

Understanding Recent Developments in US-China-ASEAN Relations: A US Perspective

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Introduction

Relations among the United States, ASEAN and China have undergone significant changes in the past decade. Some of the salient factors behind these changes are: 1) increasing assertiveness by China in pressing its claims in the South China Sea; 2) resurgence of ASEAN's concerns about Chinese intentions and ambitions that has prompted support for increased US involvement and presence in the region; and 3) announcement by the United States of a strategic rebalance to Asia that includes economic, diplomatic, and military components. The South China Sea is at the center of the rebalancing of US-China-ASEAN relations. The territorial and maritime disputes have become a crucible of how China will treat its neighbors as it amasses greater comprehensive national power. The disputes have also posed a major challenge to ASEAN unity. In addition, they have presented a test of US policy, which has attempted to remain neutral on sovereignty matters, while pursuing a consistent set of principles in handling the South China Sea.

This paper will compare US-China-ASEAN relations in the 2002-2006 period with the subsequent 2007-2012 period and identify key changes and their consequences. Special attention will be paid to analyzing the South China Sea issue in US-China-ASEAN ties. The paper will conclude with some thoughts about the changing dynamics in US-China-ASEAN relations and the challenges for US policy in pursuing American interests in the region and in the South China Sea in particular.

The Early 2000s: China-ASEAN, US-ASEAN, and US-China Relations

China's Good Neighbor Policy

Beijing's recognition of growing concerns among several Southeast Asian nations about China as both an economic and security threat prompted the adoption of a new approach toward the region in the late 1990s and early 2000s aimed at alleviating regional anxieties about Chinese hegemony and improving relations with Southeast Asian nations in general.¹ During 1999-2000, Beijing signed cooperation framework agreements with each of the ten ASEAN states that set out road maps for economic, political, security, cultural, social and diplomatic cooperation into the 21st century. In November 2001, China and ASEAN member countries began negotiations to establish a free trade area. The adoption in November 2002 of the ASEAN-China Declaration on the Conduct of Parties in the South China Sea (DoC) committed all signatories to seek peaceful solutions to disputes, avoid actions that would complicate or escalate disputes, conduct maritime cooperation, and negotiate a Code of Conduct.

* The author would like to thank Ryan Pope, CSIS Intern, for his research assistance in preparing this article.

¹ Glosny notes that the "China threat" theory initially referred to the increased economic competition Southeast Asian countries faced from China, and then started to include security issues. Michael Glosny, "Heading Toward a Win-Win Future? Developments in China's Policy Toward Southeast Asia," *Asian Security* 2, no. 1, (2006): doi: 10.1080/14799850600575199.

The signing of the DoC was instrumental in helping China to win greater trust and confidence from ASEAN members, which laid the foundation for further development of economic and trade relations.² The following year, China signed the Treaty of Amity and Cooperation. Chinese policy shifted away from employing military force and intimidation in favor of pursuing joint resource development in disputed South China Sea waters. In 2005 China, the Philippines and Vietnam signed a trilateral agreement for Joint Marine Seismic Undertaking in the South China Sea, which boosted hopes that Deng Xiaoping's policy of "shelving disputes and seeking joint development" could be realized.

In a speech delivered at the Bo'ao Forum in 2004, Hu Jintao described the importance of peaceful relations with neighbors in China's foreign policy, saying, "building good-neighborly relationships and partnership with the neighboring countries, we pursue a policy of bringing harmony, security and prosperity to neighbors and dedicate ourselves to strengthening mutual trust and cooperation with the fellow Asian countries, easing up hot spot tensions, and striving to maintain peace and tranquility in Asia."³ The "Good Neighbor" policy⁴ was designed to reduce fears in the region of a China threat and foster a peaceful and stable regional environment in which China can focus on economic development.⁵ A 2005 State Council White Paper entitled "China's Peaceful Development Road" confirmed that the Good Neighbor policy would be central to Chinese foreign policy.⁶

The two main components of the Good Neighbor policy were promoting closer economic integration between China and Southeast Asian countries and calming of South China Sea territorial disputes; increased trade and investment with Southeast Asia would undercut regional fears that China's economic development was being achieved at Southeast Asia's expense and also give neighboring countries a stake in China's continued prosperity while reducing tensions in the South China Sea would prove to the region that China was not a revisionist power seeking to alter the status quo through the sheer use of force. Both these strategies required deeper China-ASEAN engagement for the practical reason that it was the easiest way to communicate China's change in foreign policy to all countries in the region but also because it reassured Southeast Asian countries that China was willing to work through established regional institutions to resolve outstanding economic and security concerns through negotiation.

China's efforts to promote closer economic ties with ASEAN and dispel Southeast Asian fears of increased economic competition from China were an unmitigated success. China's trade and economic

² Tran Truong Thuy, "Recent Developments in the South China Sea: Implications for Regional Security and Cooperation," Center for Strategic and International Studies, June 30, 2011, <http://csis.org/publication/recent-developments-south-china-sea-implications-regional-security-and-cooperation>.

³ "Full Text of Hu Jintao's Speech at BFA Annual Conference 2004," *Xinhua*, April 24, 2004, <http://www.china.org.cn/english/features/93897.htm>.

⁴ The Good Neighbor policy was referenced by Jiang Zemin in his speech to the 15th Party Congress in 1997. For the text of the speech, see Article IX of the following: "Jiang Zemin's Report at the 15th National Congress of the Communist Party of China," Federation of American Scientists, September 12, 1997, <http://www.fas.org/news/china/1997/970912-prc.htm>.

⁵ Li Mingjiang, "China and Maritime Cooperation in East Asia: recent developments and future prospects" *Journal of Contemporary China*, 19, no. 64, (March 1, 2010): doi: 10.1080/10670560903444249.

⁶ For more information on the "peaceful development" policy, see: China State Council Information Office, *White Paper: China's Peaceful Development Road* (Beijing, China: 2005), <http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN023152.pdf>.

cooperation with its ASEAN neighbors soared. China and ASEAN agreed to a Framework on Comprehensive Economic Cooperation in 2002 and shortly soon after achieved agreements on increasing the trade of goods and the trade of services between them. These agreements coupled with continued negotiations to create a China-ASEAN FTA and increased Chinese investment in Southeast Asia effectively enhanced economic linkages with ASEAN nations and dispelled fears that Chinese economic development threatened Southeast Asia. China emerged as the number one trading partner of many Southeast Asian nations and motivated these countries' leaders to pursue even closer relations with China. The signing of the DoC was an important confidence builder between China and ASEAN, even though its specific provisions were not implemented. China's Good Neighbor policy effectively reduced Southeast Asian threat perceptions of China, at least temporarily.

US Focuses on Counterterrorism

In the wake of the attacks on the United States on September 11, 2001, counterterrorism dominated the US-ASEAN agenda. Southeast Asia was designated as a "second front" in the war on terror.⁷ US policy toward the region during President George W. Bush's first term in office centered on initiatives to expand bilateral military cooperation with countries facing domestic terrorist threats, most notably Indonesia, the Philippines, and Thailand. Deeper military-to-military ties were complemented by engagement with ASEAN and individual members to obtain commitments to assist in the global war on terror. The tangible results of this strategy were the ASEAN 2002 Joint Declaration for Cooperation to Combat International Terrorism which improved regional structures for sharing intelligence information and tracking terrorist financing, and the APEC 2003 Leaders' Declaration which included commitments to dismantle terrorist groups and eliminate the proliferation of weapons of mass destruction.⁸

Terrorism was undoubtedly a regional concern, but it was not the top priority of any Southeast Asian state with the possible exception of Singapore. ASEAN's policy priorities focused on economics and trade, especially establishing FTA's with its major external partners. The disconnect between US and ASEAN priorities took its toll on the relationship. As China seized the opportunity to expand economic cooperation and trade with ASEAN, US lack of enthusiasm was noticed.

Moreover, there was skepticism about the US invasion of Iraq and widespread concern that US policy toward the Middle East would increase the prospects for radical Islam in Southeast Asia. As a result, the Bush administration didn't receive ASEAN's support for all of its counterterrorism initiatives in the region. In March 2004, for example, US Admiral Fargo proposed a Regional Maritime Security Initiative for Southeast Asia to serve as an operational element of the administration's Proliferation Security Initiative to prevent the movement of weapons of mass destruction on the high seas. The RMSI was to focus on preventing terrorism, piracy, and trafficking in the region, with particular attention to

⁷ Richard W. Baker, "Bush Administration Policy in Asia 2001-2004: Second Thoughts and Second Fronts," in *George W. Bush and East Asia: A First Term Assessment*, eds. Robert M. Hathaway and Wilson Lee. (Woodrow Wilson International Center for Scholars: 2005), <http://www.wilsoncenter.org/sites/default/files/bushasia2rpt.pdf>.

⁸ Copies of these agreements can be found on the ASEAN website at <http://www.asean.org/resources/document-archives/item/asean-united-states-of-america-joint-declaration-for-cooperation-to-combat-international-terrorism-bandar-seri-begawan-1-august-2002-5> and on the APEC website at http://www.apec.org/Meeting-Papers/Leaders-Declarations/2003/2003_aelm.aspx.

the Malacca Straits, a channel for nearly one third of global commerce. Malaysia and Indonesia viewed the RMSI as a challenge to their national sovereignty and both publicly rejected the initiative within a week of its introduction. ASEAN meetings later that summer confirmed an overwhelming rejection of the initiative by Southeast Asian governments despite American efforts to reframe the proposal and reassure Southeast Asian countries that participation in the initiative was voluntary and would not impinge on national sovereignty.⁹ This wholesale rejection of the PMSI revealed that for several Southeast Asian countries, the US had overstepped its bounds: although Southeast Asian governments welcomed increased counterterrorism assistance from the US in the form of intelligence sharing and training for its military and police forces, they were reluctant to agree to direct participation by US forces in new cooperative security operations in nearby waters. There was also widespread unease about American military dominance. Southeast Asian support for the administration's counterterrorism efforts had clear limits.

The second Bush administration made a concerted effort to broaden relations with ASEAN. Less than two months into the second term, Acting Assistant Secretary for East Asia Pacific Affairs, Evans J.R. Revere cited regional stability, counterterrorism, and economic cooperation as the administration's three main policy objectives in the region in a hearing before the Senate Foreign Relations Committee. Revere made it clear that stability went beyond counterterrorism and included enhancing economic prosperity, eliminating weapons of mass destruction, promoting democracy and human rights, and addressing transnational threats such as disease epidemics and international crime syndicates.¹⁰ The widening of the US policy agenda was matched by increased engagement with ASEAN to achieve progress on these issues. The 2006 Trade and Investment Framework Agreement which established a formal ministerial dialogue to expand US-ASEAN trade and investment and the 2006 Enhanced Partnership which increased cooperation on non-proliferation of weapons of mass destruction, illicit drug trafficking, trafficking in persons, maritime and border security, as well as terrorism, revealed the administration's newfound willingness to discuss and cooperate with ASEAN on a wide array of issues.¹¹ Deputy Secretary of State Robert Zoellick described the administration's new attitude best in his 2005 speech to the ASEAN Regional Forum in Vientiane, stating "the benefit of coming out [to ASEAN forums] is that we're able to listen to other people and get a sense of other people's priorities and find out what areas are important to them."¹²

Further evidence of the success of China's Good Neighbor policy at reducing Southeast Asian countries' threat perceptions was the fact that South China Sea territorial disputes did not emerge as a major topic of discussion between the US and ASEAN members in this period. Southeast Asian officials did not raise concerns about South China Sea territorial disputes in their meetings with US officials, and

⁹ For details see, Richard W. Baker, "US-Southeast Asian Relations: Pausing for Politics," Center for Strategic and International Studies, July, 2004, http://csis.org/files/media/csis/pubs/0402qus_seasia.pdf.

¹⁰ *US Interests and Strategic Goals in East Asia and the Pacific: Hearing before the Foreign Relations Committee, United States Senate, 104th Congress (March 5, 2005)*(testimony of Evans J.R. Revere, Acting Assistant Secretary of East Asian and Pacific Affairs).

¹¹ To read the texts of these agreements see the ASEAN website <http://www.aseansec.org/18589.pdf> and the US Trade Representative website http://www.ustr.gov/sites/default/files/uploads/agreements/tifa/asset_upload_file932_9760.pdf.

¹² Robert Zoellick, "Remarks at ASEAN Regional Forum" (speech given at ASEAN Regional Forum, Vientiane, Laos, July 29, 2005).

when Bush administration officials mentioned the South China Sea in official statements they invariably referred to the threats posed by pirates and terrorists to closing off shipping lanes in the Malacca Straits and the need to counter such threats effectively.¹³

US-China Relations

The US and China got off to a rocky start in 2001 due to 1) the collision of a Chinese fighter jet and a US reconnaissance plane that almost turned into a hostage crisis and resulted in an embittered US military; and 2) President Bush's approval of Taiwan's request to purchase major defense items, including 8 diesel-electric submarines and 12 P-3C Orion anti-submarine warfare aircraft. However, the recognition that an accident between two aircraft could have escalated to a major military confrontation was sobering for both countries, and led Beijing and Washington to redouble their efforts to find common ground. After September 11, China quickly condemned the terrorist attacks and offered its cooperation, which materialized in a few areas such as terrorist financing, and US-China relations began a warming trend.

Cooperation ensued on North Korea, first in the three party talks and subsequently in the six party talks, which the US persuaded Beijing to convene. Although at times the US and China strongly disagreed and their differences spilled into the public realm, the experience of working closely together on the shared objective of achieving a denuclearized Korea Peninsula strengthened bilateral ties.¹⁴ President Bush's reprimand of Taiwan President Chen Shui-bian for attempting to unilaterally alter the status quo in the Taiwan Strait was especially welcomed by China. Even though Bush sold weapons to Taiwan and awarded the Congressional Medal of Honor to the Dalai Lama, the Chinese valued that he was a man of his word and they appreciated the high level of predictability that he brought to the bilateral relationship.

Prior to the September 11 attacks, Beijing had feared that the US would shift its strategic focus to the Asia-Pacific region to the detriment of Chinese interests. The war on terror ensured that US attention was primarily on the Middle East and the wars in Iraq and Afghanistan. For China, this was seen as providing a reprieve. US strategic distraction enabled China to continue to build up its comprehensive national power. Although US military presence in the Asia-Pacific region remained and its alliances were intact, China was able to take advantage of the opportunities presented in the early years of the 21st century to improve its position with the majority of its Asian neighbors, including ASEAN.

Key Developments in US-ASEAN-China Relations in the Obama Administration

¹³ For examples of speeches mentioning the threat of piracy and terrorism in the Malacca Straits, see the following: Donald Rumsfeld, "Remarks by Secretary Rumsfeld" (speech given at the Fifth International Institute for Strategic Studies Conference, Singapore, June 3, 2006) and Condoleezza Rice, "US Policy Toward Asia" (speech given at The Heritage Foundation, Washington D.C., June 18, 2008).

¹⁴ Bonnie S. Glaser and Wang Liang, "North Korea: The Beginning of a China-U.S. Partnership?" *The Washington Quarterly*, 31, no. 3, (Summer 2008): 165-180.

Following substantial improvement in China-ASEAN ties that were marked by enhanced economic and trade ties as well as relative quiescence in the South China Sea, tensions began to re-emerge on maritime issues in 2007. In that year, there was a marked increase in incidents involving fishing boats, Chinese demarches to foreign oil companies engaged in joint ventures with Vietnam to develop gas fields in Hanoi's Exclusive Economic Zone (EEZ)¹⁵, the passage of a law by China's National People's Congress creating a city in Hainan province to administer China's claims in the South China Sea, and the adoption of a new maritime strategy by Vietnam that prioritized development of South China Sea resources.

In 2009-10, the trend of increased Chinese assertiveness emerged more clearly. China expanded its annual unilateral fishing ban in 2009, ostensibly to protect marine ecosystems and resources, to include foreign boats. The length of the ban was also increased and Beijing stepped up detention of Vietnamese fishermen.¹⁶ China continued to increase its regular maritime security patrols, conducted mainly by the Chinese Fisheries Administration and State Oceanographic Administration, and expanded scientific activities and naval exercises in the South China Sea.

China's submission of its "nine-dashed line" claim in the South China Sea to the United Nations Commission on the Limits of the Continental Shelf (UNCLCS) that same year provoked further concern. This action was precipitated by the submission of a joint petition by Vietnam and Malaysia to UNCLCS in advance of the May 13, 2009 deadline for submission of claims by coastal states of extended continental shelf rights beyond 200 nautical miles. It marked the first time that Beijing had officially staked its expansive claim.

Two incidents in 2009 involving Chinese harassment of US surveillance ships in the South China Sea took place that heightened US fears about a possible accidental collision that could escalate as well as about Chinese challenges to freedom of navigation. In March, five Chinese vessels "shadowed and aggressively maneuvered in dangerously close proximity" to the USNS *Impeccable*, according to the Pentagon. The incident was apparently preceded by days of increasingly aggressive conduct by Chinese vessels.¹⁷ The ocean surveillance ship USNS *Victorious* was similarly harassed in March and again in May. In the three month period, there were apparently five instances in which Chinese boats operated in dangerously close proximity to US vessels in an attempt to force them to leave China's EEZ.¹⁸

US concerns about China's actions in the South China Sea were expressed by Deputy Assistant Secretary of State Scot Marciel, in testimony to the Senate in July 2009. Marciel stated that the US has a "vital interest in maintaining stability, freedom of navigation, and the right to lawful commercial activity

¹⁵ China told Exxon Mobil Corp. and BP Pic to halt exploration in offshore areas that Vietnam considers part of its territory. Daniel Ten Kate and Nicole Gaouette, "Clinton Signals US Role in China Territorial Disputes After Asean Talks," *Bloomberg*, July 23, 2010, <http://www.bloomberg.com/news/2010-07-23/u-s-says-settling-south-china-sea-disputes-leading-diplomatic-priority-.html>.

¹⁶ The unilateral fishing ban was first imposed by China in June 1999, but did not apply to foreign boats until 2009. M. Taylor Fravel, "China's Strategy in the South China Sea," *Contemporary Southeast Asia*, 33, no. 3, (December 2011).

¹⁷ Tony Capaccio, "Chinese Vessels Harass US Navy Ship, Pentagon Says," *Bloomberg*, March 9, 2009, <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aUMS9YLJ2OmM>.

¹⁸ Barbara Starr, "Chinese boats harassed US ship, officials say," *CNN*, May 5, 2009, <http://www.cnn.com/2009/WORLD/asiapcf/05/05/china.maritime.harassment/>.

in East Asia's waterways. . . We object to any effort to intimidate US companies." That same month, Secretary of State Hillary Clinton attended the ASEAN summit where she announced that "the United States is back in Southeast Asia" and that "this region is vital to global process, peace and prosperity. . ." She announced plans to open a mission to ASEAN, with an ambassador in Jakarta. In addition, Clinton held a US-Lower Mekong Ministerial Meeting with Laos, Thailand, Cambodia, and Vietnam.¹⁹

Growing uneasiness among many ASEAN members and other Chinese neighbors about China's assertiveness triggered a stream of entreaties to the Obama administration to increase its involvement and presence in the region. Some regional leaders explicitly called for the US to counterbalance China; others simply noted that greater US participation in the region would be welcomed. Over the next few years these messages came from more and more countries and became increasingly explicit. US officials referred to them as the "demand signal" from the region that could not be ignored.

The first public expression of concern came from then Singapore Minister Mentor Lee Kuan Yew during a visit to Washington in October 2009. In a speech to the US-ASEAN Business Council Lee mentioned the South China Sea territorial disputes, noting that the Chinese "have built on several islets fishing outposts, and coastguard vessels patrol them. Later, behind these small patrol craft will be a blue-water fleet." He welcomed Secretary of State Hillary Clinton's determination to step up its engagement with Southeast Asia," and applauded the Obama administration's decision to accede to ASEAN's Treaty of Amity and Cooperation and initiate a summit with ASEAN Leaders. "A consistent American policy of keeping ASEAN engaged will add to stability," he stated.²⁰ Lee subsequently met with President Obama and delivered his message personally.

As the Obama administration deliberated how to respond to China's growing assertiveness and reassure the smaller regional countries of US unwavering commitment to peace and stability in the region, Beijing's rhetoric hardened. Although the details have never been made clear, in conversations with their American counterparts in March 2010, one or more Chinese officials labeled the South China Sea a "core interest,"²¹ implying that the issue is non-negotiable and is on a par with other sovereignty issues like Tibet, Taiwan, and Xinjiang that could justify military intervention. Secretary Clinton later maintained that State Councilor Dai Bingguo referred to the South China Sea as a core interest at the Strategic and Economic Dialogue in May of that year.²²

To signal China that its increasingly brazen actions that flouted international laws and norms were arousing widespread anxieties and creating instability in the region, the US decided to raise its concerns about the South China Sea at the 27-member ASEAN Regional Forum in Hanoi in July 2010. In advance of the meeting, US officials consulted with all the other ARF members with the exception of

¹⁹ John Chan, "Clinton's ASEAN appearance signals US 'back in Asia.'" *World Socialist Web Site*, July 28, 2009, <http://www.wsws.org/articles/2009/jul2009/clin-j28.shtml>.

²⁰ Lee Kuan Yew, "Remarks at US-ASEAN Business Council 25th Anniversary Gala Dinner" (speech given at US-ASEAN Business Council's 25th Anniversary Gala Dinner, Washington DC, October 27, 2009). http://www.news.gov.sg/public/sgpc/en/media_releases/agencies/mica/speech/S-20091027-1.html.

²¹ Edward Wong, "China Hedges Over Whether South China Sea is a 'Core Interest' Worth War," *New York Times*, March 30, 2011, http://www.nytimes.com/2011/03/31/world/asia/31beijing.html?_r=0.

²² Greg Sheridan, "China actions meant as test, Hillary Clinton says," *The Australian*, November 9, 2010, <http://www.theaustralian.com.au/national-affairs/china-actions-meant-as-test-hillary-clinton-says/story-fn59niix-1225949666285>.

China, and encouraged them to voice their concerns at the meeting as well. US officials privately related they were surprised that as many as twelve ministers mentioned the South China Sea, and were dubious of Beijing's claim that it did not know in advance of the US intention to raise the issue.²³ Secretary Clinton emphasized US interests in freedom of navigation, open access to Asia's maritime commons, and respect for international law, and endorsed a collaborative diplomatic process by all claimants to resolve the outstanding disputes without coercion or use of force. In addition, she called for claimants to pursue their territorial claims and accompanying rights to maritime space in accordance with the UN Convention on the Law of the Sea, and called for the parties to reach agreement on a Code of Conduct.²⁴ These principles would remain central in the Obama administration's approach to handling South China Sea matters going forward.

As the ARF meetings were taking place in Hanoi, China for the first time officially voiced its opposition to the conduct of a military exercise between the US and an ally in waters close to China. The exercise had not been announced by the Pentagon and in fact the timing and location of the exercise, which included the *George Washington* aircraft carrier, had not yet been decided. Nevertheless, asked to comment on a report that a military drill would be held by the US and Republic of Korea forces in the Japan Sea in late July, China's foreign ministry spokesman stated that "We firmly oppose foreign warships and military aircraft entering the Yellow Sea and other coastal waters of China to engage in activities affecting China's security and interests."²⁵ China's challenge to freedom of navigation and to the US-ROK alliance, was duly noted by US officials and it reinforced their conviction that the Obama administration needed to push back against Beijing's newfound assertiveness.

Clinton's intervention at the ARF in Hanoi prompted a harsh response from China's foreign minister Yang Jiechi, who reportedly glared at his Singaporean counterpart and declared that "China is a big country and other countries are small countries and that is just a fact." Southeast Asian leaders were stunned by his emotional outburst and many welcomed the strong statement made by Secretary Clinton. Singaporean Prime Minister Lee Hsien Loong, for example, described Clinton's comments as a "useful reminder" of America's role in Asia, a role "which China cannot replace . . . because of America's security contributions in maintaining the peace in the region."²⁶

In the aftermath of the ARF meeting, Beijing complained bitterly about collusion between the US and some of the South China Sea claimants to gang up on China. Yang Jiechi warned that turning the South China Sea issue into an international or multilateral matter would "only make matters worse and the resolution more difficult."²⁷ The US-China confrontation at the ARF meeting and Beijing's subsequent reaction increased anxieties throughout the region about growing US-Chinese friction.

²³ Private conversation with senior US State Department official, Washington DC, July 2010.

²⁴ Hillary Rodham Clinton, "Remarks at Press Availability" (speech given at National Convention Center, Hanoi, Vietnam, July 23, 2010), <http://www.state.gov/secretary/rm/2010/07/145095.htm>.

²⁵ "China expresses concern over ROK-US military drills," *Xinhua*, July 21, 2010, http://news.xinhuanet.com/english2010/china/2010-07/21/c_13408470.htm.

²⁶ Ian Storey, "China's Missteps in Southeast Asia: Less Charm, More Offensive," *Jamestown Foundation China Brief*, 10, no. 25, (December 17, 2010), http://www.jamestown.org/uploads/media/cb_010_07d25e.pdf.

²⁷ Foreign Minister Yang Jiechi, "Official Statement: Foreign Minister Yang Jiechi Refutes Fallacies On the South China Sea Issue," (statement given at The Ministry of Foreign Affairs, Beijing China, July 26, 2010), <http://www.fmprc.gov.cn/eng/zxxx/t719460.htm>.

ASEAN members recognized that they needed to strike a balance: they didn't want to submit to a US-led process that they had no control over, but at the same time they didn't want to appear to be appeasing China. Most ASEAN countries supported Clinton's statement at the South China Sea, but also believed that continued US intervention in the dispute would be counterproductive and lead to regional tensions.²⁸ As a result, ASEAN members subsequently implored the US to tamp down tensions over the South China Sea. At the 2nd US-ASEAN Summit in New York on September 24, member states toned down the language in the final communiqué so as to not rile China further; mention of the South China Sea was excised from the text.²⁹ Assistant Secretary of State Kurt Campbell told the press later that month that Clinton's comments at the ARF had not been aimed at China, and denied that Washington was "taking sides or stoking tensions" in the region.³⁰

In the second half of 2010, there was some evidence that greater US involvement in the South China Sea issue had successfully persuaded Beijing to reconsider its policy and return to a more accommodating stance. After the ARF, Chinese officials ceased referring to the South China Sea as a core interest in meetings with their American counterparts and Beijing dispatched Chinese Vice Foreign Minister Zhang Zhijun to key ASEAN capitals to listen to their concerns and reassure them about China's benign intentions. At the end of September, Chinese Ambassador to the Philippines Liu Jianchai said that China had initiated discussions at the working level with other parties concerned to draw up a code of conduct and was "open to different formulas and initiatives in preserving peace, prosperity and stability in this region."³¹ At the ASEAN Defense Ministers Meeting Plus (ADMM+) in Hanoi in October, Chinese Defense Minister Liang Guanglie responded calmly to US Defense Secretary Robert Gates's reiteration of Clinton's ARF comments on the South China Sea, opting to use the opportunity to reassure the region that China's military is not aimed at challenging or threatening anyone, and is defensive in nature.³² On a trip to Singapore in November, Vice President Xi Jinping stated that a "prosperous and stable China does not pose a threat to any country," and, in an evident attempt to ease worries about Yang's statement at the ARF, noted that "China sees all countries, big and small, as equals."³³

The US attached special importance to an article posted on the Chinese foreign ministry website by State Councilor Dai Bingguo on December 6 entitled "Adhere to the Path of Peaceful Development." The article emphasized China's unbending commitment to rise peacefully. In an unusual public reference by a Chinese official to Deng Xiaoping's foreign policy guideline from the late 1980s to early 1990s, Dai stressed that "China should keep modest and prudent, not serve as others' leader or a standard bearer and not seek expansion or hegemony." Further quoting Deng, he noted if China tries to

²⁸ For more analysis of how ASEAN members differ in their views on proper approaches to the South China Sea, see Sheldon Smith, "US-Southeast Asia Relations: ASEAN Stumbles," *Center for Strategic and International Studies Comparative Connections*, (September 2012), http://csis.org/files/publication/1202qus_seasia.pdf.

²⁹ Storey, "China's Missteps in Southeast Asia: Less Charm, More Offensive"

³⁰ Foster Klug, "US seeks to ease Chinese fears over US interest in S. China Sea disputes," *Associated Press*, September 29, 2010.

³¹ "China, ASEAN states begin talks on 'code of conduct' for disputes," *GMA News*, October 1, 2010, <http://www.gmanetwork.com/news/story/202363/news/nation/china-asean-states-begin-talks-on-code-of-conduct-for-disputes>.

³² Thom Shanker, "US and China Soften Tone Over Disputed Seas," *New York Times*, October 12, 2010, <http://www.nytimes.com/2010/10/13/world/asia/13gates.html>.

³³ Storey, "China's Missteps in Southeast Asia: Less Charm, More Offensive"

seek global hegemony, “people of the world should expose, oppose and overthrow it.”³⁴ The Obama administration concluded that the document was intended to fend off pressure from the more nationalistic forces within China, rather than as propaganda intended for foreigners.³⁵ National Security Advisor Thomas Donilon told reporters that the article “reasserted the peaceful rise approach,” noting that it was a “definitive statement . . . of the leadership’s approach to foreign policy generally and the United States specifically.”³⁶

2011 presented a mixed picture of sporadic Chinese assertiveness and diplomacy aimed at reassuring its neighbors, including marginal progress on the South China Sea. In March, two Chinese patrol boats harassed a seismic survey vessel operated by Energy Forum, which won a bid to explore for gas inside Reed Bank, located 80 miles west of Palawan.³⁷ In May, three Chinese patrol boats halted a seismic survey conducted by a Vietnamese-chartered survey ship in waters claimed by Vietnam as part of its exclusive economic zone. A similar incident occurred in June. Other incidents followed, including one case in which Hanoi claimed that Chinese vessels fired warning shots to scare off Vietnamese fishing boats, although the Chinese foreign ministry dismissed the charge as “sheer fabrication.” The ministry also declared its opposition to Vietnam’s oil and gas operations.³⁸ Also in 2011, Chinese ships unloaded construction materials at Amy Douglas in the Philippines’ EEZ and allegedly planted markers on Reed Bank and Boxall Reef.³⁹ As Ian Storey has written, those actions constituted a serious breach of the DoC, which specifically calls on the parties not to “inhabit” unoccupied geographical features.⁴⁰

At the same time, however, China agreed on Guidelines to implement the 2002 DoC, although admittedly, it did so only after ASEAN negotiators agreed to remove a clause that ASEAN members would caucus prior to holding discussions with China on a draft Code of Conduct. Beijing’s “reassurance diplomacy” continued with the issuance of a White Paper entitled “China’s Peaceful Development” in

³⁴ Dai Bingguo, *Adhere to the Path of Peaceful Development*, (Beijing, China: December 6, 2010), <http://china.usc.edu/ShowArticle.aspx?articleID=2325>.

³⁵ David E. Sanger, *Confront and Conceal: Obama’s Secret Wars and Surprising Use of American Power*, (New York: Crown Publishing, 2012), 397.

³⁶ Treasury Secretary Tim Geithner, National Security Advisor Tom Donilon, and Press Secretary Robert Gibbs, “Press Briefing Previewing the Upcoming State Visit of President Hu of China,” (briefing given at The White House, Washington DC, January 14, 2011), <http://www.whitehouse.gov/the-press-office/2011/01/14/press-briefing-treasury-secretary-tim-geithner-national-security-advisor>.

³⁷ “Philippine Oil Vessel Confronted By China, Spurring New Dispute,” *World Street Journal*, March 4, 2011, <http://online.wsj.com/article/SB10001424052748703300904576178161531819874.html>.

³⁸ Michael Lelyveld, “Oil Search Sparks Security Concerns,” *Radio Free Asia*, June 13, 2011, http://www.rfa.org/english/energy_watch/concerns-06132011104957.html.

³⁹ Donna Z. Pazzibugan, “Philippines pulls Spratleys ‘foreign’ posts,” *Philippine Daily Inquirer*, June 16, 2011, <http://newsinfo.inquirer.net/15230/philippines-pulls-spratlys-foreign-posts>.

⁴⁰ Ian Storey, “Hardening Positions over Dangerous Grounds: Recent Developments in the South China Sea Dispute,” (paper presented at Center for Strategic and International Studies Conference on Maritime Security in the South China Sea, Washington DC, June 20-21), http://csis.org/files/publication/110629_Storey_South_China_Sea_0.pdf.

September 2011. The drafting process was apparently overseen by Dai Bingguo who delivered a speech at a symposium to celebrate its release.⁴¹

The most egregious example of continued Chinese assertiveness in the South China Sea in 2012 was the incident that took place at Scarborough Shoal. On April 10, the Philippine Navy dispatched a frigate to the Shoal to respond to the reported presence of eight Chinese fishing boats. After boarding the fishing boats, Filipino officers discovered a large illegal catch of coral, live sharks and giant clams. The arrival of two China Marine Surveillance vessels prevented the Philippine frigate from arresting the fishermen. To deescalate the situation, Manila replaced its warship with a Coast Guard cutter, but China reinforced its presence with an armed Fishery Law Enforcement Command vessel. The Chinese fishing boats escaped with their illegal catch. Diplomatic efforts by both sides failed to resolve tensions. The Chinese increased the number ships around the Shoal and in the lagoon.

To pressure Manila to withdraw from the Shoal, Beijing employed various forms of economic pressure. Tropical fruit from the Philippines was quarantined by Chinese customs officials and trips by Chinese tourists to the Philippines were canceled. China also extended the scope of its annual unilateral fishing ban to include the waters around the Scarborough Shoal.

With US behind-the-scenes facilitation, China and the Philippines reached verbal agreement on June 4 to withdraw their respective vessels from the lagoon at Scarborough Shoal and for China to remove the rope barrier that it had placed at the entrance to the shoal. Manila carried out its commitment in good faith. President Aquino declared that due to an impending typhoon, all vessels would withdraw from the shoal on June 15. China, however, failed to keep its end of the bargain. After pulling out two surveillance ships and fishing boats, six Chinese boats and seventeen small dinghies returned to the lagoon the following week and five larger surveillance ships were deployed outside the lagoon.⁴²

Also in 2012, tensions re-emerged in Sino-Vietnamese relations. In response to Vietnam's adoption of a Law of the Sea and its conduct of military surveillance flights over the Spratly Islands, China took the following steps: 1) China upgraded the administrative status of Sansha city; 2) China National Offshore Oil Corporation (CNOOC) released for international bidding blocks that are located in Vietnam's EEZ; 3) China dispatched an escorted fishing armada to the Spratly Islands; 4) The PLA established a military garrison on Woody Island; and 5) China's military announced the commencement of combat-ready naval patrols.⁴³

The US aired its concerns about the destabilizing developments in the South China Sea in June at the Shangri-La Dialogue in Singapore. Secretary of Defense Leon Panetta called for restraint and

⁴¹ Dai Bingguo, "China is Committed to the Path of Peaceful Development," (speech given at Symposium on "China's Peaceful Development" White Paper, Beijing, China, September 15, 2011), <http://www.fmprc.gov.cn/eng/zxxx/t860218.htm>.

⁴² See account by Carlyle A. Thayer, "A New Wave of Chinese Assertiveness: Roping off Scarborough Shoal, Oil Leases in Vietnam's EEZ, Military Garrison on Land and Fishing Armada at Sea," (paper presented at the 2nd MIMA South China Sea Conference Geo-Strategic Developments and Prospects for Disputes Management, Malaysian Institute of Maritime Studies, Kuala Lumpur, Malaysia, September 4-5, 2012), <http://www.scribd.com/doc/105474109/Thayer-South-China-Sea-New-Wave-of-Chinese-Assertiveness>.

⁴³ *Ibid.*

diplomatic resolution of the confrontation in the Scarborough Shoal and expressed the US desire for the dispute to be “resolved peacefully and in a manner consistent with international law.” It was likely deliberate, however, that Panetta noted first that the US had made its views “very clear to our close treaty ally, the Philippines,” and then added that it had also made its views known to China and to other countries in the region. Manila’s initial action of intervening with a warship had triggered the crisis, even if subsequent Chinese steps were excessive. Moreover, efforts by Filipino officials to invoke the 1954 US-Philippines Defense Treaty were seen by many US officials as dangerous. Washington was keen to not embolden Manila to escalate its confrontation with China.⁴⁴

When the 45th ASEAN Ministerial Meeting convened in Cambodia in July, its members bickered over the draft language addressing the South China Sea. Phnom Penh, as chair, insisted that the concerns raised by the Philippines and Vietnam were bilateral issues that did not warrant inclusion in the joint statement. In the end, ASEAN failed to reach a compromise and no joint communiqué was issued for the first time in the organization’s history. Many reports suggested that China had intervened in the deliberations. According to one report, the Cambodians showed the draft to the Chinese, who declared that it was unacceptable unless the reference to the South China Sea was removed.⁴⁵

Even prior to the debacle at the AMM, Obama administration officials were engaged in intense discussions about how to respond to spate of Chinese assertive actions against Vietnam and the Philippines. China’s decision to go back on its verbal agreement to withdraw from the Shoal and remove the barrier from the lagoon prompted considerable concern. The employment of Beijing of economic coercion against Manila was also worrisome. The US response came in a State Department press statement issued on August 3 which reiterated US policy on the South China Sea as articulated by Secretary Clinton in July 2010. It then expressed concerns about increasing tensions in the South China Sea, noting in particular “an uptick in confrontational rhetoric, disagreements over resource exploitation, coercive economic actions, and the incidents around the Scarborough Reef, including the use of barriers to deny access.” China’s upgrading of Sansha City and the establishment of a new military garrison there was singled out for criticism as running “counter to collaborative diplomatic efforts to resolve differences and risk further escalating tensions in the region.”⁴⁶ Beijing condemned the statement, claiming that it “completely ignored the facts, deliberately confounded right and wrong, and sent a seriously wrong signal, which is not conducive to the efforts safeguarding the peace and stability of the South China Sea and the Asia Pacific region.”⁴⁷

ASEAN members welcomed the wording of the US statement, especially the Philippines and Vietnam which were increasingly alarmed by Chinese intimidation and coercion tactics. More broadly, there is widespread support in ASEAN for the increased US attention and commitment to Southeast Asia,

⁴⁴ Secretary Leon Panetta, “Remarks by Secretary Panetta,” (speech given at the Eleventh International Institute for Strategic Studies Conference, Singapore, June 2, 2012), <http://www.iiss.org/conferences/the-shangri-la-dialogue/shangri-la-dialogue-2012/speeches/first-plenary-session/leon-panetta/>.

⁴⁵ Roger Mitton, “ASEAN Struggles for Unity,” *The Phnom Penh Post*, July 23, 2012.

⁴⁶ State Department Acting Deputy Spokesperson, Patrick Ventrell, “Press Statement on The South China Sea,” (statement made at The State Department, Washington DC, August 3, 2012), <http://www.state.gov/r/pa/prs/ps/2012/08/196022.htm>.

⁴⁷ “China strongly opposes US State Department’s statement on South China Sea: FM spokesman,” *Xinhua*, August 4, 2012, http://news.xinhuanet.com/english/china/2012-08/04/c_131761517.htm.

and the willingness of the Obama administration to listen and respond to regional concerns. US-ASEAN ties have expanded substantially in recent years with the establishment of an annual bilateral Leaders Meeting, the launching of high-level annual dialogues with individual countries (such as the 2+2 dialogue with the Philippines, the US-Vietnam Defense Policy Dialogue, and the US-Indonesia Comprehensive Partnership meetings) and stepped up joint activities. The US has increased its involvement in the ASEAN Regional Forum⁴⁸ and Secretary of State Clinton has attended and actively participated in the annual ASEAN post Ministerial Conference for the past four years.⁴⁹ The US is also a member of the ASEAN ADMM+. The US signed the Treaty of Amity and Cooperation and joined the East Asia Summit. US involvement in projects to advance cooperation in health, education and the environment has also deepened, as demonstrated by such programs as the Lower Mekong Initiative. A resident US ambassador to ASEAN is now resident in Jakarta. US-ASEAN people-to-people ties have also received a boost.⁵⁰

China's harsh reaction to the August 3 press statement brought into the open festering tensions between Washington and Beijing and underscored the intensity of mutual suspicions. The first year of US-China ties under President Obama had proceeded relatively smoothly as both countries worked diligently to implement the consensus between the US and Chinese presidents to establish a positive, cooperative and comprehensive partnership for the 21st century.⁵¹ In 2010, however, the Chinese were incensed by President Obama's decision to sell arms to Taiwan and to meet with the Dalai Lama, which they believed ran counter to the US-China agreement in the Hu-Obama November 2009 joint statement to respect each other's "core interests."⁵² The US, for its part, was angered by Beijing's refusal to condemn North Korea for sinking the South Korea corvette, the *Cheonan*, or for firing on the South Korea's Youngpeong Island. Trade friction also increased with the Obama administration filing a record number of cases against China in the WTO in its first term in office.

China's deepest concerns were about the major shift that was underway in US strategy toward the Asia-Pacific region. The US strategy of rebalancing to the Asia-Pacific, also known as the "Pacific Pivot," was framed by Secretary of State Clinton in a November 2011 speech on "America's Pacific Century," but, in fact, it began in the early days of the Obama administration. The shift in policy was driven by a number of factors, including: 1) the growing economic importance of the Asia-Pacific region to the United States' economic future; 2) the winding down of US military operation in Iraq and Afghanistan; 3) the perception that US assurance to regional countries was necessary in the face of China's rise and pending cuts in the US defense budget; and 4) China's increasing assertiveness in maritime areas, its growing propensity to intimidate its neighbors, and the development of Chinese

⁴⁸ U.S. State Department, *2012 US Engagement in the ASEAN Regional Forum Fact Sheet*, (Washington DC, July 12, 2012), <http://www.state.gov/r/pa/prs/ps/2012/07/194895.htm>.

⁴⁹ Secretary of State Condoleezza Rice missed two ARF meeting during her term in office.

⁵⁰ U.S. State Department, *United States-ASEAN Cooperation 2012 Fact Sheet*, (Washington DC, July 11, 2012), <http://www.state.gov/r/pa/prs/ps/2012/07/194837.htm>.

⁵¹ This goal was agreed upon when President Obama met Hu Jintao for the first time in April 2009 on the margins of the G-20 summit in London.

⁵² White House Office of the Press Secretary, *US-China Joint Statement*, (Washington DC, November 17, 2009), <http://www.whitehouse.gov/the-press-office/us-china-joint-statement>.

military capabilities designed to hamper the ability of the US to project power into the region in a crisis.⁵³

Chinese concerns about the US rebalancing strategy were multifold. In the military sphere, the US announced new deployment or rotations of troops and equipment to Australia and Singapore. In Southeast Asia, US defense ties with Vietnam were strengthened; the US sold weapons and conducted joint military exercises with the Philippines; and the US entered into discussions with Thailand to increase US naval visits and set up a regional disaster relief hub in that country. Cooperation on missile defense with Japan was further enhanced along with the ability of the US and Japanese militaries to jointly defend remote islands. The “Strategic Guidance” released by the Department of Defense in January 2012 highlighted US concerns about the growth of China’s military power and the potential impact of China’s emergence as a regional power on US economic and security interests.⁵⁴ At the Shangri-La Dialogue in June, US Secretary of Defense Panetta announced that by 2020, the US would re-posture its naval forces from a roughly 50/50 percent split between the Pacific and the Atlantic to about a 60/40 split. The Department of Defense has is developing a new Air-Sea Battle (ASB) concept that is reportedly focused on countering Chinese and Iranian “anti-access and area-denial” strategies. Most Chinese believed that China is the main target of US defense concerns and the shift in force posture.

In the economic realm, the US actively promoted the Trans-Pacific Strategic Economic Partnership, a free trade agreement that so far includes eleven countries that are engaged in negotiations to further liberalize their economies. The strict requirements for entry make it impossible for China to join anytime in the near future. It is widely held in China that by pushing the TPP, the US is seeking to dilute the importance of the ASEAN+3 trade agreement and reduce China’s influence in shaping the trade architecture in the region. Politically, the US bolstered relations with virtually all of China’s neighbors, most notably Burma. US intentions in creating what many refer to as “strategic encirclement” of China are not seen as benign. Some Chinese even view the US as forging anti-China coalitions and emboldening countries with territorial disputes with China.

Concerted efforts by American officials, including Secretary of State Clinton, National Security Advisor Thomas Donilon, and Secretary of Defense Panetta, to explain the origins and purposes of the US rebalancing strategy and reassure Beijing that renewed US attention to the region is not targeted at China have so far not succeeded. It is unclear, however, whether or how China will respond. In the run-up to China’s leadership transition, it was unlikely that Beijing would fundamentally alter its assessment of US strategy, which would then have compelled a reevaluation of Chinese foreign policy. Once China’s party and state leadership changes are completed in the spring of 2013, it is possible that China will undertake a review of US policy and adjust its approach to managing relations with the United States.

Key Trends in US-China-ASEAN Relations and Challenges for US Policy

⁵³ For more information see Mark E. Manyin, Stephen Daggett, et. al, “Pivot to the Pacific? The Obama Administration’s ‘Rebalancing’ Toward Asia,” *Congressional Research Service*, March 28, 2012, <http://www.fas.org/sgp/crs/natsec/R42448.pdf>.

⁵⁴ U.S. Department of Defense, *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, (Washington DC, January 2012), http://www.defense.gov/news/Defense_Strategic_Guidance.pdf.

The dynamics of the US-ASEAN-China triangular relationship have changed dramatically from the early 2000s to the present day. Below are a few key findings from the above review and analysis.

First, China has misplayed its hand badly in Southeast Asia. Beijing wrongly believed that a decade of providing economic benefits to ASEAN would buy lasting goodwill. It incorrectly assumed that growing ASEAN economic reliance on China would inhibit its members from seeking closer strategic ties with the US and other nations to balance Chinese power and as a hedge against relations with China going sour. In managing the territorial disputes in the South China Sea, Chinese leaders miscalculated their ability to cater to nationalist sentiment at home without alarming their neighbors. China's propensity to use its growing civilian maritime capabilities and economic clout to pressure small ASEAN nations to alter their policies to China's advantage has caused worries in virtually every ASEAN capital. It remains uncertain whether China will recalibrate its policies toward ASEAN and the rest of the region after the leadership transition is completed.

Second, ASEAN's ambivalence about US military presence in the region that was apparent in the early 2000s has dissipated. Today there is almost categorical support throughout Southeast Asia for greater US military presence as a counterweight to the uncertainties posed by China's rise. Nevertheless, even as ASEAN enthusiastically welcomes the enhanced US commitment to the region, doubts persist about US staying power in the future. There are fears that declining US budgets and new distractions in the Middle East could someday result in a US pivot away from the Asia-Pacific region. Moreover, there is uneasiness about occasional spikes in tension between China and the US and the drift toward a zero-sum US-China competition in the region. Such concerns are often voiced publicly by ASEAN leaders. For example, in his keynote address delivered at the Shangri-La Dialogue in June 2012, Indonesian President Yudhoyono warned:

"If a new pattern of polarisation and rivalry among the major powers emerges, that will be a step backward and will lead regional affairs in the wrong direction. In this connection, we are encouraged that the United States and China are attempting to evolve a positive, cooperative relationship. Given their combined strategic, diplomatic, economic and demographic weight, US-China relations will have impacts far beyond their bilateral relations. . . . Both the US and China have an obligation not just to themselves, but to the rest of the region to develop peaceful cooperation. . . . the relationship between the US and China is not a zero-sum game. . . . The world and Asia are big enough to accommodate a rising China and a reinvigorated US. . . . the US and China should work to ensure that its relations is one based on cooperation and not confrontation."⁵⁵

Third, US policymakers are attaching major importance to ASEAN in developing strategy toward the Asia-Pacific region and especially in managing China's rise. There is understanding of the need for the US to consult with ASEAN regularly. According to Assistant Secretary of State Kurt Campbell, "there is deep recognition that good China policy is best done when it is embedded in an Asia strategy. . . . it means working in the neighborhood, working to ensure that other countries are with you in dialogue

⁵⁵ Dr. H. Susilo Bambang Yudhoyono, "Keynote Address," (speech given at the Eleventh International Institute for Strategic Studies Conference, Singapore, June 2, 2012), <http://www.iiss.org/conferences/the-shangri-la-dialogue/shangri-la-dialogue-2012/speeches/opening-remarks-and-keynote-address/keynote-address/>.

and discussions on issues of mutual concern.”⁵⁶ Greater US-ASEAN interaction has made the US keenly aware of ASEAN’s desire for closer ties with the US, but also of the importance of ASEAN relations with China and its sensitivity to the US-China relationship. US officials recognize that a policy that compels ASEAN members and other countries in the region to choose between the US and China will fail.

Fourth, although disputes in the South China Sea are not likely to be resolved soon and will require better management, fears that South China Sea rivalry will result in US-China confrontation, the disintegration of ASEAN, or military conflict among the claimants that could escalate to a wider war are overblown. The dynamics at play among the US, ASEAN, and China suggest that a self-regulating equilibrium exists in the triangular relationship: when actions by any of the players alter the balance, adjustments are made by others to restore it. The typical cycle begins with Chinese assertiveness in the South China Sea which increases ASEAN anxiety. A few ASEAN members then urge the US to take steps to enforce international law and deter further Chinese intimidation and coercion. The US makes rhetorical statements, enhances its military presence, and signals its support for ASEAN. Beijing strongly objects to US interference, but also reaches out to ASEAN members to assuage their worries about perceived overbearing Chinese behavior. In response to signs of increased US-China tensions and Chinese willingness to discuss niggling issues, key ASEAN states appeal to the US to moderate friction with China and allow ASEAN to resume the lead in managing South China Sea issues with China. Equilibrium is restored until the next wave begins.

The challenges for US policy going forward are numerous and complex. The first Obama administration has made significant achievements in improving US-ASEAN relations. Sustaining the frequency and intensity of US engagement with the region will be difficult, but failure to do so will result in regional disappointment. Maintaining the credibility of US commitments to its regional allies and partners will be essential, but the US will need to be cognizant of the risks of entrapment. Increased US involvement in the South China Sea may embolden the Philippines and Vietnam to stand up to China while expecting the US to come to their defense when confrontations occur over fishing or oil exploration. The US will need to balance its interests in maintaining freedom of navigation, preserving a favorable balance of power in Southeast Asia and the South China Sea, and reassuring its allies and partners of its reliability against the downside of giving those countries a blank check to push their claims aggressively.⁵⁷

There is also a cost for using tough rhetoric to reassure regional states and put China on notice, but subsequently taking no action to impose consequences when China challenges the status quo in the South China Sea. In the case of Scarborough Shoal, for example, Beijing took advantage of Manila’s initial mistake in dispatching a warship to fundamentally alter the status quo in China’s favor: China now maintains control over the waters surrounding the Shoal and foreign fishermen are no longer permitted to fish in the lagoon. China viewed this episode as a great victory and will apply lessons from its successful combination of diplomatic pressure, economic coercion, and paramilitary intimidation to future confrontations. US diplomacy failed to prevent a negative outcome. Over time, China will likely further increase its presence on shoals and rocks in the South China Sea and expand its paramilitary and

⁵⁶ “China instability, NK’s fate most likely ‘surprises’ for next US government,” *Yonhap*, November 2, 2012, http://www.koreatimes.co.kr/www/news/nation/2012/11/120_123759.html.

⁵⁷ Michael Wesley, “Asia’s New Age of Instability,” *The National Interest*, October 24, 2012, <http://nationalinterest.org/article/asias-new-age-instability-7614?page=show>.

naval presence. China's progress may be incremental and may not involve the use of military force, which will complicate the US challenge of developing an effective response.

Efforts will need to be made to ease Chinese suspicions about the US pivot to Asia without undermining deterrence. If Beijing were to conclude that the US was implementing a policy of strategic encirclement and containing China's rise, that could result in the adoption of a range of counter-containment policies that would be destabilizing to the region. On the other hand, a policy weighted in favor of providing strategic reassurance might be interpreted by Beijing as US weakness, and encourage China to be more assertive in the South China Sea.