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*CONGRESSIONAL TESTIMONY*

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**A China-Focused Policy for Southeast Asia**

**Testimony before the  
US-China Economic and Security Review  
Commission**

**March 13, 2014**

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My name is Walter Lohman. I am Director of the Asian Studies Center at The Heritage Foundation. The views I express in this testimony are my own and should not be construed as representing any official position of The Heritage Foundation.

Now and for many decades to come, peace and prosperity in the Western Pacific will turn on the successful management of China's rise, checking its ambitions for territorial aggrandizement and channeling its growing power through existing international institutions and norms. For this reason, China policy should be central to U.S. relationships throughout the region. This does not mean that nations there do not commend themselves to many forms of American engagement for purposes beyond China management. It is simply a matter of priority.

It is therefore thoroughly fitting that the Commission take a close look at the way the nations of Southeast Asia and, collectively, their organization—the Association of Southeast Asian Nations (ASEAN)—see their own strategic interests. The way the organization has dealt with China amidst its aggressiveness in the South China Sea in particular argues for hedging against the inability of ASEAN processes to protect American interests. They will serve American interests only under pressure.

### **ASEAN's Strategic Objective: Autonomy**

Several years ago, in Washington's finest echo-chamber tradition, the assertion, "They [Southeast Asians] don't want to choose between the U.S. and China," became the default for summing up America's strategic options in the region. It was true enough. Even today, "they" do not want to choose. But given that no one in the U.S. government has ever asked ASEAN members to make a strategic Cold War-like choice between the U.S. and China, what this formulation really amounts to is "Don't make us do things that might complicate our relationships with China."

The plea has found receptivity in the Obama Administration because it coincides with its own interest in placid U.S.–China relations. This was not much different in the Bush Administration, focused as it was on the overriding priority of prosecuting the war on terrorism and, in fact, asking Southeast Asian states to do things in that pursuit that they would rather not do. However, since 2009, China has raised the stakes. Its aggressiveness at sea directly challenges U.S. interests in the freedom of navigation and security of our allies. Yet, absent sufficient American assertions, ASEAN is reluctant to challenge China, even at the request of put upon members.

It is worth trying to understand why this is the case. Like any foreign policy establishment, those of Southeast Asia seek maximum decision-making autonomy. Because all of them, except Indonesia, are small to medium-sized powers, in 1967, they founded ASEAN to expand their room for maneuver.

It took many years for the international environment to evolve in a way that enabled ASEAN's autonomy. It was often divided between nations that believed their individual national interests lay with explicit alignment with the U.S. side of the Cold War and those which, although staunchly anti-Communist, sought alternatives. With the end of the Cold War, ASEAN was empowered to pursue its own vision. Today, ASEAN seeks to maintain autonomy by reaching out to all comers. It therefore follows that complications in ASEAN's relationships with China are unwelcome because they threaten to throw its external relationships out of balance.

This gets to the most common misperception in Washington about Southeast Asia. ASEAN is not seeking to counterbalance China any more than it seeks to counterbalance the U.S. It is hedging against the power of both for the sake of its own autonomy. Of late, China is proving the more difficult challenge, so that side of the equation is making more headlines. Commissioners should be careful, however, not to construct a false narrative out of them.

For every story of Southeast Asian narrowing concern over China, there are other, better documented ones pointing to vacillation and deference to China. There have been two major developments in this regard over the past six months. The first was the Chinese declaration of an ADIZ over the *East China Sea* in November 2013—and credible reports,<sup>1</sup> confirmed in private discussions with Chinese officials and scholars, that it is planning a similar declaration for the *South China Sea*. The second was the January 1 entry into force of new fishing regulations by authorities on Hainan assuming administration of disputed waters in the South China Sea.

What has been ASEAN's reaction to these developments? China's declaration of the ADIZ closely preceded a Japan–ASEAN heads of state commemorative summit in Tokyo. Headlines from the summit and photos of the participants linking hands gave the impression of unity in the face of a common challenge.<sup>2</sup> In fact, all the Japan–ASEAN joint statement said was that the participants “agreed to enhance cooperation in ensuring the freedom of overflight and civil aviation safety in accordance with the universally recognized principles of international law....”<sup>3</sup> There was never any prospect that the summit would call out China by name, despite the fact that China

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<sup>1</sup> Nanae Kurashige, “Beijing Preparing New Air Defense Zone in South China Sea,” *The Asahi Shimbun*, January 31, 2014, <http://ajw.asahi.com/article/asia/AJ201401310211> (accessed March 10, 2014).

<sup>2</sup> Reiji Yoshida, “China’s ADIZ Steals Show at Japan–ASEAN Celebratory Summit,” *The Japan Times*, December 14, 2013, <http://www.japantimes.co.jp/news/2013/12/14/national/chinas-adiz-steals-show-at-japan-asean-celebratory-summit/> (accessed March 10, 2014). and “Japan Rallies ASEAN Support Against China’s ADIZ,” *Want ChinaTimes*, December 16, 2013, <http://www.wantchinatimes.com/news-subclass-cnt.aspx?id=20131216000034&cid=1101> (accessed March 10, 2014).

<sup>3</sup> Ministry of Foreign Affairs Japan, *Joint Statement of the ASEAN–Japan Commemorative Summit: “Hand in Hand, Facing Regional and Global Challenges,”* December 14, 2013, <http://www.mofa.go.jp/files/000022451.pdf> (accessed March 10, 2014).

alone had precipitated the crisis. Even short of this, however, the statement is hardly a call to action. In fact, it is so general that China could easily sign up itself.

ASEAN had another convenient opportunity to assert itself in the case of Hainan's new fishing regulations. ASEAN Foreign Ministers met in January at an official retreat in Bagan, Burma. What was their reaction to the new fishing regulations for the South China Sea? They "expressed their concerns on the recent developments in the South China Sea. They further reaffirmed ASEAN's Six-Point Principles on the South China Sea and the importance of maintaining peace and stability, maritime security, freedom of navigation in and overflight above the South China Sea."<sup>4</sup> Of course, no specific mention of China. And like the ADIZ, not likely to get China's attention in any regard. It is also incongruous that both Japan and the U.S.—countries with no territorial interests in the region—both condemned the move, as did ASEAN members Vietnam and the Philippines.

The Chinese have rebuffed all "concerns". Just last week, Hainan's Communist Party Secretary indicated that encounters with fishing boats were occurring on a weekly if not daily basis.<sup>5</sup>

### **Southeast Asia's Security Interests**

ASEAN is a pillar of all its members' strategic visions. At any given time, for example, the Philippines may be frustrated with ASEAN's lack of support or initiative concerning its interests in the South China Sea. Yet ASEAN is still close to the heart of the Philippines' foreign policy. This is because the Philippines as well as the other members have bought into ASEAN's long-term interest in balance. It is reflected at the bilateral level as well as the multilateral level.

A case in point: protracted negotiations over the U.S.–Philippines Increased Rotational Presence Framework Agreement. Hopefully, the U.S. and the Philippines will come to agreement on this soon, perhaps to coincide with President Obama's upcoming visit. But the pace of the negotiations betrays a concern for its own sovereignty vis-à-vis the United States that is strong enough to compete with its worries about China. And this is in the Philippines, the most pro-American nation in the region and one of the most pro-American places in the world.

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<sup>4</sup> Association of Southeast Asian Nations, *Myanmar Commences Role as ASEAN Chair; Hosts Foreign Ministers Meeting in Bagan*, January 17, 2014, <http://www.asean.org/news/asean-secretariat-news/item/myanmar-commences-role-as-asean-chair-hosts-foreign-ministers-meeting-in-bagan> (accessed March 10, 2014).

<sup>5</sup> "China Apprehending Boats Weekly in Disputed South China Sea," Reuters, March 6, 2014, <http://www.reuters.com/article/2014/03/06/us-china-parliament-seas-idUSBREA2512120140306> (accessed March 10, 2014).

Similarly, Vietnam may be stressed by the Chinese over the South China Sea. That does not, however, make it ready for anything but a slow evolution of strategic relations with the United States; it also directly courts the Chinese.<sup>6</sup>

ASEAN is not the only—or necessarily the principal—venue that Southeast Asian nations use to pursue their individual interests. They seek to manage their external security environment through a variety of mechanisms. The Philippines and Thailand are treaty allies, and Singapore a near treaty ally, of the United States. Other Southeast Asian countries engage in a range of alternative joint arrangements with the United States. Indonesia and Vietnam have “Comprehensive Partnerships” with the United States. Malaysia, Cambodia, Laos, and Brunei have official dialogues. Several of them engage in major multilateral military exercises, like Cobra Gold and RIMPAC, and significant bilateral exercises with the U.S.

Yet even here, as much as these relationships make real contributions to their security, ASEAN nations seek a semblance of balancing them. Across the board, they have countervailing, albeit often far less extensive, relationships with China. These include “Comprehensive Strategic Partnerships” with Vietnam, Burma, Malaysia, and Indonesia, among many other similar initiatives.

Most ASEAN countries have a foreign policy explicitly formulated to cultivate “a million friends and zero enemies,” as the Indonesians put it. The Thais call their similar approach an “omnidirectional” foreign policy.<sup>7</sup> In short, Southeast Asian nations are managing downside risks of U.S.–China competition by hedging against both ends.

### **Southeast Asia’s Economic Interests**

Southeast Asian hedging also has an upside. Like the U.S. itself, all members of ASEAN are intensely interested in the economic benefits of relations with China. China has been ASEAN’s largest trading partner since 2009, and over the course of 2012, that trade increased by more than 13 percent. (By contrast, total U.S.–ASEAN trade increased by less than 1 percent.)<sup>8</sup>

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<sup>6</sup> Colonel William Jordan, Lewis M. Stern, and Walter Lohman, “U.S.–Vietnam Defense Relations: Investing in Strategic Alignment,” Heritage Foundation *Backgrounder* No. 2707, July 18, 2012, <http://www.heritage.org/research/reports/2012/07/us-vietnam-defense-relations-investing-in-strategic-alignment> (accessed March 10, 2014).

<sup>7</sup> Walter Lohman, “Reinvigorating the U.S.–Thailand Alliance,” Heritage Foundation *Backgrounder* No. 2609, September 28, 2011, <http://www.heritage.org/research/reports/2011/09/reinvigorating-the-u-s-thailand-alliance> (accessed March 10, 2014).

<sup>8</sup> Ministry of International Trade and Industry Malaysia, *Statistics*, October 14, 2013, [http://www.miti.gov.my/cms/content.jsp?id=com.tms.cms.section.Section\\_8d46f140-c0a81573-1bef1bef-9524c069](http://www.miti.gov.my/cms/content.jsp?id=com.tms.cms.section.Section_8d46f140-c0a81573-1bef1bef-9524c069) (accessed March 10, 2014).

On the investment side, according the China Global Investment Tracker,<sup>9</sup> Chinese investment in ASEAN reached roughly \$92 billion in 2013, making it the number one Chinese global investment destination. (U.S. investment, as measured by the Commerce Department’s Bureau of Economic Analysis, is estimated at \$189 billion, but with almost three-quarters of it concentrated in Singapore.<sup>10</sup>)

While these numbers are illustrative of broad trends, it is more instructive to look at the bilateral stakes of individual ASEAN members.

The Philippines and Vietnam, two countries that are often paired in discussion of the region’s difficulties with China, actually present two very different angles on the numbers. The total value of exports from the Philippines to China in 2012 was essentially unchanged from 2011 despite problems in the relationship,<sup>11</sup> 11.8 percent of its total, behind both the Japan and the U.S. China represents about the same share of Vietnam’s export market.<sup>12</sup> Yet, Vietnam is far more trade-dependent than the Philippines<sup>13</sup> and exports twice as much in value to China. On the investment side of the ledger, the Tracker shows Chinese investment in the Philippines dwindling to the point that it records no new investments for 2011–2013. Vietnam hosts a total of \$11.5 billion, three times as much as the Philippines.

Add the economic upsides of Vietnam’s engagement with China to its shared border and history and party-to-party contacts, and there is the basis for a very complex relationship, the constant, careful calibration of which occasionally may be crowded out by news reports of tensions. The Philippines, by contrast, has less to lose.

### **Lessons from ASEAN’s Handling of the South China Sea**

This mix of Southeast Asian interests and the consensus decision-making processes make for ineffectiveness in managing the most serious security crisis it has faced since 1991—rising tensions in the South China Sea. For more than 20 years, ASEAN’s engagement with China on the South China Sea has revolved around three objectives:

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<sup>9</sup> “China Global Investment Tracker,” The Heritage Foundation and American Enterprise Institute, 2014, <http://www.heritage.org/research/projects/china-global-investment-tracker-interactive-map> (accessed March 10, 2014). The Heritage Foundation and American Enterprise Institute China Investment Tracker includes investments and construction and emerging contracts valued at over \$100 million.

<sup>10</sup> Bureau of Economic Analysis, *U.S. Direct Investment Abroad: Balance of Payments and Direct Investment Position Data*, December 17, 2013, <http://www.bea.gov/international/di1usdbal.htm> (accessed March 10, 2014).

<sup>11</sup> Republic of the Philippines, Philippine Statistics Authority–National Statistical Coordination Board, *Foreign Trade of the Philippines 2012*, <http://www.census.gov.ph/content/foreign-trade-statistics-philippines-2012> (accessed March 10, 2014).

<sup>12</sup> General Statistics Office of Vietnam, *Exports of Goods by Country Group, Country and Territory*, 2013, [http://www.gso.gov.vn/default\\_en.aspx?tabid=472&idmid=3&ItemID=14611](http://www.gso.gov.vn/default_en.aspx?tabid=472&idmid=3&ItemID=14611) (accessed March 10, 2014).

<sup>13</sup> Association of Southeast Asian Nations, *ASEAN Community in Figures*, 2012, [http://www.asean.org/images/2013/resources/publication/2013\\_ACIF\\_2012%20Mar.pdf](http://www.asean.org/images/2013/resources/publication/2013_ACIF_2012%20Mar.pdf) (accessed March 10, 2014).

negotiation of a code of conduct, application of the U.N. Convention on the Law of the Sea (UNCLOS), and institutionalization of “self-restraint.” It is failing on all scores. China’s grudging recent acceptance of “consultations” on a code of conduct must be seen in the context of this longer track record. Whether by design or not, what the Chinese are doing is using ASEAN’s plodding, consensus-driven processes against it while simultaneously creating facts in the water.

China’s aggressiveness is not sufficiently galvanizing ASEAN against China’s challenge. Something needs to be done to change its calculation. This argues for greater American pressure on ASEAN while hedging against its continued failure.

It is good that the U.S. is consistently engaged in ASEAN diplomatic architecture. Indeed, there is no other viable alternative to an ASEAN-centered regional diplomatic architecture. Standing up the architecture and participating in it, however, is not enough. Neither are incipient areas of multilateral security cooperation through organizations like the ASEAN Regional Forum or ASEAN Defense Ministers Meeting Plus.

The U.S. has to speak up forcefully for its interests in the South China Sea—not unlike the way Secretary of State Clinton did at the ASEAN Regional Forum 2010.<sup>14</sup> That meeting is now famous for then-Foreign Minister Yang Jiechi’s response: “China is a big country and other countries are small countries, and that’s just a fact.”<sup>15</sup> The most substantive element of this incident was Secretary Clinton’s assertion that claims to water must be based on claims to land. Just last month, Assistant Secretary Danny Russel made an excellent statement affirming this position in the context of recent events.<sup>16</sup> The U.S. should press ASEAN to do the same and to support the Philippines, which has a case pending on the matter before an UNCLOS arbitral panel.

A new aggressive American approach is going to cause ASEAN discomfort. It prefers peaceful, predictable meetings to effective discomfort. Yet, although it may not want to make difficult policy choices that pit U.S. interests against Chinese, neither does it want that choice made for it through U.S. disinterest. This is a point of American leverage.

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<sup>14</sup> Walter Lohman, “Not the Time to Go Wobbly: Press U.S. Advantage on South China Sea,” Heritage Foundation *WebMemo* No. 3023, September 22, 2010, <http://www.heritage.org/research/reports/2010/09/not-the-time-to-go-wobbly-press-us-advantage-on-south-china-sea> (accessed March 10, 2014).

<sup>15</sup> John Pomfret, “U.S. Takes a Tougher Tone With China,” *The Washington Post*, July 30, 2010, <http://www.washingtonpost.com/wp-dyn/content/article/2010/07/29/AR2010072906416.html> (accessed March 10, 2014).

<sup>16</sup> Daniel R. Russell, “Maritime Disputes in East Asia,” testimony before the Subcommittee on Asia and the Pacific, Committee on Foreign Affairs, U.S. House of Representatives, February 5, 2014, <http://www.state.gov/p/eap/rls/rm/2014/02/221293.htm> (accessed March 10, 2014).

## China-focused ASEAN Policy

The name of the game in the Western Pacific for many decades will be managing China's rise. It must therefore be explicitly central to America's interaction with Southeast Asia. This means recognizing ASEAN's limitations to this end and working to remedy them—if sometimes against ASEAN's own instincts and self-assessment. Left to formulate its interests absent American pressure, ASEAN will not meet the China challenge in a way that is most conducive to American national interests and long-term peace and prosperity.

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