Southeast Asia occupies a strategic position for traffic, linking the Pacific and the Indian Oceans, such as the Straits of Malacca and the South China Sea. It is an important region for Japan which relies on maritime transport for many of the supplies needed for economic activities and the lives of the Japanese people. The countries in Southeast Asia are making efforts to achieve political stability and steady economic growth, and lately have realized overall economic development to varying degrees. Such economic development has deepened interdependence within the region and with countries outside the region. In late 2015, the establishment of the

Notes:
1. Source: “The Military Balance 2017,” etc. The size of each block indicates relative size using Japan as the base size. There are limits to the comparisons of national defense budgets which have simply been converted into U.S. dollars when the different elements are taken into consideration, such as each country’s exchange rate fluctuations and price levels. However, as the purchasing power parities of Southeast Asian countries are not published by the Organisation for Economic Co-operation and Development (OECD) (except Indonesia), this figure intentionally represents the national defense budgets of Japan and other countries that have been converted into U.S. dollars using the exchange rate published by the Ministry of Finance of Japan.
2. For Japan, the force strength shows the actual strength of each SDF as of the end of FY2016; the number of combat aircraft is the sum of the number of combat aircraft of the ASDF (excluding transport aircraft) and that of the MSDF (fixed-wing aircraft only). The Japanese national defense expenditures are the initial budget excluding SACO-related expenses, the portion meant to reduce the burden on the local community out of the U.S. Forces realignment expenses, and expenses associated with the acquisition of new government aircraft.
3. The national defense budget of China is from the Finance Minister’s Budget Report to the National People’s Congress in 2017.
4. The national defense budget of the ROK is from ROK Ministry of National Defense sources from 2017, etc.
5. The national defense budget for all of Southeast Asia represents the sum of the 2016 figures for each country according to “The Military Balance 2017.” However, the sum uses 2014 figures from “The Military Balance 2016” for Laos.
6. The national defense budget of China and the ROK is expressed in U.S. dollars and is calculated using the FY2017 Ministry of Finance exchange rates of 110 yen to 1 dollar, 17 yen to 1 yuan, and 95 yen to 1,000 won.
7. The Japanese national defense budget is expressed in U.S. dollars converting 2017 figures using the FY2017 Ministry of Finance exchange rate of 110 yen to 1 dollar.
Indonesia is a country of importance in Southeast Asia with the world’s largest Muslim population, vast land and territorial waters, and strategic importance for maritime traffic. Although Indonesia does not confront any immediate external military threats, it faces internal concerns, including the activities of Islamic extremists, such as Jemaah Islamiyah (JI), and secession and independence movements in Papua Province.

As part of its military force reform, Indonesia aims to meet the requirements for minimum defense capabilities—what it calls “Minimum Essential Force (MEF)” However, Indonesia has indicated that its maritime defense capabilities, in particular, are still very much inadequate. Accordingly, Indonesia has announced a defense budget increase as well as a policy to bolster its deployment of assets to the Natuna Islands in the South China Sea and other locations. Indonesia is concerned that the “nine-dash line” claimed by China overlaps with its exclusive economic zone (EEZ) in the vicinity of the Natuna Islands, and in recent years confrontation between the two countries has emerged in the waters surrounding the Natuna Islands, resulting in Indonesia seizing a number of Chinese fishing vessels in the area and other incidents.

Indonesia emphasizes cooperation with other Southeast Asian countries, and adopts an independent and active foreign policy. With the United States, it is strengthening its cooperative relationship in such fields as military education and training and military equipment procurement, and carries out joint training with the United States. These include the “Cooperation Afloat Readiness and Training (CARAT)” and the “Southeast Asia Cooperation Against Terrorism (SEACAT)” exercises. In October 2015, President Joko visited the United States. The two leaders discussed the strengthening of the comprehensive partnership between the two countries, and welcomed the signing of the Joint Statement for Comprehensive Defense Cooperation between the Secretary of Defense and the Minister of Defense that took place at the same timing.

With China, the counter-terrorism training Sharp Knife has been held among the special operation forces of the two countries since 2011, and Sharp Knife...
Airborne among the airborne units of the air forces of the two countries since 2013. In March 2015, President Joko visited China as a state guest, and affirmed with President Xi Jinping that they would deepen bilateral relations under the framework of comprehensive strategic partnership.

Indonesia is carrying out bilateral coordinated patrols and maritime training exercises with India. Moreover, in December 2016, President Joko visited India and released a statement regarding maritime cooperation between the two countries.

Malaysia, which is located at the center of Southeast Asia, considers itself to have common strategic interests with its neighboring countries. Although Malaysia does not acknowledge any imminent external threats at present, it believes that its forces should maintain a level of readiness for dealing with all military threats, and therefore, places importance on “Independence,” “Total Defence,” “Commitment to the Rule of the Five Power Defence Arrangements (FPDA),”9 “Cooperation to the UN for World Peace,” “Measures against Terrorism,” and “Defence Diplomacy” in its defense policy. On the other hand, in connection with the recent continued anchoring of Chinese government vessels around the South Luconia Shoal over which Malaysia claims sovereignty, Malaysia has announced that its Navy and maritime law enforcement agencies would conduct around-the-clock monitoring, and that Malaysia would defend its sovereignty. Along with strengthening its maritime defense force, in recent years Malaysia has striven to bolster its defense posture in eastern Malaysia, announcing in October 2013 that it would construct a new naval base in Bintulu close to the James Shoal and the South Luconia Shoal.10

Malaysia and the United States hold joint exercises such as CARAT and SEACAT, and promote military cooperation including capacity-building in the maritime security field.11

Despite competing claims over the sovereignty of the South China Sea and other matters, Malaysia and China have strong ties, especially their economic relationship, and mutual visits by dignitaries take place frequently. In November 2016, Prime Minister Najib visited China and reached an agreement on economic cooperation and the purchase of naval vessels. Also, in 2015 and 2016, Malaysia and China conducted the bilateral field training exercise Peace and Friendship. Furthermore, in November 2015, when the Commander of the Chinese Navy visited Malaysia, it is said that the two countries agreed on making use of the Port of Kota Kinabalu for port calls by Chinese Navy vessels.12 In January 2017, a Chinese submarine made a port call at Kota Kinabalu naval base for the very first time.

9 Entered into force in 1971. This agreement states that Australia, New Zealand, and the United Kingdom will discuss what response should be adopted in the event of aggression towards or the threat of an attack on Malaysia or Singapore. The five countries carry out various exercises based on these arrangements.

10 In October 2014, Prime Minister Najib Razak announced that Malaysia would relocate Squadron Hawk (light attack aircraft) from the Malay Peninsula to the Labuan Air Base located in the northeastern part of Kalimantan Island facing the South China Sea, and that Malaysia would upgrade the runway at the airport in Lahad Datu in the state of Sabah in the northeastern part of Borneo.

11 In November 2015, Minister of Defence Hishammuddin Hussein, joined by then U.S. Secretary of Defense Carter who was visiting Malaysia, boarded and toured a U.S. aircraft carrier in the South China Sea. In the same month, when then President Obama unveiled his policy of strengthening assistance for Southeast Asian countries, the President stated that the United States would provide assistance of US$2.5 million to Malaysia over two years until 2016. The President then announced that the United States would expand bilateral cooperation in such areas as port security and joint exercises.

12 Admiral Wu Shengli, Commander of the Chinese Navy, visited Malaysia from November 9 to 11, 2015. When the Commander held talks with officials including Malaysia’s Deputy Minister of Defence and Chief of Navy, the two sides agreed that they would deepen the relations between their military forces and promote practical cooperation in all directions. In addition, the two sides are said to have agreed on making use of the Port of Kota Kinabalu in the state of Sabah, Malaysia for port calls by Chinese vessels as part of their defense cooperation.
Following the murder of Kim Jong-nam at Kuala Lumpur International Airport in February 2017, relations between the two countries have deteriorated, as demonstrated by Malaysia’s measure to expel the North Korean Ambassador from the country and announcement of the suspension of visa exemptions for North Korean nationals.

Myanmar

Myanmar shares borders with China and India, which are steering the changing balance of power in the international community, and is located on the border of South Asia and Southeast Asia. In light of these factors, Myanmar is noted for its strategic significance. In Myanmar, the armed forces had control over the government following the collapse of the socialist regime in 1988. However, with an economic slowdown caused by the economic sanctions imposed by the West against the military government, coupled with isolation from the international community, transition to civilian rule based on the road map to democracy was completed. Later, in the first general elections held in November 2015, the National League for Democracy (NLD) led by President Aung San Suu Kyi secured a victory, and in March 2016 the new Htin Kyaw administration was inaugurated. Having relatives who are foreign nationals, Aung San Suu Kyi is unable to become president under the provisions of the constitution. Therefore, she was appointed Foreign Minister and to the newly created post of State Counsellor, and in these roles she is exercising leadership in the administration.

Since the previous Thein Sein administration, the Government of Myanmar has actively taken steps towards democratization, including the release of political prisoners and ceasefire agreements with ethnic minorities. The international community has shown some level of appreciation for these steps, with the West including the United States successively easing economic sanctions on Myanmar. In September 2016, during State Counsellor Aung San Suu Kyi’s visit to the United States, then President Obama announced the lifting of sanctions on Myanmar and officially removed the sanctions with an executive order the following month.

With regard to the efforts for a ceasefire agreement with ethnic minorities, in October 2015, the Government signed a national ceasefire agreement with eight of the armed ethnic minority groups, while in August 2016, the inaugural 21st Century Panglong Union Peace Conference was held for peace and reconciliation. Amid ongoing fighting with some groups, the second Peace Conference was held in May 2017, attended for the first time by three groups which are said to be clashing with the armed forces. While this marked a level of progress, the peace process still remains a top priority for the new administration.

Additionally, including in the years preceding the previous administration, nuclear issues and military ties with North Korea have been raised as matters of concern. The conflicts between Rohingya Muslim ethnic minorities and Buddhists since 2012 have caused widespread concern among the international community. In October 2016, an incident occurred where an armed group attacked a police station and other locations in Northern Rakhine State where a majority of Rohingya live. Following this, the military attacked the area where the Rohingya live citing the need to wipe out armed forces. However, the international community has expressed concern over this incident on the grounds that there was a possible genocide and violation of human rights. With regard to the Rohingya issue, Myanmar does not recognize the Rohingya people as its citizens, and thus, their legal status as stateless people is complicating this issue. In terms of foreign policy, Myanmar continues to uphold a policy of neutrality and non-alignment, while for its national defense policy, continues to emphasize the three national causes of Non-disintegration of the Union, Non-disintegration of National Solidarity, and Perpetuation of Sovereignty, as well as resolutely repelling foreign invasions and interference in domestic matters.

With regard to foreign relations, China is thought to be an especially important partner to Myanmar since its period of military rule. With economic support from China, a gas pipeline and a port, among other infrastructure, are being built. On the military front, China is regarded as a major supplier of equipment. In August 2016, State Counsellor Aung San Suu Kyi visited China,

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13 Consists of seven steps: reconvening of the National Assembly; stepwise implementation of processes necessary for democratization; drafting a new constitution; a national referendum on the constitution; general election; convening of the House of Representatives; and the establishment of a new government.

14 About 30% of Myanmar’s population is ethnic minorities, some of which demand secession or greater autonomy for their regions. In the 1960s, the Government of Myanmar implemented oppressive policies involving human rights violations such as forced labor and forced migration, which led to armed conflicts with armed groups of ethnic minorities.

15 It is reported that at talks with then President Lee Myung-bak of the ROK in May 2012, President Thein Sein admitted that some weapons trading took place with North Korea in the past 20 years and indicated that the country would not engage in such trade in the future. He denied cooperation with North Korea on nuclear development. Moreover, it has been reported that, at the 11th ISS Shangri-La Dialogue (Asia Security Summit) held in June the same year, then Defence Minister Hla Min disclosed that while the previous government attempted to start academic research on nuclear technology, this research was abandoned when the new government was inaugurated and that Myanmar suspended its political and military ties with North Korea.
where she announced the promotion of a comprehensive strategic cooperative partnership. Furthermore, Myanmar has maintained a cooperative relationship with Russia in the military field, including during the military regime, and Russia has been a destination for students from Myanmar and a supplier of major defense equipment. As for India, since the transition to civilian rule, Myanmar has deepened cooperative relations in the fields of the economy and military, which has developed into defense cooperation and exchanges such as the hosting of various seminars and friendly visits to Myanmar by Indian naval vessels.

Also, in recent years, Myanmar has taken steps to strengthen cooperative relationships with Western countries and in particular European countries. In November 2016, Senior General Min Aung Hlaing, Commander-in-Chief of the Myanmar Armed Forces, visited Belgium and Italy, where he attended meetings of the EU Military Committee and EU Political and Security Committee. Then, in April 2017 he visited Austria and Germany.

The Philippines perceives that it confronts new security challenges, including non-traditional threats, such as transnational crime. At the same time, it identifies that long-standing issues, such as the territorial disputes over the South China Sea and terrorism perpetrated by domestic anti-government armed groups, constitute major security concerns. President Duterte who took office in June 2016 announced, during his first State of the Nation Address in July the same year, a policy that emphasizes combating crime, illegal drugs and corruption, sweeps against Abu Sayyaf Group (ASG), and peace in Mindanao.

As regards domestic security issues, over the last approximately 40 years, armed conflicts have repeatedly broken out between the Government of the Philippines and the Moro Islamic Liberation Front (MILF) in particular. With the support of the activities of the International Monitoring Team (IMT), the peace process has made progress, including the signing of the Comprehensive Agreement on the Bangsamoro and the partial decommissioning of MILF forces and weapons. On the other hand, military clashes have occurred between the government army and National Police, and armed forces opposing the peace talks. It is deemed that time will be required to achieve practical peace.

ASG, an Islamic extremist group, claimed responsibility for a terrorist bombing in September 2016 that killed and injured a number of people in Davao City located in the southern part of Mindanao. ASG has also orchestrated a number of kidnappings for ransom in the Sulu Sea and Celebes Sea. Given this situation, in June 2017, the Philippines, Malaysia, and Indonesia announced that they had launched the trilateral maritime patrol in the region of the Sulu sea.

In May 2017, security forces clashed with the Maute group, an Islamic extremist organization, in the city of Marawi as part of a sweep to eliminate terrorism. The ensuing battle resulted in fatalities and injuries, causing public safety in the city to deteriorate. As a result, a state

4 The Philippines

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of martial law was declared in the Mindanao region.

The Philippines and the United States, with a historically close relationship, have maintained a cooperative relationship under their mutual defense treaty and military assistance agreement, even after the withdrawal of the U.S. Forces in 1992.\(^{19}\) The two countries are conducting joint military exercises including the large-scale military exercise Balikatan. Under the Duterte administration, the Department of National Defense announced in November 2016 that President Duterte had approved the continuation of joint military exercises between the Philippine and U.S. forces, even though several bilateral exercises would be discontinued.

In March 2016, the two countries agreed on five locations for carrying out defense cooperation under the Enhanced Defense Cooperation Agreement (EDCA)\(^{20}\) they signed in April 2014 for strengthening their cooperation on such areas as the capacity enhancement of the Armed Forces of the Philippines and disaster relief.\(^{21}\) It is expected that concrete steps will be taken, including the development of facilities in the Philippines for the rotational deployment of the U.S. Forces in accordance with the EDCA. In January 2017, it was reported that President Duterte has approved a plan to build new facilities. In this regard, attention will be paid to related developments in the future.

The Philippines and China have competing claims over the sovereignty of the Spratly Islands and the Scarborough Shoal in the South China Sea. Seeking a settlement under international law, in January 2013, the Philippines launched arbitral tribunal proceedings pursuant to UNCLOS against China. In July 2016, a final award was rendered accepting nearly all of the Philippines’ submissions. The Government of the Philippines released a statement that it welcomed the award by the arbitral tribunal and strongly affirms its respect for the decision. Also, President Duterte stated in his State of the Nation Address held in the same month that the Philippines would strongly affirm and uphold the award handed down for the arbitration case between the Philippines and China. However, when President Duterte visited China in October 2016, a joint statement was announced that included infrastructure investment, drug enforcement cooperation, coastal security cooperation and military cooperation but did not make reference to the tribunal’s award in the case involving the Philippines and China. Also, in May 2017, President Duterte toured a PLA Navy vessel that made its first port call at the port in Davao, where the president grew up, and announced an agreement concerning joint military exercises to be held with China’s PLA. In this regard, attention will be paid to developments in the future.

\(^{19}\) In 1947, a military base agreement was concluded that allows the U.S. Forces to use Clark Air Base and Subic Bay Naval Station for 99 years. A military assistance agreement was also concluded in 1947, followed by the mutual defense treaty in 1951. With the revision of the 1966 military base agreement, the time limit for the stationing of U.S. military bases in the Philippines was set for 1991. Clark Air Base and Subic Bay Naval Station were returned in 1991 and 1992, respectively. Subsequently, the two countries concluded the Visiting Forces Agreement in 1998, establishing the legal status of U.S. Forces personnel visiting for joint military exercises in the Philippines.

\(^{20}\) The EDCA is designed to enable the U.S. Forces to utilize and develop facilities in the Philippines, preposition equipment, among other activities. It was agreed that the bases in the Philippines be utilized by the U.S. Forces would be decided through consultations after the EDCA was concluded and would be stated in an annex to the agreement. After the signing in 2014, the consultations regarding the annex have been suspended as litigation procedures were instituted in the Philippines on the grounds that the EDCA was unconstitutional. However, the Supreme Court of the Philippines handed down a ruling in January 2016 that the EDCA is indeed constitutional.

\(^{21}\) At the 2+2 talks held on January 12, 2016 (EST), the ministers welcomed the decision that the EDCA was constitutional, and reaffirmed their commitment to continue strengthening their alliance in terms of ensuring both countries’ mutual defense and security as well as jointly contributing to regional peace, stability, and economic prosperity. On March 17-18, 2016 (EST), a strategic dialogue among foreign and defense authorities was held in Washington, D.C. The two sides agreed on the following five EDCA-Approved Locations: Antonio Bautista Air Base; Basa Air Base; Fort Magsaysay; Lumbia Air Base; and Macan-Benito Eixen Air Base.

\(^{22}\) See Chapter 2, Section 6-3, footnote 9.

\(^{23}\) Based on an agreement reached in April 2013. In October 2016, LCS USS Coronado arrived in Singapore for the third rotational deployment.
continuing to carry out similar deployments routinely.\textsuperscript{24} In addition, Singapore conducted joint exercises with the United States, such as CARAT and SEACAT.

With China, active mutual visits by their dignitaries have taken place. In November 2015, President Xi Jinping visited Singapore. In May 2015, the two countries conducted their first bilateral naval joint exercise China-Singapore Cooperation 2015. On the other hand, in November 2016, an incident occurred where nine armored vehicles of the Singaporean Army were seized in Hong Kong while being transported back to Singapore after a military exercise held in Taiwan. As an underlying reason, some note that China sought to put pressure on Singapore which continues to call for the rule of law over the issue of the South China Sea.

Thailand’s defense policy includes: strengthening defense cooperation through ASEAN, international organizations, and other entities; defense that makes comprehensive use of political, economic, and other national strengths; and effective defense aimed at increasing the readiness of the Royal Thai Armed Forces (RTAF) and developing the defense industry. Attacks and bombing incidents by Islamic extremists seeking secession and independence have become a frequent occurrence in southern Thailand. The Government identifies the swift restoration of peace and security of the lives and property of the people in southern Thailand as an urgent task. In addition, undemarcated border issues exist between Thailand and neighboring countries including Myanmar and Cambodia.

In August 2013, the submission of an amnesty bill\textsuperscript{25} by opposition parties to the House of Representatives sparked large-scale anti-government demonstrations, mainly in the capital city of Bangkok. The House was dissolved in December 2013, and a declaration of a state of emergency was issued in January 2014.

In May 2014, following the declaration of martial law nationwide, forces led by the RTAF launched a coup d’état and seized power over the nation. Subsequently, then Commander-in-Chief Prayuth Chan-o-cha of the Royal Thai Army established the National Council for Peace and Order that he chairs. In August 2014, he was elected interim Prime Minister. Based on the roadmap for transitioning to civilian rule, his government is aiming to hold general elections and transition to a new administration under a new constitution. As a result, a national referendum on the draft new constitution was approved in August 2016, but later new King Vajiralongkorn who ascended to the throne immediately after the death of the former King Bhumibol demanded that the draft new constitution be revised. This is expected to delay the general elections.

Under its flexible omni-directional diplomatic policy, Thailand pursues cooperation with other Southeast Asian countries and coordination with major countries, including Japan, the United States, and China. Since the conclusion of the Military Assistance Agreement in 1950, Thailand and its ally,\textsuperscript{26} the United States, have maintained a cooperative relationship. They have conducted the lateral joint exercise Cobra Gold since 1982, as well as the CARAT and SEACAT joint exercises.\textsuperscript{27}

Thailand and China have also promoted military exchanges, conducting joint exercises such as Blue Strike among their marines and Falcon Strike\textsuperscript{28} among their air forces. In April 2012, the two countries agreed on the joint development of multiple rocket launchers.
Vietnam perceives that it confronts diverse and complex security challenges. It considers that the issues in the South China Sea have serious impacts on the maritime activities of Vietnam, and non-traditional threats, such as piracy and terrorism, are matters of concern.

During the Cold War era, the former Soviet Union provided the most significant assistance to Vietnam. Until 2002, Russia had a naval base in Cam Ranh Bay. After the collapse of the former Soviet Union, Vietnam rapidly expanded its diplomatic relations with other countries, including establishing diplomatic ties with the United States. At present, Vietnam pursues an omnidirectional diplomatic policy and seeks to actively participate in international and regional cooperation in order to build friendly relations with all countries. In March 2016, an international port opened in the key strategic position of Cam Ranh Bay, and since then a number of navy vessels from not only Japan but also the United States and China have made calls to the new port.

In January 2016, the Congress of the Communist Party of Vietnam (CPV) was held after five years since the previous Congress. The Congress decided that Nguyen Phu Trong would remain CPV General Secretary, among other decisions, and a new leadership was established. General Secretary Trong in his second term identified that his focal missions for the next five years would include the following: enhance party building; carry out political reform; accelerate national modernization; and maintain the country’s independence, sovereignty, unity, and territorial integrity.

Vietnam and the United States have strengthened their military relations in recent years. This has taken such forms as joint exercises with the U.S. Navy and port calls by U.S. Navy vessels in Vietnam. In June 2015, then Minister of National Defence Thanh and then U.S. Secretary of Defense Carter, who was visiting Vietnam, signed a joint statement spelling out promotion of consultations and dialogues and engagement in maritime security. In July 2015, General Secretary Trong, making his first visit to the United States as CPV General Secretary, held talks with then President Obama. In the area of defense, the two sides confirmed that they would continue to cooperate on maritime security, carry out defense equipment trade, and cooperate on the transfer of defense science technologies. In June 2016, during his visit to Vietnam, then President Obama announced that the United States would fully lift its arms embargo on Vietnam.

Vietnam and Russia continue to strengthen cooperation in the area of national defense. In March 2013, Minister of Defence Sergey Shoygu visited Vietnam, and the two sides agreed to jointly construct vessel replenishment facilities along Cam Ranh Bay. In 2014, Russian IL-78 aerial refueling tankers landed at Cam Ranh International Airport for the first time for the refueling flights for Russia’s Tu-95MS strategic bombers. As these examples demonstrate, the two countries have been carrying out new military cooperation. In recent years, the two countries have also promoted cooperation in the energy sector, such as nuclear power generation. Vietnam is nearly dependent on Russia for its defense equipment.

Vietnam and China, under their comprehensive strategic cooperation partnership relations, proactively conduct exchanges among their senior government officials. However, the two countries have competing claims concerning issues such as sovereignty over the South China Sea. In November 2015, President Xi Jinping visited Vietnam, and the two sides agreed that differences in opinion regarding maritime issues would be dealt with appropriately. They also signed a joint statement noting that the two countries would refrain from actions that further complicate the issue. Furthermore, in January 2017, General Secretary of the Communist Party of Vietnam Trong visited China, where the bilateral agreements of past summit meetings, including the basic agreements of past summit meetings, including the basic

29 President Truong Tan Sang, Prime Minister Nguyen Tan Dung, Minister of National Defence Phung Quang Thanh, among others were not reelected and retired from office. In April 2016, President Tran Dai Quang, Prime Minister Nguyen Xuan Phuc, Minister of National Defense Ngo Xuan Lich, and others were appointed at the Vietnamese National Assembly.
30 In 1984, the United States invoked an arms embargo on Vietnam on the grounds of its human rights issue. In 2007, the arms embargo was lifted excluding lethal weapons. In October 2014, the United States announced the lifting of its embargo on the sale of maritime security-related lethal weapons to Vietnam. In November 2015, when President Obama unveiled his policy of strengthening assistance for Southeast Asian countries, the President stated that the United States would provide approximately US$40 million of assistance to Vietnam over two years until 2016. The President then announced the bolstering of maritime ISR capabilities and the expansion of cooperation on bilateral exercises focusing on HA/DR.
31 On June 1, 2015, then U.S. Secretary of Defense Carter and Vietnamese Minister of National Defence Thanh signed a joint statement in Hanoi. They confirmed that the two countries would, among other things: (1) promote senior-level consultations and defense policy dialogues and mutually carry out UN PKO; (2) mutually carry out search and rescue, humanitarian assistance, and disaster relief; and (3) promote maritime security. The United States affirmed that it stood ready to share its experience and information, conduct personnel training, and provide equipment that contribute to maritime security and law enforcement.
32 In July 2015, CPV General Secretary Trong of Vietnam visited the United States for the first time as General Secretary and held talks with then President Obama. At the joint press conference following the meeting, the two sides announced that they would: strengthen their defense and security relations; promote economic, trade, and investment cooperation; and increase mutual visits by senior officials and bilateral consultations. The two sides also announced the signing of the “United States-Vietnam Joint Vision Statement,” “Memorandum on UN PKO Cooperation,” and agreements pertaining to trade promotion, infectious disease measures, and grant assistance related to civil aircraft.
33 In March 2015, it was reported that U.S. DoD authorities, while stating the relevant facts, requested Vietnam to prevent the recurrence of this activity. In addition, a senior official of the U.S. Pacific Command allegedly stated that the Russian military aircraft that received refueling from the aerial refueling tankers arriving from the Cam Ranh base conducted provocative flights. In January 2015, the Russian Ministry of Defence announced that Russian aerial refueling tankers (IL-78) used Cam Ranh Bay in 2014, enabling the refueling of strategic fighters.
principles concerning the South China Sea finalized in 2010, were reaffirmed and it was agreed that they would advance cooperation aimed at joint development.

Vietnam and India have been deepening their cooperative relationship in a broad range of areas, including security and economy. In the area of defense cooperation, it is noted that the Indian Armed Forces support the training of Vietnam’s Navy submarine personnel and Air Force pilots, and Indian Navy vessels make friendly visits to Vietnam. Furthermore, when then Minister of National Defense Phung Quang Thanh visited India in May 2015, the two sides signed the Joint Vision Statement on Defence Cooperation for the period 2015-2020. In September 2016, Prime Minister Modi became the first Indian prime minister to visit Vietnam in 15 years. During the visit an agreement was reached on raising the status of the bilateral relationship to comprehensive strategic partnership, while an announcement was made concerning a loan of US$500 million for deepening defense cooperation. Cooperation in the area of energy between India and Vietnam is also deepening, with a joint development program for oil and natural gas in the South China Sea.

Chapter 2, Section 6-4 (Trends concerning Sovereignty and Other Issues over the South China Sea)
Part III, Chapter 2, Section 1-4-6 ((2) Vietnam)

3 Military Modernization in the Region

In recent years, Southeast Asian countries have increased their defense spending against the backdrop of economic development and other reasons, and are modernizing their military forces focusing on inducting equipment such as submarines and fighters including fourth-generation modern fighters. The underlying factors noted are increases in defense spending, the relationship between Southeast Asian countries in the sense that they react to neighboring states’ development of military capabilities, response to the expansion of China’s influence, and the inadequate role of regional security organizations to nurture relationships of trust. Many Southeast Asian countries procure much of their defense equipment from a wide range of countries. As such, there are perceived difficulties in achieving consistent operations and maintenance in the respective countries.

Indonesia has introduced a total of 16 Russian Su-27 fighters and Su-30 fighters by 2013. Moreover, discussions are underway with Russia regarding the purchase of Su-35 fighters. In 2011, an agreement was reached regarding the U.S. provision of 24 F-16 fighters, three of which were delivered in July 2014. With the ROK, Indonesia concluded an agreement in December 2011 to purchase three ROK-made 209-class submarines. The two countries started joint development of the KF-X fighter, and in October 2014, concluded a basic agreement which sets forth the details of their cost sharing and bilateral cooperation. In addition, Indonesia is domestically building two frigates based on the Dutch Sigma-class vessel. The first of these vessels was delivered in January 2017.

In 2009, Malaysia introduced two Scorpène-class submarines (jointly developed by France and Spain) as its first submarines. In November 2014, Malaysia reportedly concluded an agreement to purchase six corvettes from the ROK. Malaysia announced a plan to build six indigenous LCSs. It has been reported that the first of these vessels will be received in 2019. In November 2016, Malaysia concluded an agreement with China to purchase four littoral mission ships (LMS). Furthermore, it has also introduced 18 Russian-made Su-30 fighters by 2009.

The Philippines has taken steps in recent years to modernize its defense equipment against the backdrop of conflicts over territorial rights in the South China Sea. After the F-5 fighters were decommissioned in 2005, the Philippines did not have any fighters for some length.
of time. However, by May 2017, the Philippines has introduced 10 of the 12 FA-50 light fighters for which a purchase agreement had been concluded with the ROK, and it plans on introducing the remaining two before the end of the year. As for naval forces, the Philippines received three Hamilton-class frigates from the United States in 2011, 2012, and 2016, and in June 2014, it was reported that the ROK would provide decommissioned Pohang-class corvettes. Additionally, in October 2016, an agreement was reached with the ROK to build two frigates and in June 2016 it placed into service the first dock landing ship procured from Indonesia. By January 2015, seven Italian AW109 multi-purpose helicopters tailored to wide-ranging naval missions, such as maritime patrol, have been delivered. Additionally, the Philippines has announced plans to procure equipment, such as attack helicopter, long-range maritime patrol aircraft, transport vessel, and amphibious vehicle.

Singapore is actively striving to modernize its forces. By 2012, Singapore introduced two Archer-class (Västergötland-class) submarines from Sweden. In December 2013, Singapore concluded an agreement to purchase two German 218SG-class submarines, and announced a plan to build eight indigenous patrol vessels. With regard to fighters, Singapore inducted U.S.-made F-15 fighters and participates in the F-35 Joint Strike Fighter (JSF) Program.

Thailand has an aircraft carrier but does not own submarines. In July 2014, Thailand established the Submarine Squadron Headquarters, and has started the evaluation work to procure submarines. In July 2015, it was reported that the Royal Thai Navy decided on a plan to purchase Chinese-made submarines. While it was deemed that subsequently Minister of Defence Prawit Wongsuwon instructed the reconsideration of the plan, in April 2017 Thailand’s cabinet approved a plan to purchase three Yuan-class submarines from China over the next 11 years. With regard to frigates, in September 2012, the Cabinet approved a plan to introduce two frigates, and concluded an agreement to purchase an ROK-made frigate for the first frigate. In addition, by 2013, Thailand has introduced 12 Swedish-made JAS-39 Gripen fighters.

In December 2009, Vietnam concluded a contract to purchase six Russian-made Kilo-class submarines and introduced all of them by January 2017. In 2013, it was reported that Vietnam concluded a contract to purchase two Dutch-made Sigma-class corvettes. Plans call for an additional four Gepard-class frigates to be procured from Russia to add to the two currently in service. Furthermore, Vietnam reportedly concluded a contract to purchase 24 Russian-made Su-30 fighters from 2009 to 2011, and concluded a contract to additionally purchase 12 of the same fighter by 2013.

**4 Trends concerning Sovereignty and Other Issues over the South China Sea**

In the South China Sea, ASEAN countries and China have competing claims to such areas as the Spratly Islands and the Paracel Islands. Under these circumstances, China’s unilateral, large-scale, and rapid land reclamation and building of facilities have heightened tension in the region, increasing international concern over freedom of navigation in the seas and other dimensions. Against this backdrop, the international community’s deep concern over the unilateral changes in the status quo and their creation of a fait accompli is quickly becoming ever more widespread.

In recent years, the relevant countries and others are increasing their activities in the South China Sea in support of their territorial claims.

China enacted the Act on the Territorial Sea and the Contiguous Zone of the People’s Republic of China in 1992, which stated that the Spratly Islands and the Paracel Islands are the territories of China. In addition, China attached a map of the “nine-dash line” to a verbal note addressed to the UN in 2009, in which it made claims to the parts of the South China Sea that purportedly came under China’s sovereignty, sovereign rights, and jurisdiction. The “nine-dash line” has given rise to competing claims with Southeast Asian countries over the sovereignty and other aspects of the South China Sea. To date, China has not offered any concrete explanations regarding the relationship between the “nine-dash line” and relevant international norms. In June 2012, China announced the establishment of Sansha City in Hainan Province, which claims to have jurisdiction over the islands of the Spratly Islands, the Paracel Islands, the Macclesfield Bank, and their surrounding waters. In November 2013, Hainan

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36 The plan to purchase Chinese-made submarines for the Royal Thai Navy approved by Thailand’s cabinet on April 18, 2017 first calls for purchasing one vessel in installments appropriated over the budgets from 2017 to 2023, and then procuring a total of three vessels over the next 11-year period. On May 5, a contract was concluded on the purchase of one of these three submarines.

37 The area surrounding the Spratly Islands is expected to have offshore resources such as oil and natural gas. The area is also a maritime transport hub and is blessed with rich fishery resources.

38 China, Taiwan, Vietnam, the Philippines, Malaysia, and Brunei claim sovereignty over the Spratly Islands. China, Taiwan, and Vietnam claim sovereignty over the Paracel Islands.
Province amended its regulation on the implementation of China’s fishing law, stipulating that foreign fishing vessels that wish to carry out fishing activities in waters under the jurisdiction of Hainan Province must obtain permission from the relevant departments under China’s State Council. In January 2016, China set out a maritime policy for the next five years beginning from 2016, which stated that China would build a “Spratly Islands ecosystem protection zone.”

In March 2009, the Philippines passed the so-called Archipelagic Baselines Law, stating that the Philippines has sovereignty over part of the Spratly Islands and the Scarborough Shoal pursuant to UNCLOS. In May 2009, Vietnam and Malaysia jointly requested to the Commission on the Limits of the Continental Shelf (CLCS) an extension of the continental shelf of the sea area that includes part of the Spratly Islands. In June 2012, Vietnam adopted the Maritime Law (effective January 2013) that asserts its sovereignty over the Spratly and Paracel Islands.

Some of the countries concerned in the South China Sea have reportedly resorted to the use of force on the opposing country’s vessels, including seizing vessels and firing warning shots, and the concerned countries have mutually lodged protests against these actions. In May 2014, China’s unilateral commencement of oil drilling in waters near the Paracel Islands triggered confrontations between Chinese and Vietnamese vessels, and many vessels reportedly sustained damages due to collisions. In July 2015, a Vietnamese fishing vessel was rammed by a Chinese vessel and sunk near the Paracel Islands. Similar incidents are believed to have taken place in September 2015 and January, March, and July 2016. In November 2015, a Chinese vessel allegedly appeared

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39 According to the Republic Act No. 9522. This law gives the location of the baselines of the archipelago in terms of latitude and longitude, including of Luzon Island, Palawan Island, and Mindanao Island. However, for the Spratly Islands (Filipino name: Calayan Islands) and the Scarborough Shoal (Filipino name: Bajo de Masinloc), the law states that the baseline is based on the “Regime of Islands” under Article 121 of UNCLOS and does not give the geographical location of the baseline.

40 The Commission on the Limits of the Continental Shelf (CLCS) is a body established under UNCLOS (Article 76 and Article 1 of Annex I). Coastal states (signatories) submit information concerning the continental shelf to CLCS when establishing the outer limits of the continental shelf beyond 200 nautical miles, and then CLCS issues a recommendation based on scientific and technical guidelines. The limits of the continental shelf based on the CLCS recommendation is final and binding for coastal states. CLCS consists of 21 members serving a term of five years. Members must be experts in the field of geology, geophysics or hydrography, and serve in their personal capacities.
purposes, including runways, hangars, harbors and radar. types of infrastructure that can be used for military reclamation activities and continued to install military has pushed forward with rapid and large-scale land build facilities on the features they respectively occupy, in the South China Sea conduct land reclamations and his intention to push forward with repairs of the runway. Secretary landed on Thitu Island, effectively controlled the bows of Filipino fishing vessels. Furthermore, the China Coast Guard vessels fired warning shots across in March 2017 in waters near the Spratly Islands when diplomatic channels concerning an incident that occurred in March 2017 in waters near the Spratly Islands when China Coast Guard vessels fired warning shots across the bows of Filipino fishing vessels. Furthermore, the Secretary landed on Thitu Island, effectively controlled by the Philippines, in a military aircraft where he stated his intention to push forward with repairs of the runway.

Furthermore, some of the countries concerned in the South China Sea conduct land reclamations and build facilities on the features they respectively occupy, including the Spratly Islands. Since 2014, China has pushed forward with rapid and large-scale land reclamation activities and continued to install military facilities such as batteries, as well as develop various types of infrastructure that can be used for military purposes, including runways, hangars, harbors and radar. 41

Vietnam is believed to have carried out land reclamation covering 486,000 square meters over the most recent two-year period at a total of 10 marine features, including Spratly Island in the Spratly Islands and West London Reef. It has also been noted that Vietnam has lengthened the runway on Spratly Island from 760 to more than 1000 m. 42 Additionally, in August 2016, it was reported that Vietnam newly deployed rocket launchers to five sites in the Spratly Islands over a several month period, but the Government of Vietnam has denied such reports. In 2011, the Philippines unveiled a plan to repair the harbor and runway on Thitu Island of the Spratly Islands.

Under these circumstances, some countries involved to date are also making efforts to settle the issues in accordance with international law. In January 2013, the Philippines instituted arbitral proceedings pursuant to UNCLOS for the dispute over China’s assertions and actions in the South China Sea. In July 2015, the Philippines presented oral arguments in The Hague in the Netherlands to determine whether or not the arbitral tribunal had jurisdiction over the submissions made by the Philippines. In October 2015, the arbitral tribunal ruled that it had jurisdiction with respect to some of the matters. In response, China issued a statement saying that this decision was “invalid and has no binding force,” and reiterated its position that it would not participate in the proceedings. In July 2016, the arbitral tribunal rendered a final ruling in which it ruled in favor of nearly all of the Philippines’ submissions. 43 In response, China once again issued a statement noting that the ruling was invalid and had no binding force and that China opposed and refused to accept it. Pursuant to UNCLOS provisions, the award of the arbitral tribunal is final and is legally binding on the parties to the dispute, and therefore, it is necessary that the parties adhere to the award.

Also, in 2002, ASEAN and China signed the Declaration on the Conduct of Parties in the South China Sea (DOC) 44 aimed at peacefully resolving the issues over the South China Sea. Official talks are now ongoing for

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41 Thitu Island (Filipino name: Pag-as Island) is a feature located near Subi Reef where China is building a runway. The mayor with jurisdiction over the island spotted the China Coast Guard vessel. This was reportedly the first time that a vessel anchored for as long as ten days.

42 According to the Ministry of Foreign Affairs of Vietnam, on January 16, 2016, China’s oil rig “Haiyang Shiyou 981” was found 21.4 nautical miles east of the assumed median line where the Vietnamese and Chinese continental shelves overlap. It is believed that representations were lodged to China on January 18.

43 According to an article of the CSIS and AMTI. It is reportedly known that approximately 151,000 square meters were reclaimed in the Spratly Islands (Vietnamese name: Quan doi Tuong Sai) from May 2014 to November 2016 and 285,000 square meters were reclaimed on West London Reef (Vietnamese name: Da Tay) during the four-year period from March 2013 to April 2016.

44 With regard to the “nine-dash line” and China’s claim to historic rights, the arbitral tribunal found that China’s claims to historic rights with respect to the maritime areas encompassed by the “nine-dash line” are contrary to UNCLOS and without lawful effect to the extent that they exceed the limits of China’s maritime entitlements under UNCLOS. With regard to the legal status of features, the arbitral tribunal found that all of the features in Scarborough Shoal and the Spratly Islands (including Itu Aba Island [Taiwanese name: Taiping Dao]) have no EEZ or continental shelf. With regard to the legality of Chinese activities, the tribunal found that China has unlawfully prevented Filipino fishermen from engaging in traditional fishing at Scarborough Shoal, violated its obligations to protect the marine environment through its largescale land reclaims, artificial island-building, and other activities, violated its obligations pertaining to navigation safety by virtue of the dangerous navigation by its law enforcement vessels, breached the Philippines’ sovereign rights through its land reclaims at Mischief Reef, and violated its obligations by aggravating and extending the disputes through its dredging, artificial island-building, and other activities following the commencement of arbitral proceedings.

45 The DOC includes commitments to resolve territorial and other disputes by peaceful means, and to reaffirm that the adoption of a code of conduct would further promote peace and stability in the region and work towards the attainment of this objective, based on the principles of international law.
establishing the Code of the Conduct of Parties in the South China Sea (COC), which goes into further detail than the DOC and is deemed to have legal binding force. China and ASEAN announced that they have completed negotiation of the draft COC framework in May 2017. However, China’s Vice Foreign Minister Liu Zhenmin, who took part in the talks, said “The framework contains only the relevant elements and is not yet the detailed rules,” and with regard to the legal binding force of the framework, he stated, “It is an important issue that should be discussed in the next step of the consultation process, and it is difficult to respond based on predictions at the current time.” The progress of these talks will be the focus of attention.

The issues surrounding the South China Sea have been discussed repeatedly at ASEAN-related meetings and other fora, with a view to achieving their peaceful resolution. However, as exemplified by the unprecedented situation in the past that led to the failure to adopt an ASEAN joint statement, there have been instances in which consensus was not reached among the member states. Nevertheless, at the ASEAN Summit in 2015, members shared concerns regarding the possibility of further militarization in the South China Sea. At the East Asia Summit held in the same month that was also attended by non-ASEAN countries, members took note of the serious concerns regarding developments related to the situation in the South China Sea. The Chairman’s Statement included reference to the fact that the members welcomed assurances given by President Xi Jinping of China during his visit to the United States in September 2015 that China “does not intend to pursue militarization in the South China Sea.” Meanwhile, at the Special ASEAN-China Foreign Ministers’ Meeting held in June 2016, a joint statement expressing serious concern over the situation in the South China Sea was released but was withdrawn immediately and the joint press conference was likewise canceled. This was suggested as indicating dissention within ASEAN and more intense confrontation between ASEAN and China.

The issues surrounding the South China Sea are a matter of concern for the whole international community, and are directly related to the peace and stability of the Asia-Pacific region. As such, attention will continue to be paid to trends in the countries concerned, as well as the direction of dialogues aimed at the resolution of the issues.

### Regional Cooperation

The ASEAN Community established on December 31, 2015 is comprised of three pillars, namely, cooperation by the ASEAN Political-Security Community, ASEAN Economic Community, and ASEAN Socio-Cultural Community. The first of these, the ASEAN Political-Security Community (APSC), adopts the principle of building on what has been constructed over the years in the field of political and security cooperation through ASEAN’s initiatives, and of aiming to ensure a peaceful life in a democratic and harmonious environment. The APSC Blueprint 2025 identifies the four characteristics of (1) aiming to become a rules-based, people-oriented, people-centered community; (2) aiming to become a peaceful, secure, and stable region; (3) aiming for dynamic and outward-looking ASEAN centrality; and (4) aiming for strengthened ASEAN institutional capacity and presence.

ASEAN member states also utilize ASEAN as the multilateral security framework of the region that it has been over the years. ASEAN holds mechanisms such as the ARF and ADMM, which provide opportunities for dialogue on security issues. Furthermore, ASEAN has made efforts to improve the security environment in the region and promote mutual trust, for example, by holding the ASEAN Militaries’ Humanitarian Assistance and Disaster Relief Table-Top Exercise (AHR). In addition, ASEAN attaches importance to expanding its relations with countries outside of the region. It holds the ASEAN Defense Ministers’ Meeting Plus (ADMM Plus), a platform that adds eight non-ASEAN countries including Japan to ADMM, and holds HA/DR exercises. Moving forward, ASEAN member states are expected to further develop such initiatives as dialogues, HA/DR exercises, and expansion of relations with non-ASEAN countries, in accordance with the principle and concepts of APSC.

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46 Meanwhile, China asserts that the installation of military facilities for defense purposes does not constitute “militarization.”

47 In addition to the framework of the ADMM Plus, defense ministers’ meetings are held between the United States and ASEAN, China and ASEAN, Russia and ASEAN, and Japan and ASEAN. In April 2014, a U.S.-ASEAN defense ministers’ meeting was held in the United States for the first time.

48 In May 2015, the fourth ARF Disaster Relief Exercise was held in Malaysia. The exercise was participated by more than 2,000 personnel from ARF member countries, including co-organizers Malaysia and China as well as Japan, the United States, Australia, and ASEAN member states.