia	12.64	11.87
Philippines	11.85	19.00
Singapore	10.76	4.43

Table 2: Selected Southeast Asian states' total exports to China and Japan (2012)<sup>3</sup>

<sup>1</sup> "Archipelagic" Southeast Asia here includes Indonesia, Malaysia, the Philippines and Singapore. Brunei is excluded from the analysis and discussion.

<sup>2</sup> ASEAN Secretariat, *ASEAN Community in Figures 2013* (ASEAN: Jakarta, 2014).

<sup>3</sup> Ibid.

<sup>4</sup> Archipelagic Southeast Asia accounted for 79.9 per cent of FDI inflow, with Singapore (50.9 per cent) and Indonesia (18 per cent) receiving the lion's share.



Secondly, the inability of either China or Japan to gain a clear strategic advantage provides additional incentive for both major powers to deepen their engagement with the region. In the battle for hearts and minds in ASEAN, Japan appears to have the upper hand. A Pew Research Center survey reported that Japan received the highest favourable ratings among the major powers in Indonesia, Malaysia, Thailand and Vietnam (see Table 3). In the Philippines, Japan ranked second to the United States.

Given the delicate state of the Sino-Philippine relations over their disputes in the South China Sea, China is unlikely to gain any substantive ground to win over the Philippines. At the same time, Japan has increased its maritime security cooperation with the Philippines, including providing a gift of ten ships to augment the former's maritime surveillance capabilities. Japan's outreach to the Philippines effectively puts more distance between Beijing and Manila, and by the same token, strengthens the strategic cooperation between Tokyo and Manila. Singapore is unlikely to be deferentially enamoured by China's charm diplomacy and will remain firmly entrenched as an "informal" member of the U.S.-led hubs-and-spokes security system while holding steadfast to the ideals and principles of ASEAN. Indonesia—given the primacy of independence and non-alignment in its foreign policy doctrine—will strive to engage China and Japan on an equal basis. Interestingly, it is Malaysia that is widely

perceived to have the strongest relations in the region with China that is "in play." The results of the Pew Survey showed the favourability of China and Japan in Malaysia to be almost neck-and-neck, with the latter having a 1 per cent edge over the former. Malaysia may become a litmus test on how successful the two major powers are at winning over Southeast Asia.

Ironically, one of the unintended effects of the East China Sea issue and the long-standing Sino-Japanese strategic rivalry is Japan's "pivot" to Southeast Asia. Japan has had to play "catch up" to China's decade-long charm diplomacy and its "return" to Southeast Asia is a positive development as it could potentially lessen the region's dependency on China and to mitigate the potential rise of a hegemonic China.

This does not suggest that archipelagic Southeast Asia will balance against China. Such attempts are counter-productive. In fact, the relative diplomatic and economic strength of archipelagic Southeast Asia vis-à-vis "continental" Southeast Asia allows the former to respond more effectively to the dynamics and pressures of the Sino-Japanese rivalry. The same element of relative strength also serves to mitigate co-optive strategies by either major power. The archipelagic Southeast Asian states thus provide an indispensable public good for themselves and the wider region in ensuring that ASEAN maintains its independence and does not fall

Country	China (%)	Japan (%)	United States (%)
Indonesia	66	77	59
Malaysia	74	75	51
Philippines	38	80	92
Thailand	72	81	73
Vietnam	16	77	76

Table 3: Selected Southeast Asian states' favourable ratings of China, Japan and United States<sup>5</sup>

<sup>5</sup> Pew Research Center, "Spring 2014 Global Attitudes Survey," July 14, 2014, <http://www.pewglobal.org/2014/07/14/chapter-4-how-asians-view-each-other>.

under the domineering spell of either power. Moreover, the archipelagic Southeast Asian states provide a stable environment for China and Japan to play out their rivalry in Southeast Asia. The stakes for China and Japan are lower with the prize—primacy in Southeast Asia—remaining illusive and unattainable. This realisation will temper the Sino-Japanese rivalry in Southeast Asia and prevent the competition from devolving into a high-stakes and destabilising zero-sum game.

Going against conventional wisdom, the Sino-Japanese rivalry is a boon for the region, especially considering the low likelihood of the animosity devolving into a crisis or armed conflict in Southeast Asia. The rivalry will be confined to and played out within the spheres of diplomacy, economics and soft power. The imperative for China and Japan to prevent the other party in establishing a preponderant position in the region

will keep the major powers delicately poised against each other, and to remain continuously engaged in the region.

There may not be much that ASEAN can do to bring about peace between the two major powers. Rapprochement between Beijing and Tokyo will only come about at the behest and willingness of both parties to dampen their deep-seated distrust towards each other. In this regard, it is vital for ASEAN to stand united and be resolute in preventing the Sino-Japanese rivalry from spreading into the region and poisoning their erstwhile positive and mutually productive relations with ASEAN.

***Dr Tang Siew Mun is Senior Fellow at the Institute of Southeast Asian Studies (ISEAS), Singapore. The views expressed here are his own.***

## **An Opportunity, a Challenge and a Threat: An Assessment of the Sino-Japanese Competition in CLMV**

***Huong Le Thu***

Some analysts see the Sino-Japanese rivalry as the most dangerous competition of contemporary global politics. Southeast Asia is heavily impacted by this relationship, experiencing both opportunities as well as challenges. For ASEAN as a region and as an institution, the major challenge and opportunity comes from managing the Sino-Japanese rivalry. The impact of the rivalry varies significantly across individual ASEAN countries as well as across different sub-groups. This commentary focuses on mainland Southeast Asia, particularly Cambodia, Laos, Myanmar and Vietnam, and refers to them as CLMV.

Despite having some similarities in development stages, none of the four CLMV countries can claim to represent the whole sub-group. Myanmar is currently attracting global interest and enjoying a large-scale investment inflow. China and Japan, although topping the investors' lists, are by no means the only ones. Meanwhile, the economic sizes and capacities of Laos and Cambodia necessitate a dependence on other stronger economies. They relied on Thailand before the Asian Financial Crisis, but since 1997 China has taken over that role. From the late 2000s, China has also replaced Vietnam as the top investor in the two countries. As for Vietnam, it presents a special case where political relations with Beijing and Tokyo complicate the assessment.

From the economic and development point of view, Sino-Japanese competition can be assessed through development aid, direct investment and trade facilitation.

### **How CLMV benefits from the competition**

Identified as ASEAN's second tier members with later deadlines to meet the ASEAN Community goals, the CLMV countries are undergoing rapid transformations but still bear the pressure of catching up with the original ASEAN members. In providing development assistance to and investing in CLMV, external powers help narrow the development gap in ASEAN, which contributes to realising the goal of the ASEAN Community. Both Japan and China view the engagement with CLMV as a channel to improve their relationship with ASEAN as a whole.

Japan has been the key partner in supporting the Initiative for ASEAN Integration (IAI), which aims to reduce the development gap among ASEAN member states. Tokyo was the largest contributor of the first phase of the IAI (2002-2008), focusing mainly on human resource development. China also contributed to the IAI, but focused more on the inland waterway improvement in CLMV countries. The Mekong region, which includes all the CLMV countries plus Thailand and some provinces of China, presents a good example of the competition between the two economic powerhouses.

Tokyo opted for the multilateral Green Mekong Initiative (GMI) which promotes shared values, rule of law and sustainable development. This differentiates Japan's strategy from China's. From the domestic point of view, Japan's investment in Southeast Asia is to rejuvenate the industries and businesses as a part of the New Growth Strategy to help its stagnant economy. The other rationale of Japan's re-engagement with the sub-region is a strategic one: to limit China's rising prominence in Southeast Asia.

China as a neighbour has direct access to mainland Southeast Asia, whereas Japan does not have the advantage of geographic proximity. Through the Greater Mekong Sub-region initiative that links neighbouring countries with its Yunnan Province, China can be perceived as a member of the region, rather than an external actor. For Beijing, collaboration with CLMV also brings benefits for domestic economy. The CLMV countries are located adjacent to Yunnan, hence a prosperous Mekong sub-region would directly benefit China's south-western region. Aid provision is also a fulfilment of China's "Good Neighbourliness" and "Going Global" policies, all aimed at building a benign image and denying the "China threat" perception. The development assistance in CLMV complements the Western Development Strategy (WDS).<sup>1</sup>

The intensified competition over the region has brought benefits from receiving aid and investments from different sources. Moreover, the rivalry has provided the CLMV countries with continuity in investments and aid streams. China replaced Japan in a "charm offensive" when the latter's economy was affected by the financial crisis since 1997. The second wave of Japanese involvement since the mid-2000s has complemented the enhanced Chinese investments.

The rivalry has benefited continental Southeast Asia in developing infrastructure networks, enabling better connectivity in the region. Japan has provided assistance for horizontal connectivity, the East-West Economic Corridor and the Southern Economic Corridor, which not only links the continental Southeast Asian countries with each other, but because of the sea-to-sea corridors also connects them with

their maritime counterparts. Meanwhile, China has been investing in vertical connectivity, the North-South Economic Corridor,<sup>2</sup> to facilitate better transportation of people and natural resources between continental Southeast Asia and China.

### The political price

While the CLMV region has done well in attracting aid and investment from external powers, there are some concerns in terms of political implications. Assessing the political aspects of the Sino-Japanese competitive relationship is difficult due to the complexity of bilateral relations of each CLMV country with China and Japan. Political economy and the influence arising from development aid provision and direct investments present a different picture. Clearer than in Japan's case, China is using economic assistance in return for regional support or political favours. Beijing considers Indochina<sup>3</sup> its backyard and so attempts to subsume the countries' political scenes, natural resources and political economies into its sphere of dominance.

Unlike the international norms in providing aid, which emphasise good governance, transparency and conditionality, China's development policy emphasises "non-interference" in the domestic affairs of recipient countries. The official line is that "China never uses foreign aid as a means to interfere in recipient countries' internal affairs or seek political privileges for itself."<sup>4</sup> This slogan has been attractive and resonates with ASEAN's principle of non-interference. However, in practice, Beijing uses its development and investment policies to gain access to resources or achieve favourable diplomatic outcomes, including influencing the policy preferences of

<sup>1</sup> The WDS was launched in 1999 in order to address the growing disparity between eastern and western provinces in China.

<sup>2</sup> The East-West Corridor connects Myanmar, Thailand, Laos and Vietnam; the Southern Economic Corridor connects Cambodia, Thailand and Vietnam; and the North-South Economic Corridor connects Kunming in China to mainland Southeast Asia.

<sup>3</sup> The geographical term "Indochina" refers to the area in between India and China, comprising Myanmar, Thailand, Cambodia, Laos and Vietnam.

<sup>4</sup> *China Daily*, "White Paper: China's Foreign Aid", April 22, 2011, [http://www.chinadaily.com.cn/cndy/2011-04/22/content\\_12373944.htm](http://www.chinadaily.com.cn/cndy/2011-04/22/content_12373944.htm).

the recipients in the multilateral settings. A well-known example of this was the ASEAN Summit in 2012 under Cambodia's chairmanship, when not only for first time in history no joint communiqué was issued,<sup>5</sup> but talks about the South China Sea were technically blocked.

### Remaining challenges

The growing and continuous dependence on external funding, be it from a single donor or from different sources, means that the beneficiaries of such help are both economically and politically tied to the donors. Unconditional loans may have lasting repercussions. Public debt growth is a growing problem for the whole region, given the weak governance and limited transparency problems. It exacerbates corruption, an already serious problem in those countries.

Moreover, resource extraction-oriented aid and investment, particularly from China, will in the long term pose serious threats to the sustainability of the region. The current state of CLMV countries' governance suggests that they have limited capacity to resist such forms of investments and aid.

While Myanmar and Vietnam present more complex cases, China seems to be quite successful in exerting its "charm" over Cambodia and Laos. In all CLMV countries, the Chinese presence has sparked controversies to different extents. Resentment among the people have arisen due to trade deficits, imbalanced cross-border trade, low quality goods and the negative impact of Chinese migration (e.g. instable property prices, large influx of Chinese workers, casinos, trafficking

of women and children, prostitution etc.). A number of protests related to Chinese projects have taken place in Laos and Cambodia (over the dam construction),<sup>6</sup> in Myanmar (over the oil and gas pipeline)<sup>7</sup> and in Vietnam (over the bauxite mining project and the South China Sea disputes).<sup>8</sup> If one considers this a battle for "hearts and minds," Japan emerges as a winner here.

### A plausible threat

Vietnam has become the front-line of resistance within mainland Southeast Asia against China's growing assertiveness. The changes in the Sino-Vietnamese relations have been apparent since May 2014 when the oil rig HYSY 981 was deployed at the Vietnamese exclusive economic zone. Since then, Vietnam has re-examined its relations with China and welcomed the presence of other external powers in the region.

As much as the CLMV region welcomes the interest from both China and Japan expressed in development aid and direct investments, the growing tensions between the two Northeast Asian countries have also become a source of worry. The simmering tensions in the East China Sea paired with an equally uneasy situation in the South China Sea keeps the region on the alert and suggest that future investments and aid might have even more strings attached.

***Dr Huong Le Thu is a Visiting Fellow at the Institute of Southeast Asian Studies (ISEAS), Singapore.***

<sup>5</sup> Ernest Z. Bower, "China Reveals Its Hands on Phnom Penh," Center for Strategic and International Studies, July 20, 2012, <http://csis.org/publication/china-reveals-its-hand-asean-phnom-penh>.

<sup>6</sup> Phak Seangly, "Hundreds protest Laos dam," *The Phnom Penh Post*, March 31, 2014, <http://www.phnompenhpost.com/national/hundreds-protest-laos-dam>; Samean Yun and Tep Nimol, "Cambodian Police Detain Activists Against China Dam Project," *Radio Free Asia*, September 15, 2014, <http://www.rfa.org/english/news/cambodia/roadblock-09152014185206.html>.

<sup>7</sup> Human Rights Watch, "Burma: China-Led Oil, Gas Projects Spark Arrests," May 11, 2013, <http://www.hrw.org/news/2013/05/11/burma-china-led-oil-gas-projects-spark-arrests>.

<sup>8</sup> Huong Le Thu, "The Anti-Chinese Riots in Vietnam: Responses from the Ground," *ISEAS Perspective* #32, May 27, 2014, [http://www.iseas.edu.sg/documents/publication/ISEAS\\_Perspective\\_2014\\_32-The\\_Anti-Chinese\\_Riots\\_in\\_Vietnam-Responses\\_from\\_the\\_Ground.pdf](http://www.iseas.edu.sg/documents/publication/ISEAS_Perspective_2014_32-The_Anti-Chinese_Riots_in_Vietnam-Responses_from_the_Ground.pdf).



## Sino-Japan Competition and the South China Sea: A Philippine Perspective

**Aileen S.P. Baviera**

Comparison between China's disputes in the South China Sea (SCS) with the Philippines and Vietnam on the one hand, and China's dispute with Japan over the Senkaku Islands/Diaoyutai in the East China Sea (ECS) on the other hand, often cannot be helped. In all cases, China has become much more assertive in its territorial claims, showing willingness to back these up with coercive measures even at great cost to China's international reputation. Tokyo, Manila and Hanoi have all been on the receiving end of what seems to be China's intimidation. Whether China's moves are "provoked" or not from China's point of view is not relevant here, given China's propensity to label all related actions of rival claimants as provocative or unfriendly.

Some sources associate China's assertiveness with its Three Warfares concept,<sup>1</sup> "salami-slicing"<sup>2</sup> or "cabbage strategy."<sup>3</sup> In both the ECS and SCS, China has managed in the last few years to "change the facts on the ground"—among other actions by establishing an Air Defense Identification Zone over the Senkakus/Diaoyutai, increasing sovereignty patrols and overflights with higher

risks of hostile contact with foreign armed forces, seizing Scarborough Shoal, preventing Philippine fishing and oil exploration activities, setting up an oil rig in the Paracels within what Vietnam claims as its exclusive economic zone, declaring jurisdiction over practically the entire expanse of the SCS through its nine-dash line claims, and reclaiming land presumably to expand the facilities on its occupied features in the SCS. These activities by China have pushed Japan, the Philippines and Vietnam to consider strengthening policy coordination and outright defence and security cooperation with each other (as well as with the United States as an external balancer). Japan has offered assistance in training and providing maritime law enforcement and security needs to the two other countries to help beef up their presence in disputed areas, although some obstacles remain.<sup>4</sup>

There are also important differences that prevail but which tend to be glossed over in the reporting on the subject. A history of occupation and previous armed conflict between China and Japan, as well as China and Vietnam, make their disputes with China far more intractable than that between the Philippines and China. While Japan and the

<sup>1</sup> U.S. sources report that in 2003, the Chinese Communist Party Central Committee and the Central Military Commission approved the use of the "three warfares," referring to the role of psychological warfare, media warfare and legal warfare as part of political warfare.

- "Psychological Warfare seeks to undermine an enemy's ability to conduct combat operations through operations aimed at deterring, shocking, and demoralizing enemy military personnel and supporting civilian population."

- "Media Warfare is aimed at influencing domestic and international public opinion to build support for China's military actions and dissuade an adversary from pursuing actions contrary to China's interests."

- "Legal Warfare uses international and domestic laws to claim the legal high ground or assert Chinese interests. It can be employed to hamstring an adversary's operational freedom and shape the operational space. Legal warfare is also intended to build international support and manage possible political repercussions of China's military actions."

U.S. Department of Defense, "Military and Security Developments Involving the People's Republic of China 2011," Annual Report to Congress, 2011, <http://www.defense.gov/pubs/index.aspx#current>, 26.

<sup>2</sup> The slow accumulation of small changes, none of which in isolation amounts to a *casus belli*, but which add up over time to a substantial change in the strategic picture. See Robert Haddick, "America has no answer to China's salami-slicing," *War on the Rocks*, February 6, 2014, <http://warontherocks.com/2014/02/america-has-no-answer-to-chinas-salami-slicing>.

<sup>3</sup> PLA Major General Zhang Zhaozhong described the "cabbage strategy" that China is employing in the SCS this way: the cabbage strategy consists of surrounding a contested island with concentric layers of Chinese fishing boats, fishing administration ships, maritime enforcement ships, and warships such that "the island is thus wrapped layer by layer like a cabbage." See *ibid*.

<sup>4</sup> Japan has pledged to supply ten patrol boats to the Philippine Coast Guard, even as efforts of the Abe government to expand its security role to include collective self-defence (which extends to countries with which it has close security ties) are underway. The Japanese and Vietnamese defence ministers have also announced plans for greater defence cooperation. See Clint Richards, "Vietnam's role in Japan's Southeast Asia Strategy," *The Diplomat*, June 4, 2014, <http://thediplomat.com/2014/06/vietnams-role-in-japans-southeast-asia-strategy>. For details on the Abe government's proposals for defence policy revision, see Lionel Pierre Fattou, "Japan's New Defense Posture," *The Diplomat*, July 10, 2014, <http://thediplomat.com/2014/07/japans-new-defense-posture>.

Philippines are both longstanding allies of the United States, Japan enjoys a firm U.S. commitment to its defence in scenarios of conflict over the Senkakus/Diaoyutai, while the United States has elected to remain ambiguous and non-committal in invoking alliance obligations in the case of Philippine claims (whereas Vietnam has no formal alliance with the United States). Perhaps because strong U.S. commitment remains in doubt, the Philippines has brought its case of maritime rights infringement against China before an arbitral panel of the International Tribunal of the Law of the Sea, with China refusing to participate. In contrast, in the ECS Japan refuses to even acknowledge the existence of a dispute with China, let alone agree to take the matter to court. Japanese Prime Minister Shinzo Abe's speech at the 2014 Asian Security Summit or Shangri-la Dialogue had "rule of law" as one of its major themes, but it remains to be seen how this will translate into legal solutions pertaining to either its territorial disputes or maritime jurisdiction overlaps with China.<sup>5</sup>

These differences are important to recognise because, while realist balancing logic seems to dictate some form of military cooperation among the Philippines, Vietnam and Japan, the formation of outright defence coalitions at this time may have constraining as well as binding effects on the options each actor might prefer over others. The extent and character of their respective economic interdependencies with China also matter greatly to their choice of approach.

Nonetheless, territorial and maritime rights competition in the ECS and SCS are bound to affect each other on a number of aspects. First of all, how the affected countries decide to address their respective territorial issues with China (i.e. a legal, diplomatic or more military approach; bilaterally or primarily

through regional/multilateral mechanisms; with or without an explicit U.S. role) can provide demonstration effects for what is or isn't effective. Secondly, the two oceans are supposed to connect seamlessly through sea lanes of communication, with freedom of navigation remaining a common goal held up against the possibility of hegemonic control by certain states, whether based on so-called historic rights or based purely on power projection. For that matter, the concept of an Indo-Pacific region extends awareness of the connectivity of the maritime domain even further. This leads to the third point, which is that China's recent behaviour in the ECS and SCS underscores the significance of maritime power in the brewing high-stakes geopolitical contest between the United States and China, where Air Sea Battle is intended to confront new Anti-Access/Area Denial capabilities, with continued primacy on one hand and power transition on the other hand as the opposing end games.

In other words, recalling Barry Buzan's work, the ECS and SCS—or Southeast Asia and Northeast Asia, if you will—might be evolving into a single security complex dominated by the security dilemmas arising from territorial disputes and the consequences of the maritime rise of China. This view might however be more significant from a Philippine vantage point than from that of other ASEAN countries because of Manila's geographic proximity to Northeast Asia and its membership in the U.S. alliance system along with Japan and the South Korea.

From Japan's perspective, support for China's rival claimants in the SCS may help provide the *raison d'être* for its security "normalisation" goals—recently defined by the Abe government as a collective self-defence posture. It also builds upon past cooperation with ASEAN states on a range of maritime security issues

<sup>5</sup> Japan did express interest in international adjudication with China briefly in November 2012, when former Foreign Minister Koichiro Genba challenged China to do so in an op-ed published in the *New York Times*. See Ian Forsyth, "A Legal Sea Change in the South China Sea: Ramifications of the Philippines' ITLOS Case," *China Brief* 14, no. 11 (June 4, 2014), [http://www.jamestown.org/regions/chinaasiapacific/single/?tx\\_ttnews\[tt\\_news\]=42469&tx\\_ttnews\[backPid\]=663&cHash=0a4ed39aa94e6596f36cc56750a0d508#.VA4wLUhDvWE](http://www.jamestown.org/regions/chinaasiapacific/single/?tx_ttnews[tt_news]=42469&tx_ttnews[backPid]=663&cHash=0a4ed39aa94e6596f36cc56750a0d508#.VA4wLUhDvWE).

including anti-piracy, counter-terrorism and disaster response. Interestingly, the fact that China's "cabbage strategy" has relegated the People's Liberation Army (PLA) Navy to the backstage while allowing the Chinese Coast Guard, paramilitary organisations and fishing authorities to be at the frontlines, may have provided Japan greater possibilities for playing a role in maritime security in the SCS. Japan's support for Coast Guard development in the Philippines has encountered no internal opposition in the latter country, and that being so, may be paving the way for future navy-to-navy cooperation or armed forces cooperation more generally.

During Abe's visit to Manila in July 2013 (after a nearly seven-year hiatus for Japanese prime ministers visiting Manila), President Benigno Aquino offered his endorsement of Abe's move to lift restrictions on Japan's military.<sup>6</sup> Aquino also referred to maritime cooperation as "a pillar of our strategic partnership," thanking Japan for building multi-role response vessels for the Philippine Coast Guard. On his part, Abe emphasised the importance of Japan's relations with ASEAN. A year later, shortly following Abe's speech at the 2014 Shangri-la Dialogue, Aquino paid a one-day working visit to Japan, where he was quoted as saying: "We believe that nations of good will can only benefit if the Japanese government is empowered to assist others, and is allowed to come to the aid of those in need, especially in the area of collective self-defense." The Chinese Foreign Ministry reacted by saying that Aquino's statement complicated an already difficult situation. "We think that the relevant country should earnestly show its sincerity and meet China halfway, rather than creating tensions and rivalry and adding new complicating factors to the situation in the region."<sup>7</sup>

For the short term, it would seem that tensions between China and Japan are helping to create

opportunities that could help boost Philippine maritime security. For the long term, however, whether Japan's emerging new role will contribute to stability or aggravate the tensions is not clear. We shall see revised guidelines for Japan-U.S. defence cooperation in 2015, and possible new modalities of Japanese defence cooperation with South Korea and Australia. The Philippines will have to invest more seriously and with greater urgency in developing its own capabilities and defence assets if it wishes to be part of such arrangements.

For as long as Japan's defence strategies are still subordinated to the U.S. defence structure, U.S.-China relations are also an all-important factor that will shape Japan's place and role in the regional security architecture. Over the long term, one valid question to ask is: will the strengthening of Japan's military posture not eventually reduce the need for a U.S. role?

Finally, leadership and domestic politics also matter in the evolving regional security situation. The coincidental confluence of events where currently, Japan under Abe, the Philippines under Aquino and China under Xi Jinping all hoist the nationalist flag may be followed by changes in government leading to some foreign policy adjustments, possibly in directions more accommodating or at least less hostile to each other. In the meantime, however, the growing tensions have enlarged and deepened public mistrust among these countries concerned, and that will be a most serious challenge for any new leadership to overcome.

***Dr Aileen S.P. Baviera is a Professor at the Asian Center, University of the Philippines and editor of the international journal Asian Politics & Policy.***

<sup>6</sup> Michael Lim-Ubac, "Aquino, Abe vow common stand vs China," *Philippine Daily Inquirer*, July 28, 2013, <http://globalnation.inquirer.net/81729/aquino-abe-vow-common-stand-vs-china#ixzz3CjPeyzQS>.

<sup>7</sup> Sui-lee Wee and Ben Blanchard, "China says Philippines stirring tensions after Aquino supports Japan," *Reuters*, June 25, 2014, <http://www.reuters.com/article/2014/06/25/us-southchinasea-idUSKBN0F015820140625>.



## The Maritime Engagement Strategies of Japan and China towards Southeast Asia: An Indonesian Perspective

**Rocky Intan**

With the ascendancy of China, much attention has been given to the geopolitical competition between China and the United States. The dynamics in the former's rise and the latter's relative decline have come to be regarded as the most important bilateral relationship of the century.<sup>1</sup> Yet, one should not ignore the relationship of China with another major power in the region, Japan. The rise of China is a more urgent matter for Japan due to simple geographical reasons.

Indeed, geopolitical tensions have coloured relations between both countries. Both China and Japan at various times have been eager participants in constructing and engaging the regional security architecture in the Asia Pacific. Both countries have also been at loggerheads, however, over various issues from the visits of Japanese officials to the Yasukuni Shrine to the status of the Senkaku/Diaoyu Islands.

Southeast Asia is one of the prime arenas of geopolitical competition between Japan and China. As both countries border the region in the maritime domain, the salience of the seas in strategic and economic terms must be underlined. This competition might be observed in their respective maritime strategies in the region, specifically towards ASEAN.

Indonesia is the largest archipelagic country in the world and it possesses the largest maritime territory within Southeast Asia. It also has the

largest population in ASEAN and is one of the founding members of the Association. There is little doubt of the importance of Indonesia as a maritime country in the region and an influential member of ASEAN.

The aim of this article is to provide perspectives from Indonesia on the maritime strategies of Japan and China towards ASEAN. It shall elaborate on how Japan and China respectively engage ASEAN in the maritime arena. It shall then explain the interests of Indonesia as a maritime country within ASEAN and middle power in the region, followed by how it views the engagement from Japan and China. The article closes with several policy recommendations on how Japan and China can improve their maritime relations with ASEAN.

### Japan's engagement of Southeast Asia

Japan has been an eager participant in regional security initiatives. First, the Cold War's end gave an impetus for Japan to be less U.S.-centric in its regional security policy, thus providing it space to strengthen relations with Southeast Asian countries. Second, the ascendancy of China and the consequent competition provided more strategic reason for Japan to reinforce engagement with ASEAN. The case for this is perhaps further strengthened with the recent perceived assertive behaviour of China. Third, a more active Japan in the regional security architecture is only natural for a country that relies heavily on the import

<sup>1</sup> Ying-jia Huang, "Ambassador Clark Randt on 'the Crucial Relationship'," USC US-China Institute, April 30, 2010, [http://china.usc.edu/\(X\(1\)A\(0J4XabT9zwEkAAAAOTM3OTlwN2ItZmU4My00OWExLWlzYzMtM2I5ZjkzZTI4MTBI8\\_xMz4Gce9VSueFNsPokFsYhqY1\)S\(echckdvv5hn00i55pbonfr45\)\)/ShowArticle.aspx?articleID=1021&AspxAutoDetectCookieSupport=1x](http://china.usc.edu/(X(1)A(0J4XabT9zwEkAAAAOTM3OTlwN2ItZmU4My00OWExLWlzYzMtM2I5ZjkzZTI4MTBI8_xMz4Gce9VSueFNsPokFsYhqY1)S(echckdvv5hn00i55pbonfr45))/ShowArticle.aspx?articleID=1021&AspxAutoDetectCookieSupport=1x).

of primary commodities and consequently the safety of the regional sea commons. In this regard, Japan has been working to enhance safe passage at sea. For example, it was instrumental in the establishment of the multilateral Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP) in 2006.<sup>2</sup>

In its approach, Japan has favoured a multilateral approach in its maritime strategy towards ASEAN. Its participation in various ASEAN-centric regional security initiatives such as the East Asia Summit and the ASEAN Maritime Forum underlies its implicit support for ASEAN centrality. Japan has also advocated a peaceful resolution of territorial disputes in the region. This does not, however, underscore the bilateral maritime relations of Japan and ASEAN countries.

In its technical assistance, Japan has focused on building up the maritime capacity of ASEAN countries. It has provided billions of dollars in aid and training in the maritime arena for ASEAN countries, especially states bordering critical junctures like the Malacca Strait and the littoral states bordering the South China Sea. The former relates to Japan's interest in maintaining the security of regional commons—its maritime technical assistance to Indonesia is an example—while the latter is reflected in Japan's assistance to the ASEAN littoral states embroiled in territorial disputes with China over the South China Sea.<sup>3</sup> This is exemplified by its provision of patrol vessels to Vietnam and the Philippines.<sup>4</sup>

## China's engagement of Southeast Asia

In its participation within the regional security framework, China has been actively seeking to integrate itself into the ASEAN-centred architecture. This has been part of its strategy to assure the world, especially neighbouring countries, that its rise is peaceful. So far, the most pronounced manifestation of China's willingness to integrate itself in the regional security architecture in the maritime arena has been its signing of the ASEAN-China Declaration on the Conduct of Parties in the South China Sea in 2002.<sup>5</sup> In light of recent perceived assertiveness of China in its maritime territorial disputes, it remains to be seen how China's effort to integrate regionally is being perceived by its neighbours.

Although integration into the regional architecture is multilateral by nature, China has displayed a preference for a bilateral approach in dealing with ASEAN countries on maritime issues. In the negotiations on the South China Sea territorial disputes, China has always preferred to negotiate bilaterally with littoral states rather than with ASEAN collectively. In 2013, China rejected the multilateral path in resolving competing claims over the South China Sea. It argued that ASEAN does not have a direct role in the disagreements and the issue should be dealt with countries directly involved.<sup>6</sup> It needs to be noted that this bilateral tendency mainly concerns the Chinese approach in resolving its maritime disputes. To its credit, China has also shown willingness to manage the issue multilaterally with its maritime neighbours in the south.

<sup>2</sup> Nguyen Hung Son, "ASEAN-Japan Strategic Partnership in Southeast Asia: Maritime Security and Cooperation," in *Beyond 2015: ASEAN-Japan Strategic Partnership for Democracy, Peace, and Prosperity in Southeast Asia*, eds. Rizal Sukma and Yoshihide Soeya (New York: Japan Center for International Exchange, 2013), 214-227, [http://www.jcie.org/japan/j/pdf/pub/publst/1451/12\\_nguyen.pdf](http://www.jcie.org/japan/j/pdf/pub/publst/1451/12_nguyen.pdf).

<sup>3</sup> Ibid.

<sup>4</sup> *Nikkei Asian Review*, "Japan, US to help Southeast Asia with maritime security," April 3, 2014, <http://asia.nikkei.com/Politics-Economy/Policy-Politics/Japan-US-to-help-Southeast-Asia-with-maritime-security>.

<sup>5</sup> Carlyle A. Thayer, "The Rise of China and Maritime Security in Southeast Asia," *IDE JETRO*, 2011, <http://www.ide.go.jp/Japanese/Publish/Download/Seisaku/pdf/120208.pdf>.

<sup>6</sup> Julian E. Barnes, "China Rejects Multilateral Intervention in South China Sea Disputes," *Wall Street Journal*, August 29, 2013, <http://online.wsj.com/news/articles/SB10001424127887323324904579042742806878158>.

China has provided technical assistance to Southeast Asian countries both at the multilateral and bilateral levels. Although this assistance might not be as extensive as Japan's, China seems willing to further expand it. Multilaterally, China has contributed 3 billion Yuan for the China-ASEAN Maritime Cooperation Fund in 2012.<sup>7</sup> Bilaterally, it has been cooperating with Vietnam on maritime search and rescue operations since 2003.<sup>8</sup> In addition, China has recently come up with the 21<sup>st</sup> Century Maritime Silk Road initiative, promising to assist in building the regional port capacity of partner countries.<sup>9</sup>

### The view from Indonesia

This section will attempt to explain Indonesia's interests as a maritime country within ASEAN and a middle power in the region. It will then explain how these interests are compatible with the maritime approaches of Japan and China.

As a maritime country in ASEAN, the foremost interests of Indonesia in this area are freedom of navigation at sea and integrity of its maritime territory. Related to this, the two most prominent maritime issues for Indonesia are crimes at sea and management of sea resources.<sup>10</sup> As such, technical assistance in combatting piracy and peaceful resolution of maritime disputes are in line with the country's stance. In this regard, technical assistance from Japan and China are much welcomed in Indonesia, although the latter's cooperation in resolving South China Sea disputes is further called for.

As a middle power in the region, Indonesia has long championed multilateralism. First,

Indonesia has been seeking to integrate more actors into the regional security architecture as a multilateral setting will allow it to punch above its weight. Second, the "strategic ambiguity" in the region with the rise of China makes hedging through multilateralism a sound strategy.<sup>11</sup> Although cooperation between the two countries has been growing, Indonesia still has misgivings about the benevolent ascendancy of China. This might be further reinforced by China's recent perceived assertiveness. In this regard, Tokyo's tendency for multilateralism is applauded while Beijing's preference for a bilateral approach in its territorial disputes resolution is not preferred from Jakarta's standpoint—although its recent initiatives and integration in the regional security architecture are much welcomed.

### Conclusion and recommendations

The competition between Japan and China might not be apparent within their respective maritime engagement strategies with ASEAN. Their differing approaches towards ASEAN, however, might provide insights on their power positions in the region. Although tensions abound, there is plenty of room for further engagement and opportunity for cooperation in the trilateral relationship of China, Japan and ASEAN.

As a middle power in Southeast Asia and prominent member of ASEAN, it is only natural for Indonesia to advocate a multilateral approach in dealing with powers in the wider Asia Pacific. In return, it also expects those powers to follow a similar approach in order to ensure peace and prosperity in the region.

<sup>7</sup> Fox News, "China unveils \$474M maritime cooperation fund to ASEAN amid territorial disputes," October 5, 2012, <http://www.foxnews.com/world/2012/10/05/china-unveils-474m-maritime-cooperation-fund-with-asean-amid-territorial>.

<sup>8</sup> Zhao Lei, "China pledges maritime cooperation with ASEAN," *China Daily (USA)*, November 1, 2011, [http://usa.chinadaily.com.cn/china/2012-11/01/content\\_15862685.htm](http://usa.chinadaily.com.cn/china/2012-11/01/content_15862685.htm).

<sup>9</sup> Zhong Nan, "New Maritime Silk Road to Promote Ties with ASEAN," *China Daily (USA)*, August 28, 2014, [http://usa.chinadaily.com.cn/epaper/2014-08/28/content\\_18504906.htm](http://usa.chinadaily.com.cn/epaper/2014-08/28/content_18504906.htm).

<sup>10</sup> Shafiah F. Muhibat, "Indonesia's Maritime Security: Ongoing Problems and Strategic Implications," in *Maritime Security and Piracy: Common Challenges and Responses from Europe and Asia*, eds. Wilhelm Hofmeister and Patrik Rueppel (Singapore: East Asian Institute), 129-142.

<sup>11</sup> Rizal Sukma, "Indonesia's Response to the Rise of China: Growing Comfort and Uncertainties," in *The Rise of China: Responses from Southeast Asia and Japan*, ed. Jun Tsunekawa (Tokyo: The National Institute for Defense Studies, 2009), 139-155, [http://www.nids.go.jp/english/publication/joint\\_research/series4/pdf/4-5.pdf](http://www.nids.go.jp/english/publication/joint_research/series4/pdf/4-5.pdf).

Going beyond simply advocating a multilateral approach might be needed, however, given the fierce competition between China and Japan.

Indonesia welcomes further technical assistance from both China and Japan towards ASEAN and its members. The collective interests of Japan, China and Indonesia in maintaining the stability of regional commons can be assisted by further technical assistance for ASEAN and its members in combatting piracy. ReCAAP has been an exemplary programme in this regard. Multilateral initiatives by both countries are

warmly welcomed by Indonesia. China's initiative on the 21<sup>st</sup> Century Maritime Silk Road is also applauded. Indonesia invites both China and Japan to further integrate into the regional security architecture and advocates for both countries to utilise the multilateral approach in resolving disputes for the betterment of all parties involved.

***Mr Rocky Intan is a researcher in the Department of Politics and International Relations at the Centre for Strategic and International Studies (CSIS) Indonesia.***

## Impact of the Sino-Japanese Competition on the ASEAN Political-Security Architecture

### *Chulacheeb Chinwanno*

In the second decade of the 21<sup>st</sup> century, East Asia is facing several challenges, two of which are the regional economic and political transformations. The geo-economic dimension of the region seems to be moving in the direction of sustained growth, deeper integration, growing interdependence and enhanced connectivity. ASEAN is working hard to realise the ASEAN Community in 2015. Moreover, efforts are invested in bridging the development gap in mainland Southeast Asia, especially the Mekong sub-region. A regional economic cooperation network—the Regional Comprehensive Economic Partnership (RCEP)—is also being negotiated between ASEAN and a number of its dialogue partners. These developments set the trend for the region's continued prosperity. ASEAN appears to be rising slowly and steadily.

Unfortunately, the geo-political dimension of the region is not moving in the same positive direction. The rise of China, if peaceful, can serve as a pillar for regional prosperity and stability but at the same time brings some anxiety and uncertainty. Japan, under Prime Minister Shinzo Abe, has been trying to revitalise her economy as well as seeking to play a more independent role in regional defence and security. The United States, with President Obama's "pivot or rebalance to Asia" policy, is enhancing her engagement in the region, hopefully in a comprehensive way which includes security, economic, social and others. Meanwhile, India and Russia are also seeking to enhance their roles in and engagement with the East Asian region.<sup>1</sup>

There has been intensified competition among these major powers as well as over several flashpoints in the region—mostly maritime disputes on overlapping maritime claims.<sup>2</sup> There are also emerging non-traditional security challenges, including contagious diseases, natural disasters, transnational crime and terrorism.<sup>3</sup>

The rivalry among these major powers converges in one way or another on East Asia. Therefore, major power competition will be a critical factor in determining the geo-political direction of the region. Some of these relations are made more complicated by unresolved historical legacies, while other problems arise from different perceptions of the other's intentions as well as of the region's future.

Sino-Japanese relations continue to be very tense and challenging for East Asia. China and Japan, two regional major powers, are both rivals and partners.<sup>4</sup> They emerged from the Cold War as rough equals for the first time in their long history, but subsequently a dynamic and rising China has seemed to overtake a declining Japan. At the beginning of the 21<sup>st</sup> century, China had already replaced Japan as the second largest economy in the world.

China's assertiveness in the East China Sea challenges not only Japan's territorial integrity but also heightens tensions in the region. Recent tensions have stemmed from Japanese authorities' detention of a Chinese fisherman in September 2010 after his boat collided with Japanese coast guard ships in the waters around the disputed Senkaku/Diaoyu Islands in the East China Sea. When the captain was not immediately released, the Chinese government

<sup>1</sup> Chulacheeb Chinwanno, "The Dragon, the Bull and the Ricestalks: the Role of China and India in Southeast Asia," in *ASEAN-China Relations: Realities and Prospects*, eds. Saw Swee-Hock, Sheng Lijun and Chin Kin Wah (Singapore: Institute of Southeast Asian Studies, 2005), 151-163.

<sup>2</sup> See Sarah Raine and Christian Le Miere, *Regional Disorder: The South China Sea Disputes* (Oxon: Routledge, 2013).

<sup>3</sup> Ralf Emmers, *Non-Traditional Security: The Dynamics of Securitization* (Singapore: Eastern University Press, 2004).

<sup>4</sup> Michael Yahuda, *Sino-Japanese Relations after the Cold War: Two tigers sharing a mountain* (New York: Routledge, 2014).



demonstrated its outrage by suspending diplomatic and commercial linkages between the two countries. Tensions receded when Japan released the Chinese captain.

Two years later, on 11 September 2012, tensions rose again when the Japanese government nationalised three out of the five disputed islands in order to prevent their purchase by Tokyo Governor Shintaro Ishihara. Beijing responded with outrage and strong rhetoric against the actions of the Japanese government. The Chinese government's reaction to this preventive measure contrasted with Japanese expectations that the purchase would defuse tensions with China.

Japan viewed its actions as preventing a conflict on sovereignty but China interpreted the nationalisation of the islands as a direct violation of the fragile status quo. For China, territorial integrity and sovereignty are core interests and Beijing believed it was defending these interests against a provocative Japan. Moreover, China also believed that both countries had agreed to shelve the issue when they established diplomatic relations in 1972.

Japan, on the other hand, claims that there is no dispute over the sovereignty of the Senkaku/Diaoyu Islands because they belong to Japan—Japan legally annexed the islands in 1895 and recovered administrative control of the islands as part of the 1972 Okinawa reversion agreement. The conflict is in fact a lack of understanding by each party of the perspective of the other. China wants to establish its own jurisdiction in the East China Sea by challenging Japan's administrative control over the islands and surrounding waters, as seen in the Air Defense Identification Zone declaration in November 2013.<sup>5</sup> It is possible that China may only want Japan to admit that a sovereignty dispute exists so that negotiations for a joint administrative agreement can follow.

The competition and tensions in Sino-Japanese relations have already affected their respective relations with ASEAN as well as the ASEAN-centred security architecture in the region, comprising the ASEAN Regional Forum, ASEAN Plus Three (APT), East Asia Summit (EAS) and ASEAN Defence Ministers' Meeting-Plus.

When the APT was established in December 1997 in the midst of the Asian financial crisis, China and Japan worked together with ASEAN and South Korea to set up financial collaboration under the Chiang Mai Initiative (CMI) by 2000. They started to compete to become the largest financial contributor so as to enjoy the corresponding clout when the CMI multilateralised into the CMIM in 2008.

Additionally, China had wanted to deepen relations with ASEAN in the APT by transforming it into the EAS, but Japan opposed and proposed to broaden the participation by including Australia, New Zealand and India. China pushed for the ASEAN Plus One framework within the APT while Japan continued to support the EAS.<sup>6</sup> The ASEAN regional architecture thus became a site for the contestation of influence between Japan and China, and other major powers.

China and Japan seem to be more interested in preventing the other from establishing dominance over the region instead of coming up with a defining programme to promote regional cooperation. However, the new Chinese leadership has appeared to reposition China's relations with ASEAN. In October 2013, President Xi Jinping and Premier Li Keqiang embarked on a high-profile trip to five members of ASEAN. Xi made a statement to the Indonesian Parliament on 3 October 2013 stating that China wants to build "a community of common destiny" with ASEAN member states, while at the 16<sup>th</sup> ASEAN-China Summit

<sup>5</sup> Peter Mattis, "China's East China Sea ADIZ: Framing Japan to help Washington understand," *China Brief* 13, no. 24 (December 5, 2013): 4-7.

<sup>6</sup> Chien-peng Chung, "China and Japan in 'ASEAN Plus' Multilateral Arrangements: Raining on the Other Guy's Parade," *Asian Survey* 53, no. 5 (September/October 2013): 801-824.

on 9 October 2013, Li made a proposal known as the “2+7 cooperation framework.”<sup>7</sup> They revealed the new leadership’s policy direction regarding Southeast Asia for the next decade and signalled China’s attempt to find a new direction for her relations with ASEAN.

The “2+7 cooperation framework” consists of a two-point political consensus—that the basis for promoting cooperation is deeper strategic trust and good neighbourliness, and that the key to deepening cooperation is to focus on economic development and expanding mutual benefit. The seven-point proposal has some interesting ideas for further cooperation, including signing a treaty on good neighbourliness, upgrading the ASEAN-China Free Trade Area, setting up an Asian Infrastructure Investment Bank, and building a 21<sup>st</sup> century “Maritime Silk Road.”

These pronouncements are aimed at sending out signals to ease ASEAN’s suspicion towards China. While ASEAN countries have welcomed in principle China’s new initiatives, some caution has been expressed on whether security issues between China and ASEAN can be addressed simply by deepening economic cooperation. ASEAN’s response to the Chinese proposal has thus been nuanced.

In light of the complexities and dynamism of the relations among the major powers,

especially the competition between China and Japan, there is a need for ASEAN to strengthen its unity to maintain its centrality so as to continue playing its role as the regional stabiliser. ASEAN has made a significant contribution to regional peace and stability. Its role as a regional stabiliser in Southeast Asia has been widely recognised. However, as the success of this role depends on external dynamism over which it has little influence or control, the prospects for a more active stabilising role appear uncertain and limited.

According to the Chinese saying, two tigers cannot occupy the same mountain. However, China and Japan must learn to share the same mountain and ASEAN must facilitate this cooperation for its own benefit. ASEAN must try to enhance its capability and develop a clear vision and roadmap for an enduring rules-based regional security order. It should also enhance the management of existing multilateral processes through improving connectivity and coordination, and delineating clearly the primary role and competency of each process within the regional security architecture for peace and stability in East Asia.

***Dr Chulacheeb Chinwanno is “Kira-dhayajarn” – Distinguished Scholar of Thammasat University in Social Science.***

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<sup>7</sup> Prashanth Parameswaran, “Beijing unveils new Strategy for ASEAN-China Relations,” *China Brief* 13, no. 21 (October 24, 2013): 9-11.

## Sino-Japanese Competition and ASEAN Regional Institutions

### *Moe Thuzar*

China and Japan can be said to be among those with the most active interest in wider strategic and economic spaces in ASEAN (see Appendix for a timeline chronicling relations among ASEAN, China and Japan). Yet, ASEAN provides a central focus for dialogue—as convenor and integrator with ASEAN procedures and the “ASEAN way” dominating at regional fora. For example, the ASEAN Regional Forum provides a venue for security discussions, the ASEAN Plus Three processes discuss community building in economic and functional areas, and the East Asia Summit adds a broader strategic dimension to the process. The competing interests of China and Japan for ascendancy in these different fora have led to an entrenching of unique approaches towards regional institutions where ASEAN takes a central role.

Tensions are exacerbated by China’s rise in the economic sphere, lending strength to its aspirations towards great power status which in turn have led to recent belligerent moves in the South China Sea; and Japan’s quest for normalisation under the current Abe administration and the focus on revitalising Japan’s economic relations in the region. With the added external factor of the U.S. “pivot” or rebalancing to the region, assertion of ASEAN centrality is practically a default situation for the ASEAN members to protect against the region’s vulnerability to external influences.

This tendency for China and Japan to identify each other as rivals rather than cooperative

partners is most evident in competing for an ascendant position in ASEAN’s economic integration. China was first past the post in signing a free trade agreement (FTA) with ASEAN in 2002, with the FTA coming into force in January 2010. Still, Japan’s agreement with ASEAN for an ASEAN-Japan Comprehensive Economic Partnership entered into force in December 2008, although the agreement was signed in 2003.

The Chiang Mai Initiative (CMI)—now multilateralised—in the wake of the 1997-1998 Asian Financial Crisis also had Sino-Japanese competition in its inception stage. Japan’s proposal to establish an Asian Monetary Fund aimed at “providing emergency financial assistance to any Asian country suffering a financial crisis”<sup>1</sup> was not favoured by the United States and the International Monetary Fund (IMF). China then took up the U.S. lobby to support the IMF’s recommendations for structural reforms in the countries affected by the financial crisis. This fed, to a certain extent, China’s aspirations for taking a lead role in regional economic affairs. Still, the CMI stands as an unprecedented move for multilateral financial arrangements among countries in the region.

Both Japan and China contributed substantially to bilateral and regional arrangements to assist countries affected by the financial crisis. Japan’s assistance—through various initiatives—totalled US\$43 billion, compared to China’s US\$4 billion. China, however, agreed not to devalue the renminbi in line with the “guiding principle of being a responsible country.”<sup>2</sup>

<sup>1</sup> Yves Tiberghien and Yong Wang, “A chance to mend China-Japan relations,” *East Asia Forum*, September 15, 2014, <http://www.eastasiaforum.org/2014/09/15/a-chance-to-mend-china-japan-relations>.

<sup>2</sup> *Ibid.*



## The ASEAN nexus

ASEAN cooperation in trade and economy has made some efforts towards finding a common ground between national interests and regional benefit for its members, as well as in ASEAN's relations with its Dialogue Partners. ASEAN was one of the first developing regions to adopt an export-oriented development strategy. The region's free trade area is now essentially in place although domestic acceptance and enforcement of regional commitments is an ongoing topic of debate, fuelling scepticism of ASEAN's ability to achieve the ASEAN Economic Community (AEC) by 2015. ASEAN's external economic relations have met with greater success—several FTAs with countries throughout the world, including with China and Japan, are in place. These discrete arrangements will now be grouped together under the Regional Comprehensive Economic Partnership (RCEP) that ASEAN is negotiating with its various FTA partners (China, India, Japan, South Korea, Australia and New Zealand). As a compromise solution to the China-proposed East Asia Free Trade Area and Japan's proposal for a Comprehensive Economic Partnership for East Asia, the RCEP is possibly ASEAN's greatest achievement in balancing competing interests of China and Japan to have a leading role in the regional economic architecture.

Added to this is the initiative to be a regional platform for accelerating ASEAN integration through greater connectivity. To accomplish

connectivity goals, a US\$485.2 million ASEAN Infrastructure Fund (AIF) was launched with contributions from the ASEAN members and from the Asian Development Bank in May 2012.<sup>3</sup> The region's financing needs create a situation where bilateral relations can support (and influence) individual countries' commitments to regional priorities.

## China and Japan in ASEAN integration

Japan is one of ASEAN's oldest dialogue partners, dating from the initial dialogue started between the foreign ministers of Japan and the countries of ASEAN in 1973, which was later formalised in 1977. Japan's role in ASEAN regional processes—based on the “heart-to-heart” principles of the 1977 Fukuda Doctrine—has been that of a bridge, initially between the original six non-communist ASEAN states and the communist and socialist Southeast Asian states that joined ASEAN in the 1990s. Japan has also been the most active country in assisting ASEAN countries address emerging issues for human security and development. In addition, Japan is ASEAN's second largest trading partner and the second largest source of foreign direct investment (FDI).<sup>4</sup>

ASEAN-China relations, which were formalised much later in 1996,<sup>5</sup> are best described as an example of an exercise in building trust between a regional association and a powerful country that has significant bilateral relations with members of the association. China is now emerging

<sup>3</sup> The target amount for the AIF is US\$13 billion. See Association of Southeast Asian Nations, “ASEAN Infrastructure Fund Targets US\$13 billion towards ASEAN Connectivity,” September 30, 2011, <http://www.asean.org/news/asean-secretariat-news/item/asean-infrastructure-fund-targets-us13-billion-towards-asean-connectivity>.

<sup>4</sup> Association of Southeast Asian Nations, “ASEAN-Japan Dialogue Relations,” last modified October 19, 2012, <http://www.asean.org/asean/external-relations/japan/item/external-relations-japan-overview-of-asean-japan-relations>.

<sup>5</sup> China became a Dialogue Partner of ASEAN in 1996, although its interactions with ASEAN had started much earlier in the Paris Peace Talks addressing the Cambodian issue. See Rodolfo Severino, *Southeast Asia in Search of an ASEAN Community* (Singapore: ISEAS, 2006), 276.

as a key player in regional economic policy development by establishing the US\$10 billion ASEAN-China Fund for Investment Cooperation in 2009 to support infrastructure development in the region, followed by China's contribution to the Chiang Mai Initiative Multilateralisation (CMIM) second only to that of Japan.<sup>6</sup> This has been followed recently by the establishment of the US\$50 billion Asia Infrastructure Investment Bank to fund infrastructure needs in the region. But China is anxious to reassure the ASEAN countries that it will not be taking advantage of its economic potential to win a larger share of the region's FDI.

Both Japan and China are active in sub-regional cooperation, under various frameworks including the Greater Mekong Sub-region and the ASEAN Mekong Basin Development Cooperation, and have significant bilateral projects in Cambodia, Laos and Myanmar. Japan, particularly, is taking an active role in supporting Myanmar's economic opening up via bilateral projects in the infrastructure and financial sectors. Myanmar, where China is still the top investor, is keen to diversify its economic relations in striving to meet AEC targets.

### Concluding thoughts

For the foreseeable future, the ASEAN nexus of the contest for strategic economic space in Southeast Asia will be through various

bilateral relationships. ASEAN has made it clear that as a grouping, it prefers not to choose sides. Sino-Japanese competition in Southeast Asia has thus led to stronger pronouncements by ASEAN on its central role in regional integration initiatives.

Japanese Prime Minister Shinzo Abe's emphasis on visiting ASEAN as a first destination after assuming office has not gone unnoticed, nor has Japan's economic assistance to Myanmar. Yet, Myanmar's significant economic and political relations with China provide the reason for countries such as Japan (and the United States) to work closer with ASEAN countries in balancing rivalries in the region. It is important that ASEAN continues to maintain its central role in the regional architecture. At the same time, the increasingly interdependent nature of bilateral and regional relations among countries means that Sino-Japanese rivalry is essentially a non-zero-sum game, i.e. the two will quarrel when they must and cooperate where they can.<sup>7</sup> ASEAN thus needs to remain on constant vigilance to ensure that regional processes benefit, rather than suffer, from this interdependent competition.

***Ms Moe Thuzar is Lead Researcher for socio-cultural affairs at the ASEAN Studies Centre (ASC) at the Institute of Southeast Asian Studies (ISEAS), Singapore.***

<sup>6</sup> China's financial contribution to the CMIM is US\$34.2 billion USD, and Japan's is US\$38.4 billion. If Hong Kong's contribution is added, China's financial clout in the CMIM equals that of Japan. It should be noted, however, that Hong Kong is not an IMF member. See AMRO, "Key Points of CMI Multilateralisation Agreement," December 2011, <http://www.amro-asia.org/wp-content/uploads/2011/12/Key-Points-of-CMIM.pdf>. The contributions have since doubled although the maximum swap amount remains the same. See AMRO, "CMIM Contributions, Purchasing Multiple, Maximum Swap Amount and Voting-Power Distribution," May 2012, <http://www.amro-asia.org/wp-content/uploads/2012/05/Fact-Sheet-at-AFMGM+3-in-Manila.pdf>.

<sup>7</sup> Ming Wan, *Sino-Japanese Relations: Interaction, Logic and Transformation* (Chicago: Stanford University Press, 2006), 214.

*Appendix : Timeline of ASEAN's relations with China and Japan*

1970s

- 1977: Fukuda Doctrine seeks “heart-to-heart” partnership with ASEAN.
- 1978: Cambodia crisis prompts “Support ASEAN”; China and ASEAN try to find common ground.
- Synchronisation of Japan’s Southeast Asian policy.
- ASEAN members overcome World War II suspicions.

1980s

- 1985: Signing of Plaza Accord.
- Japanese multinational companies contribute indirectly to ASEAN’s economic regionalisation.

1990s

- 1994: Japan and China are founding members of ARF; China becomes ASEAN’s Consultative Partner.
- 1996: China becomes ASEAN’s Dialogue Partner.
- 1997: 3<sup>rd</sup> ASEAN-Japan Summit - “broader, deeper partnership”; summits held annually thereafter.
- 1997-1998: Financial crisis in ASEAN; Japan provides generous financial assistance to ASEAN and so does China, who attempts strong leadership role in assisting ASEAN post-crisis.
- 1999: ASEAN and China first discuss free trade agreement.
- 1999: Advent of ASEAN Plus Three.

Early 2000s

- 2002: China and ASEAN sign Declaration on the Conduct of Parties in the South China Sea.
- 2002: Japan proposes Initiative for Development in East Asia.
- 2003: China accedes to Treaty of Amity and Cooperation (TAC); China-ASEAN Expo inaugurated in Nanning as annual event; ASEAN and China collaborate on SARS.
- 2003: ASEAN-Japan Commemorative Summit sets ambitious agenda for East Asia Community; ASEAN-Japan Exchange Year celebrated.
- 2004: China and ASEAN elevate dialogue relations to strategic level; sign Trade in Goods agreement and first MoU on non-traditional security (NTS) issues.
- 2004: Japan accedes to TAC.
- 2005: First East Asia Summit.

## Late 2000s

- 2006: Japan-ASEAN Integration Fund established by FM Taro Aso (Japan contributes US\$70 million).
- 2007: ASEAN and China sign Trade in Services Agreement and 2<sup>nd</sup> MoU on NTS issues.
- 2007: PM Abe's policy speech on Japan and ASEAN at the heart of "dynamic Asia"; ASEAN-Japan Comprehensive Partnership Cooperation Fund and East Asia Youth Exchange Fund.
- 2008: Japan and China appoint resident ambassadors to ASEAN.
- 2008: ASEAN and Japan sign Comprehensive Economic Partnership Agreement (entry into force December 2008).
- 2009: China becomes ASEAN's top trading partner.

## 2010s

- 2010: ASEAN-China Free Trade Area realised for ASEAN-6 and China.
- 2010: Mekong-Japan Economic and Industrial Cooperation Initiative Action Plan.
- 2011: Establishment of ASEAN-China Centre and ASEAN-China Maritime Cooperation Fund.
- 2011: Japan's FDI to ASEAN reaches 1.5 trillion Yen making ASEAN the second destination for Japanese enterprises; special ASEAN-Japan Ministerial Meeting following triple disaster in Fukushima.
- 2012: China establishes resident mission to ASEAN in Jakarta.
- 2012: Fourth Mekong-Japan Summit adopts "Tokyo Strategy 2012" - pledge of 600 billion Yen to support infrastructure projects.
- 2013: ASEAN and China commemorate 10<sup>th</sup> anniversary of strategic partnership.
- 2013: PM Abe outlines Five Principles of Japan's ASEAN Diplomacy.

## Policy Implications

1. The Sino-Japanese competition is arguably the most important structural force for the stability of Southeast Asia and East Asia in general. The way this develops will have direct implications on Southeast Asia and ASEAN as an institution.
2. The competitive relationship between China and Japan presents both challenges and opportunities for ASEAN and its member states. Both Northeast Asian countries have been active within the ASEAN framework—participating in multilateral initiatives, providing technical assistance and contributing to the economic development of ASEAN countries. However, an intensification of Sino-Japanese rivalry could consequently cause divisions within ASEAN.
3. While ASEAN does not want to choose between the major powers, the institution's ability to remain neutral is not guaranteed as its member states are likely to be swayed by their respective bilateral relations with China and/or Japan. This ability to remain neutral will increasingly become more difficult as the Sino-Japanese relationship becomes tenser and competition for influence in Southeast Asia increases. The institution and region thus need to be ready with effective strategies to manage the impact of Sino-Japanese relations.
4. It is important for ASEAN to create favourable conditions for itself to resist the influence of major powers. In this regard, the political will to push through such joint initiatives will be critical. Simultaneously, ASEAN also needs to recognise the limits of collective action and be pragmatic about what small and medium powers can do in the face of major power competition.
5. The concept of ASEAN centrality risks sliding into irrelevance if it becomes merely a self-serving tool for ASEAN to use to reject the importance and roles of extra-regional powers in the regional security architecture. Major powers could then turn to alternatives to an ASEAN-centric architecture, such as bilateralism, minilateralism and a “concert of powers” system.
6. While both China and Japan acknowledge the importance of ASEAN for now, the Association could lose its relevance to them should Sino-Japanese relations and consequently Northeast Asian regionalism improve.
7. Track 1.5 platforms could rise in importance as ASEAN, China and Japan increase their participation in such venues to share information and build confidence. Track 1.5 dialogue channels are useful as they circumvent, to some extent, the politics at the Track 1 level, but at the same time still reflect perspectives within the policymaking community.

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