Seas of Change

The Effects of China’s Naval Modernisation on Southeast Asia.

Daniel Kai Liu

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School of Social and Political Sciences
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“Speak softly and carry a big stick; you will go far”

- West African Proverb attributed to Theodore Roosevelt 1900
To James, whose insights, patience and never-ending enthusiasm kept me going. Words are not enough to express my gratitude.

To Xiao Chun and Qing Hong, for their support, dedication and love this son can only hope to be worthy.

To Caro, Matt, Jeff, Andrew, Misa and Hitesh. For their advice, critiques and general amazingness.

To friends and members at the Sydney University United Nations and Young St Vincent de Paul’s Societies. Thank you all for being an outlet and an inspiration to serve.

To my fellow ‘Hogan’s Heroes’. We made it!
Abstract.

China’s naval modernisation and assertiveness in the South China Seas (SCS) is causing major concerns for Southeast Asia. While substantial scholarship documents how Southeast Asian states have employed a ‘hedging’ strategy, chartering middle way approaches between engagement/bandwagoning and containment/balancing, new evidence provided by this study suggest recent developments in China’s naval and maritime policy over the past 5 years is pushing Southeast Asian states to recalibrate their individual hedging policies towards measures that more resembles balancing. Though a comparative study of reactions to China’s naval rise from the Philippines, Vietnam and Singapore, this thesis updates existing scholarship by with two key findings: First, caused by increase Chinese naval modernisation and its activities in the SCS, there is a region wide shift towards negative threat perceptions and increased balancing measures. Second, variances in responses by individual states can be explained by a hybrid model proposed by this thesis amalgamating and amending Walt’s Balance of Threat theory with Kuik’s Spectrum of Hedging Responses, explaining how Economic Dependence, Historic memory and Geographic Proximity of Interests inform the extent of balancing measures of each state’s reaction to China’s naval rise.

Declaration: This work is substantially my own, and where any part of this work is not my own, I have indicated this by acknowledging the source of that part or those parts of the work.

Daniel Kai Liu
Introduction: China’s naval Rise and Southeast Asia .............................................. - 1 -
  The Question ........................................................................................................ - 1 -
  The Hypothesis ..................................................................................................... - 3 -
  The Plan ................................................................................................................. - 3 -
Chapter 1: Posing the Question ............................................................................... - 5 -
  On China and China’s naval modernisation ........................................................... - 5 -
  Liberal Institutionalism and the effectiveness of the “ASEAN way” ...................... - 6 -
  Realist Based Approaches ..................................................................................... - 8 -
    Structural .............................................................................................................. - 8 -
    Agency and Cognitive ......................................................................................... - 9 -
Hedging ................................................................................................................... - 11 -
  Gaps in literature: .................................................................................................. - 12 -
Proposed Hypothesis and Method ......................................................................... - 13 -
  Growing negative threat perceptions ................................................................... - 13 -
  Shifts in the Hedging Spectrum ........................................................................... - 15 -
Hybrid Model explains regional variance ................................................................. - 17 -
Chapter 2: China’s Naval Expansion ....................................................................... - 19 -
  Capability ............................................................................................................... - 19 -
    Chinese Defence Budget ..................................................................................... - 19 -
    Doctrine shift ...................................................................................................... - 21 -
    Arms purchases .................................................................................................. - 22 -
    Domestic production .......................................................................................... - 24 -
Intent ......................................................................................................................... - 26 -
  Naval Nationalism .................................................................................................. - 26 -
  Taiwan-US deterrent .............................................................................................. - 26 -
  Trade and energy security ...................................................................................... - 27 -
  South China Sea and Territorial Disputes ............................................................... - 28 -
Chapter 3: The Philippines ...................................................................................... - 30 -
  Context and History: ............................................................................................. - 30 -
  Territorial Disputes ............................................................................................... - 30 -
  Engagement and Economic Relations ................................................................... - 31 -
  Changing Threat Perception .................................................................................. - 32 -
List of Illustrations

### Figures

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1.1</td>
<td>Selected ASEAN States’ Responses to the Re-emergence of China</td>
<td>12</td>
</tr>
<tr>
<td>Figure 1.2</td>
<td>Southeast Asia’s Perception and Reaction mechanism</td>
<td>13</td>
</tr>
<tr>
<td>Figure 1.3</td>
<td>Possible outcomes for Southeast Asian threat perception.</td>
<td>14</td>
</tr>
<tr>
<td>Figure 1.4</td>
<td>Total Military Expenditure in the ASEAN Region</td>
<td>16</td>
</tr>
<tr>
<td>Figure 1.5</td>
<td>Comparison of defence Budgets of China and Southeast Asian region as a whole</td>
<td>16</td>
</tr>
<tr>
<td>Figure 1.6</td>
<td>Factors Affecting individual balancing (Hybrid Model)</td>
<td>17</td>
</tr>
<tr>
<td>Figure 2.1</td>
<td>Chinese Military expenditure 1988-2010</td>
<td>20</td>
</tr>
<tr>
<td>Figure 2.2</td>
<td>Total Chinese Imports of Military Hardware</td>
<td>23</td>
</tr>
<tr>
<td>Figure 3.1</td>
<td>Balance of factors determining The Philippines’s threat perception of China from 2005 onwards</td>
<td>33</td>
</tr>
<tr>
<td>Figure 3.2</td>
<td>Military Expenditure of the Philippines</td>
<td>37</td>
</tr>
<tr>
<td>Figure 3.3</td>
<td>Military and Security assistance from the United States</td>
<td>39</td>
</tr>
<tr>
<td>Figure 4.1</td>
<td>Total Volume of Sino-Vietnamese trade</td>
<td>43</td>
</tr>
<tr>
<td>Figure 4.2</td>
<td>Vietnam's trading partners</td>
<td>45</td>
</tr>
<tr>
<td>Figure 4.3</td>
<td>Proximity Plot of key words in Vietnam Defence White Papers to the word ‘China’ complied from WordStat</td>
<td>50</td>
</tr>
<tr>
<td>Figure 4.4</td>
<td>Vietnam's Defence Expenditure</td>
<td>50</td>
</tr>
<tr>
<td>Figure 4.5</td>
<td>Arms Purchases of Vietnam, 1988-2010</td>
<td>51</td>
</tr>
<tr>
<td>Figure 5.1</td>
<td>Singaporean Military Expenditure, 1988-2010</td>
<td>58</td>
</tr>
<tr>
<td>Figure 5.2</td>
<td>Singapore arms procurement by Categories.</td>
<td>59</td>
</tr>
<tr>
<td>Figure 5.3</td>
<td>USA arms transfers to Singapore</td>
<td>61</td>
</tr>
<tr>
<td>Figure 6.1</td>
<td>The three study cases according to the Hybrid Model.</td>
<td>70</td>
</tr>
</tbody>
</table>

### Tables

<table>
<thead>
<tr>
<th>Table 2.1:</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 2.1:</td>
<td>China's domestic ship building industry (SBI)</td>
<td>25</td>
</tr>
<tr>
<td>Table 2.2:</td>
<td>Numbers of current generation PLA Navy Ships</td>
<td>25</td>
</tr>
<tr>
<td>Table 6.1:</td>
<td>Differences between study cases</td>
<td>68</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Form</td>
<td></td>
</tr>
<tr>
<td>--------------</td>
<td>-----------</td>
<td></td>
</tr>
<tr>
<td>ACBM</td>
<td>Anti-Ship Ballistic Missiles</td>
<td></td>
</tr>
<tr>
<td>AFP</td>
<td>Armed Forces of the Philippines</td>
<td></td>
</tr>
<tr>
<td>ARF</td>
<td>ASEAN Regional Forum</td>
<td></td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
<td></td>
</tr>
<tr>
<td>CMS</td>
<td>China Maritime Surveillance Force</td>
<td></td>
</tr>
<tr>
<td>DOC-SCS</td>
<td>ASEAN-China Declaration of Conduct in the South China Sea (2002)</td>
<td></td>
</tr>
<tr>
<td>LCS</td>
<td>Littoral Combat Ships</td>
<td></td>
</tr>
<tr>
<td>PLA</td>
<td>People’s Liberation Army</td>
<td></td>
</tr>
<tr>
<td>PLAN</td>
<td>People’s Liberation Army, Navy</td>
<td></td>
</tr>
<tr>
<td>PRC</td>
<td>People’s Republic of China</td>
<td></td>
</tr>
<tr>
<td>SAF</td>
<td>Singapore Armed Forces</td>
<td></td>
</tr>
<tr>
<td>SLOCs</td>
<td>Sea lines of communication</td>
<td></td>
</tr>
<tr>
<td>SONA</td>
<td>State of the Nation Address (the Philippines)</td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>United States of America</td>
<td></td>
</tr>
<tr>
<td>VPA</td>
<td>Vietnam People’s Army</td>
<td></td>
</tr>
</tbody>
</table>
Introduction

China’s naval Rise and Southeast Asia

The Question
On the 10th of August 2011, following years of speculation, the worst kept ‘secret’ in the People’s Liberation Army Navy (PLAN) was official unveiled at last. After two decades of secretly retrofitting the ex-soviet Varyag, China’s first aircraft carrier started her maiden sea trails amid intense media interest and public speculation. The carrier has become the most media visible representation of China’s naval expansion and modernisation program of which in turn, is itself a symbolic manifestation of China’s growth in prominence and influence in the international system. Much of the speculation of China’s naval rise has traditionally been focused on its potential impact on American regional primacy or implications for Cross-Strait relations with Taiwan. Yet, far less work has been done in documenting how China’s naval modernisation program is affecting states in Southeast Asia.

Southeast Asia is a unique region which sees high levels of economic connectivity with relatively little political and security integration. Relations between China and the Southeast Asian region are a mix of countervailing trends of ever increasing economic integration and cooperation juxtaposed with a sordid history of past wars, past racial tensions and dead locked maritime territory disputes. The absence of regional rules-based security architecture within the Association of Southeast Asian Nations (ASEAN) is an intentional by-product of the ‘ASEAN

4 Lay Hong Tan, "Will Asean Economic Integration Progress beyond a Free Trade Area?," The International and Comparative Law Quarterly 53, no. 4 (2004): 935-67.
way’, of informality and absolute respect for state sovereignty that has maintained peaceful relations within its disparate membership for decades. Yet it is this unwillingness of the region to impose restrictions upon themselves makes the region especially prone to sudden outbursts of tensions at sea. The months of May to June this year saw concurrent incidences that sparked tensions and confrontations in the South China Sea (SCS) between Chinese patrol vessels and Vietnamese seismic survey ships on the one hand and the Philippines’ fishing boats on the other. These incidents escalated to diplomatic grandstanding, to show of military force, nationalist protests and announcements of large scale military purchases. Even normally quiet states such as Singapore which has no competing territorial disputes actively weighed in to the issue.

The events raises very pertinent questions about how the region as a whole is reacting towards China’s transformation in to a maritime power: Is there a region-wide trend in how Southeast Asian states see and react to the PLAN’s modernisation drive? How does the region balance this potential threat to their security and interests with their economic stake and connectivity with China? Why did Singapore decide to weigh in? Why did Vietnam and the Philippines react so differently to concurrent incidents considering similar contexts and over the same disputed waters? These questions are of critical importance to regional scholars and policy-makers alike and the central purpose of this study to provide a comprehensive study of the regional foreign policies to answer these questions.


The Hypothesis

The central argument and hypothesis of this thesis is that Southeast Asia is responding to China’s increased naval capacity and assertiveness at sea with a reflexive recalibration of its traditional hedging policy, towards measures more consistent with balancing actions. There are three main parts to this thesis’ argument:

First, over the past decade as China’s naval expansion grows in pace and its naval policy becomes more assertive in the SCS, a region wide trend of increasing its threat perception of China is observable. This is due to continued uncertainty of Chinese intent in light of growing capability. Second, Southeast Asian states act upon this growing negative threat perception by altering of its hedging positions, towards more a more clearly balancing positions. This involves internal balancing in increasing their own naval/ anti naval capabilities and external balancing in increasing defence ties with the United States. And third, this thesis proposes a hybrid model amalgamating and amending Walt’s Balance of Threat theory with Kuik’s Spectrum of Hedging Response to explain regional variance in reactions to a rising power. Those three factors in a state’s relation to China: geography; historic memory; and economic dependence each individually inform the responses of a state’s reaction to China’s naval rise at varying levels of a states’ decision making process.

The Plan

Building upon the theoretical foundations of prominent scholars such as Walt, Goh and Kuik, this thesis attempts a heavily positivist examination of regional trends over the past two decades surrounding China’s naval modernisation program and how regional neighbours have reacted toward it. Specifically, thesis aims to provide a comparison of reactions from the Philippines, Vietnam and Singapore, three different Southeast Asian states in terms of size, wealth, locations, culture and political systems, that are representative of the diverse region.
Chapter 1 lays the conceptual foundations for the thesis, defining current theoretical concepts such as hedging, balancing and threat perception in scholarship that seek explain Southeast Asia’s response to China’s maritime rise. This chapter also presents the thesis’ main hypotheses in more detail. Chapter 2 will firmly establish the thesis’s independent variable of China’s naval expansion, the premise that the thesis is built upon. Chapters 3, 4 and 5 analyses each of the three study cases through the mechanism outlined in chapter 1, to test the applicability in the hypothesis outlined. Finally, chapter 6 will combine the findings, drawing comparisons across all three cases’ reactions to China naval rise to outline a casual narrative to explain the findings and discuss its theoretical implications.
Chapter 1:

Posing the Question

This chapter shall survey the literature relating China-South East Asia relations, outlining the difference schools and approaches with current scholarship. Furthermore it shall explore gaps in the literature regarding this question and from this, propose a series of hypotheses to test.

On China and China’s naval modernisation

China’s “peaceful rise” or peaceful development road” doctrine is well documented and debated with questions of China’s future policy direction and debate the China with the United States dynamic being the focus of much of this\(^7\). Given the enormity of scholarship, the thesis shall limit itself to only engaging with literature that directly deal with Southeast Asia’s reaction to China, rather than the broader and more saturated ‘US-China great power debate’. This thesis hopes to add to the on-going “China Threat” debate by addressing knowledge gaps about the peripheral effects of China’s rise, on topics that only few regional specialists have covered in fragmented ways. Indeed Christensen, questions the point of the larger “China Threat” debate, as it is now “largely sterile”\(^8\).

Though speculation about China’s rise might be moot, questions about what is behind China’s naval modernisation is perhaps more valuable to this thesis. Christensen, Ross, Erickson and Collins posit that structural factors, both domestic and international are propelling China larger military spending. Christensen cites strategic insecurity vis-a-vis the United States, Taiwan and

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\(^8\) Christensen, ”Fostering Stability or Creating a Monster? The Rise of China and U.S. Policy toward East Asia,” 125.
Japan as major driving factors, while Ross notes that domestic politics, growing nationalism and increasingly hawkish elements within Chinese Communist Party (CCP) are key influences, while Erikson and Collins outline economic imperatives such as energy insecurity. Indeed consensus on current scholarship and security analysts point to China’s naval expansion being not actively aimed towards any Southeast Asian scenarios. Yet reactions from Southeast Asian states to increased Chinese actions at sea and comments expressing concern for China’s military modernisation, apprehension is evident and there are many approaches to this question with varying answers. The following is a collection of the most prominent scholarship divided by theoretical approaches on the topic.

**Liberal Institutionalism and the effectiveness of the “ASEAN way”**

Liberal-institutional approaches to China’s security relations with Southeast Asia view the issue of China’s naval expansion mainly through the concept of liberal peace. Karl W. Deutsch’s early work on the building of security communities stable and peaceful relations between states comes from increased transnational activities has strong evidence in the region as seen in the ASEAN-China Free Trade Zone and increased cooperation on ‘non-traditional security’ issues over the years. Indeed, liberal thinkers deem security challenges posed by China’s naval rise in Southeast Asia as unlikely, with even the potential of China’s military rise being a positive force as a ‘hegemonic stabilizer’.

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16. Ibid., 209.
However, institutional approaches to this issue via the region’s primary institution, ASEAN, are problematic. There is consensus that although ASEAN has been successful at bringing China and Southeast Asia closer economically, systemic factors have prevented the institution from making any headway in resolving the largest source of friction between China and many ASEAN member states, the disputes over the Paracel and Spratly Islands in the SCS.

Even ASEAN’s strongest academic proponent, Acharya admits significant shortcomings preventing ASEAN’s adequate management of China-Southeast Asian security relations. The region’s lack of a cohesive identity, divergent security interests and intentional rejection of a rules-based security architecture makes ASEAN member states fiercely independent in their security and foreign policies, particularly when dealing with China, as joint exercises and dialogues between member states and China have mostly bilateral instead of multilateral, working outside the ASEAN framework. Indeed, its only saving grace had been the 2002 Declaration of Conduct in the South China Seas (DOC-SCS). Yet after two decades of ministerial level negotiations, joint declarations and several flare-ups in tensions and military incidences ASEAN had finally produced in July, a series nonbinding guidelines for the implementation of a voluntary code of conduct in hope of resolving territorial disputes for which negotiations have not yet formally started.

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21 With the Shangri La Dialogues, it seems that even capacity for regional multilateral security dialogues has been somewhat usurped.
ASEAN’s shortcomings however, do not mean that liberal approaches are irrelevant. Indeed, most of the realist based approaches to this issue that is soon to be listed fail factor the effects of the immense economic connectivity of the region. On an issue such as the effects of capability at sea on regional relations, while not taking account the effect of the US$ 192.6 billion worth of trade\textsuperscript{24} that flow through these waters would be a substantial oversight. Whether the region’s economic relations can have an inhibiting effect on tensions must be hypothesis this thesis tests.

**Realist Based Approaches**

As this thesis is essential about discovering the effects a growth in material capabilities (hard power) from a large and rising state has on its smaller neighbours, the variety of realist theories such as balance of threat, security dilemmas and threat perception offer a substantial theoretical foundation and primary relevance. The main branches within the realist school are between structural and agency based approaches.

**Structural**

Structural approaches view that systemic factors cause a security dilemma between China and Southeast Asian states possible and thus prescribe inevitable tension and propensity for conflict. Although structure based scholarship comes mostly from the neo-realist perspectives, neoclassical realists such as Lind and Christensen also engages with the structure debate. They post that the region’s ocean dominated strategic landscape makes sea access to the region’s trade dependent economies vital among the geographically proximous states that are force to share these waters. This creates situations where national navies are viewed by all as both a vital defensive asset and a potential offensive weapon to be used to deny others access, thereby creating offensive/defensive ambiguity\textsuperscript{25}, falling into one of the conditions where Jervis argue

\textsuperscript{24} ASEAN-Secretariat, "ASEAN-China Free Trade Area: Not a Zero-Sum Game,” http://www.asean.org/24161.htm. (Accessed: 25\textsuperscript{th} April 2011)

that propensity of a system to enter a security dilemma is heightened. In this context, an external stimuli such as China’s on-going naval modernisation, according to Collins and Mearsheimer has the capacity to exacerbate this ‘state induced’ security dilemma, causing inevitable insecurity amongst Southeast Asian and hence, tensions.

Furthermore, the two famous balance theories provide further specific prescriptions for this. According to Kenneth Waltz’s original balance of power theory, as China’s naval capability or aggregate power grows, reactions of internal and external balancing measures should be observable from Southeast Asia, while the modified balance of threat thesis by Stephen Walt provides systemic factors that influence each state’s reaction based on aggregate power, geographic proximity, capability and intention. In direct application, Simon’s ‘Southeast Asian problematiques’ outlined specific the region’s persistent security problems such as Porous borders and Maritime Disputes as the key vectors in where balancing behaviour occur through.

Agency and Cognitive

Neoclassical realists assert that China-Southeast Asian relations are fully understood through not only systemic factors as structural realists perceive, but also cognitive factors of perception or misperception of systemic pressures, intentions, and/or threats. Building upon key realist assumptions while welcoming constructivist epistemology, neoclassical approaches typically argue that the construction of China’s naval policy in the eyes of Southeast Asian policy makers is primal in this in understanding the reactions of the states of whom they run. However, Ross dismisses the usefulness of calculating the perceptions of China’s intent in

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31 Simon, "Southeast Asia's Defence needs: Change or Continuity?,” 275-78.
33 Ibid., 152.
explaining the behaviour of “Secondary East Asian States” arguing that capability and aggregated economic considerations alone are sufficient to explain the region’s reaction towards China. Yet if aggregated power and increase economic connectivity were the only variables at play, then uniform behaviour would be observed by all states regardless of other variables. This view oversimplifies the wide ranging and diverse region of Southeast Asia from which a diverse range of perspectives about China’s naval expansion arise.

The concept of perceptions of threat was first envisioned by Singer, forms the basis for describing/prescribing a state’s reaction towards another state’s actions as a function of a state’s perceived capability to threaten and perceived intent to do so, famously expressed in as:

\[
\text{Threat perception} = \text{Perceived Capability} \times \text{Perceived Intent}
\]

Rousseau has elaborated on this concept, arguing that identity in the form of norms, culture, alignment and history is also an important aspect in defining how a state perceives threats. In the context of this thesis, the equation helps to distinguish the variable that is key to our understanding of how Southeast Asia will perceive China’s naval modernisation: How China’s intent is perceived.

As China’s capability rises, its ability to manage its image and perceived intent in the eyes of its neighbours is critical in avoiding tensions. Building on Waltz’s balance of threat theories, Christensen and Zakaria outline the concept of a ‘conception shock’ in which according to Gideon, are single events that suddenly make decision makers aware of the cumulative effects of

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gradual long-term trends. In light of the reactions from Southeast Asian states to events in June 2011, the possibility of it acting as a conception shock to regional states about China’s intentions is an interesting hypothesis to test and is a theory for which further academic study has not been found by this literature review.

**Hedging**

The region’s relative stability and increased economic connectivity and diplomatic engagement from the 1990s to 2000s had confounded the more pessimistic picture that realist based scholarship prescribed. Recognising the importance of engagement measures and economic connectivity in alleviating tensions, while also mindful of the limitations of institutions operating under a non-rule based security architecture, a growing number of scholars have argued the best way of understanding current trends in China-Southeast Asian relations, is a midway approach.

Goh argues that neither a straightforward realist nor an exclusive liberal interpretation is sufficient to account for the security thinking and practices in this region. She echoes Kang’s conjectures that the region applies balancing different from those of states from the west refusing to believe in binary choices of whether to balance of bandwagon, to engage or contain. Instead she describes a regional strategy of “omni-enmeshment” by engaging both China and the U.S. to align and tie their interests with those of the region, while at the same time, embarking on subtitle non-direct balancing behaviour against any undesirable contingencies where China’s rise may become a security threat.

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39 Gideon, "Review: Neoclassical Realism and Theories of Foreign Policy," 160.
43 Goh, "Great Powers and Hierarchical Order in Southeast Asia: Analyzing Regional Security Strategies," 120.
Kuik expands on this, arguing that for regional states, directly balancing against China’s rise in capability in light of substantial economic opportunities good relations with China provided, was strategically unnecessary, especially during 1990-2005, as the threat posed by China’s growing naval strength was largely potential rather than actual and any substantial. Thus, Southeast Asian states have responded to China’s rise via a spectrum of hedging strategies between underwriting their security with subtle indirect balancing while embracing the opportunities a rising China posed. (See figure 1.1 below)

![Figure 1.1: Selected ASEAN States’ Responses to the Re-emergence of China according to Kuik 2008](image)

<table>
<thead>
<tr>
<th>Country</th>
<th>Pure Balance</th>
<th>Risk-Contingency Options</th>
<th>Return-Maximizing Options</th>
<th>Pure Bandwagon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>Pure Balance</td>
<td>Risk-Contingency Options</td>
<td>Return-Maximizing Options</td>
<td>Pure Bandwagon</td>
</tr>
<tr>
<td>Singapore</td>
<td>Pure Balance</td>
<td>Risk-Contingency Options</td>
<td>Return-Maximizing Options</td>
<td>Pure Bandwagon</td>
</tr>
<tr>
<td>Thailand</td>
<td>Pure Balance</td>
<td>Risk-Contingency Options</td>
<td>Return-Maximizing Options</td>
<td>Pure Bandwagon</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Pure Balance</td>
<td>Risk-Contingency Options</td>
<td>Return-Maximizing Options</td>
<td>Pure Bandwagon</td>
</tr>
</tbody>
</table>

Source: Kuik 2008

Gaps in literature:

From this survey, the concept of ‘hedging’ appears to be the most empirically rigorous method in current scholarship to describe how Southeast Asian states have responded to China’s rise over the past two decades. Yet recent events in May and June have given the issue new context and data. Although Kuik outlines that changes in regional dynamics may cause a shift in his proposed spectrum of hedging as a state’s strategic choices changes, he does not elaborate on what these dynamics are and how they operate. This thesis hopes to update existing scholarship by building on Kuik’s thesis with data from recent events, to ascertain whether changing regional dynamics have changed the threat calculus of Southeast Asian states and hence, changed the spectrum of hedging strategies they deem optimal.


Furthermore, region wide studies on Southeast Asia in the past decade by Collins, Goh and Kuik have focused broad sweeping region wide trends. They explain how states have reacted in similar fashion with great detail, while not paying adequate attention in explaining why differences in each individual state’s reaction occur. Here, some aspects of structural realist approaches such as Walt’s criteria for threats offer a method for exploring this question, although it will have to be amended to take into consideration the economic factors that structural realist theories have so critically missed.

**Proposed Hypothesis and Method**

**Growing negative threat perceptions**

The first hypothesis this thesis asserts is that South East Asian states will become concerned over China’s growing capabilities and increasingly view it as either a large hindrance to bilateral ties or outright threats to national interests. The figure below outlines the mechanisms of how Southeast Asian states will arrive at their reactions from states, based on Singer’s original formula:

![Figure 1.2: Southeast Asia’s Perception and Reaction mechanism](image)

As China’s capabilities are given to be constantly and noticeably increasing, our key dependent variable that this hypothesis rests upon is each Southeast Asian state’s estimation of China’s
intent. Figure 1.3 below outlines three possible outcomes for mechanism above, based on possible variances on the assessments of intent.

**Figure 1.3:** Possible outcomes for Southeast Asian threat perception.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Context assessment</th>
<th>Changes to perception</th>
<th>Appropriate reaction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scenario 1:</strong></td>
<td>Capability Increasing</td>
<td>Clear decrease in offensive intent.</td>
<td>No net change in perception.</td>
</tr>
<tr>
<td><strong>Scenario 2:</strong></td>
<td>Capability Increasing</td>
<td>No change or remain uncertain.</td>
<td>Moderate net shift towards negative threat perception.</td>
</tr>
<tr>
<td><strong>Scenario 3:</strong></td>
<td>Capability Increasing</td>
<td>Clear increase in offensive intent.</td>
<td>Significant net shift towards negative threat perception.</td>
</tr>
</tbody>
</table>

Given the reaction how regional states’ have reacted earlier this year in their public releases, ministerial remarks and white papers, it seems scenarios 2 or 3 where by a net change in threat perception towards negative consequences seem most likely and thus the method of this thesis will be structured around testing for this.

How a state constitutes the estimated intent of another depends on the combination of its previous actions and current articulated goals. In our case, how each Southeast State will constitute their estimation of China’s intent will can be quantified by the length and presence of trade ties, conflict or disputes and how each state judge the validity of China’s peaceful rise/development doctrine, through public statements and white papers of regional states. We should also note that there is a nuanced difference between a state’s articulated threat perception as seen in these sources and a state’s actual threat perception due to considerations such as secrecy or internal politics that may prevent a state to fully mirror its real perceptions in what it communicates. Specifically, there may be circumstances where some Southeast Asian states,
while feeling threatened, would not want to publicly admit so. Nonetheless, despite not being 100% reflective of actual perceptions, these communications remain a valuable resource.

Shifts in the Hedging Spectrum

The second hypothesis predicates upon the first being true. That, prompted by growing threat perception, Southeast Asian states would react to China’s naval expansion with a readjustment of their hedging policies to emphasise balancing strategies. Regional states will attempt **Internal balancing** to mitigate gaps created by the growing capability of a neighbour by growth of their own capabilities. Empirical and statistical studies on Asian military expenditure over the past two decades⁴⁶ have shown to be consistently rising, yet given the large gaps in scale and size of capacity between Southeast Asian and China (See figures 1.4 and 1.5 below), South East Asian states would find **external balancing** strategies more effective, with increasing ties with the region’s largest power, the United States being evident.

**Figure 1.4:** Total Military Expenditure in the ASEAN Region

- Brunei
- Cambodia
- Indonesia
- Laos
- Malaysia
- Philippines
- Singapore
- Thailand
- Viet Nam

*Source: SIPRI 2010*

**Figure 1.5:** Comparison of defence Budgets of China and Southeast Asian region as a whole

- China
- Southeast Asia
- Regional total

*Source: SIPRI 2010*
Hybrid Model explains regional variance

Given the diversity of the region, variation in each Southeast Asian state’s reactions to China should be expected. Walt’s Balance of Threat thesis had stipulated four key variables that affect a state’s threat perception, while Kuik’s illustrated the wide ranging strategies in the spectrum of hedging policy. While approach the issue from different school of thought, the conclusions the two theses draw are not necessarily opposing. The figure below depicts this thesis’ attempt to bridge the two.

Figure 1.6: Factors Affecting individual balancing adapted from Walt 1978 and Kuik 2008
The three dimensional axes represent the three key factors that inform each state’s threat perception of China’s naval rise, adapted and modified from Walt’s original four factors. As this model only represents China, Walt’s factors of aggravated power and offensive capability are uniform for all states in the region and thus not needed to be represented, while ‘historic memory’ and ‘proximity of interests’ correspond to Walt’s factors of ‘intent’ and ‘geography’. These two factors combine to prescribe an appropriate level of balancing to bandwagoning according to Kuik’s spectrum. For example, compared to those whose history had been a mostly positive relationship, states with a history of conflict or altercations with China would be more prone to assess China’s intentions more negatively or with more cynicism and thus balance against China. Furthermore, the closer a state is to China geographically, the more likelihood that: a) it would have a territorial dispute with China and b) the more sensitive or apprehensive it would be to changes in relative capabilities. As mentioned previously, the primary critique of most realist approaches is its dismissal of economic considerations the third axis, economic dependence attempts to factor this in. Quantified by the proportion of Chinese imports and exports to a state’s total trade volume, this thesis hypothesises this as key factor in reducing a state’s propensity for antagonistic actions (i.e.: inhibiting balancing actions).
Chapter 2

China’s Naval Expansion

In this chapter, we establish the independent variable of capability that forms the foundational premise of this thesis: That China is expanding its naval and power projection capabilities over the past decade. This chapter will also look into factors driving China’s naval modernisation that inform perceptions of intent amongst policy makers in Southeast Asia.

Capability

In this section, we attempt to establish a pattern of behaviour in China’s defence and foreign policy. First, it provides a general outlook of China’s defence expenditure and discusses its viability as evidence for China’s naval expansion, then move on to analysing three more observable facets of China’s defence policy: Its defence doctrine, its arms procurement and its domestic defence production.

Chinese Defence Budget

There is already extensive evidence that China’s expenditure towards national defence has significantly increased over the past decade in line with its economic growth. On March 4th 2011, Li Zhaoxing at the National People’s Congress announced that 601 billion RMB (~$91.5 US billion) of total defence spending this year, a 12.7% increase over the 2010’s 533 billion RMB (~ $81.3 US billion, see figure 2.1 below). From 2000-2010, China’s official military budget grew at an average of 12.1 per cent in inflation-adjusted terms over the period.

The Biannual Defence White Papers from 2000 continue to roughly state that this defence spending fall into the three main categories of personnel, training and maintenance, and equipment in equal measure. Independent analysis by Blasko et al confirms this claim to be generally true. This rise in general defence spending has been a popular focal point and keystone evidence for most “China Threat” narrative/thesis across academia. Yet the general rise in defence spending alone does not adequately establish that China is actively expanding its

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(Accessed: 24th April 2011.)


navy as a general increase in defence expenditure does not automatically mean expenditure expansion of military capabilities. China’s military modernisation program does not merely mean the procurement of modern platforms and systems, but also a more modern trained military with a substantial two thirds of China’s stated military budget is going towards social transfers and investment into personnel by increasing stagnant wages, increased training to attract and retain a qualified modern workforce.\(^\text{54}\)

Although it would be ideal to know whether a strong percentage of the defence budget going towards the PLAN, specifics into how funds are spent is difficult to obtain given the lack of transparency of the Chinese Ministry of Defence. Indeed, criticism on the accuracy and disparity between the declared and actual spending makes any primary research based on these numbers alone problematic.

Yet it is possible via other methods to get an accurate picture of the allocation of most of the funds and activity without “counting every RMB”.\(^\text{55}\) First, public statements of intent from defence white papers and other qualitative sources provide insights into the general direction of defence spending and policy. Second, records of Chinese purchases of weapon systems from foreign companies can offer a glimpse at the types of capabilities China aiming to acquire. Finally, analysis of data from independent research think-tanks can give count areas of growth in China’s own weapons production and capability in an objective manner.

**Doctrine shift**

The consistent pattern of rhetoric and positions stated in Chinese white papers around its naval capabilities since 1998, seems to conflict with the aims of its peaceful rise doctrine. China


has consistently stated its desire for a newer, larger and more capable navy and expanded offshore capabilities.\(^{56}\)

Although on the political agenda since the Mao years,\(^{57}\) naval modernisation has only been possible in current economic conditions. Recent white papers have consistently communicated its desire to advance capabilities and defence posture from a traditional “近海防御 (jing hai fang yu)” or coastal defence\(^{58}\) posture, to a “远海防卫 (yuan hai fang wei)” or “distant/far sea defence” concept, expressing desire for blue water naval capabilities that “expand the space and the depth for offshore defensive operations.”\(^{59}\) This shift’s in its defence posture further reaffirms the widely held view that naval capability building, specifically in acquiring the ability to operate outside its traditional maritime area of influence is an active policy for China.\(^{60}\)

Indeed, data on Chinese arms imports further corroborate the existence of this policy.

Arms purchases

Arms transfers to China is an aspect of its defence policy that is unusually transparent, allowing us to get an indication of the types of capabilities China is attempting acquire and what broader policies are in motion. This is due to the fact that arms transfers between Russia and the Ukraine are well publicised by both countries and sales from European or Western states/companies are required to be well documented by the seller so as to comply with the terms of various arms embargo on China.

China’s suppliers vary from post-Soviet partners in the Shanghai Cooperation Organisation, to various western states including the deals from Japan and the United States for non-combat use


\(^{57}\) David G. Muller, China as a maritime power (Boulder: Westview Press, 1983), 28.


platforms. Ukraine and Russia remain open suppliers of offensive systems and platforms, delivering maritime aviation equipment or entire destroyers. Despite limitation of an arms embargo from most western state after the 1989 Tiananmen Square Massacre, China has over the years, tried and successfully obtained advanced “dual use” technologies such as ship engines and radar and the like through civilian programmes.\textsuperscript{61} Indeed, attempts by China to persuade the EU to lift its embargo\textsuperscript{62} are indication of China’s desire to access more advanced military science and technology.

A detailed look at China’s armament purchases shows the specific types of capabilities it is attempting to obtain. The following shows a breakdown of arms sold to China from 1990 to 2010 from the Arms Trade Database from the Stockholm International Peace Research Institute (SIPRI):

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure2.2.png}
\caption{Total Chinese Imports of Military Hardware}
\end{figure}

\textsuperscript{61} Tim. Huxley and Susan. Willett, \textit{Arming East Asia} (Oxford: Oxford University Press, 1999), 47.

A general spike increase arms purchases between 2000 and 2006 can be observed, especially amongst the categories of naval ships ($5.1 billion 1990 USD), missiles (5.7 billion) and aircraft ($16.4 billion). As we shall see in the next section the decrease from 2005 is due to domestic production capabilities taking a larger share.

A more detailed analysis of the specific platforms China is buying from Chinese registers of trade maintained by SIPRI, was also undertaken, showing a significant amount of arms purchases went to enhancing naval capabilities either directly or indirectly. Appendix 1 shows a register of all known trade deals by supplier country, type, dates and quantity from 1990 to 2010. As such, we find that 43% of all foreign purchase deals made by China over the last 20 years went towards, or were design to benefit their Navy. The combination of these two suggests that over the last few years, China has actively sought to increase its naval capabilities by purchasing modern equipment from foreign sources, such as ship engines, advanced naval radars, anti-ship weapons and the like.

**Domestic production**

The recent widely publicised speculation surrounding China’s commissioning of retrofitted Ukrainian-built aircraft carrier *Varyag* and the widely held belief of that more China made carriers are in production are the most encapsulating example of the growing capacity and capabilities of China’s domestic naval production.

Historically marred by technical and design backwardness, China’s shipbuilding industry has made numerous advances since Beijing embarked on reform in the 1980s. Since then, China’s ship building industries and its research and development have increased in both capability and

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63 For a detailed look at China’s foreign arms purchases, see Appendix 1 and 2.
65 Evan S. Medeiros et al., *A New Direction for China’s Defense Industry* (Santa Monica: RAND Corporation, 2005), 113.
capacity. The figure below outlines dramatic growth of China’s Ship building industry in the past
decade, now home to a third of the world’s ship building capacity.

Table 2.1: China’s domestic ship building industry (SBI)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of vessels</th>
<th>Tonnage (in '000 Gross Tonnes)</th>
<th>World Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
<td>2002</td>
<td>2003</td>
</tr>
<tr>
<td></td>
<td>146</td>
<td>154</td>
<td>203</td>
</tr>
<tr>
<td></td>
<td>1,827</td>
<td>2,207</td>
<td>3,763</td>
</tr>
<tr>
<td></td>
<td>5.8</td>
<td>6.6</td>
<td>10.4</td>
</tr>
</tbody>
</table>


According to Medeiros, such improvements in design and production capabilities commercial
sphere has transferred to military shipbuilding projects which have rapidly improved its ability to
build modern naval vessels enabling Chinese shipyards to produce faster, safer, more sea-worthy
naval ships with better war fighting capabilities. The speed and efficiency of naval production
appear to be improving as with number on Chinese current generation naval ships over the last
20 years (Table 2.2 below) supporting this, with numbers of second and third generation vessels
in China’s naval fleet have dramatically increased since 1990. The drop in purchases of foreign
subsystems from around 2005 as shown in figure 2.2 is an indication of the rise in China’s
indigenous capabilities and the reduction in China’s dependence on foreign components.

Table 2.2: Numbers of current generation PLA Navy Ships

<table>
<thead>
<tr>
<th>Year</th>
<th>Submarines</th>
<th>Destroyers</th>
<th>Frigates</th>
<th>Year</th>
<th>Submarines</th>
<th>Destroyers</th>
<th>Frigates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>2003</td>
<td>9</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>1996</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>2004</td>
<td>13</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>1997</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>2005</td>
<td>20</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>1998</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>2006</td>
<td>27</td>
<td>12</td>
<td>16</td>
</tr>
<tr>
<td>1999</td>
<td>5</td>
<td>4</td>
<td>9</td>
<td>2007</td>
<td>28</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td>2000</td>
<td>5</td>
<td>4</td>
<td>10</td>
<td>2008</td>
<td>28</td>
<td>13</td>
<td>20</td>
</tr>
<tr>
<td>2001</td>
<td>7</td>
<td>5</td>
<td>10</td>
<td>2009</td>
<td>30</td>
<td>13</td>
<td>20</td>
</tr>
<tr>
<td>2002</td>
<td>7</td>
<td>5</td>
<td>12</td>
<td>2010</td>
<td>31</td>
<td>13</td>
<td>22</td>
</tr>
</tbody>
</table>

Source: O'Rourke 2011 CRS report, Office of Naval Intelligence (ONI)

66 Ibid., 150.
67 Ibid., 144.
Intent

The above section has shown that China’s navy is expanding. Attention will now be turned to explaining why this is so and how this trend might look from the perspective of Southeast Asian policy makers. When looking at why China is embarking on this naval expansion program, Southeast Asian policy makers would be relieved to find that the primary factors that drive China naval rise are not directly related to any particular regional state. The main drivers are:

Naval Nationalism

A growing sense of nationalism within China presents a powerful driving force for a blue water navy from both within and outside government. Ross argues that in recent times, Mahan’s “Sea power theory” which asserts the historic intricate link between a state’s global naval reach with its great power ascendancy carries particular weight amongst ‘naval nationalist’ within the Chinese government. As such, major naval projects such as China’s aircraft carrier program has become a vector of national aspiration, with support for a naval build up spreading from isolated naval circles to all sectors of Chinese society.

Taiwan-US deterrent

“Stop(ing) separation and promote reunification,” has been stated goal for the PLAN since 2004. Contingencies against incidents in Taiwan or the United States have remained the key drivers of China’s naval posture and strategy. According to O’Rourke, Beijing is developing capabilities to quickly and definitive to over shadow Taiwan and deters, delay, or deny possible

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69 Alfred Thayer Mahan, The Influence of Sea Power Upon History 1660-1783 (Europäischer Hochschulver, 2010), 1-20.
71 Ibid., 46.; Ni Lexiong, "HaiquanyuZhongguo de Fazhan [Naval power and China’s development],” in ZhanlueYanjianglu [Lectures on strategy], ed. Guo Shuyong (Beijing Daxue Chubanshe, 2006), 113.
72 China, "China's National Defense in 2004".
U.S. support for the Taiwan in the event of conflict.\textsuperscript{73} As evidence of this, we need to look no further than the types of capabilities China is developing; Anti-Ship Ballistic Missiles (ACBMs) designed to target forces at sea as well as new naval vessels with specifically designed capability to deliver them: \textit{Kilo, Song, Yang,} and \textit{Shang} attack submarines, \textit{Lu Yang I/II, Sovermenny}-II, guided missile destroyers and finally, FB-7, FB-7A, SU-30 MK2 Maritime Strike Aircrafts.\textsuperscript{74}

\textbf{Trade and energy security}

China’s wealth and main source growth are concentrated in its coastal cities and is heavily reliant on seaborne trade to continually power its economic growth. China’s total energy imports have risen 104\% in 2004-2008\textsuperscript{75} and predicted to import 66\% of its oil needs by 2015 and 75\% by 2030. As this trend continues, maintaining constant sources of energy and raw materials coming from across the seas will be an increasing national security priority. Furthermore, 82\% of China’s total of oil imports pass through the Straits of Malacca and the fact that China’s lack of substantial strategic reserves\textsuperscript{76} makes China especially dependent on the vital sea lines of communication (SLOCs) around seas in South East Asia. Indeed Commander of PLAN Wu Shengli in 2006 called for a “\textit{powerful navy to protect fishing, resource development and strategic passageways for energy,}”\textsuperscript{77} while 2008 saw this issue elevated for the first time to be mentioned in the defence white paper\textsuperscript{78}.

\begin{itemize}
\item \textsuperscript{73} Dept Defense, "Military and Security Developments Involving the People’s Republic of China 2011," 1, 47-49; Cole, "The PLA Navy and "Active Defense".," 129,33,37.
\item \textsuperscript{74} Ronald O'Rourke, “China Naval Modernization: Implications for U.S. Navy Capabilities " (Washington D.C: Congressional Research Service, 2011), 5.
\item \textsuperscript{75} International Energy Agency (IEA), "Key World Energy Statistics," (2010), 50.
\item \textsuperscript{76} Dept Defence, "Military and Security Developments Involving the People’s Republic of China 2011," 2.
\item \textsuperscript{77} O'Rourke, "China Naval Modernization: Implications for U.S. Navy Capabilities " 99.
\item \textsuperscript{78} Section 1-8, China, "China's National Defense in 2010".
\end{itemize}
South China Sea and Territorial Disputes

Yet despite these other factors, China’s territorial claims Vietnam, the Philippines, Brunei Malaysia and Indonesia\(^{79}\) over the sovereignty of various island groups and its surrounding resource rich maritime territory in the SCS not only continues to be a systemic source of tension and negative perceptions, but also to the dismay of policy makers in Southeast Asia, a possible factor guiding China’s naval modernisation drive and its assertive maritime policy. The region is highly monitored and militarised with all six claimant states except Brunei have established a presence on at least one of the island. China currently occupies eight of the Paracel islands and several reefs in the Spratlys\(^{80}\). For Vietnam and the Philippines, a history of violent incidents and altercations at sea from the 1980s to 1990s has already made them particularly wary of any changes in the dynamics of the disputes.

From 1990s up until 2005, China has been active in its attempt to reassure its Southeast Asian neighbours. Its constant assertion of its peaceful rise/development path along with attempt to setup though ASEAN the DOC-SCS\(^{81}\) has made some progress, leading to many scholars at the time to wrongfully conclude that the Spratlys issue has been neutralised.\(^{82}\) Yet little actual progress has been made, especially in removing structural factors for tensions in actually resolving these territorial disputes. While China’s compromises on some smaller territorial disputes and its increased engagement around peripheral issues has been welcomed by Southeast Asian states, it consistently delayed progress on the Spratlys never offered substantial compromises\(^{83}\) on its claims of essentially all of the SCS.

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\(^{80}\) For a full map of territorial claims in the South China Sea, see Appendix 3.


\(^{83}\) Ibid., 62.
In the latest 2010 Chinese defence white paper, sentiments towards China’s ambitions for expanded maritime scope were echoed: where the navy seeks to “develop its capabilities in conducting operations in distant waters and in countering non-traditional security threats.”

This has meant large scale increases in its coastal surveillance capabilities that directly affect the SCS disputes. Announced in June this year, China Maritime Surveillance (CMS) Force, the paramilitary maritime law enforcement branch of the PLA Navy, is expected to expand from 9,000 to 15,000 personnel by 2020 with the patrol fleet to be increased to 350 vessels by 2015 and 520 by 2020, with 16 aircraft by 2015.

In light of the lack of progress in the dispute and the mixed signals of peaceful rise rhetoric along with a clear force build-up has the potential to bring mistrust and cynicism over China’s intent amongst Southeast Asian policy makers. Essentially this means that from the perspective of Southeast Asian states, China’s naval expansion presents an inevitable shift the regional dynamic is in order, but still unclear whether they should feel directly threatened. The next three chapters aim to ascertain whether this potential for negative threat perception is realised and whether regional states are reacting with shifts to balancing measures.

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84 China, "China's National Defense in 2010".
Chapter 3

The Philippines

“Our message to the world is clear, what’s ours is ours...we are ready to defend what is ours.”
- Philippine President Benigno Aquino III, 2011

On July 25th, at the State of the Nation Address (SONA), Philippine President Benigno Aquino III without directly referencing China, made clear in no uncertain terms that the Philippines were ready to defend its territorial claims by acquiring more capabilities from the United States.86 The speech coincided with renewed media speculation of China’s first aircraft carrier’s maiden sea voyage and heightened tensions in the SCS concurrent protesting with Vietnam against alleged Chinese provocations at sea.87 With close proximity and a history of territorial disputes, according to predicted behaviours proposed in the earlier chapter, the SONA address should be part of a larger trend in the Philippines rethinking and recalibrating its diplomatic and strategic calculus towards China in light of growing signs of its naval expansion and maritime assertiveness.

Context and History:
This section looks at the main factors that affect the Philippines’ relationship with China, its territorial disputes in the SCS and its attempts in mitigating tensions through diplomatic and economic engagement.

Territorial Disputes
Sino-Philippines relations have always been reflective tensions borne from disputes in the SCS. Thus, China’s occupation of the Mischief Reef in 1995, a Spratly reef inside the Philippines' 200 mile exclusive economic zone88 led to significant bilateral tensions and angry

87O'Rourke, "China Naval Modernization: Implications for U.S. Navy Capabilities ".
protests,\textsuperscript{89} with the responses from the Philippines government consistent with the patterns of internal and external balancing behaviour outlined in this thesis. Substantial increases in the Philippines’ defence spending\textsuperscript{90} and purchases in naval and aerial capabilities are consistent with internal balancing while substantial rises in military aid\textsuperscript{91} and the signing of the Visiting Forces Agreement\textsuperscript{92} with the U.S resembling external balancing.

**Engagement and Economic Relations**

Just as antagonistic Chinese actions in the SCS triggered negative reactions, positive steps taken by China to address disputes have been welcomed with bettering relations. Both countries have worked to reverse the damage to relations since 1995 through joint-statements for cooperation\textsuperscript{93}, diplomatic and military exchanges\textsuperscript{94} and a joint Spratlys exploration agreement, the Joint Marine Seismic Undertaking (JMSU)\textsuperscript{95}. From the early 2000s to 2008 Sino-Filipino relations progressed towards the positive as both countries have actively capitalised on the potential gains through closer economic and trade ties. As a result, the China-Philippine trade has been growing on average 26.6\% a year, to a total of 220\% imports and 667.4\% exports from 2000-2005\textsuperscript{96}, leaving the Philippines with a $2.16 billion trade surplus\textsuperscript{97}. By 2004, President Gloria Arroyo stated “we should credit China for sincerely wanting to become a good citizen of the world.”\textsuperscript{98}

\textsuperscript{90}Ibid., 129.
\textsuperscript{91} SIPRI 2011 database
\textsuperscript{94}Appendix on military exchanges in Chinese Defence White papers 2000-2010.
\textsuperscript{95}D. Singh, *Southeast Asian Affairs 2009* (Institute of Southeast Asian Studies, 2009), 46.
\textsuperscript{96}De Castro, "The US-Philippine Alliance: An Evolving Hedge against an Emerging China Challenge," 441.
\textsuperscript{97}Ibid., 26.
\textsuperscript{98}Ibid., 25.
From the description of the history of the Sino-Filipino relations above, the waxing and waning of bilateral ties and tensions correlate with the level of assertiveness China puts in its claims in the SCS. With confidence building measures and economic connectivity, the balance in the Philippines’ strategic and threat calculus regarding China up until very recently was positive.

**Changing Threat Perception**

Yet as the tone and rhetoric of Aquino’s recent SONA speech suggests, there have been dramatic change from this positive trends. Indeed, evidence of the Philippines’ perceptions on China over the past year, particularly in its recent activities regarding its Navy and the SCS has consistently negative in nature. According to Cohen, the formation of threat perceptions is a psychological process, act of cognition and recognition, occurring beyond material factors of capability as there are two scenarios in which a state’s threat perception turns acute; First, when the state believes the transgressor can no longer be counted on to behave as it did before and second, when the state believes that the transgressor is actively working against the observer’s security interests. From the eyes of Filipino policy makers, Chinese activities in the SCS, fulfils both criteria.

Although it would be ideal to compare and contrast Filipino defence or foreign policy white papers across the years to investigate any changes in perception towards China, the only publically released paper was in 1998. Nonetheless a comparison of the positions stated in the 1998 paper with more recent ministerial statements and press releases shows that prompted by recent Chinese activities in the SCS, along with the ever widening gap in capabilities, the balance of factors that contribute to the Philippines’ perception of China has shifted toward the negative.

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- 32 -
Figure 3.1: Balance of factors determining The Philippines’s threat perception of China from 2005 onwards.

Long recognising the SCS as “an area of difference and concern,”101 the Philippines have constantly expressed apprehension that the current security environment “could spark off a local conflict and destabilize the entire region.” Furthermore, it cites concern over China’s growing military budget, that: “lack of transparency in the modernization of the PLA contributes to the uncertainty” and if “unmonitored and unchecked, can lead to a destabilizing arms race.”102

Though, 1998, the Philippines deemed the issue “not a near term concern as the present arms build-up...is a natural consequence of a nation’s legitimate defence and security concerns,”103 this attitude has shifted dramatically in recent years as the PLAN increases its capacity. The Philippines’ concern for the implications of China’s naval modernisation in changing the regional dynamic was elevated to the immediate agenda in all levels of government as Chinese trespass and intrusion of its claimed waters in early May drew attention to the ever increasing gap in naval capability between China and the Philippines. At the executive level, the 2011 SONA speech was the first time a president of the Philippines raised the issue of territorial claims in a national address. Aquino also warned the Chinese Defence Minister Liang Guanglie:

101Ibid. Chapter 1, Section 9
102Ibid. Chapter 1, Section 6
103Ibid. Chapter 1, Section 10
"When we have these incidents, does it not promote an arms race happening within the region?"  

At the legislative level, influential government party legislators such as Francis Pangilinan, Roilo Golez and Ben Evardone expressed feelings of insecurity and unease in the lack of the Philippine’s naval capabilities, asking: ‘‘Shouldn't we accelerate our military's capability in order to resolve the problem in the area?’’

Despite economic ties, history of exchanges and dialogues, it appears that recent events are tipping the balance of positive and negative factors that govern the Philippines’ perception of China, prompting Manila to recalibrate and rethink its current stance. Indeed the Armed Forces of Philippines (AFP) Chief, General Eduardo Oban in June this year describes a shift of Filipino defence policy following China’s incursions this year towards an ‘‘active defence posture,’’ where authorisation of force against belligerent foreign vessels will serve as a deterrent against further incursions.

Along with this new defence posture, other smaller actions taken by the Filipino government have added to a general sense of chilling in relations. For instance Department of Energy has shelved the 2005 joint marine seismic undertaking (JMSU) with China in early May, this coincided with official instructions for the adoption of the new term ‘‘West Philippine Sea’’ in reference to the SCS across all Filipino departments and official communications. Not only does this change in the official Filipino lexicon serve to further stress its claims, it is also direct challenge to China’s international discourse, as asserting that the name ‘South China Sea’ had

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104 Anonymous, "Philippines warns of arms race in South China Sea." AFP 24th May, 2011
the “subliminal message that this is indeed a sea belonging to a country whose name appears in
the name.”\textsuperscript{109}

It should be noted, that the new Philippine posture is not intended at escalation, indeed while
official communications from Manila touting this tougher stance, the Philippines at the same
time qualify this with constant reassurances that the Philippines does not intend this new stance
as to strain tension or directly anger China\textsuperscript{110}. With these two factors put together, the
perception from Manila seems to be that the Philippines is still eager for territorial disputes
settled through diplomatic avenues, but feels increasingly vulnerable to coercion by China
conferred by the increasing gaps in capabilities and desires to address this.

**Internal balancing:**

Along with a renewed active defence posture towards China, the Philippines are now
seeking to further enhance its own domestic capabilities. Recent new policies and
announcements by key decision makers shown signs of internal balancing behaviour aimed at
enhancing its maritime capabilities to deter breaches of its sovereignty in contested waters.

With a long history of internal security issues\textsuperscript{111} and permanent U.S. naval presence until 1992, a
strong naval capacity was never a strong focus of the Philippines, both in funding and attention.
At the end of its 15 year modernisation plan in 2010,\textsuperscript{112} naval capability and doctrine of the
Armed Forces of the Philippines (AFP) is still centred on maintaining and policing its coastal
waters against insurgents, pirates and other non-state actors rather than defending or deterring a

\textsuperscript{109}Katherine Evangelista, "PH military favors calling South China Sea as Western Philippine Sea," *Philippine Daily

\textsuperscript{110}Renato Cruz De Castro, "China, the Philippines, and U.S. Influence in Asia," *Asian Outlook* 1, no. 2

\textsuperscript{111}Philippines, "In Defense of the Philippines. 1998 Defense Policy Paper".

\textsuperscript{112}Republic of the Phillipines, "The AFP Modernization Program - RA 7898,” http://www.pdgs.org/Archivo/afp-
determined provocation or intrusion from a foreign state. Recent developments in the Philippines’ defence policy however, suggest a change.

Aquino announced at the SONA, the procurement of 8 Hamilton Class Coastal Cutters\textsuperscript{113} from the U.S. as a signal of increased capability. Furthermore this coincides with the statements of Philippine’s Foreign Affairs Secretary, Albert del Rosario’s in Washington in June, that the Philippines would seek to acquire new weapons systems from the U.S. to begin modernising and rearming the AFP.\textsuperscript{114} Outlined by Voltaire Gazmin, current Philippines’ Secretary of Defence, the Philippines is attempting to secure a lease deal from the U.S. that would include additional long-range patrol aircraft and watercraft and other modern naval assets.\textsuperscript{115}

These procurements are aimed at securing the country’s territory as outlined in Aquino’s SONA address\textsuperscript{116} and while current details on the planned armament purchases are not yet available, from current ministerial statements, they would contribute significantly towards the Philippines’ ability to deter against future Chinese provocations, all coming at a time when Filipino military expenditure is significantly increasing up 20% from 2008 spending levels. (See Figure 3.2 below)

\textsuperscript{113}Aquino, "State of the Nation Address, July 25, 2011".
\textsuperscript{116}Aquino, "State of the Nation Address, July 25, 2011".
External balancing:

However, even with the procurement of new capabilities, the Philippines alone can do relatively little in bridging the vast strategic asymmetry between itself and China. Although domestic capabilities are to be enhanced, this only form part the Philippines’ response to China’s growing naval assertiveness, with the larger and more immediately effectual balancing focus, being the Philippine’s relationship most longstanding bilaterally relationship, the United States.

The U.S. and the Philippines’ historically close ties come from former colonial relations (1898-1946), a history of extensive military cooperation and trade. Not only is the U.S the dominant force shaping the structure of the country’s political system117, it remains the Philippine’s largest trading partner and source of development aid,118 its main source modern military equipment via Excess Defence Articles program119 and, most importantly, its primary security guarantor via the U.S.-Philippines Mutual Defence Treaty of 1951.

118 Ibid., 7.
While Manila has welcomed political and economic interaction with China, it has continued to rely upon the U.S. as security and diplomatic counterweights to rising PRC power.\textsuperscript{120} Just as China-Filipino relations follow tumults in incidents in the SCS, the U.S.-Philippine relations enjoy periods of renewal and strengthening whenever China overtly provokes tensions. The Mischief Reef crisis helped revive the U.S.-Philippine military ties after the end permanent bases in 1992 in the form of the Visiting Forces Agreement (VFA).\textsuperscript{121} De Castro argues that in the latter half of the 2000s and up to recently, the U.S. -Philippine alliance has not only deepened, but incrementally evolved from a counterterrorism\textsuperscript{122} focused security relationship, into a much larger hedging strategy against China.\textsuperscript{123}

Although U.S. naval bases have been formally closed since 1992, U.S. military presence remains substantial. Under the VFA, semi-permanent U.S. military stations dot around the country with large amounts of U.S. personnel regularly training, visiting and working in the Philippines through exchanges, joint-operations, facilities and exercises\textsuperscript{124}. In June 2009, then U.S. Defence Secretary Robert Gates remarked willingness for escalation of relations that the U.S. is “\textit{currently looking at ways to go beyond... current assistance.}”\textsuperscript{125}

\begin{flushright}
\textsuperscript{120}Simon, "Southeast Asia's Defence needs: Change or Continuity?,” 289.
\textsuperscript{121}De Castro, "The US-Philippine Alliance: An Evolving Hedge against an Emerging China Challenge,” 405.
\textsuperscript{122}Ibid., 402.
\textsuperscript{123}Ibid., 399.
\textsuperscript{124}Lum, "The Republic of the Philippines and U.S. Interests," 11.
\end{flushright}
Figure 3.3 shows American monetary support of three security and law enforcement assistance accounts to the Philippines: IMET – International Military Education and Training, INCLE – International Narcotics Control and Law Enforcement and NADR – Non-Proliferation, Anti-Terrorism and De-Mining. It should be noted that while overall U.S. foreign aid in the region in 2011 has decreased due to budgetary woes, the fact that these three programs have increased despite this all the more emphasises continued commitment. The Philippines for its part recognises the United States’ wish for closer relations and is using this as a diplomatic leverage in its interactions with China.\textsuperscript{126} Although, the Mutual Defence Treaty does not extend to territorial claims in the SCS, Philippine leaders see closer defence ties with the U.S. as an indirect extended deterrence against China on this matter.\textsuperscript{127} Indeed, the Philippine’s Foreign Affairs Secretary, Albert del Rosario’s trip to Washington in June to seek new weapons system deals in which remarked at the Centre for Strategic and International Studies that “we count on the U.S. strong and unwavering assistance in building the strength and resources of the Philippine military to meet the new challenges. To this end, we are exploring novel and

\textsuperscript{126}De Castro, "The US-Philippine Alliance: An Evolving Hedge against an Emerging China Challenge," 402.

innovative ways to strengthen the security engagement.” 128 This coincided with the AFP’s joint military exercises U.S. Navy a month later 129 is a signal to China, the credibility and continued presence of U.S. and backing in light of recent tensions.

Conclusion:
The Philippines appears to be in the process of carefully recalibrating its China strategy prompted by an increase in China’s maritime assertiveness and its ever increasing military expenditure. We see rising levels of anxiety in the Filipino body politic, from the legislative to the executive, over the effects on China’s naval expansion in altering the regional dynamic in the SCS. Furthermore, like its reaction to the Mischief Reef incident in the 90s, the Philippines is embarking on a twin strategy of internal capacity build up and strengthening defence ties with the U.S. as a hedge against any future uncertainty.

128 Rosario, "The Philippines and the United States: A Dynamic Alliance- Keynote Remarks by The Honorable Albert Del Rosario Philippines Secretary of Foreign Affairs."

Vietnam

“China’s nine-dash line in the East Sea, aka “Bull tongue-shaped line”, is completely legally groundless ... and its attempt to realize this claim is in fact escalating tensions in the region.”
- Vietnam Foreign Ministry 2011

Vietnam is a country with the most unique history and circumstances in relation to this thesis. Given its close proximity to China and its past history of conflict, Vietnam according to threat perception theory should most sensitive to any implications stemming from China’s naval and maritime policy. If any region-wide trend of internal and external balancing is occurring in the past few years, it should be most observable in Vietnam.

This chapter will explore how Vietnam is exhibiting two trends of behaviour in responding to China’s growing naval capability. First, how Vietnam is surprisingly going to great lengths to limit and deescalate tensions with China due to the large scale economic dependence on Vietnam’s northern neighbour. Second, there are signs that Vietnam is nonetheless, regarding China’s growing naval expansion as a longer term game changer and is very sensitive to China’s growing assertiveness at sea; thus it is carefully and subtly embarking a series of balancing behaviour as proposed in Chapter 1, to increase domestic naval capabilities, and using the US as a counterbalance.

Context and history:
Amongst China’s many ASEAN neighbours, China’s dealings with Vietnam arguably have the most complex history. With a historically asymmetric relationship of colonialism, warfare, proxy conflict and unresolved maritime territorial disputes mixed with cultural ties, trade and similar ideological and political genesis, Sino-Vietnamese relations have always a mix

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of incongruent trends. Indeed, Storey describes the relationship over the past 60 years, shaped by extremes of amity and enmity, as making Vietnam’s China psyche almost schizophrenic.\footnote{131} Vietnam’s relationship with its larger northern neighbour has dramatically changed over the last century. The relationship has evolved from revolutionary brotherhood from 1949 to 73, to hostility and conflict with China’s short invasion of Vietnam, to normalisation of relations and ever increasing diplomatic and economic ties from 1999 which saw several breakthrough agreements between the two states.\footnote{132}

As the 1979 Sino-Vietnam war and the deadly encounter between the two navies in the Spratlys in 1988 attests, territorial disputes on land and sea have historically been a spark for tension and conflict. Since the normalisation of bilateral relations, Vietnam and China have successfully negotiated two out of four outstanding disputes, with a formal demarcation of the land border in 1999\footnote{133} and maritime boundaries in the Gulf of Tonkin in 2000.\footnote{134} Within this period, where both countries sort to liberalise their economies and capitalise the new mutually beneficial economic opportunities, the interests of both countries converged.

As a result, bilateral trade has grown exponentially over the past decade\footnote{135}, which has helped drive both countries’ fast growing economies. China is the largest importer of Vietnam-made rubber. 2010 witnessed China importing USD $874 million worth of rubber from Vietnam, surging 721% year on year\footnote{136}. With the recent China-ASEAN free trade area in effect, bilateral

\footnote{131} Ian Storey, "Trouble and Strife in the South China Sea: Vietnam and China " \textit{China Brief} 8, no. 4 (2008).

\footnote{132} Womack, \textit{China and Vietnam: the politics of asymmetry}: 23.


\footnote{134} Ibid.


trade amounted to USD $15.7 billion in the first half of 2011, representing a year-on-year rise of 30.5\%\textsuperscript{137}.

![Figure 4.1: Total Volume of Sino-Vietnamese trade](image)

In accordance with aspects of economic entanglement of liberal peace theory\textsuperscript{138} as Vietnam and China draw closer in their economic ties, stable relations are more probable as the risk to their own economic interests could prove to be unacceptable and thus raising the cost of conflict and changing the strategic calculus of both states. With reduced sources of tensions by resolution of some border disputes while increase of the cost to belligerence from increases in economic connectivity over the past 15 years, one would most likely speculate the prospects for Sino-Vietnamese relations to be positive. Yet closer inspection of these factors yields more complex and disheartening discoveries.

South China Seas, still causing tensions

First, although progress on land border and the Gulf of Tonkin disputes are positive steps for long term stability, the larger and more current territorial disputes over sovereignty of the Spratly and the Paracel Islands in the SCS (or in Vietnam’s lexicon, the East Sea) remain unresolved. The energy resource potential surrounding these waters exacerbates the anxiety and

\textsuperscript{137}Ibid.

\textsuperscript{138}Dosch, ”Managing Security in ASEAN-China Relations: Liberal Peace of Hegemonic Stability,” 211.
perceptions of threat generated from provocations and incidents. Like China, Vietnam claims “undeniable sovereignty over water areas and islands in the East Sea, including the Paracels and the Spratly.” Occupying more islands in the disputed seas than any other state, Vietnam has a higher stake in its claims and thus is more sensitive to any provocations, real or perceived from China.

The recent surge in tensions in June between China and Vietnam attests to a particular propensity for escalatory action between the two sides when it comes to these maritime interests. Despite the DOC-SCS, an altercation between a PLAN patrol vessel and Vietnamese civilian petroleum surveyors, prompted displays of nationalistic grandstanding, popular protests and ultimately shows of military force in the form of military exercises.

While the effects of economic ties can act as a pacifying influence, the inherent asymmetry that exists between the two states’ relations with one another has meant that the effect of economic ties in increasing the cost to conflict is not distributed evenly. Vietnam is much more dependent on China’s markets, ties and opportunities for its continued growth than China is to Vietnam’s. Although other states have large stakes in China’s economy, Vietnam’s level of trade dependence is higher than those of Singapore and the Philippines, amounting to nearly 20% of its entire yearly trade (See Figure 4.2 below), while Vietnam’s contribution to China’s bilateral trade is miniscule.

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140 China, “Declaration on the Conduct of Parties in the South China Sea 2002”.
141 Reuters, "WRAPUP 2-Petrovietnam eyes oil assets in disputed South China Sea".
Furthermore, China is literally powering Vietnam’s growth; despite being a net export of energy, Vietnam is reliant on cross border electricity and Chinese state owned companies building and investing Vietnam’s energy infrastructure. This economic capture restricts Vietnam’s diplomacy. While Vietnam takes into account China’s large role in fuelling its current economic growth when considering its actions regarding China in the international arena, the same cannot be said of China to Vietnam in equal sum. From this, the following trends that inform Vietnam’s relations with China and how it sees China’s naval policy are visible: First, despite resolution on peripheral territorial disputes, competing territorial claims remain in the SCS, with Vietnam particularly sensitive to altercations there. Second, China’s direct role in driving Vietnam’s economy through trade and foreign investment should act as an inhibitor against actions that are diplomatically grating, at least from Vietnam’s side. To test this out, a survey of Vietnam’s views on China over the past years will be conducted.

145Womack, China and Vietnam: the politics of asymmetry: 256.
**Threat Perception**

Having outlined the key factors that influence Vietnam’s perception of China, we now look to gauge Vietnam’s perception of China and its naval modernisation proper. Should the theory outlined in Chapter 1 hold, we should expect to see in its articulated threat perception via official remarks, diplomatic releases or publications, signs that Vietnam is growing more anxious about China’s naval modernisation, especially with regards to how new capabilities will influence disputes in the SCS.

**Articulated Perception Survey**

The section presents a survey of press releases on the Sino-Vietnamese relations from the website of the Vietnamese Ministry of Foreign affairs, between 2006 to the present. The survey was compiled by a filtered search of 500 of the most recent releases on China and catalogued based on date, overall topic and overall tone and stance of the release towards China. For reasons of space, only smaller select section of this large survey is presented in the Appendix 4.

The survey found that the overall tone of press releases by Vietnam on China is overwhelmingly positive, with 98.4% of the 500 surveyed releases depicting a tone of cooperation, amicability and general positive outlook, common themes being security, economic cooperation and bilateral dialogue. The few releases with a negative perception of China are all related to flare-ups in maritime incidents over disputed territories in the SCS. A usual pattern follows these releases in first expressing dismay of dissatisfaction at the provocation, citing Vietnam’s claims to the waters, followed by calls to China towards peaceful resolution and dialogue on the issue, a purposefully non-confrontational approach.

This trend of overall positive statements and avoidance of directly confrontational rhetoric, juxtaposed with hypersensitivity regards to the SCS disputes continues in the language from
Vietnam’s defence white papers. The following proximity plot is from a textual analysis of all the Vietnamese Defence white papers available in English,\textsuperscript{146} using WordStat, a textual data mining program which calculates the proximity of certain words. The results show a close association of “China” with the words “Border”, “Cooperation”, “Sea” and “Navy”. This suggests that these issues dominate Vietnam’s perception of its defence and foreign policy with China, (see figure below).

\textbf{Figure 4.3: Proximity Plot of key words in Vietnam Defence White Papers to the word ‘China’ complied from WordStat}

While the papers highlight major achievements in terms of demarcating land borders and the settlement of maritime borders with China in the Gulf of Tonkin\textsuperscript{147}, they nonetheless exhibit apprehension about China’s naval capabilities. The white papers make indirect references to China on the issues of military strategy, rising defence expenditure, advanced weapon systems


\textsuperscript{147} ———, “Vietnam National Defence 2009.”
and technologies\textsuperscript{148} in a generalised manner stating that “\textit{these developments have affected not only the relations among major powers but also the national defence of all countries...(which have) made the situation more complicated.”\textsuperscript{149} The papers also strongly reiterate Vietnam’s sovereignty over the SCS which includes the Spratly and Paracel islands\textsuperscript{150} and asserts the issue of territorial claims as concerns affecting the security in the region.\textsuperscript{151} Indeed, the 2009 white paper reiterated its claim and concerns about the issue no fewer than 9 times, compared to the 2004 paper only once. Indicating increased concern in recent years.

**Economic Dependence – A damper on Articulated Threat?**

From the survey of press releases and policy papers above, two trends are visible regarding Vietnam’s threat perceptions on China:

First, it is clear that Vietnam is proactively attempting to project a non-confrontational approach in its diplomatic rhetoric. Although brief and intense rises in strong rhetoric and assertiveness are observed whenever incidents in the South China Sea occur, they are uncommon spikes in the overall tone Vietnam presents to China. Indeed, Vietnam has demonstrated its willingness to uphold this policy to the point of actively clamping down on its own citizens when anti-China protests over territorial disputes go on for too long or hamper efforts at conciliation in order to “\textit{steer public opinion in the correct direction}.”\textsuperscript{152} Second, despite this, we do see signs that China’s growth in naval capabilities and assertiveness in the SCS is increasing the frequency and intensity of these spikes of strong responses from Vietnam. Events in June were the first time an incident in the SCS precipitated an active military response in the form of military exercises, and even subtle hints and implications at general mobilisation.


\textsuperscript{152}Ian Timberlake, ”Anti-China demo in Vietnam despite clampdown,” \textit{Agence France Presse (AFP)}, 2nd July 2011.
These seemingly contradictory trends in fact reveal a disconnect between Vietnam’s actual threat perception and its articulated threat perception. While Vietnam is growing wearier of China’s assertiveness at sea, in order to minimise prolonged tensions, it must publicly maintain a position of non-confrontation and agreeability. Compared to the behaviour of the Philippines, Vietnam is far less prepared to admonish China’s maritime assertiveness or draw out the issue for any length despite similar territorial despite and a concurrent rise in tensions under very similar conditions. While the Philippine government used a high profile national platform like the state of the nation address to communicate Philippine’s resolve to defend its claimed territories, Vietnam messaging, despite initial spikes in bellicosity quickly returned to its non-confrontational line.

If so, why is Vietnam less willing? This thesis asserts that the key reason for Vietnam’s reluctance is due to the large role China has in Vietnam’s economy. As detailed in the previous section, Vietnam has increasingly grown dependent of Chinese trade as a source of economic growth over the past decade, with China becoming its biggest market for its export driven economy. These now entrenched economic interests cannot operate in a hostile environment that overt bilateral tensions from escalation over territorial claims can create. Thus Vietnam in the short term cannot risk being drawn into overt or protracted rise in negative relations.

Internal balancing:
When one compares how Vietnam’s and the Philippines’ handling of their messages to China in the past few months, the differences cannot be starker. Yet when it comes to how each country employed internal and external balancing as a reaction, there is little difference.
Vietnam’s military expenditure as depicted in Figure 4.4 above, has grown by 63.1% since 2005, though much of this growth is in line with the growth in the country’s economy, Vietnam nonetheless has a policy at actively modernising its capabilities. In January 2011, the eleventh national congress of the Vietnam Communist Party, declared that the modernisation of Vietnam’s armed forces and defence industry is one of five policy priorities to be accomplished in the next five years\textsuperscript{153} in order to fully modernise the country by 2020\textsuperscript{154}. According to General Phung Quang Thanh, Minister of National Defence, priority would be assigned to modernising the navy among others\textsuperscript{155}. This is corroborated with procurement of arms by Vietnam, purchase focusing on increasing its naval and aerial capabilities, including a $1.8-2.1b deal with Russia for 6 Kilo class\textsuperscript{156} submarines in 2009 that Thanh reiterated on 5\textsuperscript{th} August this year\textsuperscript{157}. A look at the

\textbf{Figure 4.4: Vietnam’s Defence Expenditure}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{figure4.4.png}
\caption{Vietnam’s Defence Expenditure}
\end{figure}

\begin{center}
\textbf{Source: SIPRI 2010}
\end{center}

\textsuperscript{153}Carlyle A. Thayer, “Background Briefing: Vietnam’s Defence Budget,” 8.
\textsuperscript{155}Thayer, "Background Briefing: Vietnam’s Defence Budget".6
\textsuperscript{156} SIPRI Database 2010
\textsuperscript{157}Voice of Vietnam, "Interview of Defence Minister Phung Quang Thanh, 3rd August 2011.”
level of foreign arms acquisition by Vietnam over the past two decades (see Figure 4.5) shows substantial rises in purchases of which aircraft and naval ships feature most strongly.

![Figure 4.5: Arms Purchases of Vietnam, 1988-2010](source: SIPRI 2010)

**External balancing:**

Thanh has also stated Vietnam would rely not only on its domestic capacity to modernize the armed forces but also would step up and deepen international defence cooperation with priority on *‘military technology and sharing experiences with other militaries’.* This exemplifies a larger trend of Vietnam recalibrating its foreign policy with its once Cold-War foe.

Part of a larger Vietnamese effort to build ties with major and regional global powers, the late 2000s saw the United States and Vietnam began significantly upgrading defence relationship. Bilateral security relations seem to be moving from token gestures and confidence building gestures to more substantiative ties. Thayer asserts that Vietnam sees the U.S. presence as a hedge against China's rising military power and that recent Chinese military assertiveness in the

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158Ibid.

Western Pacific and the SCS is providing the stimulus for stepped up U.S.-Vietnam military cooperation\textsuperscript{160}.

August 2010, saw the first bilateral Defence Policy Dialogue, a high-level channel for direct military-to-military discussions\textsuperscript{161}. The beginnings of technical joint naval exercises in 2010 was continued in 2011 despite (or in spite) of the timing of the event and Chinese protests of its “inappropriateness”.\textsuperscript{162} Furthermore, 2009 saw the United States provide foreign military financing (FMF) to Vietnam for the first time\textsuperscript{163}. While these numbers and measures are smaller compared to the amounts provided to other states such as the Philippines who enjoy more longstanding ties to the United States, as Thayer\textsuperscript{164} and Stern\textsuperscript{165} asserts, that these measures happening, is in itself significant as these signs of emerging security ties is telling of Vietnam’s recalibration of its international strategy.

\textbf{Conclusion}

The survey has shown at least some aspects of Liberal peace theory in effect; that economic ties are producing an inhibitory effect on overt or sustained aggressive behaviour on Vietnam’s rhetoric towards China. Yet there are keen evidence showing that a) this effect is far from symmetrical with little inhibitory effect concerned to China. b) Vietnam’s non-confrontational rhetoric in the international arena is underwritten by a balancing behaviour that is no unlike many other states in the region.

\textsuperscript{160}Ibid.
\textsuperscript{162}Post, "US military exercises 'inappropriate': China". (Accessed: 23\textsuperscript{rd} Aug 2011)
\textsuperscript{164}Thayer, "Vietnam’s Defensive Diplomacy," 4.
Chapter 5

Singapore

“China is conscious that it needs to be seen as a responsible power and has taken pains to cultivate this image. This is comforting to regional countries. Nevertheless, many in the region would feel more assured if East Asia remains in balance as China grows”

-Goh Chok Tong 2003

Our final country study case is Singapore, the tiny trade dependent city state that due to its sensitivities for regional stability, has taken a mix of pragmatic realist balancing and regional engagement as a response to China’s growing maritime presence. Further away geographically, with no competing territorial disputes and a history of long standing ties, Singapore should be the least worried amongst our study cases as per the model outlined in Chapter 1 suggests.

This chapter investigates the effects of China’s naval expansion in Singapore’s foreign policy as per other previous cases. First the chapter will start by extrapolating key structural undercurrents from the history and context Sino-Singapore relations. Second, measure now Singapore perceives of China’s naval expansion through textual analysis of high level ministerial statements, speeches and press releases. Finally this chapter will focus on discerning the specific strategies Singapore is employing in answer to China’s naval rise. This shall be broken down into two three parts; i) Singapore’s efforts at diplomatic entanglement and engagement of China with the region, of what Evelyn Goh calls ‘omni-enmeshment’; 166 ii) Detailed analysis of Singapore’s defence budget and armament procurement will show how Singapore is underwriting its diplomatic efforts with increase of its own capabilities and; iii) Singapore is actively pushing for continued and deepening American presence in the region.

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Context and History

Many have remarked on Singapore’s pervasive pragmatism in international relations,\textsuperscript{167} exhibiting policies consistent with realist calculations\textsuperscript{168}, while at the same time embracing regional norms and institutions in line with liberal institutional or constructivist theory\textsuperscript{169}. Indeed Singapore’s example had been the model from which many have defined the region’s hedging strategy.\textsuperscript{170} Despite formal diplomatic relations only being established in 1990 and the wider geopolitical divisions of the cold war, Singapore has had long relations with China since the 1960s, with frequent high level diplomatic exchanges,\textsuperscript{171} and direct commercial and trading ties.\textsuperscript{172} Singapore’s motivation for engagement with China is two-fold; first like all other ASEAN states, the tiny trade-dependent\textsuperscript{173} city state desires to capitalise on a growing Chinese economy. Second, Singapore wishes to give China a stake in institutional processes in the region\textsuperscript{174} through socialisation into prevailing norms\textsuperscript{175}. All the while, Singapore’s interests converged with China’s as it sought peaceful relations with the region to focus on internal development.\textsuperscript{176} Since then, investments and trade rapidly increased with Sino-Singapore bilateral trade now totalling US$63.31 billion\textsuperscript{177} with yearly growth of 11.4%, Singapore’s trade


\textsuperscript{168}Michael Leifer, Singapore's foreign policy: coping with vulnerability (Routledge, 2000), 34.

\textsuperscript{169}Amitav Acharya, Singapore's foreign policy: the search for regional order (World Scientific, 2008), 4.

\textsuperscript{170}Kuik, "The Essence of Hedging: Malaysia and Singapore’s Response to a Rising China," 167.


\textsuperscript{172}Kuik, "The Essence of Hedging: Malaysia and Singapore’s Response to a Rising China," 167.

\textsuperscript{173}Acharya, Singapore's foreign policy: the search for regional order: 34.


\textsuperscript{176}Ibid.


This is not to say Singapore’s relations with China are plain-sailing. According to Vaughn and Morrison, its ties with Taiwan and the United States place limits on cooperation and increasing ties\footnote{Ibid., 28.}. The statements in 2001 by Singaporean then Prime Minister Goh Chok Tong, that “it is in everyone’s interest if East Asia remains in balance even as China grows. The US can help provided this balance,”\footnote{Chok Tong Goh, "Keynote Address by Prime Minister Goh Chok Tong at the US-ASEAN Business Council's 9th Annual US Ambassadors' Tour Dinner," Ministry of Foreign Affairs, Republic of Singapore, http://app.mfa.gov.sg/pr/read_content.asp?View,1047,. (Accessed:13th Aug 2011)} and the 2004 visit by current Prime Minister Lee Hsien Long to Taiwan have sparked protest from the PRC and resulted in cancelling senior level dialogues and reportedly threatened to halt negotiations on free trade agreements.\footnote{Vaughn and Morrison, “China-Southeast Asia Relations: Trends, Issues, and Implications for the United States,” 26.}

**Threat Perception**

Singapore is an example of a ripple effect of anxiety that China’s naval modernisation is causing. While Singapore does not feel as directly threatened by China’s naval modernisation other ASEAN states closer to China, the potential regional instability that its ever growing naval presence causes make the trade dependent city states concerned. As the cases in Vietnam and the Philippines from previous chapters have shown, competing territorial claims and geographic proximity increase a state’s propensity to view China’s naval expansion as threatening. As Singapore does not have any competing claims and is further away from China, one should expect Singapore to be less anxious about the effects of China’s naval policy, with many scholars remarking Singapore’s rhetoric and articulated threat perception over the years...
indicating that it does not directly view China’s rise or its growing naval capabilities as a threat.\footnote{Tim Huxley, "Singapore's strategic outlook and defence policy," in \textit{Order and Security in Southeast Asia}, ed. Joseph Chinyong and Ralf Emmers (New York: Routledge, 2006), 141-60.}

Instead of China’s naval modernisation posing a direct challenge to its national security, Singapore is more concerned for any longer term ripple effects. As the world’s most trade dependent state, Singapore’s dependence on SLOCs for its economic viability makes it particularly sensitive to issues that impact on freedom of navigation. Singaporean policy makers are constantly concerned about the effects that an increasingly assertive and capable Chinese navy or naval policy might bring in creating economic uncertainty, instability or tensions between regional trading partners\footnote{Tan, "Riding the Chinese Dragon: Singapore’s Pragmatic Relationship with China," 37-38.}. Key among these concerns is the prospect that overt tensions SCS would significantly damage regional trade and investment, of which would be devastating for Singapore\footnote{Leifer, \textit{Singapore's foreign policy: coping with vulnerability}.}

Events in the SCS in June have demonstrated this sensitivity to wider regional instability. Its willingness to wade in during tensions between China, the Philippines and Vietnam, asking China to \textit{“clarify its claims in the SCS with more precision as the current ambiguity as to their extent has caused serious concerns in the international maritime community,”}\footnote{BBC, ”Singapore urges China to clarify South China Seas claim” 20\textsuperscript{th} June 2011} demonstrates Singapore’s concerns for the lack of transparency and communication from China about this renewed assertiveness.

\textbf{Omni-enmeshment and Hedging}

This is telling of the fact that Singapore, as a status quo power with a vested interest in the current economic and strategic dynamic of the region, perceives the increasing gaps in capability that China is acquiring as potentially challenging. In line with Singapore’s
"pragmatist" tradition, Singapore’s employs two sets of very different strategies in response to the security challenge posed by China’s naval rise:

The first is preventative diplomacy and what Evelyn Goh calls “omni-enmeshment” by engage China in confidence building measures. Forced by its size and strong interest in regional stability, Singapore must take an activist role in regional diplomacy, particular in response to a perceived challenge regional security, where Singapore has been a strong proponent of the ASEAN regional forum (the ARF) and has actively used the ASEAN process in attempting in moulding the regional security architecture to its interests.

In engaging China, Singapore employs multilateral and multidirectional diplomacy attempts to give China a stake in the regional stability. For example, Singapore Defence Secretary Ng Eng Hen’s encouragement to China for joining in the 2011 Shangri La Security dialogue that the ministerial level for the first time, is characteristic of what See Seng Tan regard as “Singapore’s encouragement and reinforcement a China with the promise of regional recognition of China key regional leader”, but within an “inclusive regional architecture for this region that has ASEAN at its fulcrum.”

The second strategy corresponds to Singapore being the “classic anticipatory state,” underwriting its attempts at diplomacy by embarking on serious indirect internal and external balancing measures in anticipation of China’s naval modernisation proving untenable to regional stability. The summary of this nuanced hedging position is best encapsulated in the statements by


Tan, "Riding the Chinese Dragon: Singapore’s Pragmatic Relationship with China," 45.

Ng, "Sixth Plenary Session Building Strategic Confidence; Avoiding Worst-Case Outcomes," 3.

Tan, "Riding the Chinese Dragon: Singapore’s Pragmatic Relationship with China," 36.
the former prime minister Chok Tong Goh: while Singapore welcomes China’s attempts to be seen as a responsible power as “comforting to regional countries. Nevertheless, many in the region would feel more assure if an East Asia remains in balance as China grows”\textsuperscript{194}, and that “as China grows and becomes stronger, other countries in Asia too should grow and become stronger.”\textsuperscript{195}

**Internal Balancing**

We have established that Singapore, in the interests of its own economic security, have actively worked to preserve the regional balance, viewing potential future economic turbulence caused by China’s naval modernisation with concern. As part of its balancing strategy, Singapore has steadily increased its defence budget over the past decades despite tumultuous economic climate\textsuperscript{196} (see Figure 5.1 below). At $8.4 billion USD, Singapore by far has the largest military budget in the ASEAN region, maintaining technologically sophisticated capabilities.

\begin{figure}[h]
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\includegraphics[width=\textwidth]{figure51.png}
\caption{Singaporean Military Expenditure, 1988-2010}
\end{figure}

\textsuperscript{195}———, "Keynote Address by Prime Minister Goh Chok Tong at the US-ASEAN Business Council's 9th Annual US Ambassadors' Tour Dinner".
\textsuperscript{196}Tim Huxley, "“Defence Procurement in Southeast Asia”" in *Paper delivered to the 5th workshop of the Inter-Parliamentary Forum on Security Sector Governance (IPF-SSG) in Southeast Asia* (Phnom Penh2008), 8.
Over the last 3 years, unprecedented portions of budget went into acquisition of modern military hardware. The average annual Singapore arms imports from 2008-2010 has risen by 372% from its annual average over the past two decades (See Figure 5.2 below).

![Figure 5.2: Singapore arms procurement by Categories.](image)

While the increases may be explained by Singapore’s desire for security vis-à-vis other ASEAN states requiring large defence spending to maintain “overwhelming power on its side”, the unprecedented scale of these procurements, timing of large scale acquisitions and the specific maritime focus of these large purchases are consistent with Singapore’s desire to maintain a wider regional balance with China in mind. Its procurement of six Formidable-class frigates in 2008-2009, various aircrafts including 24 F-15 and its buy-in of the US-led F-35 development programme all coincide with growing Chinese naval capacity and growing Chinese assertive foreign policy.

Uncertain of the strategic implications a larger and more assertive Chinese naval presence might bring, the larger strategic calculus for these purchase, specifically in explaining the purchases of

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the new long range frigates, is Singapore’s anxiety over securing SLOCs, Minister for Defence Teo Chee Hean said "the frigates, with their longer range and reach, will significantly increase the RSN's ability to protect our Sea Lines of Communication. This is a critical mission as the lion's share of Singapore's trade is conducted by sea." Despite China’s reassurances of its peaceful intentions, it cannot offer a convincing guarantee to Singapore that its future maritime presence will not be without tensions and incident, as events in June attests to. Thus with given this uncertainty how a China’s increased maritime presence will mean for regional trade and freedom of navigation, Singapore is stepping up its ability to secure its interests.

While this is not exactly a direct balancing behaviour aimed at mitigating the power asymmetry vis-à-vis China, the effects of Singapore’s recent purchases, in terms of deteriorating the current security climate the same, as these purchases feeds into the anxiety of the region answering the self-fulfilling prophesy that is the security dilemma.

**External Balancing**

If engaging large powers the region is a crucial element in Singapore’s security strategy, then this would not be fulfilled without Singapore engaging the United States. Part of its ‘omni-enmeshment’ strategy is to hedge its engagement with China by attempts to urge the U.S. to maintain its presence in the region to balance influence as a “fall-back position”. Here, the thesis asserts that Singapore is externally balancing against any eventualities caused by China’s naval expansion by engaging the United States in two ways: 1) Deepening defence cooperation with the United States. 2) Keeping the United States engaged and involved in the region by tying its strategic interests with Singapore’s.

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200 Tan, "Riding the Chinese Dragon: Singapore’s Pragmatic Relationship with China," 35.

Although never a formal treaty ally, U.S.-Singapore relationship nonetheless enjoys close ties akin to formal alliance partners such as Thailand and the Philippines\textsuperscript{202}. The United States is Singapore’s largest source of modern armaments which has steadily grown in annual purchases (as shown below).

![Figure 5.3: USA arms transfers to Singapore](image)

Over the past few years, The U.S-Singaporean security relationship has expanded from a counterterrorism focus to a more general security relationship with the 2005 US-Singapore Strategic Framework Agreement\textsuperscript{203} grew out of a context of close cooperation with the US war on terrorism as part of Singapore’s long term strategic realignment with the United States\textsuperscript{204}. Apart from the expected agreement to expand bilateral cooperation in counterterrorism and counter proliferation of weapons of mass destruction, the document also stipulated more joint exercises, training, policy dialogues and transfers of defence technology across all bilateral security matters\textsuperscript{205}. Singapore has tied it self more closely to the U.S. because it identifies with the common threat of terrorism, but also Singaporean leaders want to use this relationship to


\textsuperscript{203}Strategic Framework Agreement between the United States of America and the Republic of Singapore for a Closer Cooperation Partnership in Defence and Security, 2005

\textsuperscript{204}Goh, "Great Powers and Hierarchical Order in Southeast Asia: Analyzing Regional Security Strategies," 134.

\textsuperscript{205}Article 2.1-2.4 Strategic Framework Agreement
hold the United States in the region as a counterweight against the long term uncertain posed by China’s rise and increased presence at sea. This is consistent with Singapore securing continued a military U.S. presence, such as its hosting the headquarters of the logistics support to the U.S. Seventh Fleet, as well access a purpose built naval and air facilities such as the deep water pier at the Changi Naval Base.

Singapore has consistently made it clear that it prefers the United States as the key actor underpinning the regional security architecture and has actively urged the United States to remain engaged and committed to the region. This is shown in the series of remarks and official statements from Singapore’s senior ministers from 2000 right up to recent times. As early as 2000, then Prime Minister, Goh Chok Tong remarked that the US involvement in the region is “a positive force for stability and prosperity.” This envisioned ‘positive force’ that the U.S could play was specified a year later in regards to China, with Goh expressing that: “it is in everyone’s interest if East Asia remains in balance even as China grows. The US can help provided this balance.”

In more recent times, current Prime Minister Lee Hsien Loong emphases that while Singapore welcomes China’s deepening engagement, “all the countries in the region know that America plays an indispensable role and we (Singapore) would like America to continue to do that.”

Singapore’s efforts appear to be paying dividends. On June 2011 at the Shangri La Dialogue, U.S. Defence Secretary Robert Gates announced that “in context of the Strategic Framework

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Agreement and pursuing more operational engagement”

it was deploying Littoral Combat Ships to Singapore. This would be the first time a permanent U.S naval presence would be kept in Singapore. A DOD press release that coincided with the announcement stated the deployment was to “address regional challenges” in light of “new and disruptive technologies and weapons could be employed to deny... key sea routes and lines of communications.”

Singapore’s founding father and Minister Mentor Lee Kuan Yew has articulated the key reason for this new deployment from the Singaporean side. When commenting about LCS deployment in context of the strategic balance between the U.S. and China in the Asia-Pacific region, Lee admitted that the main reason for the U.S deployment (and implicitly, the reasons for Singapore’s agreement to facilitate this) was that: “To balance a huge power like China the U.S. needs partnership with Japan and the co-operation of the countries of ASEAN.”

Conclusion:
As a small city state whose economic viability is contingent on regional stability, Singapore is growing increasingly concerned about the long term impacts of China’s naval modernisation on regional stability. As such, it is propelled into an activist role in regional diplomacy, seeking reassurances from China and encouraging it to take part in confidence building measures. Yet as hypothesised in chapter 1, line with its tradition of “pragmatic” foreign policy, Singapore underwrites its ‘enmeshment’ of China by contingent balancing, upgrading its military hardware and making sure the United States stays engaged in the region.


Chapter 6

Research Synthesis

In this chapter, we attempt to extrapolate patterns/trends in the perceptions and behaviours of these three very different Southeast Asian states as the basis for a board encompassing theory that seeks to explain a larger regional reaction to China’s naval expansion.

Perceptions

The first hypothesis this thesis proposed was that perceptions of threat will become more acute as the effects of China’s naval modernisation becomes more evident. Evidence found in this study support this hypothesis as a general rise in anxiety as China’s naval modernisation continues was observed. The three study cases, of the Philippines, Vietnam and Singapore all exhibit many similar signs of changing threat perception.

Chapter 2 established China’s growing capabilities and desire for an expanded maritime presence, fulfilling the capability component needed for perceptions of threat Southeast Asian states to grow. The next three chapters documented regional concern for China’s new capabilities: The Philippines has openly singled out China’s naval modernisation efforts as causes for concern and openly protested against its increasing maritime assertiveness in its defence white papers and national addresses. While Vietnam, despite its active non-confrontational stance in public statements has subtly communicated reservations about China’s military modernisation in its defence white papers as well. Furthermore, Singapore has consistently communicated its concerned for long term effects to the overall regional balance as China’s capabilities grow215.

As concern for capability increases across the board, the intent component of the threat calculus becomes key. Be they active parties in territorial disputes (Vietnam, Philippines) or neutral parties with a stake in regional stability (Singapore), the study cases observed an increase in regional anxiety and alarm over Chinese intent in the SCS. Statements and reactions to events during heightened tensions this May-June from Singapore, Vietnam and the Philippines, indicate that Chinese intentions in the SCS and its growing modernisation and professionalization of its navy is perceived as two intricately linked issues. The Philippines has treaded the issue of intrusions in its claimed waters by China as a capability gap issue, responding with its own capability modernisation drive\textsuperscript{216}. While Singapore and Vietnam have consistently called for China to become more transparent in its military modernisation, to specify the capabilities it is attempting acquire\textsuperscript{217}.

While China’s attempts at reassurance within regional fora\textsuperscript{218} has been welcomed by the region in helping to clarify intentions, as Chapter 2 elaborated, much China’s recent efforts at reassurance is undermined by its own lack of transparency in its naval modernisation efforts and by the increased rate and severity of incidents in the SCS of which most states lay the blame on Chinese actions. With positive effects of reassurance essentially being cancelled out by its actions at sea, uncertainty about intent continues. In times of long term strategic uncertainty, with China’s capabilities credibly growing and yet intent still in doubt, the net sum of Southeast Asia’s threat calculus is shifting towards the negative, with regional states hoping for the best, yet preparing for the worst.

\textsuperscript{216}Aquino, "State of the Nation Address, July 25, 2011".
Balancing – A shift in the hedging spectrum.

The second hypothesis of this thesis was that in light of this uncertainty and ambiguity for China’s long term strategic intent, the region is underwriting its hedging strategy with significant balancing efforts designed to mitigate or deter any overt action from China.

This thesis has found evidence supporting this notion that China’s growing naval presence is pushing the region towards the balancing end of the hedging spectrum. Behaviour in recent years indicate that while Return-Maximizing Options\textsuperscript{219} such as diplomatic engagement, strengthening of economic ties continue to feature amongst the hedging strategies of the region, the emphasis has shifted towards Risk Contingency options as balancing efforts are stepped up as these engagement efforts have stagnated.

We see this phenomena occurring in first through the region’s internal balancing measures. Recent military modernisation efforts in Southeast Asia is part of a long term adjustment to the new bi/multi-polarity\textsuperscript{220} strategic environment that comes with China’s naval rise. All three study case in the past 5 year, have either embarked on, or is planning significant military modernisation efforts with large procurements facilitated by significant rises in regional military expenditure. These procurements seem to be specifically aimed to provide credible deterrence to naval or maritime interests.

The part second of Southeast Asia’s balancing strategy is its continued engagement and deepening ties with the region’s traditional security guarantor, the United States. In urging and facilitating a continued U.S. presence in the region, via deepening bilateral ties, defence agreements or engagement in regional fora, Southeast Asian states seek to indirectly deter any potential Chinese aggression.\textsuperscript{221} This is very much in line with balance of interest\textsuperscript{222} theory.

\textsuperscript{219}Kuik, "The Essence of Hedging: Malaysia and Singapore’s Response to a Rising China," 166.
\textsuperscript{220}Huxley, "Defence Procurement in Southeast Asia" 4.
\textsuperscript{221}Goh, "Great Powers and Hierarchical Order in Southeast Asia: Analyzing Regional Security Strategies," 136.
where status quo states for their interests in regional stability, balance against perceived challenger states with Singapore in particular a keen example of this. Furthermore, as an external guarantor, the U.S. is also utilised for their ability to bolster internal balancing strategies by attracting U.S. military aid/training, trade and economic assistance.\textsuperscript{223}

In Vietnam, beginnings of substantial security ties can be observed in the first formal bilateral defence policy dialogue and beginning of US foreign military financing. In Singapore, despite not being a formal alliance partner enjoys significant increases in arms transfers and the deployment of U.S. Littoral Combat Ships to Singapore, signalling long-term commitments to security ties and common interests. Finally, as formal alliance partners, the Philippines are enjoying a renewed phase of U.S.-Filipino military cooperation with the U.S hinting that large scale arms transfers to come and large increases in U.S military and development assistance.

**Explaining regional variance**

Despite similar trends, this thesis has also finds differences the current levels or the rates of change of articulated threats and shifts in balance between individual states. (See Table 6.1 below)

<table>
<thead>
<tr>
<th></th>
<th>Level of articulated threat</th>
<th>Shift towards Internal Balancing</th>
<th>Shift towards External Balancing</th>
<th>Net Balancing Shift</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>High</td>
<td>Medium</td>
<td>High</td>
<td>High-Medium</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td>Medium-Low</td>
</tr>
<tr>
<td>Singapore</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
</tr>
</tbody>
</table>

First we see a variance in the matter and method of each state’s communication and publication of its threats. As established in Chapter 1, a state’s real threat perception is intricately relate to, but may not necessarily equal a state’s articulated threat due to various factors like secrecy,


\textsuperscript{223} Goh, "Great Powers and Hierarchical Order in Southeast Asia: Analyzing Regional Security Strategies," 136.
desire to placate, deescalate, or other domestic considerations. Despite overlapping disputes in the SCS with China, contrasts in reaction to China’s naval expansion from the Philippines and Vietnam are stark. While the Philippines have openly voiced concerns for China’s naval modernisation and maritime assertiveness, Vietnam has been consistently non-confrontational in their diplomatic communication and maintains a conciliatory rhetoric. All the while, Singapore, due to its distance and the absence of territorial disputes, has not been overtly anxious about China’s naval modernisation, though remains apprehensive about how it might affect regional stability and viability of its sea lanes.

Secondly, not only are there differences in how each state is voicing their changing levels of threat, how each state compose their shifting balancing strategy and the level of shift from their original hedging position to current is also varied amongst states. In terms of internal balancing, the Philippines and Singapore have increased their military spending at 21% and 17% from 2004 levels respectively; Vietnam’s budget however, has grown 72%, with levels of purchase in foreign arms correlating this. Furthermore, just as structural dynamics differ with different ASEAN states’ relations with China, so too are their levels of external balancing with their U.S. ties at different stages. Despite common trend towards bettering ties, Vietnam is only beginning to develop substantial military ties with the U.S. while Singapore for due to its desire maintain regional neutrality has an informal security relationship with no formal alliances and finally, the Philippines enjoys formal alliance conditions.

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224 SIPRI 2010, See earlier chapters.
The figure below outlines where the three study cases sit on the three axes on the Walt-Kuik hybrid model as elaborated in chapter 1 with the combination of historic memory and proximity of interests combine to prescribe an appropriate level of balancing shift. It seems that for Singapore and the Philippines, the model was able to accurately portray the levels of balancing these states currently employ. Singapore, with no overtly negative history and further away,
offers a softer balancing responses than the Philippines, whom is closer to China and has a history of incidents and confrontation with China over the SCS. Yet Vietnam does not seem to fit this, with its high levels of economic dependence on China seeming to acting as an inhibitor against overt balancing.

Explaining Vietnam’s outlier- Economic Dependence, Restricting Balance

The overarching logic of the liberal peace thesis lies with the prospects that trade relations increases the cost of aggressive and belligerent actions. While this appears to be true on Vietnam side, Chapter 4 how this may be not fully reflected on China’s side. With China representing a far larger market to Vietnam than vice versa, the rise in the cost of detrimental actions by level of economic dependence also reflects asymmetrically. This asymmetry essentially places restrictions on how Vietnam can articulate its threat perception in the international arena and the extent of balancing strategies, even though it desires to, causing it to under balance. While it is closer to China, has more to lose in any SCS dispute (proximity of interest) and has a more vivid past of previous conflict with China (historic memory) compared to any other state in Southeast Asia, its higher level of vested interest in stable ties with China (20% of total trade volume\(^{225}\)) than compared to the other states in this study (Singapore 11%, Philippines 8.7%\(^{226}\)) forces Vietnam to maintain a certain level of conciliatory rhetoric than other states, furthermore, Vietnam cannot overtly balance with external partners without attracting severe ill afforded ire from China as shown in China’ has strongly voiced protests over Vietnamese exercises with the United States\(^{227}\) and Vietnam’s joint ventures with India\(^{228}\).

\(^{225}\) See Chapter 4

\(^{226}\) Medeiros et al., *Pacific Currents: The Response of US Allies and Security Partners in East Asia to China’s Rise* 102,68.

\(^{227}\) Post, ”US military exercises ’inappropriate’: China”.

**Conclusion:**

This chapter has summarised how the three hypotheses proposed in the beginning of this thesis, has been supported by evidence exhibited in the behaviour of the Philippines, Vietnam and Singapore; How Southeast Asia is changing its perception of China and its maritime activities with increasing concern and that because of this, the region is shifting its hedging policy towards balancing. Finally, this Chapter demonstrated how in combining factors and assumptions Walt’s balance of threat thesis with the conceptual essence of Kuik’s hedging spectrum, can provide a rigorous model to explain current variance in regional responses to China’s naval rise, factoring the role of economic dependence, historic memory and proximity of interests as key influences in each state’s reaction to China’s naval expansion.
Conclusion

See Changes and Shifting Hedges

This thesis has sought to build a causal narrative of Southeast Asia reaction to China’s ever increasing naval clout and maritime presence. To test the validity of the prescriptions by current scholarships in light of new developments this year and to test this thesis’ own theory based upon the amalgamation of two others, this thesis set about a comparative study of three very different Southeast Asian states that together, represented the diversity of the region.

Specifically, this thesis tested for the validity of three hypotheses for the region’s reactions:

1) With ever growing apparent capability of the China combined with inconclusive judgement of China’s future intent, Southeast Asian states are viewing developments with ever increasing levels of anxiety and every increasing levels of threat.

2) Because of this change in threat perception, the region is shifting and readjusting their traditional hedging policy to more balancing. A spectrum shift where the equilibrium of engagement with containment, is disturbed as the region recalibrate to a more pessimistic outlook.

3) That through combining key factors of Walt’s more general balance of threat thesis with the more localised hedging spectrum from Kuik, many of the individual variations in threat perception and balancing behaviour can be accounted for.

By offering a complete survey of evidence regarding China’s naval expansion, from military expenditure, foreign arms purchase, increases in domestic production to doctrinal changes in China’s defence and foreign policy, the thesis first established its independent variable of a China rising in maritime power and presence. Explorations of factors surrounding China’s naval modernisation program also established how Chinese attempts at reassurances mixed with its growing assertiveness at sea could cause uncertainty and cynicism of its intent in the eyes of Southeast Asian policy makers.
Next, detailed comparative case studies of the Philippines, Vietnam and Singapore, looking at the changes in articulated perception and behaviour yielded evidence supporting the hypotheses this thesis elaborated. Increase anxiety in the study cases is observed with the Philippines loudly communicating its concern the stark asymmetry of capability between itself and China, Singapore asserting its desire to maintain regional balance and Vietnam expressing concern for China’s military expenditure in its defence white papers, firmly tying the issues with territorial disputes in the SCS. From this anxiety, we see evidence that these states are increasingly underwriting their hedging policy with balancing measures, both internal and external. There is evidence that these states are with rising defence expenditure and purchases of new capabilities specifically to lower the risk of China’s naval expansion into their own maritime interests. While at the same time, state are strengthening their security relationship with the region’s traditional security guarantor, the United States, increased joint-exercises, military funding and weapons transfers along with hosting deployments of permanent naval assets. Furthermore, the hybrid model based on Kuik and Walt presents possible future direction for research. Though this study has only studied three states in detail, the ability of this model to be applied well across these three diverse states suggests its applicability to the larger region, or in other circumstances when a smaller state reacts to capability growth in its larger neighbour.

Although much hay is given to the implications of future U.S China tensions. Considerations over China-Southeast Asian tensions have never received the same attention. In a region where 2 billion lives sit at the nexus of world trade traffic the need for long term stable relations is paramount. Unless there is substantial and realistic movement in reducing the key source of tensions, the territorial disputes in the SCS, both China and Southeast Asian region will continue to speak to each other softly, while carrying ever larger sticks.

* * *
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Appendices

Appendix 1: Transfers of major conventional weapons to China, 1990-2010.

Notes: Systems highlighted are those pertaining to naval usage. The ‘No. order’ and the ‘Year delivered’ columns refer to all deliveries since the beginning of the contract. Deals in which the recipient was involved in the production of the weapon system are listed separately. The ‘Comments’ column includes publicly reported information on the value of the deal. Information on the sources and methods used in the collection of the data, and explanations of the conventions, abbreviations and acronyms, can be found at URL:

Source: SIPRI Arms Transfers Database

Information generated: 11 June 2011

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<td>For 2 Type-051 (Luda) destroyers produced in China; produced in China as SJD-7</td>
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<td>PC-2.6 version; for 2 Type-071 (Yuzhao) AALS and 1 Danyao support ship produced in China</td>
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<td>1994-2002</td>
<td>(14)</td>
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<td>ST-68U/Tin Shield</td>
<td>1992</td>
<td>300PMU-1/SA-20</td>
<td>For use with S-300PMU (SA-10) SAM systems</td>
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<td>Turbopfan</td>
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<td>1999</td>
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### Switzerland

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<td>2008-2009</td>
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<td>Turbopan</td>
<td>2009</td>
<td>2010</td>
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<td>1996</td>
<td>1998-2007</td>
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<td>2004-2010</td>
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<td>2007-2010</td>
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### Exports

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<td>1998-2007</td>
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<td>China</td>
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<td>China</td>
<td>Anti-tank missile</td>
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<td>China</td>
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<td>2004-2010</td>
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<td>Helicopter</td>
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<td>China</td>
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### References

- For use with GDF 35mm AA guns and possibly HQ-7 (FM-80) SAM systems Chinese designation Type-90
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<td>AI-222</td>
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**USA**

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**Summary:** 56 out of 127, or 44% of all foreign purchase deals were either intended, or can increase China’s naval or maritime aviation capabilities.
Appendix 2: Trend Indicator Values TIV of arms exports to China, 1990-2010

Generated: 11 June 2011

Notes: Figures are SIPRI Trend Indicator Values (TIVs) expressed in US$ m. at constant (1990) prices. Figures may not add up due to the conventions of rounding. A '0' indicates that the value of deliveries is less than US$0.5m.

For more information, see http://www.sipri.org/contents/armstrad/output_types_TIV.html

Source: SIPRI Arms Transfers Database

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Appendix 3: Map illustrating competing Territorial claims in the South China Sea

Source: Global Security (URL: http://www.globalsecurity.org/military/world/war/spratly-maps.htm)

Accessed: 23rd September 2011

**Note:** Full sample space of the survey was 500 reports, for reasons of space, only a randomly selected sample (first and highest relevant search hits) of the survey was included in this study. Releases that are of particular negative tone are highlighted in red.

**Source:** Vietnamese Ministry of Foreign Affairs Website.


**Accessed:** 28rd September 2011

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