

**Tacit Understandings: Explaining Maritime  
Southeast Asia's Restraint towards China in the  
Post-Cold War Period**

by

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**A thesis submitted for the degree of Doctor of Philosophy of The Australian National  
University**

**February 2025**

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## **Thesis abstract**

Why have Southeast Asian states persistently shown restraint towards China in the South China Sea after the Cold War? How have their practices of restraint evolved, and why? Rather than adopting confrontational positions, Southeast Asian states have deliberately limited hostile actions, embraced conciliatory maritime defence postures, avoided framing China as a threat, and only selectively contested Beijing. This persistent restraint has endured despite variations in economic cooperation, material capabilities, and domestic politics—factors often cited to explain it. This study finds that Indonesia, Malaysia, and the Philippines negotiated tacit understandings with China in the late 1980s and early 1990s to maintain stability without needing to resolve underlying disputes. These implicit bilateral concords underpinned their strategic decisions to exercise restraint and shaped the specific practices they adopted. Drawing on extensive fieldwork and over 100 interviews with officials from the three Southeast Asian states, the study establishes a causal link between tacit understandings and the persistence of restraint. It demonstrates that changes in these understandings directly influenced how restraint was practised, explaining variations in behaviour among Southeast Asian states. To identify critical moments when tacit understandings are most observable, the study introduces the Tacit Understanding Framework—an original tool for systematically comparing and confirming tacit understandings across cases.

This research offers a new way of interpreting the history of contestation in the South China Sea after the Cold War. Instead of viewing disputes in isolation, it presents them as part of broader efforts in relationship management and the negotiation of bilateral and regional practices. Additionally, it contributes to the International Relations literature on rising power legitimisation, showing how Southeast Asian states negotiated restraint with China by recognising and leveraging Beijing's desire to recruit regional partners and establish itself as a legitimate power.

## Notes to readers

1. For the best reading experience, I recommend viewing this thesis from a screen or printing in **colour**, as it incorporates visual and colour-coding elements that are integral to enhancing the reading experience.
2. When viewing the document on an electronic device, readers can use the navigation pane function to access the table of contents, making it easier to move between chapters. Hyperlinks are included for quick reference to descriptions of the framework in Chapters 1 and 2.
3. Each empirical chapter (Chapters 3–7) begins with a figure illustrating the thesis' analytical framework, highlighting the stages applied in that chapter. Detailed information about the framework is provided in Chapter 2.
4. As this thesis offers both dense empirical and conceptual analysis, each chapter includes a map that outlines and summarises its purpose and content to aid readability. This helps readers gain a bird's-eye view of the chapter, understand how the framework is applied, and preview key findings and concepts.
5. The total word count of this thesis is 80,317 words; 106,901 words including footnotes; and 121,435 words including front and back matter, such as sources and bibliography. The word count for each chapter is listed on its title page.

## Acknowledgements

I want to express my deepest gratitude to my mentor, Dr Evelyn Goh, Shedden Professor of Strategic Policy Studies at the ANU, whose guidance has shaped my ideas and steered my thesis from inception to completion. She encouraged me to pursue various ideas—some ambitious, even audacious—recognising their potential as innovations. At the same time, she instilled a sense of realism, helping me discern which ideas were worth pursuing and which were distractions from my ultimate goal.

I am also grateful to my supervisory panel, Dr Amy King and Dr Cheng-Chwee Kuik, for their invaluable feedback on various chapters. Dr King has been instrumental in helping me maintain conceptual focus, while Dr Kuik has guided me through the nuances of the field, particularly where empirical complexities required careful interpretation.

I extend my thanks to numerous scholars from various institutions who have supported me throughout my PhD journey:

The S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University, Singapore, provided me with a PhD grant at the outset, supplementing my research and fieldwork. Many professors and colleagues at RSIS offered insights, contacts, and guidance. In particular, I want to thank Dr Leonard Sebastian, Dr Joseph Liow, Dr Ang Cheng Guan, and Dr Pascal Venesson. I am also grateful to my colleagues at the Indonesia Programme, particularly Dr Alex Arifianto, the current director, who introduced me to diverse research methodologies.

I had the opportunity to conduct fieldwork in Indonesia at various points, particularly from February to June 2022, with additional visits and online interviews. I am especially grateful to Alman Helvas Ali, who generously connected me with military elites and naval officials in Indonesia. I also extend my thanks to my friend and colleague Dr Klaus H. Raditio,

who facilitated introductions with officials at the Indonesian Ministry of Foreign Affairs. My appreciation also goes to the International Relations Department at the University of Indonesia, which helped organise an initial roundtable with stakeholders across maritime agencies—an experience that shaped my understanding of Indonesia’s perspectives on China in the maritime domain.

I conducted six months of fieldwork in Malaysia (July–December 2022) as a recipient of the Maritime Exchange Fellowship Programme. I am grateful to the Institute of Malaysian and International Studies (IKMAS), National University of Malaysia, for hosting me during this critical period for my Malaysia-China chapter. In Malaysia, I benefited greatly from the guidance of Dr Kuik, who introduced me to scholars and policymakers. I also thank the ANU Malaysia Institute for selecting me for the Department of Foreign and Trade-funded grant and the Australian Embassy in Malaysia for facilitating introductions with key stakeholders in Kuala Lumpur. I sincerely appreciate Dr Lai Yew Meng at Universiti Malaysia Sabah, who kindly organised a roundtable with experts on Swallow Reef. My time in Sabah provided valuable insights into the differing perspectives between Sabah and Kuala Lumpur on the South China Sea.

In November 2023, I conducted three weeks of fieldwork in the Philippines with support from the ANU Higher Degree Research Fund. I am especially grateful to Rhisan Morales, a friend and colleague, for facilitating introductions with various scholars. My sincere thanks to Dr Jay Batongbacal and the Institute of Maritime Law and the Law of the Sea, University of the Philippines Diliman, for organising a roundtable and refining my ideas. I also appreciate the insights shared by Filipino scholars, which helped me better understand the complexities of the Philippines’ domestic politics and foreign policy.

I am grateful to my academic peers at the Strategic and Defence Studies Centre, especially Ristian Atriandi Supriyanto, Bradley Wood, Natalie Sambhi, Yusuke Ishihara, Hanh

Nguyen, and many others who have challenged my ideas, inspired me, and pushed me to grow as a scholar.

As a non-native English speaker, I have been fortunate to receive support from individuals who helped refine my writing. I thank Dr Erik Jahner, who patiently worked with me at the beginning of my thesis journey as I struggled to articulate my thoughts, and Lucas Robson, who helped me sharpen my writing to reflect my ideas accurately. I am also grateful to Dr Jane Scott and Nancy Owens for proofreading my entire thesis and guiding it to completion.

Throughout this journey, I have been surrounded by people who believed in me. Their faith has often manifested in their willingness to give me space to grow—even when it meant watching me struggle—because they trusted that I would reach the finish line.

I dedicate this journey to my mother, Rohayati, whose resilience has inspired me to persevere through hardships. Her determination has been a guiding light throughout my own journey.

## Table of contents

|   |           |
|---|-----------|
| <i>Thesis abstract</i> .....  | 2         |
| <i>Notes to readers</i> .....   | 3         |
| <i>Acknowledgements</i> .....   | 4         |
| <i>Table of contents</i> .....  | 7         |
| <i>List of abbreviations</i> .....  | 11        |
| <i>List of tables and figures</i> .....   | 13        |
| <br>  |           |
| <b><i>Chapter 1: Introduction</i></b> .....   | <b>15</b> |
| <b>Executive summary</b> .....  | <b>18</b> |
| <b>The puzzle: Four interlocking patterns of Southeast Asian states’ restraint towards China</b> .....                            | <b>22</b> |
| <b>Unpacking the dependent variable: Restraint as a concept</b> .....   | <b>32</b> |
| How does restraint differ from other concepts? .....  | 32        |
| Components of restraint .....   | 36        |
| <b>Chapter previews</b> .....   | <b>38</b> |
| Tacit understanding hypothesis .....  | 39        |
| Chapter 2: The Tacit Understanding Framework .....  | 40        |
| Chapters 3 & 4: Tracing the life cycle of tacit understandings. ....  | 43        |
| Chapter 5: Zooming in on the goal-oriented purposes of establishing tacit understandings.....                                     | 46        |
| Chapters 6 & 7: Unpacking how specific practices of restraint are dependent on adherence to particular tacit understandings ..... | 47        |
| Chapter 8: Conclusion .....   | 49        |
| <br>  |           |
| <b><i>Chapter 2: The Tacit Understanding Framework</i></b> .....  | <b>51</b> |
| <b>Introduction</b> .....   | <b>54</b> |
| <b>What are tacit understandings?</b> .....   | <b>56</b> |
| Understanding a baseline.....   | 58        |
| Understanding a redline.....  | 59        |
| Comparing explicit and tacit understandings .....   | 60        |
| Tacit understandings that underlie informal and formal agreements .....   | 63        |
| <b>Why do we need to account for tacit understandings to explain mutual restraint? ....</b>                                       | <b>65</b> |
| Insufficiency of capability-based explanation.....  | 66        |
| Insufficiency of bandwagoning-for-profit explanation .....  | 68        |
| Insufficiency of domestic political explanation.....  | 70        |
| How tacit understandings help to bridge existing gaps .....   | 72        |
| <b>Analytical framework: Stages of tacit understanding development</b> .....  | <b>72</b> |
| Antecedents .....   | 73        |
| Formation .....   | 75        |
| Maintenance .....   | 76        |
| <b>Notes on verification</b> .....  | <b>77</b> |

|  |                   |
|--|-------------------|
| Table 2.3 Eight co-occurrences of actions to confirm and falsify the existence of tacit understandings.....  | 79                |
| <b>Thesis plan: Employing the framework in empirical chapters .....</b>  | <b>82</b>         |
| <br>   |                   |
| <b><i>Chapter 3: Limited multilateralism: Indonesia’s tacit understanding with China for post-Cold War regional interests.....</i></b>                               | <b><i>95</i></b>  |
| <b>Introduction.....</b>   | <b>98</b>         |
| <b>Chapter organisation .....</b>  | <b>101</b>        |
| <b>Antecedents: Jakarta and Beijing enable negotiation of tacit understandings despite mutual suspicion.....</b>   | <b>103</b>        |
| Underlying conditions and triggering factors: Addressing reciprocal suspicion .....  | 105               |
| Signalling sincerity: The empowerment of KEMLU .....   | 110               |
| <b>Formation: Establishing two tacit understandings for restraint.....</b>   | <b>115</b>        |
| Inter-state negotiation: Jakarta and Beijing establishing two tacit understandings in July 1995 .....  | 116               |
| ‘Regional dissemination’ of the second tacit understanding .....   | 126               |
| <b>Maintenance: Limited multilateralism (TU-ID-2).....</b>   | <b>129</b>        |
| Brief overview of limited multilateralism .....  | 130               |
| Limits of behaviour in the ARF.....  | 132               |
| Limits of behaviour in the SCS Workshop.....   | 137               |
| <b>Conclusion .....</b>  | <b>143</b>        |
| <br>   |                   |
| <b><i>Chapter 4: Changing tacit understandings: Explaining Indonesia’s shifting practices of restraint towards China in the South China Sea (1997-2022).....</i></b> | <b><i>147</i></b> |
| <b>Introduction.....</b>   | <b>150</b>        |
| <b>Chapter organisation .....</b>  | <b>152</b>        |
| <b>Brief overview: Maintaining divergence.....</b>   | <b>154</b>        |
| <b>Domestic negotiation: Accepting the tacit understanding (1995-97) .....</b>   | <b>156</b>        |
| Alatas’ directive to KEMLU .....   | 157               |
| Persuading the Indonesian military (TNI).....  | 159               |
| <b>Maintenance: Practices of restraint as a result of maintaining divergence (1997–2016) .....</b>   | <b>161</b>        |
| Avoiding seeking a resolution.....   | 162               |
| Refraining from enforcing claims.....  | 166               |
| Policing narratives to hide the disagreements .....  | 171               |
| <b>Abandonment of maintaining divergence (TU-ID-1) .....</b>   | <b>173</b>        |
| 19 March 2016: Holding on to the tacit understanding .....   | 173               |
| 30 May-17 June 2016: Reassessing the maintenance of the divergence .....   | 175               |
| From July 2016 onwards: After the abandonment .....  | 178               |
| <b>Validating TU-ID-1 by comparing it to a new tacit understanding (TU-ID-3).....</b>  | <b>181</b>        |
| Sharing usage (TU-ID-3).....   | 182               |
| Changes: Comparing practices of restraint facilitated by TU-ID-1 and TU-ID-3 .....   | 185               |
| <b>Conclusion .....</b>  | <b>189</b>        |

***Chapter 5: Variation of tacit understandings: Comparing Malaysia and the Philippines’ establishment of tacit understandings with China ..... 195***

|   |            |
|---|------------|
| <b>Introduction.....</b>  | <b>198</b> |
| <b>Chapter organisation .....</b>   | <b>200</b> |
| <b>Forming tacit understandings: The Malaysia-China Case, 1985-1992.....</b>  | <b>202</b> |
| Antecedents: Malaysia’s re-evaluation of its regional strategy.....   | 202        |
| Forming two tacit understandings .....  | 204        |
| Negotiating tacit understandings with China: Malaysia’s experience.....   | 215        |
| <b>Forming a tacit understanding: The Philippines-China case (February–August 1995)</b><br><b>.....</b>   | <b>217</b> |
| Antecedents: The inability of Manila and Beijing to establish tacit understandings, and regional pressure<br>for them to find ways to coexist ..... | 218        |
| Between confrontation and signalling sincerity .....  | 220        |
| Inter-state negotiation: Establishing ‘dispute preservation’ .....  | 225        |
| Negotiating a tacit understanding with China: The Philippines’ experience .....   | 227        |
| <b>Conclusion .....</b>   | <b>231</b> |

***Chapter 6: Evolving practices of restraint: How Malaysia and China maintained their tacit understandings (1993-2022)..... 233***

|   |            |
|---|------------|
| <b>Introduction.....</b>  | <b>236</b> |
| <b>Chapter organisation .....</b>   | <b>238</b> |
| <b>Brief overview: The two tacit understandings .....</b>   | <b>239</b> |
| <b>1993-97: The changing baseline and redline of the first tacit understanding as a<br/>transitional step .....</b> | <b>241</b> |
| Modifying the content of TU-MY-1: Discouraging the myopic view .....  | 242        |
| <b>1998-2009: Leveraging China’s rise: Modifying the two tacit understandings (TU-<br/>MY-1.2 and TU-MY-2).....</b> | <b>259</b> |
| Reinforcing the redline of avoiding myopia.....   | 260        |
| Changing baseline: Towards leveraging China.....  | 261        |
| Modifying ‘maintaining divergence’ (TU-MY-2).....   | 264        |
| <b>2009-22: Instituting a relational redline .....</b>  | <b>267</b> |
| Towards TU-MY-2.3.....  | 268        |
| Reinforcing prior restraint and adding new restraint practices.....   | 271        |
| <b>Conclusion .....</b>   | <b>275</b> |

***Chapter 7: Inertia, abandonment, and reinstatement: How the Philippines and China maintained their tacit understanding (1995-2022) ..... 281***

|                                   |            |
|-----------------------------------|------------|
| <b>Introduction.....</b>          | <b>284</b> |
| <b>Chapter organisation .....</b> | <b>287</b> |

|  |            |
|--|------------|
| <b>Brief overview: The tacit understanding (‘dispute preservation’)</b> .....  | <b>289</b> |
| <b>Inertia: Comparing the maintenance of tacit understanding during the Estrada (1998-2001) and Arroyo (2001-2010) administrations</b> ..... | <b>292</b> |
| Maintaining tacit understanding: Joseph Estrada .....  | 292        |
| Maintaining tacit understanding: Gloria M Arroyo.....  | 296        |
| Brief comparison .....   | 300        |
| <b>Abandonment: The struggle to maintain the tacit understanding during Aquino....</b>   | <b>301</b> |
| Aquino’s failed effort to renegotiate the tacit understanding .....  | 302        |
| Abandoning the tacit understanding .....   | 303        |
| Beijing made the tacit understanding public .....  | 306        |
| Unrestrained actions: Relationship after the abandonment of tacit understanding (2013-16) .....  | 308        |
| <b>Reinstatement of the prior tacit understanding under Duterte</b> .....  | <b>312</b> |
| Reinstating prior tacit understanding .....  | 313        |
| Maintenance .....  | 318        |
| <b>Conclusion</b> .....  | <b>323</b> |
| <br>   |            |
| <b><i>Chapter 8: Conclusion</i></b> .....  | <b>327</b> |
| <b>Introduction</b> .....  | <b>330</b> |
| <b>How tacit understandings address the puzzle of the persistence of Southeast Asian states’ restraint towards China</b> .....               | <b>331</b> |
| First hypothesis refinement: Goal-oriented purposes of establishing tacit understandings for restraint....                                   | 332        |
| The durability of tacit understandings in facilitating restraint .....   | 334        |
| Second hypothesis refinement: How tacit understandings shape Southeast Asian states’ restraint toward China.....                             | 336        |
| Examining the variation in the dependent variable—‘persistence’ of restraint .....   | 337        |
| <b>Tacit understandings: Broader theoretical significance</b> .....  | <b>341</b> |
| Tacit understandings as self-help .....  | 342        |
| Setting conditions in negotiations .....   | 344        |
| Constraining a rising power without formal agreements.....   | 346        |
| <b>Tacit understandings: Broader insights into the survival strategies of Southeast Asian states during times of acute uncertainty</b> ..... | <b>349</b> |
| Making sense of the South China Sea disputes: Contestation and hostility as integral to the relationship                                     | 350        |
| Understanding the role of economic factors behind Southeast Asian states’ restraint towards China .....                                      | 352        |
| Avoiding myopia: why the South China Sea disputes are intertwined with broader interests.....  | 354        |
| <br>   |            |
| <b><i>Sources and Bibliography</i></b> .....   | <b>356</b> |
| <b>Field notes</b> .....   | <b>356</b> |
| Indonesia.....   | 357        |
| Malaysia .....   | 359        |
| The Philippines .....  | 361        |
| <b>Notes on Documents</b> .....  | <b>361</b> |
| WikiLeaks.....   | 362        |
| Speeches .....   | 362        |
| Press releases and official publications .....   | 367        |
| Magazines, newspapers, and blog posts .....  | 369        |
| Books and journal articles .....   | 377        |

## **List of abbreviations**

|         |  |
|---------|--|
| AMM     | ASEAN Ministerial Meeting                            |
| APT     | ASEAN Plus Three                                     |
| ARF     | ASEAN Regional Forum                                 |
| ASEAN   | Association of Southeast Asian Nations               |
| BAKAMLA | The Indonesian Maritime Security Agencies            |
| CBMs    | Confidence Building Measures                         |
| CCG     | Chinese Coast Guard                                  |
| CLCS    | Commission on the Limits of the Continental Shelf    |
| CSCAP   | Council for Security Cooperation in the Asia Pacific |
| DV      | Dependent Variable                                   |
| EAEC    | East Asia Economic Caucus                            |
| EAEG    | East Asia Economic Grouping                          |
| EAS     | East Asia Summit                                     |
| EDCA    | Enhanced Defense Cooperation Agreement               |
| EEZ     | Exclusive Economic Zone                              |
| FM      | Foreign Minister                                     |
| FMPRC   | Foreign Ministry of the People's Republic of China   |
| IR      | International Relations                              |
| ISG     | Inter-Sessional Support Group                        |
| IV      | Independent Variable                                 |
| JMSU    | Joint Marine Seismic Undertaking                     |
| KEMLU   | Foreign Ministry of the Republic of Indonesia        |
| MDT     | Mutual Defence Treaty                                |

|        |   |
|--------|---|
| PCA    | Permanent Court of Arbitration                      |
| PCG    | The Philippines Coast Guard                         |
| PLA    | People’s Liberation Army                            |
| PLAN   | People’s Liberation Army Navy                       |
| PMO    | Prime Minister Office                               |
| PN     | The Philippines Navy                                |
| RMN    | The Royal Malaysian Navy                            |
| SCS    | South China Sea                                     |
| TAC    | Treaty of Amity and Cooperation                     |
| TNI    | The Indonesian Armed Forces                         |
| TU     | Tacit Understandings                                |
| TUF    | The Tacit Understandings Framework                  |
| UN     | United Nations                                      |
| UNCLOS | United Nations Convention on the Law of the Sea     |
| US     | United States                                       |
| VFA    | Visiting Forces Agreement                           |
| ZoPFFC | Zone of Peace, Freedom, Friendship, and Cooperation |

**Coding convention for tacit understandings**

For clarity, I adopt a naming convention for referring to tacit understandings, as follows:

| TU                  | ID/MY/PH  | 1/2/3  |
|---------------------|---|--|
| Tacit Understanding | Dyad<br>ID – Indonesia-China<br>MY – Malaysia-China<br>PH – Philippines-China | Chronological number<br>(decimals show variations) |

So, for example, the first tacit understanding between Indonesia and China is referred to as TU-ID-1.

## **List of tables and figures**

### **List of tables**

|   |     |
|---|-----|
| Table 1.1 Chapter 1 map .....   | 16  |
| Table 2.1 Chapter 2 map .....   | 52  |
| Table 2.2 Summary of the differences between explicit and tacit understandings .....                            | 61  |
| Table 2.3 Eight co-occurrences of actions to confirm and falsify the existence of<br>tacit understandings ..... | 79  |
| Table 3.1 Chapter 3 map .....   | 96  |
| Table 4.1 Chapter 4 map.....  | 148 |
| Table 5.1 Chapter 5 map .....   | 196 |
| Table 6.1 Chapter 6 map .....   | 234 |
| Table 7.1 Chapter 7 map .....   | 282 |
| Table 8.1 Chapter 8 map .....   | 328 |

### **List of figures**

|  |     |
|--|-----|
| Figure 2.1 Stages of tacit understanding development and overall plan for this thesis.....                                       | 82  |
| Figure 3.1 Stages of tacit understanding development applied in Chapter 3.....   | 98  |
| Figure 3.2 Summary of Indonesia-China second tacit understanding (TU-ID-2) .....   | 132 |
| Figure 4.1 Stages of tacit understanding development applied in Chapter 4 .....  | 150 |
| Figure 4.2 Summary of Indonesia-China first tacit understanding (TU-ID-1) .....  | 156 |
| Figure 4.3 Summary of Indonesia-China third tacit understanding (TU-ID-3) .....  | 185 |
| Figure 5.1 Stages of tacit understanding development applied in Chapter 5 .....  | 198 |
| Figure 5.2 The 1995 negotiation of a tacit understanding to acknowledge<br>the dispute as part of Beijing-Manila relations ..... | 229 |

|   |     |
|---|-----|
| Figure 6.1 Stages of tacit understanding development applied in Chapter 6 .....   | 236 |
| Figure 6.2 Summary of Malaysia-China tacit understandings (as of 1992) .....  | 241 |
| Figure 6.3 From TU-MY-1 to TU-MY-1.2 .....  | 246 |
| Figure 6.4 From TU-MY-1.2 to TU-MY-1.3 .....  | 261 |
| Figure 6.5 From TU-MY-2 to TU-MY2.2 .....   | 265 |
| Figure 6.6 The second modification of the content of the second tacit understanding<br>—maintaining divergence.....                         | 270 |
| Figure 6.7 The delineation of tactical and relational redlines created space<br>for extended acceptable hostilities .....                   | 271 |
| Figure 6.8 Visualisation of how the modification of tacit understandings<br>corresponded with the evolution of practices of restraint ..... | 278 |
| Figure 7.1 Stages of tacit understanding development applied in Chapter 7 .....   | 284 |
| Figure 7.2 Dispute preservation as a tacit understanding and the restraint it facilitated ....  | 292 |
| Figure 7.3 Failed renegotiation of the tacit understanding during Estrada period .....  | 300 |
| Figure 7.4 Failed renegotiation of the tacit understanding during Arroyo period .....   | 301 |
| Figure 7.5 The abandonment of prior practices of restraint .....  | 308 |
| Figure 7.6 Abandonment of the tacit understanding during the Aquino period and its<br>reinstatement during the Duterte administration ..... | 312 |
| Figure 8.1 The variation of persistence of restraint .....  | 338 |

## **Chapter 1: Introduction**

Word count: 8,875 (11,713 including footnotes)

**Table 1.1 Chapter 1 map**

| Purpose: Unpacking the utility of treating ‘restraint’ as the dependent variable.            |   |
|--|---|
| Section  | Content highlight   |
| 1: Executive summary   | <ul style="list-style-type: none"> <li>• Previewing the purpose of the thesis.</li> <li>• Highlighting the broader significance of investigating smaller states' restraint toward a rising power, contributing to the literature on rising power legitimation.</li> </ul>   |
| 2: The puzzle: Four interlocking patterns of Southeast Asian states’ restraint towards China | <p>Southeast Asian states exhibited four patterns of restraint: (a) self-restraint in response to Beijing's hostility, (b) restraining others from hostile actions towards Beijing, (c) ‘limited resistance’ to protect national interests without provoking humiliation, and (d) persuading Beijing to moderate its power through overlapping regional mechanisms.</p> <p><b><i>Research puzzle:</i></b> How can we explain the persistence of Southeast Asian states’ restraint towards China post-Cold War, especially in light of the South China Sea disputes?</p> <p><b><i>Southeast Asian states’ restraint towards China:</i></b></p> <ul style="list-style-type: none"> <li>• First, the thesis challenges the assumption that smaller powers avoid bilateral approaches due to power imbalances, highlighting the lasting influence of domestic factions advocating restraint in response to Chinese hostility.</li> <li>• Second, it shows that restraint does not eliminate hostility.</li> <li>• Third, Beijing’s tolerance of limited resistance from smaller states suggests that mutual restraint, without formal agreements, has been reciprocated. It challenges neoliberal institutionalist claims that a rising power must reassure smaller states through institutions.</li> </ul> <p>Furthermore, this thesis contributes to existing literature in two ways: (1) it details the process by which restraint practices were established, showing how both Beijing and Southeast Asian states signalled readiness to negotiate terms despite domestic opposition, and (2) it explores the difficulty of maintaining restraint across administrations, considering domestic politics, economic cooperation, and the shifting balance of power, offering a more comprehensive understanding of the persistence of restraint in the South China Sea.</p> |
| 3: Unpacking the dependent variable: Restraint as a concept                                  | <p><u>How restraint differs from other concepts:</u></p> <p><b><i>Restraint and appeasement:</i></b> The commonality between the two concepts lies in the “active” decision to meet specific demands with the hope of influencing the other party’s behaviour. However, appeasement emphasises concessions to resolve disputes, while restraint emphasises coexisting with disagreements. Furthermore, restraint does not rule out hostilities; it allows parties to quarrel</p>  |

|                     |   |
|---------------------|---|
|                     | <p>within limits. If restraint leads to tension reduction, this is a by-product.</p> <p><i>Restraint and bandwagoning:</i> Two characteristics of bandwagoning bear a resemblance to restraint: it arises as a smaller power's accommodation to pressure (either latent or manifest) from the adversary; and it reflects a willingness to support or tolerate illegitimate actions by the adversarial state. However, restraint should not be perceived as the acceptance of subordination, but rather as smaller states making deliberate choices. It is a carefully calculated decision resulting from negotiations between unequal powers.</p> <p><i>Restraint and balancing:</i> Neoclassical realists tend to argue that the failure to balance (under-balancing) or the decision not to balance (non-balancing), characterised by the lack of response from Southeast Asian states in the face of China's increasing assertiveness, is a result of their contested domestic political landscapes. The neoclassical realist argument falls short when attempting to explain restraint in cases where a leader's position in domestic politics is secure and consolidated.</p> <p><i>Restraint and hedging:</i> They fall into different categories; the former is a decision that often carries risks, and the latter is an approach to minimise risks.</p> <p><u>Three components of restraint:</u> (1) strategic calculation; (2) boundaries (limits of acceptable behaviour); and (3) underlying signals (restraint as a nonverbal diplomatic cue).</p> |
| 4: Chapter previews | <ul style="list-style-type: none"> <li>• Briefly introducing how tacit understanding contributes to answering the puzzle of Southeast Asian states' restraint towards China.</li> <li>• Justifying the three cases: Indonesia's, Malaysia's, and the Philippines' relations with China.</li> <li>• Outlining how the thesis unpacks the three dyads in subsequent chapters.</li> </ul>  |

## Executive summary

This thesis investigates the enduring restraint of maritime Southeast Asian states towards China during the post-Cold War era, despite China's increased assertiveness in the South China Sea.<sup>1</sup> 'Restraint' refers to the conscious decision of national leaders to limit their nation's hostile actions.<sup>2</sup> This thesis posits that tacit understandings play a crucial role in influencing these restraint decisions. Tacit understandings are implicit agreements that enable stable relationships to persist without resolving disputes. To pinpoint critical moments at which tacit understandings are most observable, this thesis introduces an original assessment tool, termed the Tacit Understanding Framework, that categorises their development into three stages:

- antecedents (circumstances shaping the urgency of establishing tacit understandings);
- formation (the negotiation of these understandings); and
- maintenance (the application of tacit understandings to facilitate restraint and the renegotiation of prior tacit understandings as relationships evolve).

These three stages serve as the foundation for analysing the persistent restraint exercised by Indonesia, Malaysia, and the Philippines towards China in the post-Cold War period. This thesis emphasises the perspectives of the three maritime Southeast Asian states, allowing a deeper analysis of how each of them persuaded domestic constituencies to adopt tacit understandings with China. China's perspective is triangulated through consideration of the viewpoints of these states.

Restraint is a foundational concept that permeates many Southeast Asian states' decision-making during periods of uncertainty, an established response to concerns about

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<sup>1</sup> Maritime Southeast Asia comprises five states considerably smaller than China: Indonesia, Malaysia, the Philippines, Singapore, and Brunei Darussalam. East Timor is part of maritime Southeast Asia, but is excluded from this analysis as it does not have a border in the South China Sea.

<sup>2</sup> Cambridge dictionary, s.v. Restraint.

getting dragged into adversarial interactions with China in the South China Sea.<sup>3</sup> Focusing on regional tensions with China can distract neighbouring states from more pressing bread and butter issues. Restraint, particularly smaller states' restraint towards a rising power, requires further conceptual development to be fully unpacked as the analytical framework of this thesis.<sup>4</sup> The decision to present the concept of restraint in this thesis, rather than appeasement, bandwagoning, or hedging, requires justification. To this end, this chapter concentrates on unpacking the utility of treating restraint as the dependent variable. The analytical approach to investigate tacit understandings as the proposed independent variable is discussed in the next chapter.

The chapter is organised as follows. First, it elaborates on why the persistence of Southeast Asian states' restraint towards China warrants further investigation. Second, it conceptualises restraint by distinguishing it from related concepts, breaking down its components. Third, it previews how this thesis employs the Tacit Understanding Framework to investigate the persistence of Southeast Asian states' restraint towards China.<sup>5</sup>

This thesis begins its investigation during the regional order transition from the Cold War to the post-Cold War period in the late 1980s and early 1990s.<sup>6</sup> During the shift to the US hegemonic order, key Southeast Asian states faced two choices:<sup>7</sup> align entirely with US power, or pursue a more independent path. Southeast Asian states consistently preferred the latter,

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<sup>3</sup> For example, the discussion on Malaysia's reluctance to become entangled in a cycle of tension is presented here. Emirza Adi Syailendra, "Malaysia's strategic approach: Unpacking the "action-reaction spiral" logic in the South China Sea," *Asian Politics & Policy* (2024)

<sup>4</sup> Mainly found in multilateral documents, including joint communiqués from ASEAN leaders and ministers concerning the South China Sea, dating back to the early 1990s. For more information, refer to the limited multilateralism section in Chapter 3.

<sup>5</sup> A more comprehensive exploration of the definition and methods for investigating tacit understandings is covered in Chapter 2.

<sup>6</sup> The transformation of threat perception of each Southeast Asian state towards China during this period is discussed in an edited volume by Herbert Yee and Ian Storey, eds., *The China threat: Perceptions, myths and reality* (New York, NY: Routledge, 2002).

<sup>7</sup> As Ang aptly described the regional uncertainty surrounding the order transitions, likening it to 'signboards that are all blanks,' Southeast Asian states recognised the necessity of cultivating balanced power relations that would safeguard their strategic autonomy. See Cheng Guan Ang, *Southeast Asia after the Cold War: A contemporary history* (Singapore: NUS Press, 2019), 18-43.

motivated by a desire to preserve their strategic autonomy; however, this option required diversifying foreign relations, including with China, a country generally perceived as a threat in Southeast Asia.

This study argues that during this period of acute uncertainty, Southeast Asian states and China developed tacit understandings as vital means of communicating intentions and limits without formal agreements. These tacit understandings allowed Southeast Asian states and China to de-emphasise South China Sea disputes and focus on opportunities to collaborate to bolster the relevance of the Association of Southeast Asian Nations (ASEAN) as an indigenous regional forum, thereby reducing dependence on Western-led institutions. For various reasons explored in each empirical chapter of this thesis, Southeast Asian states continued to maintain these tacit understandings with China throughout the post-Cold War period because such understandings continued to prove useful in facilitating restraint and keeping the South China Sea disputes under control.

This thesis argues that studying Southeast Asian states' practices of restraint towards China offers a potential theoretical contribution to understanding the mutually constitutive nature of power and legitimacy. This mutual constitution arises because, for a power-aspiring actor to be perceived as powerful, it must gain legitimacy by earning the acceptance of others, particularly from other regional powers.<sup>8</sup> This thesis offers a dual narrative to show how the negotiation of restraint embodies that mutually constitutive dynamic.<sup>9</sup> The first narrative delves into how, in response to the structural uncertainty brought about by the Cold War's end, Southeast Asian states—particularly Indonesia, Malaysia, and the Philippines—decided to de-

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<sup>8</sup> This perspective is further unpacked in Chapter 8 (Conclusion), in a section titled 'Tacit understandings: Broader theoretical significance.' Ian Clark, *Legitimacy in international society* (Oxford: Oxford University Press, 2005); Robert Gilpin, *War and change in world politics* (Cambridge, UK: Cambridge University Press, 1981), 31.

<sup>9</sup> This process-oriented exploration between power-aspiring actors and smaller states represents the forefront of Hegemony literature. For an overview of Hegemony literature, see G John Ikenberry and Daniel H Nexon, "Hegemony studies 3.0: The dynamics of hegemonic orders," *Security Studies* 28, no. 3 (2019)

emphasise disputes in the South China Sea and offer the opportunity for China to be integrated into regional processes, despite their antagonism towards China's rising power throughout the Cold War period (to varying degrees and at different paces).<sup>10</sup> They did so on the condition that China met their demands. Examples of these demands included China showing sensitivity to the regime interests of individual Southeast Asian states (which indirectly limited China's power), and offering public goods such as economic incentives.

Focusing on these three Southeast Asian states' perspectives towards China enables me to investigate across cases and across time why and how Beijing reciprocated the demands of its Southeast Asian neighbours. As a result, a second narrative emerges, focusing on the exploration of how China, as an aspiring power, recruited and empowered local partners to support its rise, starting by ensuring the success of its integration into the growing East Asian post-Cold War regional network centred around ASEAN. Building on Evelyn Goh's *Struggle for order* findings on 'complicity and resistance', this dual narrative demonstrates that Beijing's aspirations to be integrated into the region provided opportunities and leverage for Southeast Asian states to negotiate, despite the power imbalances.<sup>11</sup> This research agenda on power and legitimacy in International Relations (IR) has become even more pertinent with the resurgence of China and the end of the US hegemonic order. As Khong Yuen Foong argued in 2019, the competition between the United States and China over the thirty years of the post-Cold War realignment would centre mainly on the 'hierarchy of prestige', which involves how Beijing attains legitimacy among Asian states.<sup>12</sup>

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<sup>10</sup> See Denny Roy, "Southeast Asia and China: Balancing or bandwagoning?," *Contemporary Southeast Asia* 27, no. 2 (2005) The case selection is discussed below.

<sup>11</sup> Evelyn Goh, *The struggle for order: Hegemony, hierarchy, and transition in post-Cold War East Asia* (Oxford: Oxford University Press, 2013), 213.

<sup>12</sup> Khong noted that the concept of the hierarchy of prestige is inspired by Gilpin's concept of the 'reputation for power,' which also stemmed from how others perceived the ability of a great power to coerce and offer security guarantees. Yuen Foong Khong, "Power as prestige in world politics," *International Affairs* 95, no. 1 (2019): 119-20.

The next section examines how analysing the persistence of Southeast Asian states' restraint towards China addresses a gap in the cutting-edge IR literature.

### **The puzzle: Four interlocking patterns of Southeast Asian states' restraint towards China**

Between 2016 and 2019, the Chinese Coast Guard (CCG) and People's Liberation Army Navy (PLA-N) made a total of 89 incursions into the Malaysian Exclusive Economic Zone (EEZ) around the James Shoal and the Luconia Shoals, both submerged features off the coast of Sarawak.<sup>13</sup> China has laid jurisdictional claims to these areas. Surprisingly, Malaysia lodged only six diplomatic protests in response to these Chinese incursions, all through behind-the-scenes diplomatic channels. Malaysia's 'quiet diplomacy', which was characterised by an absence of publicly expressed diplomatic responses, was one example of restraint commonly exercised by Southeast Asian states towards China. However, Malaysia's exercises of restraint towards China went beyond simply not complaining. It involved crafting a defence posture in the maritime domain that deliberately avoided appearing threatening or confrontational towards China, discouraging other countries from framing China as a threat, and contesting Beijing in limited ways to safeguard key national interests.<sup>14</sup> Malaysia's robust exercises of restraint defy conventional expectations regarding the behaviour of smaller states, which often argue that smaller states would engage in self-help actions, either by aligning with the hegemon or submitting to the rising power.<sup>15</sup>

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<sup>13</sup> As reported in Laporan Ketua Audit Negara Tahun 2018 Siri 3 [Auditor-General's Report 2018 Series 3], 6-12 (Malaysia: Auditor General, 2018).

<sup>14</sup> See Chapter 6 for an extensive discussion on Malaysia's restraint towards China.

<sup>15</sup> For example, while neorealist expectations posit that smaller powers would seek external assistance in the face of a rising hostile power, Kuala Lumpur has, since the early 1990s, consistently discouraged Western intervention in the South China Sea to deter China. There are variations among neorealist scholars' arguments, but typically, they argue that the absence of central authority fosters a competitive environment where states strive to maximise their power and security. For example, Stephen M. Walt, "Alliance formation and the balance of world power," *International Security* 9, no. 4 (1985). For further investigation on how Malaysia's behaviour

Malaysia's measured responses are one example of how maritime Southeast Asian countries demonstrate restraint towards Beijing. However, as explored throughout this thesis, their precise practices vary. I refer to repeated exercise of restraint, especially over an extended period, with a standardised template for action or rhetorical response as a 'practice'. Based on fieldwork observations involving interviews with more than 100 officials and scholars in Indonesia, Malaysia, and the Philippines, this thesis finds that the restraint practices of Southeast Asian states towards China emerged in four interlocking patterns.<sup>16</sup> The term 'interlocking' in this context refers to patterns of restraint that often occur together and mutually reinforce each other, serving specific purposes.<sup>17</sup>

1. When faced with Beijing's hostile actions in the South China Sea, Southeast Asian states moderated responses and discouraged (in some cases controlled) domestic factions that desired to launch a significant reprisal against Beijing.
2. Southeast Asian states, individually or as a collective, persuaded Beijing to impose limited institutionalised restraint on its own power by integrating itself into overlapping regional mechanisms set up by the smaller powers.
3. Southeast Asian states, individually or as a collective, persuaded others (either regional states or external powers such as the US, Japan, or Australia) to abstain from behaving

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challenged neorealists' expectations, see Syailendra, "Malaysia's strategic approach: Unpacking the "action-reaction spiral" logic in the South China Sea."

<sup>16</sup> This observation included interviews with 80 Southeast Asian state officials (mid-ranking, director levels, and some retirees from security agencies such as foreign and defence ministries and navies). Additionally, there were interviews with more than 30 scholars; four author-organised roundtables with policymakers and scholars; and a survey of 30 years of open-source archives in each of the three countries. The study utilised sources from Factiva (with various keywords), Wikileaks, and available government documents. For detailed [field notes](#), see the Sources and Bibliography section.

<sup>17</sup> For example, Kuik and Lai, Malaysian scholars, noted the presence of both deference and defiance in Malaysia's foreign policy approach towards China. Cheng-Chwee Kuik and Yew Meng Lai, "Deference and defiance in Malaysia's China policy: Determinants of a dualistic diplomacy," *International Journal of Asian Studies* (2023)

in a hostile way towards Beijing when it could undermine their (Southeast Asian state and China's) bilateral or regional goals.

4. Southeast Asian states, individually or as a collective, also engaged in 'limited resistance' to make sure that Beijing continued to respect these countries' national interests in the South China Sea. Limited resistance is a measured assertive action a state takes to protect its claims and position while being careful not to humiliate the other state.

Despite variation across cases, two common denominators emerge. First, these four interlocking patterns were means through which Southeast Asian leaders downplayed the South China Sea disputes to focus on more pressing priorities in political, economic, and diplomatic domains while managing opposition from domestic constituencies, regional partners, or other external powers. Second, the four patterns of restraint marked a change from the Southeast Asian states' Cold War behaviour towards China.<sup>18</sup> Therefore, restraint should be seen not as an automatic behaviour that Southeast Asian states exercised towards China, but rather as an integral part of their strategic decisions as they navigated the transition from the Cold War to the post-Cold War era. These patterns of restraint persisted over time (at least up to 2022, the period where this thesis' observation ended), though they could be readjusted and vary in emphasis across different cases.

The South China Sea is a semi-enclosed body of water serving as a vital commercial sea lane and containing valuable oil and gas reserves. Disputes affecting the South China Sea principally focus on overlapping issues comprising maritime jurisdiction and sovereignty.<sup>19</sup>

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<sup>18</sup> For example, throughout the Cold War period up to July 1985, Malaysia was very public in decrying China as a threat, and criticised the United States' arming of China during the 1980s period as a threat to Southeast Asian states' security. Other key Southeast Asian states actively balanced China throughout the Cold War period, and only normalised their relationship with Beijing in the early 1990s. See Chapter 5.

<sup>19</sup> For a comprehensive discussion on the origin of the disputes, see Bill Hayton, *The South China Sea: The struggle for power in Asia* (New Haven, Connecticut: Yale University Press, 2014).

China claims all of the key areas within a U-shaped line extending from Taiwan to the coast of Borneo and up to the Gulf of Tonkin, known as the nine-dash line.<sup>20</sup> From the 1970s to the early 1990s, tension at sea escalated as disputants vied to occupy features in the South China Sea, resulting in conflicts with casualties, most notably the 1988 Johnson South Skirmishes between China and Vietnam. From the early 1990s on, the region has been able to freeze the conflict: while disputes have not been resolved and underlying tensions persist, the principal disputants have established a situation where actors might not trust each other's conduct, yet refrain from letting the dispute undermine the improvement of bilateral relations and the development of regional security architecture.<sup>21</sup> Claimants have continued to establish garrisons in the South China Sea, including China's 1995 occupation of Mischief Reef (also claimed by the Philippines), Malaysia's occupation of two features in 1999, and the Philippines' stationing of the BRP Sierra Madre on Second Thomas Shoal in 1999 as a military outpost. Despite these actions, the parties have worked to manage tensions and prevent conflict escalation.

The persistence of restraint in the South China Sea runs contrary to the expectations of scholars commenting on the situation in the early-1990s.<sup>22</sup> These observers suggested that militarisation in the South China Sea would grow in parallel with China's increasing power projection capabilities after the Cold War. However, in the following decade, commentators noted a shift in maritime Southeast Asian states' attitudes towards China—notably, that they were discouraging domestic perceptions of China as a security threat.<sup>23</sup> The role of economic

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<sup>20</sup> China first officially introduced the nine-dash line in February 1948 with the publication of the 'Location Map of the South China Sea Islands.' *ibid.*

<sup>21</sup> Southeast Asian states were able to persuade Beijing to discuss the dispute in the ASEAN Regional Forum and informal South China Sea workshop. They also signed the Declaration of Conduct in 2003, which laid out basic and nonbinding principles of restraint. This helped prevent episodic skirmishes in the area from escalating and disrupting diplomatic relations.

<sup>22</sup> Yuen Foong Khong, "Making bricks without straw in the Asia Pacific?," *The Pacific Review* 10, no. 2 (1997); Joon Num Mak and Bin Ahmad Hamzah, "The external maritime dimension of ASEAN security," *The Journal of Strategic Studies* 18, no. 3 (1995)

<sup>23</sup> Ralf Emmers, "De-escalation of the Spratly dispute in Sino-Southeast Asian relations," in *Security and International Politics in the South China Sea: Towards a co-operative management regime*, ed. Sam Bateman

cooperation with Beijing, contested domestic politics in Southeast Asia, and power imbalance between the two, are obvious factors underpinning this approach; however, these explanations are insufficient due to not only the diversity of circumstances in which Southeast Asian states exercised restraint, but also its persistence over an extended period. For instance, Malaysian leaders demonstrated restraint toward China in the early 1990s, despite factors including Beijing's status as an economic competitor in the manufacturing sector; the trade deficit; and underlying anti-China sentiment.<sup>24</sup> These variables also cannot explain the variation in how restraint is exercised across cases that share similar threat conditions, relative weakness compared to Beijing, economic interests involving Beijing, and complex domestic politics. This suggests other variables that foster the observable diversity in how restraint is exercised.

Therefore, how do we make sense of the persistence of Southeast Asian states' restraint towards China after the Cold War, particularly given the South China Sea disputes?

The concept of 'persistence' was a crucial aspect of my research puzzle. In this context, 'persistence' signifies the prolonged durability of Southeast Asian states' exercises of restraint towards China—stances that Southeast Asian leaders have consistently maintained despite changes in domestic political landscapes, economic cooperation with China, and power imbalance.<sup>25</sup> Consider the Philippines' approach towards China in the South China Sea, which starkly contrasts the example of Malaysia discussed earlier. There is always a faction in the Philippines which pushes for unrestrained policies towards China.<sup>26</sup> For example, in the post–

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and Ralf Emmers (New York: Routledge, 2008). Others have also noted the aspects of restraint in Beijing's assertiveness. Ketian Zhang, "Cautious bully: Reputation, resolve, and Beijing's use of coercion in the South China Sea," *International Security* 44, no. 1 (2019); Chin-Hao Huang, *Power and restraint in China's rise* (New York City, NY: Columbia University Press, 2022).

<sup>24</sup> See Chapter 6.

<sup>25</sup> The section titled 'Examining the Variation in the Dependent Variable— 'Persistence' of Restraint' in Chapter 8 (Conclusion) provides further detail on what persistence of restraint entails in each case.

<sup>26</sup> Chapter 7 explores this domestic contestation from Joseph Estrada's presidency in 1998 to Rodrigo Duterte's term in 2022. Since 1995, the Philippines Defense establishment, consisting of the Armed Forces of the Philippines, the Ministry of Defense, and the National Security Council, has persistently attempted to engage the United States in the South China Sea conflict. Conversely, other groups, including the Ministry of Foreign Affairs and the Coast Guard, have consistently worked to counterbalance these endeavours.

Cold War era, defence institutions and domestic actors in the Philippines with legalistic ideology continued to seek US assistance as a deterrent against Chinese assertiveness in disputed areas, or advocated third-party arbitration to level the playing field.<sup>27</sup> However, decisions made by the Philippines across administrations in the post-Cold War period (with the exception of the period of 2013-16) suggest that external parties' involvement in defending Manila's interests in the South China Sea was neither automatic nor a preferred option. The domestic contestation around practising restraint highlights two key insights: First, it demonstrates the continuing efforts of domestic factions advocating a restrained approach towards China. Second, it complicates scholarly expectations that smaller powers always prefer to avoid a bilateral approach against a rising power because of the power imbalance.<sup>28</sup>

Investigating the case of mutual restraint between the Philippines and China is also crucial in illustrating that restraint does not entirely eliminate conflicts at sea, but rather puts in place a series of limitations to prevent them from escalating.<sup>29</sup> The responses of China and its Southeast Asian counterparts to one another's assertive actions could have been more provocative.<sup>30</sup> For example, despite securing Washington's explicit guarantee to deter China in 2019—and facing increased assertive actions from China, such as laser attacks, water cannon confrontations, and restricted access to fishing areas—the Philippines hesitated to involve the US at an operational level, wary of conflict escalation. Instead, Manila mainly encouraged the

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<sup>27</sup> These factions succeeded in securing it in 2019. See Renato Cruz De Castro, "Exploring the Philippines' evolving grand strategy in the face of China's maritime expansion: From the Aquino administration to the Marcos administration," *Journal of Current Southeast Asian Affairs* (2024)

<sup>28</sup> For example, Segal and Acharya separately suggested that Southeast Asian states preferred multilateral approaches when dealing with China; see Gerald Segal, "East Asia and the 'constraint' of China," *International Security* 20, no. 4 (1996); Amitav Acharya, "Containment, engagement, or counter-dominance? Malaysia's response to the rise of China," ed. Alastair Iain Johnston and Robert Ross, *Engaging China: The management of an emerging power* (London and New York: Routledge, 1999).

<sup>29</sup> See Chapters 5 and 7.

<sup>30</sup> Some scholars have noted that Beijing's assertiveness towards Southeast Asian states has been measured or restrained. Zhang, "Cautious bully: Reputation, resolve, and Beijing's use of coercion in the South China Sea"; Huang, *Power and restraint in China's rise*; Alastair Iain Johnston, "How new and assertive is China's new assertiveness?," *International Security* 37, no. 4 (2013)

US to invest in the Philippines' capacity-building in maritime defence.<sup>31</sup> It also continues to prefer the coast guard as the primary actor in dealing with Beijing at sea, minimising the role of the Philippine navy to avoid escalation.<sup>32</sup> Similar responses have been observed from both Jakarta and Malaysia in dealing with increased incursions by Beijing since 2012 into their EEZ. The Indonesian Navy and the Royal Malaysian Navy tolerated and monitored CCG incursions during oil drilling, believing that the CCG was not a cause for concern.

Beijing's willingness to tolerate smaller states' limited resistance (measured assertive action) suggests that Southeast Asian states' restraint has been reciprocated.<sup>33</sup> The argument that Beijing exercises greater restraint as its power grows aligns with recent findings by IR scholars, such as Chin-Hao Huang and Rohan Mukherjee, who found that Beijing, as a rising power, also exercised restraint to recruit regional partners and legitimise its status.<sup>34</sup> However, my fieldwork findings across three countries in Southeast Asia suggest that, in contrast to the neoliberal institutionalist argument that a rising power must reassure smaller powers of its intentions through an institution, the mutual restraint between each of them and China occurred in the absence of institutions or formal agreements governing it.

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<sup>31</sup> On 1 March 2019, the United States made a significant declaration, openly committing to defend the Philippines in the event of aggression in the South China Sea. Secretary of State Mike Pompeo stressed that 'any armed attack on Philippine forces, aircraft, or public vessels in the South China Sea will trigger mutual defense obligations.' As cited in Karen Lema and Neil Jerome Morales, "Pompeo assures philippines of U.S. protection in event of sea conflict" *Reuters*, 1 March 2019, <https://www.reuters.com/article/idUSKCN1QI3O7/>.

<sup>32</sup> From my interviews in November 2023 with officers of the Philippines Navy and Coast Guard, the preference for Coast Guards to deal with China underscores the prevailing perception that Beijing's assertiveness remained within acceptable thresholds, thus eliminating the need for either an escalated naval response or a request to their superpower ally for assistance. This point was reiterated in three separate interviews: one with a high-ranking Philippines Coast Guard officer, and the other two with former commanders in the Philippines Navy. All of them requested to remain anonymous. The author's interviews were conducted in Manila in November 2023.

<sup>33</sup> How Beijing reciprocated Southeast Asian states' restraint will be unpacked in each empirical chapter. Beijing's restraint towards Southeast Asian states is also discussed in the concluding [chapter](#).

<sup>34</sup> See Huang, *Power and restraint in China's rise*; Rohan Mukherjee, *Ascending order: Rising powers and the politics of status in international institutions* (Cambridge, UK: Cambridge University Press, 2022). David Kang argued that historically, Beijing has shown greater restraint as it has gained power. Evelyn Goh also suggested that this restraint was part of Beijing's strategy to be seen as legitimate by key neighbouring states while challenging US hegemony. See David C. Kang, "Getting Asia wrong: The need for new analytical frameworks," *International Security* 27, no. 4 (2003); Evelyn Goh, "Contesting hegemonic order: China in East Asia," *Security Studies* 28, no. 3 (2019)

During my fieldwork in Jakarta from February to July 2022, when I asked about the source of Jakarta's confidence that its restraint would be reciprocated by Beijing, especially in the absence of a formal agreement governing restraint, the Director of Defence Strategy in the Indonesian Ministry of Defence disclosed that the countries had negotiated a 'perjanjian tidak tertulis' — (direct translation) an unwritten agreement that Beijing would respect Jakarta's economic activities in the disputed area.<sup>35</sup> As a result of this unwritten agreement, President Joko Widodo issued a directive in 2018 instructing the Indonesian Navy to refrain from their previous practice of firing upon or ramming Chinese vessels when warnings were ignored. The directive, as explained by an Indonesian Navy colonel, was 'jangan bikin gaduh' – meaning "do not escalate."<sup>36</sup> In several of my interviews, operational stakeholders, including the Indonesian Navy and personnel of Indonesian maritime agencies, expressed frustration over their inability to respond assertively to Chinese incursions in Indonesia's EEZ in the Natuna Sea.<sup>37</sup>

During my fieldwork in Kuala Lumpur from July to December 2022, when I asked about the source of Malaysia's confidence that its restraint would be reciprocated by Beijing, respondents suggested it stemmed from a mutual tacit understanding that the countries had cultivated over more than three decades.<sup>38</sup> I also encountered a similar directive, 'jangan bikin hal' – also translated as "do not escalate". The aim of this directive was to prevent tensions from

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<sup>35</sup> Interview with the Director of Defence Strategy of the Indonesian Ministry of Defence, 16 March 2022. The negotiation of this unwritten agreement and how it relates to Jakarta's broader tacit understanding with Beijing is discussed in Chapter 4. His account aligned with several other interviews I conducted with senior Navy officers on 23 and 26 January 2022.

<sup>36</sup> A colonel (sea) from the Indonesian Navy lamented that the instruction restricted the Navy's freedom during patrols in response to the continuous presence of CCG vessels. My interview with the former Director of Cooperation at the Indonesian Maritime Security Agency on 28 March 2022 illustrates this as a typical example of a top-down directive for restraint, where leaders discourage hostile rhetoric and policies in the face of China's growing assertiveness.

<sup>37</sup> Several active and retired Indonesian Navy officers expressed these sentiments during my interviews with them both online and in person between August 2021-June 2022. A couple of former officers noted that they encouraged their juniors to disobey the instruction, but active officials noted that such disobedience might inhibit their career or cost them their jobs.

<sup>38</sup> See [Chapter 6](#).

escalating in the disputed area, guided by an unwritten understanding of the limits of behaviour in the South China Sea when dealing with China.

During my fieldwork in Manila in November 2023, there was a more fragmented view. Some suggested that there were implicit agreements between the two countries that guided Beijing's restraint, while others contested the idea that Beijing exercised restraint towards Manila in the South China Sea at all. The recent May 2024 Philippines House of Representatives probe into former President Rodrigo Duterte's 'gentleman's agreement with China', which allegedly reduced China's hostility in the South China Sea. This provides reason to further investigate whether a bilateral implicit agreement with China existed in the Philippines-China case.<sup>39</sup>

This thesis investigates whether the implicit agreements, or what I refer to as tacit understandings, between each state and China have been responsible for the persistent restraint in the South China Sea since the end of the Cold War.<sup>40</sup> Furthermore, this thesis examines the context of why and how each state established and maintained restraint towards China, which contributes to filling a gap in the current literature in two ways.

First, it sheds light on the comprehensive process of establishing restraint practices, including how Beijing and each of the Southeast Asian states signalled their readiness to negotiate terms for restraint; orchestrated the negotiation process despite intensified domestic anti-China views; and probed shared interests during negotiations. Studying this process contributes to the current literature that has answered the 'what' and 'so what' questions, but

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<sup>39</sup> As reported in Gabriel Pabico Lalu, "Ex-president Duterte, China had deal to keep WPS status quo – Roque," *Inquirer.net* (Manila), 27 March, <https://globalnation.inquirer.net/229635/roque-ex-pres-duterte-had-verbal-deal-w-china-to-keep-wps-status-quo>.

<sup>40</sup> For a discussion on the definitions of tacit understandings and related concepts like unwritten or implicit agreements, refer to the section titled '[What are tacit understandings?](#)' in Chapter 2.

has yet to offer a detailed account explaining *how* each Southeast Asian state transformed China from an adversary into a partner.<sup>41</sup>

Second, once practices of restraint have been established, current literature has yet to capture the struggle and difficulty in maintaining restraint across administrations in Southeast Asia. As mutual restraint persisted amid the ebb and flow of various factors, including domestic politics, economic cooperation, and balance of power, a more accurate explanation of the persistence of restraint in the South China Sea is needed from both a comparative perspective across cases and a longitudinal timeframe from the end of the Cold War to the recent period.<sup>42</sup>

- For example, why is restraint exercised in both stable and politically competitive environments?
- If the economic factor is the answer, why do we find patterns of hostility against Beijing during the height of economic cooperation and restraint when Beijing is an economic competitor?
- If the power imbalance is the answer, why do we find more deadly hostility between Southeast Asia and China in the late 1980s when Beijing was weaker?

Examining how restraint is maintained helps us to challenge oversimplified explanations for how smaller states behave towards a rising power in a critical global flashpoint like the South China Sea.

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<sup>41</sup> Numerous works have investigated the transformation of threat perception between Southeast Asian states and China as the Cold War ended; for example, Yee and Storey, *The China threat: Perceptions, myths and reality*. Numerous works have also investigated how the transformation resulted in “tacit alignment” between Southeast Asian states in key regional forums, regionalism, and hierarchical order; most notably, Michael Leifer, *The ASEAN Regional Forum*, vol. 302, Adelphi Paper, (London: IISS, 1996); Alice D Ba, *(Re)negotiating East and Southeast Asia*, ed. Muthiah Alagappa, Studies in Asian security, (Stanford: Stanford University Press, 2020); Evelyn Goh, "Great powers and hierarchical order in Southeast Asia: Analyzing regional security strategies," *International Security* 32, no. 3 (2007). However, given their outcome-based and great power perspectives, these studies have yet to focus on the process that gives smaller states the confidence to de-emphasise their interests in the South China Sea vis-à-vis China.

<sup>42</sup> A more comprehensive discussion on why these three variables are insufficient to explain restraint is provided in Chapter 2, in the section titled ‘Why do we need to account for tacit understandings?’

## **Unpacking the dependent variable: Restraint as a concept**

The section above illustrates how each of the four interlocking patterns of smaller states' restraint represents a deliberate decision, encompassing strategic calculations made by leaders or groups of elites to restrict actions across legal, defence, and diplomatic dimensions concerning their counterparts. These strategic calculations involve the assessment of costs and benefits, along with a broader evaluation of the preservation of relationships. This section further conceptualises restraint by explaining how it is different from other related concepts. It also breaks down components of restraint.

### ***How does restraint differ from other concepts?***

This section clarifies how restraint relates to other essential concepts, particularly appeasement; bandwagoning; balancing variants (such as soft, under-, or non-balancing); and hedging.

Appeasement closely aligns with restraint, as it involves the act of satisfying the opposing side's demands or offering concessions to prevent further disagreements. A classic example of appeasement is British Prime Minister Neville Chamberlain's concessions to the Germans by signing the Munich Agreement in 1938, hoping to avert German aggression.<sup>43</sup> The commonality between the two concepts lies in the 'active' decision to meet specific demands, in the hope of influencing the other party's behaviour. However, appeasement emphasises concessions to resolve disputes, while restraint emphasises coexisting with disagreements. When an actor pursues appeasement, the goal is 'tension reduction' through the 'systematic removal of the main causes of conflicts and disputes' between parties.<sup>44</sup> In contrast,

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<sup>43</sup> Frank McDonough, *Neville Chamberlain, appeasement, and the British road to war* (Manchester: Manchester University Press, 1998).

<sup>44</sup> As argued by Gordon Craig and Alexander George, quoted in Stephen R. Rock, *Appeasement in international politics* (Lexington, KY: The University Press of Kentucky, 2000), 10.

restraint does not rule out hostilities; rather, it allows parties to quarrel within limits. If restraint leads to tension reduction, this is a by-product.

Another concept closely related to restraint is bandwagoning. Kenneth Waltz posits that bandwagoning is a weaker state's strategy for security, involving aligning itself with an adversarial power.<sup>45</sup> Stephen Walt places the emphasis on the threat rather than power, noting that bandwagoning is the weaker state's action to align with 'the source of danger'.<sup>46</sup> Two characteristics of bandwagoning bear a resemblance to restraint: it arises as a smaller power's 'accommodation to pressure (either latent or manifest)' from the adversary; and it reflects 'a willingness to support or tolerate illegitimate actions' by the adversarial state.<sup>47</sup> These features have led many analysts to suggest that Southeast Asian states are bandwagoning with China – albeit not fully.<sup>48</sup> For example, Denny Roy suggested that such bandwagoning is exercised only to the extent that the region perceives 'trade with China' as beneficial.<sup>49</sup>

Despite some similar components, using bandwagoning as a reference point is imprecise. While bandwagoning emphasises one-way interaction, with weaker states seeking security guarantees from a potentially threatening major power, restraint underscores the idea of mutuality. Restraint should not be perceived as the acceptance of subordination, but rather as smaller states making deliberate choices. It is a carefully calculated decision resulting from negotiations between unequal powers.<sup>50</sup> The negotiated basis of restraint is inherently at odds with bandwagoning, which often requires such subordination as a prerequisite. As discussed in

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<sup>45</sup> Kenneth N Waltz, *Theory of international politics*, Addison-Wesley series in political science, (Reading, MA: Addison-Wesley, 1979).

<sup>46</sup> Stephen M. Walt, *The origins of alliance* (Ithaca, NY: Cornell University Press, 1987).  
<http://www.jstor.org.ezlibproxy1.ntu.edu.sg/stable/10.7591/j.ctt32b5fc>.

<sup>47</sup> *Ibid.*

<sup>48</sup> Scholars focusing on hedging have generally examined the reasons behind Southeast Asian states refraining from fully bandwagoning themselves with China. John D Ciorciari and Jürgen Haacke, "Hedging in international relations: An introduction," *International Relations of the Asia-Pacific* 19, no. 3 (2019)

<sup>49</sup> Roy himself further clarified that Southeast Asian states' bandwagoning depends on 'Beijing's adherence to the promises it made' to Southeast Asian states, including the practice of self-restraint.' Roy, "Southeast Asia and China: Balancing or bandwagoning?."

<sup>50</sup> *Ibid.*

greater detail in Chapter 3, when Indonesian Foreign Minister Alatas visited Beijing, Jakarta was willing to assist Beijing in restoring its image. This assistance was not a form of bandwagoning because it was contingent upon Beijing meeting Jakarta's conditions, such as refraining from claiming the Natuna Islands.<sup>51</sup> Beijing's compliance with conditions set by smaller states suggests a context of negotiated collaboration. This collaborative perspective distinguishes restraint from the concept of bandwagoning.

Restraint (particularly its limited resistance component) is also closely associated with various balancing strategies, including soft balancing, under-balancing, and non-balancing, which are proposed by structural and neoclassical realist scholars.<sup>52</sup> Neoclassical realists tend to argue that the failure to balance (under-balancing) or the decision not to balance (non-balancing), characterised by a lack of response from Southeast Asian states in the face of China's increasing assertiveness, is a result of their contested domestic political landscapes.<sup>53</sup> In the face of difficulty explaining the actions of Southeast Asian states, which indirectly challenge China without mobilising their military capability against the rising power, structural realists often term it as soft balancing.<sup>54</sup> However, using balancing as the sole reference point to evaluate the behaviour of Southeast Asian states is insufficient and imprecise.<sup>55</sup> The neoclassical realist argument falls short when attempting to explain restraint in cases where a leader's position in domestic politics is secure and consolidated, as observed in Malaysia

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<sup>51</sup> A realist scholar such as Leszek Buszynski called the Indonesian Foreign Minister Ali Alatas' visit to Beijing in 1995 an act of 'bandwagoning.' Leszek Buszynski, "Realism, institutionalism, and Philippine security," *Asian Survey* 42, no. 3 (2002): 492.

<sup>52</sup> Each of these concepts is unpacked by Randall L. Schweller, *Unanswered threats: Political constraints on the balance of power* (Princeton, NJ: Princeton University Press, 2006).

<sup>53</sup> For the application of the concept in Southeast Asia, see Emirza Adi Syailendra, "A nonbalancing act: Explaining Indonesia's failure to balance against the Chinese threat," *Asian Security* 13, no. 3 (2017); Leonard C Sebastian and Jonathan Chen, "Indonesia's foreign and maritime policies under Joko Widodo: Domestic and external determinants," (New Delhi: SAGE, 2021).

<sup>54</sup> Yuen Foong Khong, "Coping with strategic uncertainty: The role of institutions and soft balancing in Southeast Asia's Post-Cold War strategy," in *Rethinking security in East Asia: Identity, power, and efficiency* ed. Peter J. Katzenstein J J Suh, and Allen Carlson (Stanford, CA: Stanford University Press, 2004).

<sup>55</sup> As highlighted by Khong, the traditional idea of balancing is not applicable in this scenario, as the region is not collaborating with China to counter the United States. See Khong, "Making bricks without straw in the Asia Pacific?."

during the latter half of Mahathir's tenure, or in Indonesia under the Suharto regime. Furthermore, the structural realist argument that describes Southeast Asian states' behaviour as a softer form of balancing overlooks a critical key distinction concerning their aims. The primary objective of balancing is to maintain regional equilibrium by preventing any single state from becoming overly dominant or hegemonic. However, when integrating China into regional processes, Southeast Asian states aimed to protect their strategic autonomy as the region transitioned into the era of US hegemonic dominance. Moreover, when states like Malaysia and Indonesia acquired maritime capabilities, their intent was not specifically to deter or deny CCG incursions into their EEZ, but rather to protect and reinforce their maritime claims. The framing of protecting these positions, while still allowing space for the other side to express their claims, is why the concept of restraint is more appropriate. Restraint encompasses the element of limited resistance, aimed at creating a conducive environment in which Beijing would be willing to participate in regional processes over the long term while simultaneously constraining its power.

While restraint is related to hedging as a concept, they fall into different categories: the former is a decision that often carries risks, and the latter is an approach intended to minimise risks. Despite the ongoing debate surrounding the definition of hedging, its central principle is to minimise risk by diversifying relationships.<sup>56</sup> When smaller states diversify their relationships, they reduce the risk of becoming too dependent or vulnerable to the actions of a single major power.<sup>57</sup> Hedging and restraint share common ground in the conditional aspects of smaller states' engagement with major powers, involving cooperation based on a set of

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<sup>56</sup> For a discussion on various definitions of hedging, see Jürgen Haacke, "The concept of hedging and its application to Southeast Asia: a critique and a proposal for a modified conceptual and methodological framework," *International Relations of the Asia-Pacific* 19, no. 3 (2019) Also, see Cheng-Chwee Kuik, "Shades of grey: Riskification and hedging in the Indo-Pacific," *The Pacific Review* (2022)

<sup>57</sup> Evelyn Goh, *Meeting the China challenge: The U.S. in Southeast Asian regional security strategies*, ed. Muthiah Alagappa, Policy Studies, (Washington, DC: East-West Center, 2005); Cheng-Chwee Kuik, "The essence of hedging: Malaysia and Singapore's response to a rising China," *Contemporary Southeast Asia* 30, no. 2 (2008)

expectations or conditions. The most crucial conditions are typically the preservation of strategic autonomy and the ability to make choices. In essence, hedging includes an element of restraint because its goal is to instrumentalise China as a means to restrain US power and vice versa. The key difference is that hedging is a broader strategic approach aimed at preserving options to minimise risk, whereas restraint is more specific—it involves a deliberate decision that carefully weighs those options, often carrying strategic and domestic risks. Despite the inherent risks, leaders may continue to exercise restraint if they perceive it as strategically useful. For instance, smaller states like Malaysia consistently discourage US involvement in the South China Sea, despite their concerns about China’s gradual maritime expansion in the region. This is because they recognise the value of safeguarding Beijing’s regional position. Therefore, while hedging emphasises a cautious, insurance-like approach in which leaders keep multiple options open to reduce risks, restraint focuses on deliberate risk assessment—weighing whether taking on greater risks could ultimately yield greater benefits for the regime’s interests.

### *Components of restraint*

This study posits three key observable indicators for identifying when restraint is being exercised: (1) strategic calculation; (2) limits; and (3) underlying signals (restraint as a nonverbal diplomatic cue).

- (1) Strategic calculation: As discussed earlier, restraint involves a deliberate decision, indicating that leaders engage in either personal reflection or domestic discussions to weigh the costs and benefits of exercising restraint. The absence of strategic calculation may imply that the behaviour is better described using alternative terms, such as

underbalancing (which implies an inability to balance due to capacity constraints) or nonbalancing (stemming from domestic competition among elites).<sup>58</sup>

(2) Limits: The concept of limits refers to the boundaries of acceptable behaviour. These limits can be influenced by international or regional norms, but may also result from bilateral negotiations. This means that it is possible to exercise restraint even when engaged in active disputes. Restraint can be observed in situations where disputing parties do not let military tensions or differences of opinion over territorial delimitation impede their deepening strategic and economic cooperation. Consequently, the absence of limits suggests unrestrained behaviour.

(3) Underlying signals: The exercise of restraint by states also serves as a nonverbal diplomatic cue to its intended audiences. As argued by many scholars, when a major power voluntarily restrains its power within a multilateral framework, it aims to enhance its status within the society of states.<sup>59</sup> In contrast, smaller powers' restraint has been less studied, and this work proposes three observations on the signals they aim to convey:

- a) When a smaller power exercises restraint towards a major power, it signals its adherence to their shared understanding of their relationship and recognition of the major power's importance. This exercise of restraint often involves controlling the words and actions of domestic constituencies in the interest of the major power.
- b) When a smaller power or a group of smaller powers restrains others on behalf of a major power, they may seek to ensure the achievement of a shared regional goal, demonstrate their functional utility to the major power, and

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<sup>58</sup> See footnotes 52 and 53.

<sup>59</sup> G John Ikenberry, *After victory: Institutions, strategic restraint, and the rebuilding of order after major wars*, vol. 161 (Princeton, NJ: Princeton University Press, 2001); Mukherjee, *Ascending order: Rising powers and the politics of status in international institutions*.

increase their leverage while expecting something in return from the major power.

- c) Finally, when smaller powers manifest restraint in the form of limited resistance, they aim to demonstrate their agency or protect their territorial and maritime claims while still communicating to the major power their acknowledgment of the major power's significance.

### **Chapter previews**

This thesis aims to address the shortcomings of available accounts of interactions between China and Southeast Asian states in the South China Sea. These shortcomings fall into three categories:<sup>60</sup> (1) inability to account for the persistence of Southeast Asian states' restrained behaviour when other factors, such as economic cooperation, material capability, and domestic politics vary and fluctuate between cases and across time; (2) inability to explain the variation of practices of restraint that different countries exercise towards China, despite similarities in circumstances; and (3) inability to elucidate the domestic and regional machinations that lie behind restraint practices.

The third point is particularly core to this thesis. Cooperation between adversaries does not emerge on its own, and policy-making amid changing circumstances means managing the expectations of various groups who might have expected leaders to respond more aggressively to China. Domestic advocates for restraint, either incumbent presidents or foreign ministers, have laboured to convince or pressure relevant maritime security agencies, defence and foreign policy bodies, opposition groups, and regional partners of the wisdom of restrained practices. Focusing on the labour illuminates the presence of tacit understandings as a critical step between restraint as a policy objective and restraint as a practice.

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<sup>60</sup> Chapter 2 further unpacks the insufficiency of these three explanations.

### *Tacit understanding hypothesis*

This study hypothesises that maritime Southeast Asian states have each negotiated tacit understandings with China, not to resolve but instead to shelve disputes and disagreements over their competing territorial claims in the South China Sea. The next chapter examines the tacit understanding hypothesis in depth, while this section offers a brief explanation to set the stage for the chapter preview.

By agreeing on a set of basic terms, referred to in this thesis as ‘baselines’, parties concerned can better interpret their counterpart’s words and deeds in the South China Sea so that they can shelve their disputes and disagreements with confidence and focus instead on domestic and regional priorities. An example of a baseline in the South China Sea context is the practice of maintaining multiple interpretations concerning the disputes themselves— for example, maritime Southeast Asian states regularly insist that there is no dispute with China, while China argues otherwise. Allowing multiple interpretations to occur simultaneously provides leeway for the actors involved: leaders can argue for the legitimacy of their claims in front of their constituencies without protest from other disputants, and they can coexist or deepen cooperation without resolving disputes.

Moreover, through negotiating tacit understandings, maritime Southeast Asian states can understand what China finds unacceptable, which helps them decide whether the exercise of restraint is a necessary course of action. The tacitly agreed limits to acceptable behaviour are referred to in this thesis as ‘redlines’. A redline is an imaginary limit of acceptable behaviour in a given context. Crossing this redline will risk undermining the tacit understandings agreed upon by the parties involved and will attract protest or punitive measures. In the South China Sea context, this allows maritime Southeast Asian states to confront China without risk of retaliation.

## ***Chapter 2: The Tacit Understanding Framework***

How can we identify tacit understandings when we come across them? How do we separate the impact of tacit understandings on restraint from other possible factors? How can we be certain that a tacit understanding is genuinely present and has a significant influence?

Chapter 2 introduces a Tacit Understanding Framework, presenting an original conceptualisation of tacit understandings along with analytical approaches to examine them. It also outlines methods to falsify their existence and confirm their influence on Southeast Asian states' practices restraint towards China. Rather than investigating the South China Sea disputes in isolation, this thesis focuses on how Southeast Asian leaders have negotiated restraint practices with Chinese leaders alongside other important issues, ranging from developing bilateral relations to benefiting their regime legitimacy to managing regional order transitions. Therefore, the framework provides a way to investigate how tacit understandings are created and implemented between and within to facilitate restraint amid constantly changing circumstances. To this end, the framework divides the development of restraint practices via tacit understandings into three stages:

- 'Antecedents' – the circumstances that increase the urgency for disputing parties or adversaries to negotiate terms of restraint, but constrain them from doing so openly - thus favouring tacit understandings;
- 'Formation' – the processes of negotiating terms of restraint via tacit understandings, as well as how negotiators of tacit understandings manage to convince others of the utility of adhering to them; and
- 'Maintenance' – the variety of processes that ensure restraint practices continue to be adhered to or renegotiated as relationships evolve.

Dividing the analysis into these processes allows us to identify critical junctures at which tacit understandings have been considered, constructed, implemented, contested, readjusted, and abandoned.

The Tacit Understanding Framework guides the subsequent investigation and analysis of three dyads: Indonesia-China, Malaysia-China, and Philippines-China. These three dyads are comparable due to a number of factors, including shared maritime concerns in the South China Sea; relative economic size and diplomatic influence in ASEAN; turbulent internal politics; and ambivalent relations with the United States.<sup>61</sup> This comparability enhanced my examination of why and how restraint persisted despite changes in the domestic political stability across these three countries, as well as shifts in economic cooperation and the balance of power with China.

While the ties between China and mainland Southeast Asia also provide a wealth of empirical evidence for shared understandings, focusing on countries in maritime Southeast Asia will also enable us to avoid many of the confounding variables that exist in Indochina, such as the Vietnamese Communist Party's relationship with the Chinese Communist Party. This study also excludes relationships such as those between China and Singapore, or China and Brunei Darussalam. In contrast with other countries in Southeast Asia that harbour anti-American sentiments, Singapore has always been overwhelmingly supportive of the enhanced American military presence in the region.<sup>62</sup> Brunei Darussalam, meanwhile, has mostly opted out of regional machinations, making it challenging to find comparative examples of meaningful regional cooperation or hostile challenges against China in the South China Sea.

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<sup>61</sup> Although the Philippines has a formal alliance with the US, anti-American sentiments have often undermined ties with Washington. Malaysia and Indonesia are the US' strategic partners, but both exercise strategic distance. See Joseph Chinyong Liow, *Ambivalent engagement: The United States and regional security in Southeast Asia after the Cold War* (Washington, DC: Brookings Institution Press, 2017).

<sup>62</sup> Ang, *Southeast Asia after the Cold War: A contemporary history*.

Furthermore, this study benefits not just from the comparability of the three selected dyads, but also from the distinct character of each relationship. Each of these relationships is diverse enough to allow us to draw very different insights about what causes the persistence of restraint. Scholars have observed the impressive stability that Malaysia has maintained in its relationship with China, including the way it deals with Chinese assertiveness in the South China Sea.<sup>63</sup> Not only that, but Kuala Lumpur also actively encourages others, including regional partners and the United States, to avoid viewing the South China Sea as a zero-sum engagement. Therefore, the Malaysia-China dyad represents an ‘easy’ or best-case scenario for the hypothesis: if tacit understandings are to be found, they are most likely to be found here.<sup>64</sup> Conversely, scholars have observed different approaches marshalled by the Philippines in dealing with China, which correlate with changing leadership.<sup>65</sup> The Philippines also brought China to an international arbitral tribunal (2014-16), representing one of the most decisive manoeuvres yet to invalidate China’s nine-dash line claim. Therefore, the Philippines-China dyad represents a ‘hard’ case where tacit understandings do not seem at first glance to exist to facilitate restraint; instead, leadership seems to be more prominent in determining whether Manila embraces restraint.<sup>66</sup>

The Indonesia-China dyad differs from the other two in some key areas. Scholars have noted times when Jakarta has stood firm against Beijing in the South China Sea, but have also noticed that Jakarta often prefers a quiet diplomacy in its dealings with Beijing. This positions

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<sup>63</sup> Cheng-Chwee Kuik, "Making sense of Malaysia's China policy: Asymmetry, proximity, and elite's domestic authority," *Chinese Journal of International Politics* 6, no. 4 (2013); Ian Storey, "Malaysia and the South China Sea dispute: Policy continuity amid domestic political change," *Perspectives* (2020)

<sup>64</sup> For further explanation on theory testing using case comparisons, see Alexander L. George and Andrew Bennett, *Case studies and theory development in the social sciences* (Cambridge, MA: The MIT Press, 2005), 120-23.

<sup>65</sup> Aileen Baviera, "Domestic interests and foreign policy in China and the Philippines implications for the South China Sea disputes," *Philippine Studies Historical & Ethnographic Viewpoints* (2014); Renato Cruz De Castro, "The Duterte administration's foreign policy: Unravelling the Aquino administration's balancing agenda on an emergent China," *Journal of Current Southeast Asian Affairs* 35, no. 3 (2016)

<sup>66</sup> For further explanation on theory testing using case comparisons, see George and Bennett, *Case studies and theory development in the social sciences* 120-23.

Indonesia as a ‘variable case’, situated between Malaysia and the Philippines on the spectrum. It is unclear in this instance whether tacit understandings exist, given the possibilities of explaining the persistence of restraint through various factors, including a competitive domestic landscape; increasing economic cooperation with China; and a continued preference for de-emphasising maritime threats in favour of land-based defence. The context variability in these three case studies allows this thesis to confirm and falsify the impact of tacit understandings on the restraint of Southeast Asian states towards China against various contexts, including changes in economic cooperation, fluctuation in domestic politics, and widening power imbalance.<sup>67</sup> Considering the diverse approaches observed in the South China Sea across various domestic contexts, these three maritime Southeast Asian states serve as suitable test cases for examining the validity of the claim regarding whether, why, and how dependence on tacit understandings has helped to facilitate their restraint practices with China in the South China Sea.

### *Chapters 3 & 4: Tracing the life cycle of tacit understandings*

This thesis uses the Indonesia-China dyad to develop initial observations on whether establishing tacit understandings has been part of the process of managing disagreements and disputes in the South China Sea.

Chapter 3 examines the Indonesia-China case as a starting point for empirical exploration, emphasising Indonesia’s strategic importance. It illustrates how tacit understandings became a strategic tool for restraint, enabling cooperation without requiring the resolution of the South China Sea disputes. The antecedents for resorting to tacit understandings were Beijing’s insecurity over Jakarta’s activism from 1990 to 1995, which

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<sup>67</sup> For further explanation on theory testing using small-N case controlled comparisons, see Dan Slater and Daniel Ziblatt, "The enduring indispensability of the controlled comparison," *Comparative Political Studies* 46, no. 10 (2013)

challenged its preferred bilateral approach, and Beijing's realisation that it needed an influential regional partner like Indonesia to vouch for its benign intentions, undermined by its 1995 occupation of Mischief Reef. For Jakarta, anti-China sentiment hindered open dialogue, but by mid-1995, Jakarta recognised that downplaying South China Sea disagreements was crucial to enhancing ASEAN's role in regional architecture, particularly the ASEAN Regional Forum (ARF) and the South China Sea workshop, by gaining China's support and participation.<sup>68</sup> This chapter discusses how Beijing worked to empower agreeable factions in Indonesia, enabling both countries to negotiate tacit understandings. It then reconstructs the process of forming these understandings in 1995, focusing on the negotiations between Foreign Minister Ali Alatas and Chinese counterpart Qian Qichen. Rather than a formal agreement, Alatas agreed to two tacit understandings: 'maintaining divergence' (setting aside the South China Sea dispute) and 'limited multilateralism' (establishing forums for managing disagreements). Considering the significant power asymmetry between the two states, the chapter asks why a rising global power like China would alter its behaviour to placate a regional power like Indonesia. The chapter then shows how the tacit understanding of limited multilateralism allowed both nations to maintain decorum in regional forums, ensuring cooperation without undermining Indonesia's regional goals.

Chapter 4 builds on the previous observations by examining how the first tacit understanding, maintaining divergence, shaped Jakarta's restraint practices in response to Beijing's escalating assertiveness in the South China Sea from 1995 to its abandonment in 2016. It identifies three practices of restraint by Indonesia towards China facilitated by this tacit understanding: refraining from seeking resolutions to disagreements, avoiding actions that

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<sup>68</sup> Established in 1994, the ARF is an important platform for security dialogue in the Asia Pacific region. For more information on the importance of the ARF, see Leifer, *The ASEAN Regional Forum*, 302. Established in 1990, the Workshop on Managing Potential Conflicts in the South China Sea, also known as the South China Sea Workshop, was initially the premier informal security dialogue involving ASEAN members and China. See Ian Townsend-Gault, "The contribution of the South China Sea workshops: The importance of a functional approach," in *Security and International Politics in the South China Sea* (Routledge, 2008).

might suggest disagreement, and controlling narratives to conceal differences. The chapter also compares these practices with those introduced by a new tacit understanding, 'sharing usage', agreed upon by Indonesia and China in 2017. The new tacit understanding introduced novel restrained rhetoric and policies, diverging from the previous one by allowing hostilities within defined limits. Overall, this chapter's analysis finds that Jakarta's implementation (or lack thereof) of practices of restraint at any given time has depended on its adherence to a specific tacit understanding.

From these two chapters, two propositions refining the hypothesis are put forward. The initial hypothesis stated that the goal of each tacit understanding negotiated with China was intended not to resolve, but instead to shelve disputes and disagreements over competing territorial claims in the South China Sea. This hypothesis is refined as follows.

First, the Indonesia-China case demonstrates how forming tacit understandings can provide a convenient way to implement exercises of restraint, allowing Southeast Asian states to set aside disputes with China and prioritise larger domestic and regional agendas. This finding emphasises the goal-oriented purposes of establishing tacit understandings. Thus, the restraint exercises facilitated are calibrated to achieve specific goals, enabling competing interests to be prioritised or deprioritised as circumstances require.

Second, the Indonesia-China case establishes how specific restraint exercises were contingent upon the adherence to specific tacit understandings. Therefore, if any alterations or adjustments were made to the initial tacit understandings as agreed by both parties, these changes impacted how restraint was practised.

The next section of the empirical analysis examines whether these two propositions can be replicated in other cases.

*Chapter 5: Zooming in on the goal-oriented purposes of establishing tacit understandings*

Chapter 5 investigates whether the first proposition of the goal-oriented purposes of establishing tacit understandings also holds true in the cases of interactions between Malaysia and the Philippines with China, with these two states representing opposing ends of the relationship spectrum. It focuses on antecedents and formation stages, comparing the antecedents of Malaysia and the Philippines in how each established tacit understandings for restraint with China as the region transitioned from the Cold War to the post-Cold War period. For Malaysia, tacit understandings were an integral part of its strategy to leverage China's rise. For the Philippines, by contrast, tacit understandings were the result of regional pressure to establish agreeable terms for coexistence with China, enabling them to move forward with integrating China into regional systems.

This chapter also compares how the formation of tacit understandings developed in each case. Because Malaysia sought to transform its relationship with China in the long term, Kuala Lumpur throughout the early 1990s emphasised Beijing's reliability as a partner. Malaysia expected China's support for its regional economic initiatives and, in return, downplayed any tensions engendered when Kuala Lumpur established a garrison on the features it occupied in the South China Sea. Conversely, the Philippines were focused on establishing a more equitable tacit understanding, with short-term concern about managing tension in the South China Sea. To achieve this, Manila employed various tactics, including confrontations at sea with Beijing, to signal its dissatisfaction with China's proposed terms during the negotiation process. Despite differences between methods in forming tacit understandings, both Malaysia and the Philippines recognised the necessity of establishing these understandings to manage specific approaches of restraint that aligned with their objectives concerning China. In the Malaysia-China case, negotiations resulted in the

establishment of two tacit understandings, both geared towards securing Malaysia's regional initiatives with China, particularly in financial matters. The first, termed 'supporting mutual interests', aimed to leverage their respective positions and importance in the region for mutual benefit. The second, termed 'maintaining divergence', focused on managing disagreements over maritime jurisdiction in the South China Sea to prevent this issue from overshadowing their shared goals. In the Philippines-China case, negotiations yielded a tacit understanding focused on managing disputes in the South China Sea, thereby allowing other Southeast Asian states to facilitate China's integration into regional processes. I refer to this tacit understanding as 'dispute preservation'.

Showing how different approaches led to the same outcome of forming tacit understandings suggests that the first proposition—regarding the use of restraint as a means to an end—has a high degree of external validity. Like Indonesia, Malaysia and the Philippines also viewed negotiating tacit understandings as the most convenient way to put aside the South China Sea disputes, so that they could prioritise bigger domestic and regional agendas.

***Chapters 6 & 7: Unpacking how specific practices of restraint are dependent on adherence to particular tacit understandings***

Does the second proposition, which suggests that specific restraint practices depend on adherence to particular tacit understandings, apply to the Malaysia-China and Philippines-China cases?

It is commonly argued that Malaysia's approach towards China demonstrates constancy of approaches in the South China Sea because of the stability of their relationship.<sup>69</sup> Contrary to this belief of constancy, Chapter 6 demonstrates that both countries had to modify their tacit understandings of restraint several times. These adjustments were necessary to address the

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<sup>69</sup> See footnote 63.

evolving needs of the relationship at various times, and particularly between 1993-97, 1998-2008, and 2009-2022. Such adjustments were part of the maintenance stage in the Tacit Understanding Framework. At each inflection point in the relationship, the content of Malaysia's tacit understandings was modified, causing shifts in its strategic calculation with China and the practice of restraint between them. Ironically, the continuously readjusting nature of tacit understandings and restraint has given the relationship the appearance of remarkable stability. This chapter shows how changes in tacit understandings affect how restraint is practised, which supports the second proposition that specific restraint measures are based on following particular tacit understandings.

In contrast to the Malaysia-China case, it is commonly accepted that shifts in domestic politics in the Philippines have led to varying approaches towards China and the South China Sea.<sup>70</sup> Chapter 7 reveals that, despite repeated efforts by Beijing and Manila to either escalate or mitigate the tacit understanding of dispute preservation, or to abandon it entirely, the approach remained largely unchanged throughout the post-Cold War period. From the Ramos to Duterte presidencies, the competing domestic political factions in the Philippines were almost equally poised, making it difficult to agree on any viable alternative to the existing tacit understanding. This balance made sticking with the current approach the most practical option. As a result, Manila's approach towards Beijing has been more consistent across administrations than generally assumed. The fluctuation in the foreign policy approach towards China across the Philippine presidencies from Ramos to Duterte resulted from unsuccessful attempts that created the appearance of dramatic change, though these changes were generally short-lived. This consistency was further reinforced by regional pressure against openly challenging Beijing and the lack of a US security guarantee in the South China Sea until 2019. Ultimately, recognising how inertia, or resistance to altering tacit understandings, leads to consistent

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<sup>70</sup> See footnote 65.

restraint practices supports the second proposition that adherence to specific tacit understandings underpins certain restraint measures.

Overall, Chapters 6 and 7 illustrate how different pathways in the Malaysia-China and Philippines-China cases led to the same outcome: the durability of tacit understandings, resulting in the persistence of restraint. In the Malaysia-China case, the durability of tacit understandings was sustained by the ability to adjust them, allowing for the introduction of new exercises of restraint to cope with changing circumstances. In the Philippines-China case, the durability of tacit understanding was driven by strong domestic and regional advocacy for restraint, combined with Manila's inability to find other viable options for securing itself against China's assertiveness. This suggests that, despite the different pathways taken in these two cases, the similar outcomes strengthen the validity of the tacit understanding hypothesis.

### ***Chapter 8: Conclusion***

Each empirical chapter engages in a three-decade observation from the end of the Cold War to 2022, showing that a direct cause-and-effect relationship among economic, domestic, and balance of power factors and the persistence of restraint cannot be established. Furthermore, each empirical chapter demonstrates the mechanisms through which Southeast Asian leaders negotiated and relied on tacit understandings to facilitate their restraint towards China:

First, the thesis provides replicability that tacit understandings were indeed established in each of the three dyads, even though each one went through different pathways to establish tacit understandings, and produced essentially different types. It also confirms that each tacit understanding facilitates specific exercises of restraint.

Second, throughout each chapter, I documented the continuity and disruption of restraint practices as tacit understandings were modified, abandoned, and reinstated. Thus, the

distinct role of tacit understandings of restraint can be established by observing how each of these brought forth changes to the way restraint was practised.

Third, the equifinality analysis in how different pathways lead to the same outcome of establishing and maintaining tacit understandings and causing the persistence of restraint further bolsters not just confidence in the effects of tacit understandings on restraint, but also the ability to assert limited generalisability of my thesis observations to the broader IR literature. It shows that a rising power can be restrained by smaller powers, and that the durability of restraint does not necessitate institutional procedures or intervention from the hegemon.

Beyond reflecting on how each chapter explains the persistence of Southeast Asian states' restraint towards China, the Conclusion is also interested in further highlighting the empirical and theoretical insights generated by the focus on granular process and contest of practice. How does the empirical analysis help us better understand Southeast Asian states' strategic approaches, particularly their survival strategies in times of acute uncertainties? How does this thesis illuminate the importance of recruiting regional partners for Beijing's strategy as a rising power to sustain its growth?

## **Chapter 2: The Tacit Understanding Framework**

Word count: 10,571 (12,528 including footnotes)

**Table 2.1 Chapter 2 map**

| Purpose: Demonstrating how tacit understandings are researchable and helps answer the puzzle of Southeast Asian states' restraint towards China. |   |
|--|---|
| Section  | Content highlight   |
| 1: Introduction  | Providing a preview of the difficulties in exploring tacit understandings, primarily due to their intentional secrecy and actors' inclination to disavow their existence. This thesis tackles this challenge through the application of a measurable framework for validating the presence of tacit understandings.   |
| 2: What are tacit understandings?  | <p>This part outlines the definition of tacit understandings and elucidates the mechanism through which they regulate restraint.</p> <p>It offers an original definition of tacit understandings as underlying social or bilateral concords negotiated between actors for various reasons. Tacit understandings contain baselines and redlines.</p> <p><u>Understanding a baseline:</u> Two aspects: (1) A normative proposition or a phrase that serves as a preamble to the tacit understanding. (2) An instrumental role as a 'reference point' from which a relationship's benefits and threats are calculated.</p> <p><u>Understanding a redline:</u> Four aspects: (1) A redline is used to police the other side as both are engaged in a power contest. (2) It affords a state space to behave aggressively within limits as a part of the relationship package. (3) A redline can be operational, but it can also be broader, where states consider relational goals and interests. (4) Deliberate violation of redlines is often necessary to advance new interpretations.</p> <p><u>Comparing explicit and tacit understandings:</u> One approach to refining comprehension of tacit understandings is to explore the differences between these and their opposite extreme—explicit understandings, in terms of how they are represented, the motivation for their existence, and how actors interpret the understandings.</p> |
| 3: Why do we need to account for tacit understandings to explain mutual restraint?   | <p>This section discusses three alternative explanations for restraint and their shortcomings.</p> <p><u>Insufficiency of capability-based explanation:</u><br/> (1) Fails to explain why Beijing has been more conciliatory when it holds a position of strength and more assertive when it is relatively weaker. (2) Fails to explain why, in response to the increasing frequency of CCG incursions into their EEZ, maritime Southeast Asian states have also displayed a plateauing level of concern.<br/> <i>How tacit understandings fill the gap:</i> explaining the mechanism that allows Southeast Asian states and China to coexist while actively quarrelling within boundaries in the South China Sea.</p> <p><u>Insufficiency of bandwagoning-for-profit explanation:</u><br/> (1) Fails to explain the consistent pattern of restraint observed over three decades, especially during the period where Beijing was seen as an</p>   |

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|---|---|
|   | <p>economic competitor by most Southeast Asian countries. (2) Fails to explain how Chinese investments in Southeast Asia did not automatically diminish the recipient countries' ability to assert their own interests. (3) Fails to explain the ability of these states to maintain economic cooperation, even when tensions periodically flared up in the South China Sea.</p> <p><i>How tacit understandings fill the gap:</i> explaining the mechanism that allows the compartmentalisation of economic cooperation and security tensions.</p> <p><u>Insufficiency of domestic-political explanation:</u> Fails to explain continued protective oversight from domestic factions championing restraint across cases, despite domestic costs.</p> <p><i>How tacit understandings fill the gap:</i> explaining the motivations that drove certain domestic segments to maintain protective oversight and the limits and extent of the restraint they advocate toward Beijing.</p> |
| <p>4: Analytical framework: Stages of tacit understanding development</p> | <p>This section discusses in detail three stages of the development of tacit understandings: antecedents, formation, and maintenance.</p>   |
| <p>5: Notes on verification</p>   | <p>This section proposes a methodology for verifying the existence of tacit understandings by observing actions that are related to, resulting from, or are by-products of these understandings, referred to as 'co-occurrence'. This method allows me to propose eight co-occurrences, which can then be used to either confirm or falsify the existence of tacit understandings. <u>Confirmation</u> investigates circumstances that are not direct evidence but indicate the existence of tacit understandings. <u>Falsification</u> entails suggesting a series of conditions under which the hypothesis of a tacit understanding's existence would be refuted.</p>   |
| <p>6: Thesis plan: Employing the framework in empirical chapters</p>      | <p>This section offers a table that outlines how the stages of tacit understanding development will be applied to each case.</p>  |

## Introduction

At the outset of this thesis, I faced the challenge of determining how to investigate tacit understandings. The answer may seem straightforward: go into the field and interview officials. However, it is not as simple as it appears. During my fieldwork in Malaysia from July to December 2022, the officials I interviewed seemed to accept the existence of tacit understandings.<sup>71</sup> They were able to explain the content of these understandings well, which fundamentally involved deprioritising security interests in the South China Sea in favour of other interests with Beijing, especially in economic matters. Nevertheless, when it came to specifying the details of these understandings – such as when they began affecting the relationship and how they influenced it – responses were often patchy at best. This suggests that while Southeast Asian officials may be aware of the existence of tacit understandings, they often take them for granted as a *modus operandi*.<sup>72</sup>

Furthermore, tacit understandings are difficult to investigate because they are often designed to remain unpublicised, and Southeast Asian leaders tend to deny their existence in public. However, this denial does not necessarily negate their existence.<sup>73</sup> Scholars have extensively studied similar phenomena in contexts where formal communication is limited, such as the ‘unspoken rules’ between the US and the USSR that contributed to the Cold War’s stability.<sup>74</sup> Many authors have also examined the processes through which the US forged a tacit

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<sup>71</sup> In Malaysia, from June to December 2022, I interviewed 40 Malaysian officials and experts, comprising mid-to-high-ranking officials from various backgrounds. This included director-level officials from the Ministry of Defence, the Prime Minister’s Department, the Foreign Ministry, the Navy, and various government-affiliated think tanks such as Maritime Institute of Malaysia (MIMA), as well as scholars from four Malaysian universities. These universities are the National University of Malaysia (UKM), the University of Malaya (UM), the National Defence University of Malaysia (UPNM), and the University of Malaysia Sabah (UMS).

<sup>72</sup> When further investigating, I posed questions such as, "Given that Malaysia has endured the presence of the Chinese Coast Guard near James and Luconia Shoals for over a decade, at what specific juncture does Beijing's assertiveness cross the threshold of acceptability?" This query was directed to officials in the Prime Minister’s Department, Ministry of Defence, and Navy. Their responses commonly emphasised two aspects: (1) core interests related to resource exploitation; and (2) the need to consider broader interests in their relationships.

<sup>73</sup> In international politics, states often publicly deny the existence of such understandings for various reasons, including concerns about domestic legitimacy.

<sup>74</sup> John Lewis Gaddis, a historian, observed that this type of tacit understanding played a crucial role in preventing the Cold War from escalating further, as both superpowers respected each other’s spheres of influence. John Lewis Gaddis, "The long peace: Elements of stability in the postwar international system,"

alliance with China and patterns of tacit cooperation between adversaries, such as Israel and the Arab world in relation to Iran.<sup>75</sup> Therefore, when studying tacit understandings in international politics, it becomes essential to separate the rhetorical denial of their existence from their behavioural implications.

Previous studies, however, have lacked a measurable analytical framework to investigate and verify the existence of tacit understandings. This is because they did not examine tacit understandings as their independent variable (IV) but rather incorporated them into their findings and observations. As a result, it is difficult to disentangle the impact of tacit understandings from variables such as material capability, domestic politics, and economic factors. This chapter asserts that these challenges can be addressed by applying the Tacit Understanding Framework – an original maximalist assessment tool that I developed. It is maximalist because it comprises an analytical framework and a verification method. The analytical framework observes the existence of tacit understandings by tracing the stages of their development. It facilitates case comparisons, provides a practical guide to identifying and evaluating the existence of tacit understandings at critical junctures, and helps scholars structure their research. Furthermore, the verification method allows this thesis to confirm or falsify the existence of tacit understandings.

Before delving into the Tacit Understanding Framework, this chapter first defines tacit understandings and their constituent components. To enhance this definition, the distinction between tacit and explicit understandings is clarified. Second, it underscores the importance of considering tacit understandings by addressing gaps in three dominant streams of literature:

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*International Security* 10, no. 4 (1986); Paul Keal, *Unspoken rules and superpower dominance* (London and Basingstoke Springer, 1983).

<sup>75</sup> For tacit alliance between US and China, see Evelyn Goh, *Constructing the US rapprochement with China, 1961–1974: From 'red menace' to 'tacit ally'* (Cambridge: Cambridge University Press, 2004); William Burr, "Sino-American relations, 1969: The Sino-Soviet border war and steps towards rapprochement," *Cold War History* 1, no. 3 (2001) For Israel-Arab world tacit alliance, see Yoel Guzansky, "Israel and the Arab Gulf states: from tacit cooperation to reconciliation?," *Israel Affairs* 21, no. 1 (2015); Uzi Rabi and Chelsi Mueller, "The Gulf Arab states and Israel since 1967: From 'no negotiation' to tacit cooperation," *British Journal of Middle Eastern Studies* 44, no. 4 (2017)

capability-based explanations, economic benefits, and domestic politics. Third, it introduces the analytical framework – stages of tacit understanding development – which suggests that scholars can investigate tacit understandings by focusing on critical junctures where they are most observable. Fourth, it discusses methods for confirming and falsifying the existence and impact of tacit understandings on Southeast Asian states' behaviour towards China. Finally, it outlines how the Framework will be applied in the subsequent empirical chapters.

### **What are tacit understandings?**

The Oxford dictionary of philosophy defines tacit as '[a] state of a person or a relation between people that is not expressed, or one of which the subjects may even be unaware, but which can be inferred from their other capacities and activities.'<sup>76</sup> Synonyms for 'tacit' include 'implicit', 'unspoken', and 'unwritten'.<sup>77</sup> While these words attempt to explain implied understandings, there are subtle differences in how actors communicate their understanding in each context. 'Unspoken' or 'unwritten' refers to situations where there is almost a complete absence of dialogue or documentation, and meaning is inferred from iterative interactions. However, these terms are not accurate when describing the South China Sea dispute. In this context, disputing parties discuss their differences via bilateral and multilateral meetings.

The difference between 'implicit' and 'tacit' is less obvious. 'Implicit' refers to situations where understanding is indirectly expressed, but can still be understood.<sup>78</sup> In contrast, the term 'tacit' suggests a broader sense of expectations even when actors explicitly state their intention in open dialogue and written documents. Therefore, this study prefers the word 'tacit' over its synonyms for the sake of accuracy and consistency. It is also important to note that

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<sup>76</sup> Simon Blackburn, *The Oxford dictionary of philosophy* (Oxford: Oxford University Press, 2005), 360.

<sup>77</sup> Merriam-Webster dictionary, s.v. Unspoken; Merriam-Webster dictionary, s.v. Unwritten.

<sup>78</sup> Merriam-Webster dictionary, s.v. Tacit; Merriam-Webster dictionary, s.v. Implicit.

‘tacit’ is not synonymous with ‘ambiguous’. ‘Ambiguous’ means that a phrase or action is unclear because it is open to more than one interpretation; whereas I contend that in a tacit understanding, the actor’s intention is decipherable, and contains a wealth of information. As Michael Polanyi, a philosopher of science, argued, ‘we can know more than we can tell,’ suggesting that rational actors can ascertain a greater meaning beyond what is expressed in words.<sup>79</sup> When the word ‘tacit’ is combined with ‘understanding’, it denotes a sense of agreement from both sides, distinguishing it from one-sided concepts such as ‘tacit knowledge’ or ‘assumption’. When two actors have an ‘understanding’, they share ‘knowledge’ about the situation they are facing.<sup>80</sup>

Based on an empirical analysis of the three dyads, this study argues:

- a) Tacit understandings are underlying social or bilateral concords negotiated between actors for various reasons, including short-term needs, long-term relationship goals, or systemic or regional pressure that requires conflicting parties to coexist.
- b) The parties involved might opt to keep the understandings tacit because of the sensitivity of pursuing more explicit options due to various antecedents (e.g., history of disputes and underlying animosity). They might also opt for tacit understandings out of convenience, to avoid cost and delay due to the difficulty of producing an explicit agreement or a document with detailed expectations.
- c) Tacit understandings contain ‘redlines’ — limits or boundaries of acceptable behaviour that enable coexistence despite inherent tensions and disputes. These tacit understandings also contain ‘baselines’ — nonnegotiable principles that allow parties to transform their relationship gradually from hostile to cooperative.

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<sup>79</sup> Michael Polanyi, "The tacit dimension," (Chicago, IL: The University of Chicago Press, 1966), 4.

<sup>80</sup> Cambridge Dictionary, s.v. Understanding.

- d) Tacit understandings are maintained because of necessity and, if maintained across time, could produce a habituated institutional practice that is later accepted as an integral part of a state's strategic approach.
- e) As the relationship is transformed by new contexts, parties involved usually need to renegotiate their tacit understandings. A perception of utility decreasing could result in the decay and abandonment of the tacit understandings.

### *Understanding a baseline*

The empirical analysis in this thesis sheds light on two aspects of how actors understand a baseline:

- a) A baseline is a set of principles that are non-negotiable and need to be accepted or respected by both parties to establish tacit understandings. It is usually a normative proposition or a phrase that serves as a preamble to the tacit understandings. An example of a shared baseline among Southeast Asian states in the early 1990s was the need for China to be integrated into Southeast Asian regional processes. For Indonesia, when negotiating tacit understandings with Beijing in 1995, the baseline was the need to be recognised as a non-disputant. A baseline tends to be constant, but might evolve and be modified as the nature of the relationship changes.
- b) A baseline plays an instrumental role as a 'reference point' from which a relationship's benefits and threats are calculated. As Kahneman and Tversky posited, a reference point is a key element in prospect theory, representing the starting point from which strategic calculations about probabilities of gains and losses are evaluated.<sup>81</sup> Prospect theory is a behavioural economic theory that hypothesises how people make decisions when they

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<sup>81</sup> Daniel Kahneman and Amos Tversky, "Prospect theory: An analysis of decision under risk," *Econometrica* 47, no. 2 (1979)

face potential gains or losses. For example, when the reference point is today's wealth (status quo), actors are spooked by the thought of losing wealth. However, when the reference point is shifted to potential future wealth, actors are more willing to tolerate potential losses. Similarly, in tacit understandings, a baseline, such as 'we must learn to live with China', becomes the reference point that changes how Southeast Asian states calculate gains and losses vis-à-vis their relationship with Beijing.<sup>82</sup> As a consequence of accepting the baselines, Southeast Asian states have tended to avoid describing Beijing as a 'threat' (as they did during the Cold War), shifting the framing of Beijing's assertiveness to a more manageable 'risk.'

### *Understanding a redline*

The empirical analysis in this thesis sheds light on four aspects of how actors understand a redline:

- a) A redline is an imaginary limit of acceptable behaviour in a given context. Crossing this redline will risk undermining the tacit understandings agreed upon by the parties involved and will attract protest or punitive measures. Therefore, a redline is used by one side to police the other as both are engaged in a power contest. The ability of both sides to discipline each other, their domestic constituencies, and other external actors gives a sense of safety to prosecute a shared goal and coexistence.
- b) A redline does not always have to be a negative boundary. It can be a degree of permissible hostility that party X will accord to party Y to undermine X's interests within limits. For example, when I interviewed officials in Indonesia and Malaysia in 2022, a few of them noted that sometimes Beijing needed to be aggressive towards them because its leader, Xi Jinping, needed to bolster his regime's legitimacy; the

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<sup>82</sup> This is the [baseline](#) of one of the Malaysia-China tacit understandings, which recognised China's staying power and the need for Malaysia to coexist with it. For more details, see Chapters 5 and 6.

assertiveness was a performance to bolster domestic legitimacy, not an intentional decision to challenge these countries' interests. Affording China space to behave aggressively within limits is a part of the relationship package.

- c) The characteristics of redlines are adjusted based on the agreed baseline and goals of the tacit understandings. Some have contained operational limits, such as 'do not disrupt oil exploitation activities' or 'allow CCGs but not PLA-Navy.' These are essentially operational redlines that determine the conduct of how state actors behave in practice. However, the evaluation of redlines can also be broader, where states consider relational goals and interests.
- d) Deliberate violation of redlines is often a necessary part of the renegotiation of agreed limits because, fundamentally, parties want to either keep the status quo or advance new interpretations that benefit them. (This point about interpretation is discussed further in the next section.)

### *Comparing explicit and tacit understandings*

One way to refine my conceptualisation of tacit understandings is by examining their counterpart—explicit understandings. In the case of explicit understandings, disputing parties strive to provide a detailed and comprehensive account in accordance with the 'four corners' doctrine derived from English common law. This doctrine requires that the parties involved maintain clarity in their language, ensuring that every interpretation should be discernible in the relevant documentation. In practice, purely explicit understandings are rare, as evidenced by ongoing philosophical debates about private languages (where different actors attribute different meanings to the same term) and legal disputes between textualists and interpretive scholars. Therefore, the explicit-tacit dichotomy should be viewed as a spectrum, and this section does not aim to argue the existence of purely explicit understandings. Nonetheless,

distinguishing between explicit and tacit understandings is a useful exercise for further defining tacit understandings. Table 2.1 provides a summary of how explicit understandings differ from their tacit counterparts.

Table 2.2 Summary of the differences between explicit and tacit understandings

|                | Explicit Understandings   | Tacit Understandings   |
|----------------|---|--|
| Representation | A detailed text or declaration, which supersedes prior understandings | Implied consensuses derived from existing understandings, ascertained through interpreting iterative signalling  |
| Motivation     | To reconcile differences  | To preserve relations despite differences  |
| Interpretation | Reference from within the document                                    | Inference can be drawn from the selective citation of evidence from iterative interactions. It can also be made by citing inaction following a deliberate violation of the understandings. |

‘Representation’ refers to how disputing parties frame their understandings. In the case of explicit understandings, the agreement is represented solely based on the textual content within the document.<sup>83</sup> Explicit understandings often take the form of lengthy, comprehensive,

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<sup>83</sup> Chunlin Leonhard, "Beyond the four corners of a written contract: A global challenge to US contract law," *Pace Int'l L. Rev.* 21 (2009)

binding contracts as disputing parties aim to encompass all aspects of the dispute within the document. The most current agreement supersedes any prior arrangements.<sup>84</sup> Parties may also explicitly articulate their respective understandings in the presence of a witness. In essence, both parties should have a shared understanding of their agreement, and any third party should have a similar interpretation by simply referring to the text.

In contrast, tacit understandings are implied concords or consensuses that flow out of existing understandings. Tacit understandings encompass shared perception and awareness of each other's interpretations. Parties do not aim to clarify the entire understanding in writing, and tacit understandings often complement prior agreements. These agreed-upon understandings are private; only the negotiators fully comprehend the interpretation. Consequently, after reaching tacit understandings, negotiators often need to persuade their respective teams or domestic constituencies to adopt the understandings. In the case of tacit understandings, disputing parties do not necessarily rely on a written document or formal declaration. If there is a written document, the textual content represents only a portion of the understanding between parties.<sup>85</sup> The document is usually concise, outlining the broader aspects of the norms governing the understanding. The understanding is also often implied and ascertained through interpreting iterative signalling. One can inform the adversary of where the redlines lie through a private or public statement or via 'repeated actions'.<sup>86</sup> As a result, a 'pattern' subsequently develops for future negotiations.<sup>87</sup> Although disputing parties start the iterative interactions in an ad hoc manner, these interactions can develop into habits and preferences.

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<sup>84</sup> Rosalind Lee and Geoff Waterson, "Lease agreement: "Entire agreement" clause," *Property Management* 19, no. 1 (2001)

<sup>85</sup> See also the discussion below on how tacit understandings can exist even when a formal written agreement has been reached.

<sup>86</sup> Bruno Tertrais, "Drawing red lines right," *The Washington Quarterly* 37, no. 3 (2014/07/03 2014): 7.

<sup>87</sup> Thomas C. Schelling, "Bargaining, Communication, and Limited War," *Conflict Resolution* 1, no. 1 (1957): 28.

‘Motivation’ pertains to the main purpose of reaching an understanding. While explicit understandings are used to reconcile differences, tacit understandings are primarily employed to preserve relations despite differences. When disputing parties negotiate explicit understandings, they aim to settle the dispute and establish a mechanism for dispute resolution. This negotiation process is often demanding and time-consuming. Conversely, when relying on tacit understandings, disputing parties do not necessarily aim to reconcile the dispute, but rather to create a situation where both parties can temporarily set aside their differences.

‘Interpretation’ refers to how disputing parties construe the meaning of their understanding and how they engage with the textual content within a document. In the case of explicit understandings, parties typically refer to what they have explicitly agreed upon in writing, or what has been explicitly stated. In times of crisis, disputing parties often return to the text to resolve conflicts. The document is assumed to be unambiguous, and disputing parties cannot introduce new evidence that may alter the meaning of the understanding. Referencing only a specific part of the understanding may risk undermining the entire agreement. In contrast, for tacit understandings, disputing parties often reference past iterative interactions or present evidence to interpret the agreement as a whole. Even when a document exists, parties must present external evidence beyond the text to explain the meaning of specific words, phrases, or sentences. The interpretation is more flexible, allowing parties to selectively cite and reference specific parts of the understanding while disregarding the rest. Often, a party may deliberately violate certain aspects of the understanding to introduce a new meaning or interpretation.

### ***Tacit understandings that underlie informal and formal agreements***

A common misconception is that tacit understandings only pertain to informal agreements, as opposed to formal ones. However, disputing parties may incorporate tacit

understandings into both types of agreements. Informal agreements are those that are not legally binding, and do not require recording or signing by both parties to be effective. Formal agreements, on the other hand, are often legally binding, such as treaties and codes of conduct, and include mechanisms for dispute resolution and specified penalties for breaches. Tacit understandings can underpin both types, emerging as an implicit layer of expectations or aspects not explicitly stated by the parties involved.

Tacit understandings and informal agreements often overlap. As Charles Lipson, a political scientist, put it, 'informality is best understood as a device for minimising the impediments to cooperation, at both the domestic and international levels.'<sup>88</sup> Tacit understandings are also often negotiated as convenient ways to set aside disagreements so that parties can cooperate. However, tacit understandings and informal agreements are not synonymous. An agreement, even when informal, requires the parties to articulate or specify the terms involved. An agreement is considered informal when compliance is voluntary and it does not specify penalties for breaches, as seen in declarations of conduct and memoranda of understanding. The non-binding nature of an informal agreement, however, does not automatically classify it as a tacit understanding. Unlike informal agreements, tacit understandings involve mutual expectations that extend beyond explicit written or spoken articulation. These mutual expectations include underlying consensus on implied baselines and redlines, as well as broader goals that actors aim to achieve through the negotiation of tacit understandings.

Furthermore, there are scenarios in which parties still rely on tacit understandings even after making formal agreements. Glenn Snyder suggests that even in an alliance agreement, the most formal way to codify a relationship, there exists a broader set of expectations tacitly

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<sup>88</sup> Charles Lipson, "Why are some international agreements informal?," *International Organization* 45, no. 4 (1991)

underlying the agreement.<sup>89</sup> Parties often avoid putting tacit understandings in writing due to the sensitive and confidential nature of the terms involved. For instance, in the US alliance treaties with South Korea and Taiwan, there were tacit expectations that those countries would refrain from launching attacks on North Korea or China without the United States' consent.<sup>90</sup>

Moreover, in complex disputes, when drafting a formal agreement, parties often use ambiguous wording in certain sections to avoid impasses. This use of ambiguity is underpinned by tacit understandings. However, as noted before, tacit understanding is not synonymous with ambiguity. While disputing parties may introduce ambiguity into the document to maintain flexibility in interpretation, the goal of tacit understandings is to ensure mutual comprehension; parties need to grasp each other's positions.<sup>91</sup>

### **Why do we need to account for tacit understandings to explain mutual restraint?**

The reason why Southeast Asian states exercise restraint towards China at a particular juncture is likely to emerge from a complex interplay of various factors. One of these factors is Southeast Asian states' perception of their own weakness relative to China. Additionally, between 2013 and 2022, economic considerations gained prominence, with Beijing's investments in Southeast Asia emerging as a significant vector of influence. Moreover, domestic politics, including elite competition, have also been proposed by neoclassical realist scholars as playing a vital role in shaping how a country responds to Chinese assertiveness. Although these three explanations are crucial elements, they cannot fully explain why Southeast Asian states have persistently exercised restraint towards China throughout the post-

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<sup>89</sup> Glenn H Snyder, *Alliance politics* (Ithaca, NY: Cornell University Press, 1997).

<sup>90</sup> Victor D Cha, "Powerplay: Origins of the US alliance system in Asia," *International Security* 34, no. 3 (2010)

<sup>91</sup> For example, by using ambiguous wording in the key provisions of the 2005 Helsinki Agreement, Aceh rebel leaders and the Indonesian government were able to break the gridlock regarding sovereignty. However, underpinned by tacit understandings, they accepted the ambiguity as the best outcome, which was crucial for resolving one of Asia's most protracted conflicts. Edward Aspinall, "The Helsinki agreement: A more promising basis for peace in Aceh?," *Policy Studies*, no. 20 (2005): 48.

Cold War period, despite the widening gap in power capabilities, variations in economic links, and fluctuations in regime stability across Southeast Asian nations over time. Furthermore, the current literature cannot explain why and how Southeast Asian states have chosen different methods to exercise restraint towards China, resulting in variations in their approaches. This section contends that considering tacit understandings can address these gaps.

### *Insufficiency of capability-based explanation*

The capability-based explanation asserts that Southeast Asian states exercise restraint due to their lack of material capability to challenge Beijing.<sup>92</sup> However, capability-based explanations fall short in addressing two crucial aspects:

First, while Beijing has become notably more capable and assertive in bolstering its presence on occupied features and engaging in regular coercive actions since 2013, it has moderated its assertiveness to a level acceptable to other disputants.<sup>93</sup> Since its occupation of Mischief Reef in 1994-95, Beijing has adopted a multifaceted approach, expanding its presence while offering cooperation in disputed areas, which is a marked departure from its past

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<sup>92</sup> In IR, the concept of bandwagoning is often invoked to describe how smaller states align with stronger powers to ensure their survival or gain benefits (see footnote 15). In the context of Southeast Asia, while most scholars emphasise the agency of regional states in navigating great power dynamics, power asymmetry remains one of the most critical factors to explain Southeast Asian states diplomatic strategies. Specifically, it influences the adoption of what is often characterised as a deferential posture toward China. This deference is manifested in restrained behaviours such as avoiding overt confrontation, pursuing quiet diplomacy, and hedging to balance their limited material capabilities with their strategic goals. Ian Storey, *Southeast Asia and the rise of China: The search for security*, Routledge Security in Asia Series, (London and New York: Routledge, 2011); Kuik and Lai, "Deference and defiance in Malaysia's China policy: Determinants of a dualistic diplomacy"; Daojiong Zha and Mark J Valencia, "Mischief reef: Geopolitics and implications," *Journal of Contemporary Asia* 31, no. 1 (2001)

<sup>93</sup> According to Johnston, China's behaviour in recent years has not been particularly new or assertive. When China has acted more forcefully or aggressively, it has often been in response to provocative actions by others. Andrew Chubb has also observed that many people find it challenging to categorise Beijing as simply assertive. Consequently, they use modifiers such as 'passive assertiveness,' 'non-confrontational assertiveness,' 'reactive assertiveness,' and 'creeping assertiveness,' all of which imply a certain degree of restraint in Beijing's assertiveness. Andrew Chubb, "PRC assertiveness in the South China Sea: Measuring continuity and change, 1970-2015," *International Security* 45, no. 3 (2020); Johnston, "How new and assertive is China's new assertiveness?."

behaviour during the Cold War, which tended to be more destructive and forceful.<sup>94</sup> As David Kang suggested, this restraint is in line with historical trends, suggesting that China tends to be more conciliatory when it holds a position of strength and more assertive when it is relatively weaker.<sup>95</sup> Recent published works also suggest that when China is in a position of greater strength, it exercises restraint to maintain status and legitimacy during its ascent.<sup>96</sup>

Second, in response to the increasing frequency of CCG incursions into their EEZ, maritime Southeast Asian states have also displayed a plateauing level of concern. This means that, while all disputants acknowledge Beijing's increasing assertiveness and actively seek to cement their claims, they also generally characterise Beijing's actions as risk-managed.<sup>97</sup> For instance, Indonesian and Malaysian officials have characterised CCG incursions as 'White Hull Diplomacy', dismissing incursions as anticipated and non-threatening, as their oil exploitation activities have not been disrupted.<sup>98</sup> The Philippines and China, meanwhile, are currently engaged in a war of rhetoric; this context necessitates that all of China's actions, regardless of how they are perceived, need to be characterised as threatening for propaganda purposes. However, a consensus emerged from my interviews with a high-ranking coast guard and several Philippines Navy officials that they view Beijing as having exercised restraint. Beijing limits its response to 'non-kinetic' options, ranging from lasers to water cannons.<sup>99</sup>

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<sup>94</sup> Emmers, "De-escalation of the Spratly dispute in Sino-Southeast Asian relations"; Taylor Fravel, "China's Strategy in the South China Sea," *Contemporary Southeast Asia: A Journal of International and Strategic Affairs* 33, no. 3 (2011)

<sup>95</sup> Kang, "Getting Asia wrong: The need for new analytical frameworks."

<sup>96</sup> Huang, *Power and restraint in China's rise*; Mukherjee, *Ascending order: Rising powers and the politics of status in international institutions*; Zhang, "Cautious bully: Reputation, resolve, and Beijing's use of coercion in the South China Sea"; Klaus Heinrich Radtke, *Understanding China's behaviour in the South China Sea* (London: Palgrave Macmillan, 2019).

<sup>97</sup> Jürgen Haacke and John D Ciorciari, "Hedging as risk management: Insights from works on alignment, riskification, and strategy," *IPC Working Paper Series* 124 (2022); Kuik, "Shades of grey: Riskification and hedging in the Indo-Pacific."

<sup>98</sup> This point is also reiterated in three separate interviews: one with a high-ranking Philippines Coast Guard officer and the other two with former commanders in the Philippines Navy. All of them requested to remain anonymous. My interviews were conducted in Manila in November 2022.

<sup>99</sup> Kinetic choices may involve actions like collisions and physical intimidation, encompassing ship destruction. From discussion in my interview with a high-ranking Coast Guard officer, Manila, 21 November 2022. For domestic analysis of the interplay between various maritime security institutions in the Philippines, see Rhisan Mae E Morales, "Into China's rough seas: Troubled maritime institutions in the West Philippine Sea—

These examples illustrating the missing aspects in the capability-based explanation suggests the existence of a variable that allows Southeast Asian states and China to coexist while managing their disputes, and in some instances actively quarrelling within limits. This is further demonstrated by the patterns of coexistence of the CCG and Southeast Asian coast guards or navies, as Southeast Asian states continue their oil exploitation activities in the South China Sea.<sup>100</sup> This dynamic posits the presence of a variable that provides weaker states enough assurance to preserve disputes and de-prioritise defence despite China's growing assertiveness. It enables them to engage in disputes within certain limits without undermining their relationships.

### ***Insufficiency of bandwagoning-for-profit explanation***

Another explanation proposes that Southeast Asian states exercise restraint towards China because they are engaging in a form of 'bandwagoning for profit'.<sup>101</sup> In other words, they seek economic benefits from China or are economically dependent on Chinese investments.<sup>102</sup> While increased economic cooperation did influence the decision of Southeast Asian states to exercise restraint, it alone fails to explain the consistent pattern of restraint observed over three decades. This is evident in the fact that Southeast Asian states have exhibited restraint since the early 1990s, long before China's economic significance in the

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implications for Philippine national security," *Contemporary Chinese Political Economy and Strategic Relations* 5, no. 1 (2019)

<sup>100</sup> Emirza Adi Syailendra, "China, Indonesia, and Malaysia: Waltzing around oil rigs," *The Diplomat*, 18 August 2022, <https://thediplomat.com/2022/08/china-indonesia-and-malaysia-waltzing-around-oil-rigs/>.

<sup>101</sup> Schweller argues that states often bandwagon for profit because a rising power offers incentives to secondary states to align with them. For further discussion of bandwagoning for profit, see Randall L. Schweller, "Bandwagoning for profit: Bringing the revisionist state back in," *International Security* 19, no. 1 (1994) For those who argued that Southeast Asian states are bandwagoning towards China, see Kang, "Getting Asia wrong: The need for new analytical frameworks," 53; Roy, "Southeast Asia and China: Balancing or bandwagoning?"; Buszynski, "Realism, institutionalism, and Philippine security"; Joseph Chinyong Liow, "Balancing, bandwagoning, or hedging?: Strategic and security patterns in Malaysia's relations with China," *China and Southeast Asia: Global Changes and Regional Challenges* (2005): 282.

<sup>102</sup> For further discussion and survey on the meme surrounding BRI, see Ajit Singh, "The myth of 'debt-trap diplomacy' and realities of Chinese development finance," *Third World Quarterly* 42, no. 2 (2020); Deborah Brautigam, "A critical look at Chinese 'debt-trap Diplomacy': The rise of a meme," *Area Development and Policy* 5, no. 1 (2020/01/02 2020)

region grew.<sup>103</sup> In fact, during that period, Beijing was seen as an economic competitor by most Southeast Asian countries.

Moreover, various reports and studies indicate that Chinese investments in Southeast Asia did not automatically diminish the recipient countries' ability to assert their own interests.<sup>104</sup> The ability to preserve agency is due to Southeast Asian states maintaining diversified economic portfolios.<sup>105</sup> Beijing also often depends on local partners to ensure the success of risky, costly, and politically sensitive infrastructure projects.<sup>106</sup> As a result, scholars have been cautious about characterising Southeast Asian states as purely bandwagoning, recognising that these states have the capacity to challenge Beijing's actions and assert their agency.<sup>107</sup>

Furthermore, the ability of these states to maintain economic cooperation, even when tensions periodically flared up in the South China Sea, suggests the existence of a variable that provides insulation.<sup>108</sup> If economic benefits were the primary mediating factor, we would anticipate that as economic dependence on China increased, the ability of Southeast Asian states to resist Chinese provocations would decline. We would also expect China to use economic leverage to coerce a hostile state. During the Scarborough Shoal incident in 2012,

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<sup>103</sup> Malaysia, for instance, discouraged seeing China as a threat from the early 1990s. Kuik, "Making sense of Malaysia's China policy: Asymmetry, proximity, and elite's domestic authority."

<sup>104</sup> For discussion on various cases around Southeast Asia that demonstrated Beijing's limited influence, see Evelyn Goh, ed., *Rising China's influence in developing Asia* (Oxford: Oxford University Press, 2016).

<sup>105</sup> Kuik investigated how Thailand, Malaysia, and Laos wield influence in negotiations with China regarding economic investments. Other reports and studies also support this finding. See Cheng-Chwee Kuik, "Elite legitimation and the agency of the host country," in *Global perspectives on China's belt and road initiative: Asserting agency through regional connectivity*, ed. Florian Schneider (Amsterdam: Amsterdam University Press, 2021); Guanle Lim, Chen Li, and Emirza Adi Syailendra, "Why is it so hard to push Chinese railway projects in Southeast Asia? The role of domestic politics in Malaysia and Indonesia," *World Development* 138 (2021); Lee Jones and Shahar Hameiri, "Debunking the myth of 'debt-trap diplomacy'," *Chatham House* 19 (2020); Michael Bennon and Francis Fukuyama, "The obsolescing bargain crosses the belt and road initiative: Renegotiations on BRI projects," *Oxford Review of Economic Policy* 38, no. 2 (2022)

<sup>106</sup> See Evelyn Goh, "The modes of China's influence: Cases from Southeast Asia," *Asian Survey* 54, no. 5 (2014); Evelyn Goh and Nan Liu, *Chinese investments in Southeast Asia: Patterns and significance* (Singapore: ISEAS-Yusof Ishak Institute, 2023).

<sup>107</sup> Ann Marie Murphy, "Great power rivalries, domestic politics and Southeast Asian foreign policy: Exploring the linkages," *Asian Security* 13, no. 3 (2017); Ciorciari and Haacke, "Hedging in international relations: An introduction."

<sup>108</sup> Rosemary Foot and Evelyn Goh, "The international relations of East Asia: A new research prospectus," *International Studies Review* 21, no. 3 (September 2019): 413.

Beijing did impose travel bans and suspended banana imports, potentially affecting up to US\$60 million worth of goods trade with the Philippines.<sup>109</sup> Despite this, China continued to allow Chinese businesses to invest in the Philippines, indicating a restrained approach.<sup>110</sup> This suggests the presence of a variable that enables Southeast Asian states and China to compartmentalise economic cooperation and security tensions.

### *Insufficiency of domestic political explanation*

Neoclassical realists and area studies scholars have put forward domestic political factors as explanations for the restrained behaviour of smaller states in their dealings with China.<sup>111</sup> These factors range from contested domestic political landscapes shaping the failure to balance, to regime legitimation, which motivated Southeast Asian leaders to adopt a more accommodating attitude towards China. However, domestic political factors often lead to inconsistent outcomes, especially when attempting to explain how differing regime strengths resulted in the same outcome of restrained actions toward China in the South China Sea. For example, Malaysia has consistently exercised restraint toward China across different administrations, both when the regime was strong, as under Mahathir Mohamad, and when the regime was weaker, as under Najib Razak (2009–2018).<sup>112</sup> Despite the increasing number of Chinese incursions into Malaysia's EEZ, Mahathir Mohamad asserted that Malaysia did not view China as a security threat at that time. As Mahathir put it, '[a]t the moment, we [Malaysia] have not found them [China] a threat to our security. Not yet, maybe later.'<sup>113</sup>

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<sup>109</sup> Aileen Baviera, "The domestic mediations of China's influence in the Philippines," *Rising China's Influence in Developing Asia* (2016): 108..

<sup>110</sup> Alvin Camba, "Inter-state relations and state capacity: the rise and fall of Chinese foreign direct investment in the Philippines," *Palgrave Communications* 3, no. 1 (2017)

<sup>111</sup> De Castro, "The Duterte administration's foreign policy: Unravelling the Aquino administration's balancing agenda on an emergent China"; Wen Zha, "Personalized foreign policy decision-making and economic dependence," *Contemporary Southeast Asia* 37, no. 2 (2015); Syailendra, "A nonbalancing act: Explaining Indonesia's failure to balance against the Chinese threat."

<sup>112</sup> See Chapter 6.

<sup>113</sup> Huileng Tan, "Malaysia's Mahathir reportedly says he'd prefer to side with China rather than 'unpredictable' US," *CNBC*, March 11 2019, <https://www.cnbcm.com/2019/03/11/malaysias-mahathir-says-he-will-side-with-china-over-us-scmp.html>.

Moreover, it also could not explain the presence of continued protective oversight from domestic factions championing restraint across cases, despite domestic costs. These domestic factions could be the leaders themselves, such as Mahathir of Malaysia or Gloria Arroyo of the Philippines, or Foreign Ministers such as Ali Alatas of Indonesia or Domingo Siazon of the Philippines, who went against the dominant views that often demanded stronger policy against China in the South China Sea.<sup>114</sup> These champions for restraint did not always get what they wanted. A case in point is the Philippines and Malaysia, where opposition parties criticised their leaders' soft stance toward China, and even alleged corruption. Such criticism played a part in the removal of Gloria Arroyo in 2010 and Najib Razak in 2018.<sup>115</sup> In both instances, political opponents framed the leaders' restraint as a sign of corruption and political weakness. Despite mixed success, the enduring presence of factions advocating restraint suggests that, their persistent advocacy has been a consistent feature of Southeast Asian politics since the early 1990s, shared across the three dyads as outlined in their respective chapters. In totality, these factions have had relatively successful track records in persuading successive leaders to adopt more restrained behaviour towards China in the post-Cold War period. However, their motivation requires further investigation: if the previously mentioned economic incentive was insufficient, what else could explain the faction's willingness to advocate for a costly restraint policy towards China? The persistence of domestic protective oversight for restraint suggests that there might be an undisclosed agreement among these factions with their Chinese counterparts regarding what they see as the best approach for dealing with Beijing, given the circumstances.

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<sup>114</sup> Each of these figures will be further discussed in the pertinent chapters.

<sup>115</sup> Peter Kreuzer, "A comparison of Malaysian and Philippine responses to China in the South China Sea," *The Chinese Journal of International Politics* 9, no. 3 (2016)

### *How tacit understandings help to bridge existing gaps*

Given the limitations of these dominant explanations – capability-based, bandwagoning for profit, and domestic political – this study argues that we must consider the tacit understanding hypothesis. It also contends that tacit understandings can help fill the gaps identified in these dominant explanations.

- a) Tacit understandings may help actors identify redlines and ensure coexistence despite disputes.
- b) Tacit understandings may offer an explanation of how Southeast Asian countries shifted their reference points when calculating risks and rewards concerning Beijing, even when economic cooperation remained limited.
- c) Tacit understandings offer insights into why Southeast Asian leaders may defy domestic pressures and opt for a more accommodating policy towards China.

The next two sections explain the Tacit Understanding Framework, which comprises an analytical framework and a verification method. The analytical framework observes the existence of tacit understandings by tracing their developmental stages, allowing this thesis to investigate and compare the three cases. The verification method proposes ways to confirm or falsify their presence.

#### **Analytical framework: Stages of tacit understanding development**

The analytical framework divides tacit understandings into stages. Although the negotiation of a tacit understanding is not linear in practice, establishing stages of development benefits the analytical approach of this research, as it helps identify critical junctures where tacit understandings are most observable. These stages explain under what conditions disputing parties prefer tacit understandings over other arrangements; the negotiation process; and what happens after disputing parties have agreed on tacit understandings.

### *Antecedents*

Antecedents refer to circumstances that motivate disputing parties to negotiate tacit understandings. There are three sub-stages of antecedents: disputing parties pursue tacit understandings because underlying conditions inhibit parties from pursuing explicit agreements; triggering factors increase the urgency of having tacit understandings; and signalling sincerity fosters circumstances conducive to negotiating tacit understandings.

Underlying conditions are circumstances that build up over time and cumulatively make the exercise of restraint costly, because leaders could be accused of kowtowing to an adversary or failing to protect a nation's interests. This may arise from deep-seated hostility ingrained in the relationship, such as inherent ideological clashes or historical wrongdoings, presenting challenges to discussion of resolution or temporary cooperative agreements. The other underlying condition is when a dispute is layered, which would require a substantial amount of time to reconcile.

The imperative for tacit understandings occurs because of a conflict between the need to cooperate and the barrier posed by the underlying conditions. The need to cooperate arises because of a surge in shared concerns or common needs triggered by the emergence of a critical juncture, such as a financial crisis, a natural disaster, or a human-made emergency.<sup>116</sup> A confluence of events that are happening simultaneously or sequentially, which shapes the need to negotiate tacit understandings, is referred to here as triggering factors. These factors provide disputing parties an opportunity for negotiation, a pretext for action, or a breakthrough in gridlock during a negotiation.

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<sup>116</sup> Clive Jones, "Israel's security nexus as strategic restraint: The case of Iran 2009–2013," *Journal of Strategic Studies* 41, no. 1-2 (2018)

The mixture of underlying factors and triggering factors serves as an antecedent that motivate parties to pursue quiet and informal partnerships, underpinned by tacit understandings, in order to avoid drawing criticism.<sup>117</sup> Moreover, as the conflictual relationships inherent in the underlying condition are typically exhausting, costly, and attention-demanding, disputing parties often find it convenient to agree to pursue tacit understandings to shelve the dispute, which enable them to focus on other issues that are more pressing, such as ongoing internal rebellions or economic development. The emergence of a common threat or convergence of interests also often presents an opportunity for disputing parties to temporarily shelve disputes in order to prioritise cooperation.

Although both parties desire tacit understandings, this does not mean that they are ready to negotiate. Structural constraints and irreconcilable disagreements inherent in the relationship might put future negotiations at risk. Therefore, it is important that both send signals of their readiness to work through their differences. Because of the sensitivity of openly sending a letter to negotiate, states often convey their readiness to negotiate via signalling. Signalling sincerity is a diplomatic manoeuvre to impress upon the other side that one is ready to look past pre-existing disagreements. To signal honest intentions, a leader often performs a unilateral symbolic action, such as visiting a place of historical importance, releasing political prisoners, or giving a speech that contains conciliatory messages. To signal a readiness to look past disagreements, a party often sends a representative to conduct a pre-negotiation discussion for a reality check on whether the counterpart is ready to negotiate in an orderly fashion. The objective of signalling is not to surrender one's claims, but rather to demonstrate a willingness to enter negotiations amicably.

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<sup>117</sup> James Manicom, *Bridging troubled waters: China, Japan, and maritime order in the East China Sea* (Washington, DC: Georgetown University Press, 2014), 31; Kenneth A Oye, "Explaining cooperation under anarchy: Hypotheses and strategies," *World Politics* 38, no. 1 (1985) Guzansky, "Israel and the Arab Gulf states: from tacit cooperation to reconciliation?." Rabi and Mueller, "The Gulf Arab states and Israel since 1967: From 'no negotiation' to tacit cooperation."

### ***Formation***

Formation refers to a stage in which tacit understandings are negotiated between and within states.

Inter-state negotiation is when terms for restraint – and how to interpret them – are discussed by states’ representatives. The approach taken by disputing parties to negotiate tacit understandings will vary with context. However, there are two typical examples: direct negotiation and indirect negotiation. *Direct negotiation* is the most common: both parties meet and discuss the tacit understandings. Direct negotiation can attract criticism from domestic audiences; therefore, it often happens on the sidelines of another event, or in secret.<sup>118</sup> Negotiation can also be *indirect*: in this scenario, disputing parties rely exclusively on iterative interactions, or infer and anticipate their counterpart’s expectations.<sup>119</sup> Thomas Schelling argued that a condition of limited communication often occurs “when one or both parties either cannot or will not negotiate explicitly or when neither would trust the other concerning any agreement explicitly reached.”<sup>120</sup> Against this backdrop, parties involved must search for “clues” as the first step in making sense of their adversary’s intent. For example, the US and USSR understood their spheres of influence through a series of interactions and provocations.<sup>121</sup> This example illustrates that parties can negotiate tacit understandings without having to communicate directly.

The formation of tacit understandings also necessitates domestic negotiation, where the agreed terms for restraint that are negotiated between states’ representatives are further debated, socialised, and in some instances institutionalised within a state. Failure to domestically gain legitimacy for the tacit understanding will result in its partial or entire

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<sup>118</sup> Goh, *Constructing the US rapprochement with China, 1961–1974: From ‘red menace’ to ‘tacit ally’*, 157.

<sup>119</sup> Schelling, "Bargaining, Communication, and Limited War."

<sup>120</sup> *Ibid.*

<sup>121</sup> Keal, *Unspoken rules and superpower dominance*.

abandonment. At this stage, restraint often manifests as the practice of disciplining other actors within a state who do not agree to implement the understanding. Domestic negotiation of prior tacit understandings will depend on a number of factors, including the domestic constellation of powers and the negotiators' political capital to convince their colleagues of the merit of abiding by the tacit understandings. The sustainability of tacit understandings will depend on the ability of leaders to convince their domestic constituencies that pursuing such understandings – without reconciling existing disputes – is desirable.

### ***Maintenance***

Maintenance refers to the stage in which tacit understandings are effectively employed to facilitate restraint, relying on the practice of interpretation as discussed above. It also refers to the stage where either party may need to “modify and transform” prior tacit understandings to cope with evolving circumstances.<sup>122</sup> There are four parts to maintenance:

- 1) Putting tacit understandings into practice, where states rely on the agreed terms for restraint to facilitate their coexistence or collaboration. Over time, this practice could be institutionalised or developed into a template of well-rehearsed responses to episodic occurrences of tension in disputed areas.
- 2) Testing boundaries and pushing the envelope, where states will exploit opportunities to cautiously violate the tacit understandings in order to put forward new interpretations. As discussed above, the details of tacit understandings are open to re-interpretation; violating prior tacit understandings helps push the boundaries and introduce a new interpretation of redlines.

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<sup>122</sup> Manon Westphal, "Institutions of modus vivendi politics," in *The Political Theory of Modus Vivendi*, ed. Manon Westphal John Horton, and Ulrich Willems (Berlin: Springer, 2019), 6-7.

- 3) Renegotiating the content of tacit understandings, where states modify and adjust aspects of their understandings to cope with significant structural, regional, or domestic changes. There are two potential areas of renegotiation. The first possibility is a change of the components or terms previously agreed to by the disputing parties, in part or in their entirety. The second possibility is a change in the structural or internal circumstances surrounding the tacit understandings that affect the state of the relationship.
- 4) Abandoning tacit understandings, where a state reneges on pre-existing baselines or crosses redlines. Changing circumstances, such as the disappearance of a common cause to cooperate or a common enemy, might lead to a reassessment of whether to continue to adhere to tacit understandings. As tacit understandings preserve disputes, they are inherently a temporary solution, and states might decide to pursue a more sustainable route via legal negotiation. Disruptive external events (e.g., a change in the balance of power, an emergence of new threats, or a shock caused by crises) or internal changes in the domestic political constellation might pressure leaders to reassess the merit of prior tacit understandings. This is when the parties involved may choose to abandon tacit understandings and pursue alternative approaches, such as renegotiating new agreements, seeking formal dispute resolution, or adopting an outright balancing posture against their adversary.

### **Notes on verification**

While the analytical framework facilitates case comparison, the verification method seeks to bolster confidence that we are indeed observing the impact of tacit understandings on restraint. This verification involves two steps: ‘positive confirmation’ and ‘falsification’. Positive confirmation investigates circumstances that are not directly related but indicate the

existence of tacit understandings. Falsification, the second verification step, is useful for avoiding confirmation bias because it entails suggesting a series of conditions under which the hypothesis or theory being tested would be refuted. If these outlined conditions are not met, it supports the tacit understanding hypothesis or offers a venue for further investigation.

We often cannot directly observe tacit understandings. However, we can observe actions that are related to, result from, or are by-products of these understandings. In the fields of psychology or linguistics, this method is often referred to as ‘co-occurrence’. Co-occurrence means ‘the fact of two or more things occurring together or simultaneously.’<sup>123</sup> Thus, we can confirm or falsify the presence of tacit understandings by observing the associated actions that are expected to occur if such understandings are present. Eight proposed co-occurrences are listed below in Table 2.2. These actions do not directly prove the existence of tacit understandings. Rather, they indicate that Southeast Asian states no longer behaved according to conventional theoretical expectations—either because the theories are wrong or, more likely, because of the existence of an intervening variable, which could be tacit understandings. In the table below, I included abbreviations to reference the co-occurrences in my analysis for the empirical chapters.

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<sup>123</sup> Cambridge Advanced Learner's Dictionary & Thesaurus, s.v. Co-occurrence, (Cambridge: Cambridge University Press).

*Table 2.3 Eight co-occurrences of actions to confirm and falsify the existence of tacit understandings*

| Co-occurrences   | Abbreviations     | Positive confirmation   | Falsification   |
|--|-------------------|---|---|
| Top-down directive to preserve disagreements and disputes with China | Top-down adoption | As noted in the stages of tacit understandings, leaders need to adopt these understandings domestically. Therefore, instructions from Southeast Asian top leadership advising mid-ranking officials not to seek to resolve disputes may suggest the presence of tacit understandings. This is because such a directive indicates a preference to maintain disputes with China about the South China Sea, which suggests leaders are confident the disputes will be managed within acceptable limits.  | If Southeast Asian leaders actively pursue actions to clarify and resolve disagreements with China, this may negate the existence of tacit understandings.  |
| Awareness on acceptable limits of behaviour                          | Awareness         | Tacit understandings help prevent escalation by promoting awareness of when, where, and how to engage in disputes. Therefore, if Southeast Asian leaders delineate appropriate venues (bilateral and multilateral forums) for engaging in discussion or contestation with China, this may confirm the existence of tacit understandings. The awareness may also be shown when Southeast Asian officials differentiate what constitutes hostile actions from China, such as allowing the Chinese Coast Guard (CCG) to encroach, but not the People’s Liberation Army Navy (PLA-N). | If Southeast Asian leaders do not afford China any leeway for hostility—such as by consistently deterring or urging others to deter China’s illegal incursions into their maritime territories—this may undermine the presence of tacit understandings. This reluctance to permit assertiveness may also be demonstrated through actions by Southeast Asian states challenging China's nine-dash line in both bilateral discussions and key regional security forums. |
| Disciplining activities towards others who might violate agreed      | Disciplining      | Tacit understandings must be enforced by top leadership, such as the president or foreign minister, because not everyone is aware of the full extent of these understandings. Therefore, actions to discipline those who might breach these understandings help confirm their   | If top leadership does not resist hawkish factions (such as those in the defence or legal sectors) attempting to involve a third party in arbitrating the South China Sea disputes with China, it may indicate that prior tacit   |

|   |               |   |  |
|---|---------------|---|--|
| redlines with China                                       |               | existence. Violations might include efforts to promote conflict resolution with China. Enforcement may also involve subtler methods, such as persuading others to consider broader interests with China beyond the South China Sea disputes.  | understandings were not in place. Additionally, a lack of evidence showing sensitivity, where Southeast Asian states seize opportunities to strengthen their claims or challenge China's nine-dash line, might suggest that tacit understandings do not exist.   |
| Protest when violation occurs                             | Protest       | In the absence of an enforcement mechanism, both parties must monitor each other for potential or actual violations. Therefore, if one side refers to prior tacit understandings when the other side acts in a way that contradicts these understandings, it suggests that such tacit understandings exist.   | If one party seems to have deviated from previous tacit understandings without receiving a warning or causing a period of hostility, it suggests the absence of tacit understandings.  |
| Rationalising Beijing's assertive behaviour as acceptable | Rationalising | An assumption of neorealism is that Southeast Asian states are expected to be concerned about the widening power imbalance with China. <sup>124</sup> The absence of urgency among Southeast Asian states to enhance their deterrence capabilities, despite Beijing's growing assertiveness in the South China Sea, suggests the presence of a factor that mitigates the security dilemma, possibly indicating tacit understandings. Another strong indicator is whether Southeast Asian states express the belief that Beijing needs to have some leeway for hostile actions by rationalising Beijing's behaviour and discouraging other external powers, such as the United States, from deterring Beijing's hostilities. | If Southeast Asian states show increased concern over China's assertiveness in the South China Sea and take appropriate measures to challenge this assertiveness, it undermines the claim that tacit understandings exist. Such actions might include enhancing their maritime defence, engaging in legal disputes with China, and highlighting China's assertive behaviour. |

<sup>124</sup> See footnote 15.

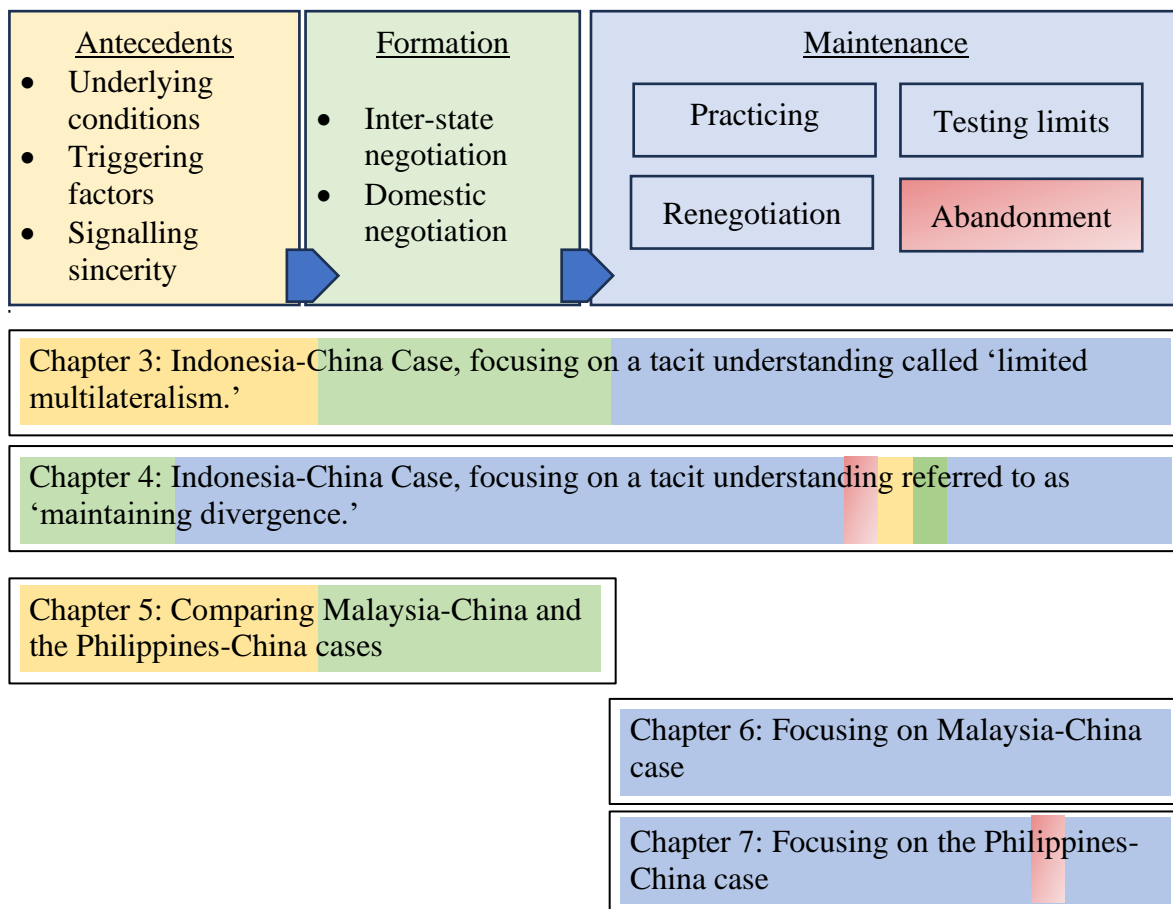
|   |                    |  |  |
|---|--------------------|--|--|
| Constancy of a restrained approach towards China despite significant leadership changes                                       | Constancy          | Area specialists assume that the foreign policy of Southeast Asian states towards China is closely tied to regime interests, leaders' personalities, or personal interests. <sup>125</sup> Therefore, if I can show that Southeast Asian states consistently approach China the same way, even when new leaders with anti-China views come to power, it suggests that these leaders see value in sticking to previously established tacit understandings.                              | If changes in leadership within Southeast Asian states immediately impact the execution of foreign policy with China, it suggests that the exercise of restraint may be driven by the leaders' momentary interests rather than by tacit understandings with China.   |
| Increasing tension in the South China Sea despite greater economic cooperation  | Compartmentalising | An assumption made by economic interdependence theorists is that increased economic cooperation between Southeast Asian states and China reduces tensions. Therefore, if Southeast Asian states can continue to take assertive measures to secure their positions against China while increasing economic cooperation with China, it could suggest the compartmentalisation of economic cooperation and assertive actions in the South China Sea, underpinned by tacit understandings. | If greater economic interdependence discourages Southeast Asian leaders from challenging China's assertiveness—particularly if this is observed across all or most cases in Southeast Asia—it suggests that profit-seeking motivations, rather than tacit understandings, drive their restraint towards China. |
| Changes in Southeast Asian states' practices of restraint towards China are produced by modifications in tacit understandings | Changes            | To demonstrate a causal link between tacit understanding and restraint, I need to provide evidence that Southeast Asian states' changing approaches to restraint towards China and the South China Sea are a result of changes (adjustment or abandonment) in tacit understandings.  | Failure to link Southeast Asian states' changing practices of restraint towards China with changes in tacit understandings would invalidate the hypothesis.  |

<sup>125</sup> See prior section titled '[Insufficiency of bandwagoning-for-profit explanation.](#)'

## Thesis plan: Employing the framework in empirical chapters

The Tacit Understanding Framework that I propose comprises an analytical framework that divides tacit understandings into stages, and a verification method to confirm or falsify their existence. This section discusses how this thesis employs the Tacit Understanding Framework to guide analysis in the subsequent empirical chapters. It also outlines the tacit understandings that I find in each case and explains how I verify their existence. Figure 2.2 uses colour coding for the analytical framework—stages of tacit understanding development—with yellow for antecedents, green for formation, and blue for maintenance. Below the figure, I outline the overall plan for applying the analytical framework to the empirical chapters of this thesis.

Figure 2.1 Stages of tacit understanding development and overall plan for this thesis



As shown in Figure 2.2 above, Chapters 3 and 4 employ the analytical framework in its entirety to facilitate the analysis of the Indonesia-China case. In Chapter 3, I found that Jakarta and Beijing established two tacit understandings during a meeting from 18 to 21 July 1995 between the Indonesian Foreign Minister Ali Alatas and Chinese Foreign Minister and Vice Premier Qian Qichen. I label these tacit understandings ‘maintaining divergence’ and ‘limited multilateralism’. In Chapters 3 and 4, these tacit understandings are coded as TU-ID-1 and TU-ID-2.

- 1) [Maintaining Divergence](#) (TU-ID-1): This first tacit understanding aimed to preserve disagreements between the two countries regarding whether a maritime jurisdiction dispute existed in the area where China’s nine-dash line intersects Indonesia’s EEZ; and whether a bilateral mechanism to resolve the disagreement needed to be established. In legal terms, divergence refers to a situation where both parties acknowledge the existence of disagreements but refrain from seeking clarification, enforcing their claims, or pursuing a resolution. When a party seeks resolution, these disagreements become disputes. What was tacitly agreed between Alatas and Qian was that the disagreements existed, but should not obstruct their shared regional interests. Maintaining divergence was first established during the Alatas-Qian negotiations to allow both countries to proceed with negotiating the second tacit understanding.
- 2) [Limited Multilateralism](#) (TU-ID-2): The second tacit understanding aimed to establish limits between Jakarta and Beijing officials when discussing South China Sea disputes in key regional forums, primarily the ASEAN Regional Forum (ARF) (formal) and the South China Sea (SCS) workshop (informal). With this second tacit understanding, a sense of decorum was established, ensuring that both countries knew the appropriate venues and timing for engaging in contestations. What was tacitly understood between

Alatas and Qian was a convergence of views on the need to minimise Western influence as the region transitioned into a US hegemonic order in the post-Cold War period.

Chapter 3 mainly focuses on the maintenance of the second tacit understanding – limited multilateralism – while Chapter 4 focuses on the maintenance of the first tacit understanding – maintaining divergence. Although maintaining divergence was established first, the second tacit understanding was more immediately relevant for Jakarta and Beijing as they sought to collaborate to strengthen ASEAN’s centrality in key regional security forums, with the shared goal of minimising external influence over regional affairs. Chapter 3 also employs the verification method to further bolster confidence in the existence of the limited multilateralism tacit understanding. It focuses on four co-occurrences, as outlined below in Table 2.3. Although I previously listed eight co-occurrences, not all of them are applicable to the three empirical cases in my study. Therefore, I must apply the co-occurrences selectively based on the unique circumstances of each case.

Table 2.4 Verifying TU-ID-2 (limited multilateralism)

| <b>Co-occurrences (abbreviated)</b> | <b>Case discussed</b>   |
|-------------------------------------|---|
| <b>Top-down adoption</b>            | Following the July 1995 meeting, during the ASEAN Ministerial Meeting and ARF meeting in July-August 1995, Indonesian Foreign Minister Ali Alatas issued a series of statements and circulated a letter to other Southeast Asian ministers, convincing them that Beijing had embraced UNCLOS. Given the absence of a written agreement produced after the meeting, this suggests that Jakarta and Beijing reached tacit understandings that led Alatas to believe such gestures were necessary. |
| <b>Awareness</b>                    | Following the July 1995 meeting, at the second ARF working session on 1 August 1995, Beijing was more accommodating in discussing the South China Sea. This accommodation could be a result of Jakarta's implied reassurance that it would ensure Beijing's interests were not harmed.  |
| <b>Disciplining</b>                 | Following the July 1995 meeting, Indonesian representatives carefully set meeting agendas and communiqués in the ARF and SCS workshop, taking into account Beijing's interests. By doing so, Jakarta often challenged others, such as the Philippine representative, from raising certain issues related to the South China Sea disputes.   |
| <b>Protest</b>                      | Following the July 1995 meeting, the Chinese delegation protested when Indonesian representatives were perceived to have violated the agreed redlines by involving external participants in a joint development initiative in the South China Sea. For example, in 1996, Beijing protested when Jakarta sought to exclude Beijing from a joint development initiative supported by other ASEAN members. This suggests the existence of implied redlines between Jakarta and Beijing.            |

As shown in Figure 2.2 above, Chapter 4 applies the analytical framework—stages of tacit understanding development. The chapter begins by discussing domestic negotiations (a part of the formation stage) to investigate how Foreign Minister Alatas persuaded other anti-China elites in Jakarta to adopt maintaining divergence as a tacit understanding. It then focuses on the maintenance of this tacit understanding until its eventual abandonment in 2016. During my fieldwork in Jakarta in 2022, I discovered that Jakarta and Beijing had established another tacit understanding very soon after the first tacit understanding was abandoned. I label the new tacit understanding as ‘sharing usage’ and code it as TU-ID-3. This offered an opportunity for comparison on how the prior tacit understanding—maintaining divergence—differs from the new one, allowing me to investigate the distinctive impact of the prior tacit understanding on restraint.

- 3) [Sharing usage](#) (TU-ID-3): This third tacit understanding was established by Jakarta and Beijing in 2017 to prevent disputes over maritime jurisdiction and traditional fishing rights between Indonesia and China from undermining the improvement of their economic relationship. These disputes arose due to the abandonment of the first tacit understanding—maintaining divergence—in the area where China’s nine-dash line intersected Indonesia’s EEZ. What was tacitly understood between Jakarta and Beijing was that the disputes should not interfere with the deepening economic cooperation between the two countries.

Chapter 4 also employs the verification method to further bolster confidence in the existence of the first tacit understanding—maintaining divergence. It focuses on four co-occurrences, as listed below in Table 2.4. These co-occurrences serve as evidence that maintaining divergence and sharing usage indeed existed as tacit understandings regulating interactions between Beijing and Jakarta regarding their disagreements and disputes over the South China Sea.

Table 2.5 Verifying TU-ID-1 (maintaining divergence) and TU-ID-3 (sharing usage)

| <b>Co-occurrences (abbreviated)</b> | <b>Case discussed</b>   |
|-------------------------------------|---|
| <b>Top-down adoption</b>            | Demonstrating how FM Alatas instituted institutional coherence within KEMLU and persuaded President Suharto and the Indonesian military of the merits of adhering to a tacit understanding with China to manage disagreements in the Natunas. As managing disagreements with China could be seen as a weak posture and was politically risky for Alatas' domestic standing, it suggests the existence of the first tacit understanding. |
| <b>Awareness</b>                    | Demonstrating mutual awareness of the agreed approach to engaging with each other and managing public scrutiny of the disagreement.   |
| <b>Disciplining</b>                 | Unpacking the efforts of both sides from 1995 to 2022 to discipline hawkish factions in Indonesia that sought to highlight the existence of disagreements between the two countries regarding the South China Sea.  |
| <b>Protest</b>                      | From March to June 2016, as the tacit understanding was abandoned, Beijing and Jakarta referred to the previous understanding.  |
| <b>Changes</b>                      | As the tacit understanding was abandoned, Jakarta and Beijing's ways of engaging each other in the South China Sea also changed. Additionally, I compare the differences in the practices of restraint between the old tacit understanding (maintaining divergence) and the new tacit understanding (sharing usage), suggesting the specificity of the tacit understanding's impact on Jakarta's restraint towards Beijing.             |
| <b>Rationalising</b>                | Discussing how Indonesian naval officers explained away CCG incursions into its EEZ near the Natuna Islands.  |

Chapters 5 and 6 cover the Malaysia-China case. As shown above in Figure 2.2, in the Malaysia-China section of Chapter 5, I focus on the antecedents and formation stages. From 1985 to 1992, Malaysia and China negotiated two tacit understandings.

- 4) Supporting Mutual Interests (coded as TU-MY-1): This first tacit understanding was established by Malaysian Prime Minister Mahathir Mohamad during his visit to Beijing in 1985. This tacit understanding had an evolving goal. When it was first established in 1985, it aimed to make Malaysia's deeper engagement with China more palatable domestically, given domestic anti-China sentiment in Malaysia. In the early 1990s, this goal evolved into making the integration of China into the region more acceptable among Southeast Asian states. After 1998, Kuala Lumpur aimed to leverage its position through China. With China's backing of Malaysia's regional initiatives, which also aligned with Beijing's interests, Malaysia effectively advanced its ideas, especially in regional economics, gaining greater attention and influence from other countries in the region. With this evolving goal, the content of this tacit understanding, and the restraint it facilitated, also evolved. However, the core of what was tacitly understood remained: both Malaysia and China recognised each other's importance, and sought to support each other in the region when their interests coalesced.
- 5) Maintaining Divergence (coded as TU-MY-2): This second tacit understanding was established in 1992 by Defence Minister Najib Razak during his visit to Beijing. Malaysia established this tacit understanding with China in order to prevent disagreements about the South China Sea from undermining TU-MY-1. The disagreements included differing positions on whether disputes existed between Malaysia and China in the South China Sea, particularly where the nine-dash line cut across Malaysia's EEZ; the ownership of several features in the South China Sea; and whether the two nations needed to establish bilateral mechanisms to resolve the

disagreements or engage in cooperative endeavours in the disputed areas. It was tacitly understood that these disagreements should be shelved and maintained in order to enable the two nations to focus on more pressing goals, especially in the realm of shaping regional economic cooperation.

This finding is further verified in Chapter 6, where I focus on the maintenance of the two tacit understandings. I find that Malaysia maintained these two tacit understandings by modifying them according to the changing external environment. This was particularly evident at three critical junctures: the transition into the post-Cold War period in 1992; the Asian Financial Crisis in 1997-98; and in 2009 with China's rise. To bolster confidence in the two Malaysia-China tacit understandings, throughout Chapters 5 and 6, I focus on seven co-occurrences, outlined below in Table 2.5

Table 2.6 Verifying TU-MY-1 (supporting mutual interests) and TU-MY-2 (maintaining divergence)

| <b>Co-occurrences (abbreviated)</b> | <b>Case discussed</b>  |
|-------------------------------------|--|
| <b>Top-down adoption</b>            | After the 1985 visit to Beijing, Malaysian Prime Minister Mahathir Mohamad discouraged Malaysian elites from framing China as a threat. Mahathir’s positions marked a departure from his previous stance. After 1998, Mahathir also institutionalised the tendency of prioritising economic cooperation with China over security interests in the South China Sea by separating security and economic institutions and empowering the latter.                      |
| <b>Awareness</b>                    | After 1992, Mahathir preferred bilateral discussions to address sensitive matters concerning the South China Sea disputes with China. Malaysia tended to confine the multilateral forum to discussing confidence-building measures, and often engaged in debates with Indonesia and the Philippines when they raised issues beyond this scope.   |
| <b>Changes</b>                      | As the two tacit understandings were modified, I observed changes in how Kuala Lumpur exercised restraint towards China. These changes included the reinforcement of prior exercises of restraint and additional exercises of restraint to cope with changing external circumstances.  |
| <b>Disciplining</b>                 | From the early 1990s, Mahathir discouraged others in the region from viewing China as a threat, contradicting his earlier statements made before the 1985 meeting in Beijing. Malaysian delegates in key regional forums also discouraged other regional partners from challenging Beijing during multilateral discussions. Additionally, Malaysian elites frequently criticised the United States’ actions to challenge Beijing’s assertiveness as destabilising. |
| <b>Compartmentalising</b>           | Malaysia continued to strengthen its claim in the South China Sea and contest China within limits, even as their economic cooperation increased. For example, Malaysia occupied new features in 1999 and legally contested China’s nine-dash line within limits, notably in 2009 and 2019. Moreover, Beijing did not punish Kuala Lumpur for its assertive actions; instead, it often doubled down on its economic cooperation with Malaysia.                      |
| <b>Constancy</b>                    | Malaysia continued its restrained approach towards Beijing, even after contentious elections. This was notably the case after Prime Minister Najib Razak’s defeat in 2018—a leader who was accused of being bought by China.   |
| <b>Rationalising</b>                | Malaysian officials called CCG incursions into its EEZ ‘White Hull Diplomacy’ and rationalised that this action did not have any territorial consequences. Malaysian officials also downplayed occasional PLA(N) incursions, which suggests a narrative to rationalise Beijing’s assertive behaviour.  |

Chapters 5 and 7 cover the Philippines-China case. As shown above in Figure 2.2, in the Philippines-China section of Chapter 5, I focus on antecedents and formation stages. From this investigation, I find that from March to August 1995, the Philippines and China negotiated a tacit understanding. I refer to this tacit understanding as ‘dispute preservation’, a label not used by the Philippines, but one that indicates that the aim was to manage, rather than resolve, the disputes. The two countries established this tacit understanding following Beijing’s occupation in early 1995 of Mischief Reef, a low-tide elevation in the Spratly Islands claimed by both nations. This occupation led to a series of naval confrontations in the disputed area.

- 6) Dispute preservation (coded as TU-PH-1): This tacit understanding encouraged Manila and Beijing to recognise that their bilateral interests extended beyond the South China Sea disputes and, therefore, should be managed in a way that would allow other interests—such as bilateral economic and regional security cooperation—to flourish.

This finding is further examined in Chapter 7, where I focus on the maintenance of the tacit understanding. I find that dispute preservation was maintained in its initial form, despite attempts to alter it throughout multiple administrations from President Fidel Ramos to Rodrigo Duterte. This was with the exception of the period from 2013 to 2016, when the tacit understanding was abandoned. However, both countries reinstated the tacit understanding in October 2016. The attempts to change the tacit understanding up to 2022 were unsuccessful because competing domestic factions within the Philippines could not agree on a better approach to dealing with China. The persistence of this tacit understanding fostered a practice of restraint that allowed Manila and Beijing to contest each other within limits without risking escalation. Throughout Chapters 5 and 7, I also apply the verification method, focusing on co-occurrences listed below in Table 2.6.

Table 2.7 Verifying TU-PH-1 (dispute preservation)

| <b>Co-occurrences (abbreviated)</b> | <b>Case discussed</b>   |
|-------------------------------------|---|
| <b>Top-down adoption</b>            | Following a territorial loss to China, Philippines President Fidel Ramos instructed in August 1995 the Philippines Department of Foreign Affairs not to let “differences hinder the expansion of our overall bilateral relations.” This instruction, issued in the absence of a formal agreement, indicates the likely establishment of a tacit understanding.                |
| <b>Constancy</b>                    | From the presidency of Joseph Estrada to Rodrigo Duterte, the Philippines’ foreign policy approach towards China remained consistent, except during the 2013-2016 period when the tacit understanding was abandoned. Consistent features include Manila and Beijing tolerating each other’s measured hostile actions without risking escalation.                              |
| <b>Disciplining</b>                 | From the presidency of Estrada to Duterte, the foreign minister and president intervened to quell efforts by the defence establishment and legalist factions who sought to take the South China Sea case to arbitration or involve the United States to deter China. This was consistent except for the period from 2013 to 2016, when the tacit understanding was abandoned. |
| <b>Compartmentalising</b>           | Especially during Arroyo’s and Duterte’s administrations, tensions in the South China Sea did not affect increasing Chinese investment in Manila.   |
| <b>Changes</b>                      | Comparing how restraint practices were exercised when dispute preservation was abandoned between 2013-2016.   |
| <b>Protest</b>                      | In various formal statements, Beijing referenced the existence of the prior tacit understanding when Manila decided to abandon it in 2013. This bolsters my claim that the tacit understanding existed.   |
| <b>Rationalising</b>                | The Philippines Coast Guard and Navy made a distinction between kinetic and non-kinetic actions to decide whether China’s hostile actions were deemed acceptable. Kinetic actions include destructive actions like shooting and ramming, while non-kinetic actions include using lasers and water cannons. This suggests the existence of a redline.                          |

Overall, using these two methodologies within the Tacit Understanding Framework shows the strength of this thesis' approach in validating the hypothesis that the persistence of Southeast Asian states' restraint towards China can only be explained by considering tacit understandings.

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**Chapter 3: Limited multilateralism: Indonesia's tacit  
understanding with China for post-Cold War regional interests**

Word count: 12,625 (16,833 including footnotes)

**Table 3.1 Chapter 3 map**

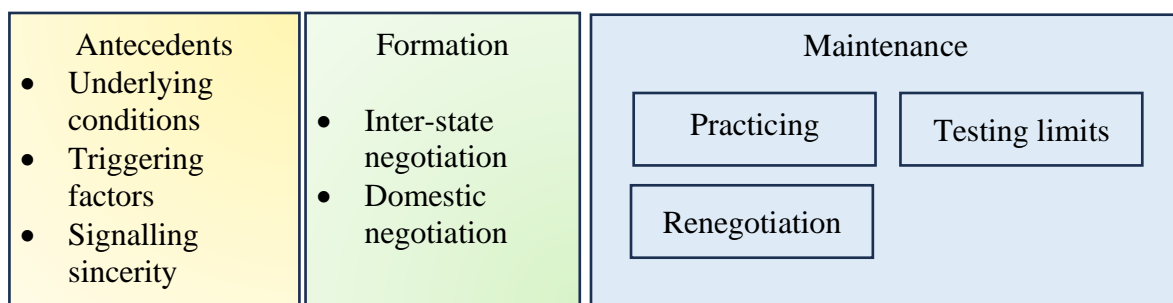
| <p>Purpose: This chapter argues that Indonesia and China established two tacit understandings in July 1995 as a practical approach to implementing restraint. These understandings enabled both countries to set aside disagreements over the South China Sea and prioritise shared regional interests. This finding refines the hypothesis by emphasising the goal-oriented nature of forming tacit understandings.</p> |  |
|--|--|
| Section  | Content highlight  |
| 1: Introduction  | <p>In July 1995, Indonesia and China had established two tacit understandings, which I label ‘maintaining divergence’ and ‘limited multilateralism’.</p> <p>TU-ID-1—maintaining divergence—allowed both countries to focus on their shared regional interests without resolving a disagreement about whether a maritime jurisdiction dispute existed in the area where China’s nine-dash line intersects Indonesia’s Exclusive Economic Zone (EEZ).</p> <p>TU-ID-2—limited multilateralism—was essential to address the tension between Jakarta and Beijing’s mutual regional interests and their reciprocal suspicions. The crux of their mutual interests involved shaping mechanisms to protect their strategic autonomy as the region transitioned into the United States’ hegemonic order in the early 1990s.</p>   |
| 2:<br>Antecedents:<br>Jakarta and<br>Beijing enable<br>negotiation of<br>tacit<br>understandings<br>despite mutual<br>suspicion  | <p><i>Underlying conditions:</i><br/>In the SCS workshop, Indonesians rushed to push Beijing into agreeing on Indonesian-led initiatives that the Chinese delegation was hesitant to support but reluctant to oppose. For Jakarta, anti-China sentiment and perception that China was a threat in Indonesia. Beijing claimed the Natuna as part of its jurisdiction in 1993 with no explanation.</p> <p><i>Triggering factors:</i> Beijing needed Jakarta to help restore its image after Mischief Reef, and Jakarta needed Beijing to support its regional initiatives.</p> <p><i>Signalling sincerity:</i> To bring the more cooperative Indonesian Foreign Ministry (KEMLU) to the negotiating table, overcoming the Indonesian military’s (TNI) resistance, Beijing needed to offer a statement that downgraded the possibility of the dispute from territorial to a potential dispute over maritime jurisdiction.</p> |
| 3: Formation:<br>Establishing<br>two tacit<br>understandings<br>for restraint  | <p><i>Inter-state negotiation:</i> This section offers a historical reconstruction of how Indonesian FM Ali Alatas and Chinese FM Qian Qichen negotiated the two tacit understandings: maintaining divergence and limited multilateralism. The historical reconstruction relies on interviews and a secondary literature survey.</p> <p>This chapter focuses on the second understanding, which set boundaries for acceptable behaviour and decorum during discussions of the South China Sea dispute in multilateral forums, particularly the ASEAN Ministerial Meeting (AMM), ASEAN Regional Forum (ARF), and the South China Sea (SCS) workshop, allowing both countries to engage constructively with each other.</p>  |

|   |   |
|---|---|
|   | <p><i>Regional dissemination of the second tacit understanding:</i> Alatas followed through on the commitment to endorse China’s benign intentions among Southeast Asian states through public speeches and dissemination of a confidential brief to other ASEAN states aimed at <u>highlighting Beijing’s commitment to upholding UNCLOS.</u></p>  |
| 4: Maintenance: Limited multilateralism (TU-ID-2) | <p>This section delves into how the second tacit understanding of limited multilateralism influenced behavioural adjustments across multilateral forums.</p> <p><i>Limits of behaviour in the ARF:</i> Beijing was more accommodating to the idea of discussing the dispute in the ARF within these specified redlines: (a) confidence-building measures (CBMs) should only be addressed in general terms, and (b) should not be reflected in the report of annual ministerial sessions or the Inter-Sessional Support Group on CBMs because they involved non-ASEAN states. Both countries also avoided the emergence of dominant views over sensitive issues, such as one interpretation of what constituted the South China Sea dispute or whether UNCLOS was the only legal instrument to guide the dispute.</p> <p><i>Limits of behaviour in the SCS workshop:</i> In the SCS workshop, both the Indonesian and Chinese delegations restrained others who deviated from this setting by warning others or taking the discussion out of the agenda. Despite being fundamentally frank and assertive, the Indonesian delegation proactively sought their Chinese counterpart's consent. This was an <u>adjustment of prior behaviour that tended to be more independent.</u></p> |
| 5: Conclusion                                     | <p>Hypothesis refinement: The Indonesia-China case demonstrates how forming tacit understandings was a convenient way to implement restraint practices, allowing actors to set aside disputes and prioritise larger domestic and regional agendas. This finding emphasises the goal-oriented nature of establishing tacit understandings. Thus, the restraint practices they facilitated were calibrated to achieve specific goals, enabling them to prioritise or deprioritise competing interests.</p>  |

## Introduction

The Tacit Understanding Framework outlines the development of tacit understandings in three stages, as introduced in the previous chapter and depicted in Figure 3.1 below. This chapter traces the entire analytical framework—[stages of tacit understanding development](#)—from antecedents (yellow box) to formation (green box) and maintenance (blue box) in the Indonesia-China case.<sup>126</sup>

Figure 3.1 Stages of tacit understanding development applied in Chapter 3



This chapter argues that Indonesia and China formed two tacit understandings in July 1995 as a practical means to implement practices of restraint. These understandings allowed both countries to set aside disagreements about the South China Sea and prioritise mutual regional interests. This finding refines the hypothesis by highlighting the goal-oriented nature of establishing tacit understandings. This thesis's primary hypothesis is that maritime Southeast Asian states have each negotiated tacit understandings with China—not to resolve but to shelve disputes and disagreements over their competing territorial claims in the South China Sea.<sup>127</sup> In this case, Indonesia and China established tacit understandings to facilitate specific exercises of restraint, calibrated to achieve a set of goals, enabling them to prioritise or deprioritise competing interests.

<sup>126</sup> The 'abandonment' box within the 'maintenance' box is shaded because this chapter does not address a case where tacit understandings were abandoned.

<sup>127</sup> For further discussion about the hypothesis, see Chapter 1, section titled '[Tacit understanding hypothesis](#)'.

In July 1995, Indonesia and China had established two tacit understandings, which I label ‘maintaining divergence’ and ‘limited multilateralism’.<sup>128</sup> Jakarta and Beijing established the first tacit understanding—maintaining divergence—to deprioritise disagreements about the South China Sea. The second understanding—limited multilateralism—was established to institute limits to guide their behaviour when discussing the South China Sea disputes in key regional forums, primarily the ASEAN Regional Forum (ARF) (formal) and the South China Sea (SCS) workshop (informal). To make it clear to the reader which tacit understanding is under discussion, this chapter codes the first tacit understanding as TU-ID-1 and the second tacit understanding as TU-ID-2.

TU-ID-1—maintaining divergence—allowed both countries to focus on their shared regional interests without resolving a disagreement about whether a maritime jurisdiction dispute existed in the area where China’s nine-dash line intersects Indonesia’s Exclusive Economic Zone (EEZ). Both countries also disagree on whether a bilateral mechanism to resolve the disagreement needs to be established. In legal terms, ‘divergence’ refers to a situation where both parties acknowledge the existence of disagreements but refrain from seeking clarification, enforcing their claims, or pursuing a resolution; when a party seeks resolution, these disagreements become disputes.<sup>129</sup> Maintaining divergence was negotiated first to allow both countries to proceed with negotiating the second tacit understanding. This suggests that establishing the first tacit understanding was a tactic to ensure the success of their shared regional interests, which could then be facilitated with the establishment of the second tacit understanding.

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<sup>128</sup> The establishment of these two tacit understandings is discussed in the section below, titled ‘[Inter-state negotiation: Jakarta and Beijing establishing two tacit understandings in July 1995.](#)’

<sup>129</sup> For further discussion on the difference between divergence and dispute, see the section titled ‘[Avoiding seeking a resolution.](#)’

TU-ID-2—limited multilateralism—was essential to address the tension between Jakarta and Beijing’s mutual regional interests and their reciprocal suspicions.<sup>130</sup> The crux of their mutual interests involved shaping mechanisms to protect their strategic autonomy as the region transitioned into the United States’ hegemonic order in the early 1990s. For Jakarta, the US establishing sole hegemony was concerning because it conferred excessive power, allowing Washington to dictate terms for regional interactions and domestic affairs in Southeast Asia.<sup>131</sup> Consequently, Jakarta desired to rally support from East Asian states, including China, to bolster ASEAN’s centrality in the region and mitigate the impact of US hegemony. Beijing also shared similar interests in mitigating US influence in Southeast Asia.<sup>132</sup> Therefore, it was in Beijing’s interest to support regional initiatives that would minimise Western influence in the region. Beijing also began to view Southeast Asia as a crucial region for economic and foreign policy engagement following the end of the Cold War. To this end, Beijing normalised diplomatic relations with ASEAN members, including Jakarta, and began participating in ASEAN meetings.<sup>133</sup>

Despite mutual regional interests which became increasingly apparent between 1990 and July 1995, Beijing and Jakarta harboured suspicions about each other’s conduct. Beijing was wary of Jakarta’s leadership, which often made China feel pressured to agree to initiatives it did not want to support, particularly regarding the South China Sea disputes. Similarly,

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<sup>130</sup> This tension is discussed in the section titled ‘[Underlying conditions and triggering factors: Addressing reciprocal suspicion](#)’. It remains observable even during the establishment of the two tacit understandings. See the section titled ‘[Limits of behaviour in the SCS Workshop](#)’.

<sup>131</sup> For instance, in the early 1990s, Washington imposed an arms embargo on Jakarta to coerce its withdrawal from East Timor and encourage democratisation. Additionally, in 1993, as the region began to develop regional security frameworks, Western states proposed the idea of an ‘Asian’ Regional Forum. Jakarta was concerned that this could undermine ASEAN’s relevance and allow external actors to dictate the norms of regional interaction. For a study on Indonesia’s perspective on ASEAN during the regional order transition from the Cold War to the post-Cold War period, see Dewi Fortuna Anwar, *Indonesia in ASEAN: Foreign policy and regionalism* (Singapore: Institute of Southeast Asian Studies, 1994).

<sup>132</sup> Specifically, Beijing was concerned about US potential to mobilise Southeast Asian states against China’s influence. Jie Chen, "China's Spratly policy: With special reference to the Philippines and Malaysia," *Asian Survey* 34, no. 10 (1994): 897.

<sup>133</sup> Beijing’s first meeting with ASEAN members was by invitation from Malaysia. See [Chapter 5](#).

Jakarta was cautious of Beijing's reluctance to endorse its various efforts for a swift resolution of the South China Sea disputes during regional discussions, especially concerning Beijing's written commitment to the non-use of force in the disputed area. The second tacit understanding—limited multilateralism—was established by Jakarta and Beijing to mitigate this reciprocal suspicion. The second tacit understanding established behavioural limits across key regional forums, especially in the newly established South China Sea workshop and the emerging ASEAN Regional Forum.<sup>134</sup> With these limits in place, Jakarta and Beijing understood which issues to address in which forums, when to contest each other, and how to do so without making the other side uncomfortable.

I contend that the formation of the second tacit understanding marked a small yet significant turning point in shaping the contours of Southeast Asian regional interactions. Reaching this tacit understanding with Jakarta reassured Beijing sufficiently to participate more actively in the second ARF meeting in August 1995, including discussing the South China Sea disputes in a formal regional discussion. Beijing's participation demonstrated to external countries that ASEAN could manage South China Sea disputes without outside interference, thereby bolstering ASEAN's relevance in key security forums like the ARF.

## **Chapter organisation**

This chapter is organised according to the analytical framework applied to stages of tacit understanding development: 'antecedents,' 'formation,' and 'maintenance.' Although it finds that Jakarta and Beijing established two tacit understandings in July 1995, this chapter focuses solely on the maintenance of the second tacit understanding—limited multilateralism.

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<sup>134</sup> Although the relevance of these two forums waned after 2000, they were the primary avenues throughout 1990s for ASEAN members to discuss key security issues, including South China Sea disputes and thus warrant further examination. For further discussion on the significance of the ARF, see Ralf Emmers, *Cooperative security and the balance of power in ASEAN and the ARF* (London: Routledge, 2003). For further discussion on the significance of SCS workshop, see Townsend-Gault, "The contribution of the South China Sea workshops: The importance of a functional approach."

This second understanding quickly became pertinent for Jakarta and Beijing as they aimed to enhance ASEAN's significance in key regional forums like the ARF, thereby reducing external influence over regional matters. The next chapter, Chapter 4, focuses on the domestic negotiation and the maintenance of the first tacit understanding—maintaining divergence.

The first section delves into the 'antecedents' stage—the circumstances that motivate disputing parties to negotiate tacit understandings. This section pays particular attention to how Beijing and Jakarta engaged in signalling to demonstrate their readiness to negotiate tacit understandings, which, as recognised in Chapter 2, is a key component of the antecedents stage.

The second section explores the 'formation' stage, when Jakarta and Beijing actually negotiated these two tacit understandings. By relying on interviews and secondary literature, this chapter offers the most comprehensive historical reconstruction of how, during a July 1995 meeting in Beijing, the Indonesian Foreign Minister Ali Alatas and his Chinese counterpart Qian Qichen negotiated tacit understandings to prioritise coordination in regional forums. It pays particular attention to how both Alatas and Qian tried to probe areas of shared interest, negotiating the obstacle of Qian's inability to disclose Beijing's claims in the South China Sea. Furthermore, this section also discusses how, at the ASEAN Ministerial Meeting on 28 July 1995, Alatas convinced other regional foreign ministers of China's reliability. The negotiators' action in promoting the tacit understanding—aimed at persuading others to set aside rather than resolve disputes in the South China Sea—could serve as evidence of the understanding's existence. This would satisfy a co-occurrence I have termed a 'top-down directive to preserve disagreements and disputes with China' (abbreviated as 'top-down adoption').<sup>135</sup>

The third section focuses on the 'maintenance' stage of the second tacit understanding (TU-ID-2). The maintenance stage covers the period (1995-2000) when Jakarta and Beijing

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<sup>135</sup> As explained in the ['Notes on verification'](#) in Chapter 2, this thesis verifies the existence of tacit understandings by observing co-occurrences or expected observable actions that indicate their presence.

relied on their tacit understanding (TU-ID-2) to facilitate restraint, tested its boundaries, and renegotiated its content. Relying on Indonesian Foreign Ministry archival materials and interviews, it demonstrates how Jakarta and Beijing relied on TU-ID-2 to impose a sense of decorum across key regional forums in the mid-to late 1990s, thereby allowing Beijing to participate in regional discussions confidently and also enabling the two countries to contest each other within limits. As a step to verify the existence of the tacit understanding (TU-ID-2), this section examines behavioural recalibrations that indicate self-regulation on both sides. It does so by assessing whether Indonesia and China delineated appropriate venues—whether bilateral or multilateral forums—for discussing or contesting issues between them, thereby satisfying the co-occurrence ‘awareness of acceptable limits of behaviour’ (abbreviated as ‘awareness’). Furthermore, it examines whether Jakarta and Beijing discouraged other Southeast Asian states from breaching this tacit understanding, confirming its existence by satisfying the co-occurrence ‘disciplining activities towards others who might violate agreed redlines with China’ (abbreviated as ‘disciplining’). Lastly, this section assesses whether Jakarta and Beijing proactively monitored and warned each other when one side is about to violate the tacit understanding, satisfying the co-occurrence ‘protest when violation occurs’ (abbreviated as ‘protest’).<sup>136</sup>

### **Antecedents: Jakarta and Beijing enable negotiation of tacit understandings despite mutual suspicion**

This section delves into the ‘antecedents’ stage, discussing the factors that prompted and enabled Jakarta to negotiate tacit understandings with Beijing in July 1995. As noted in the analytical framework discussion in Chapter 2, [antecedents](#) comprise three substages: ‘underlying conditions’, ‘triggering factors, and ‘signalling sincerity’. ‘Underlying conditions’

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<sup>136</sup> See the ‘[Notes on verification](#)’ section in Chapter 2 for further discussion.

refer to the factors that would inhibit Indonesia and China from pursuing explicit agreements. ‘Triggering factors’ are circumstances that would increase the urgency for both countries to establish tacit understandings. ‘Signalling sincerity’ involves Jakarta and Beijing fostering a conducive environment for negotiating tacit understandings. This section explores each of these sub-stages in the context of Indonesia-China relations.

Underlying conditions: The persistent perception of China as a threat in Indonesia following the normalisation of diplomatic relations in 1990—stemming from 23 years of Indonesian military (TNI) propaganda (1967-1990)—meant that any potential cooperation with Beijing would be politically risky for Alatas. Additionally, from 1993 onwards, the TNI urged the Indonesian Foreign Ministry to secure a clear assurance from Beijing recognising Indonesia’s sovereignty over the Natuna Islands and its sovereign rights over the surrounding waters—an assurance that Beijing was unwilling to provide. From 1990 to 1995, Beijing was also suspicious of Jakarta’s proactive diplomacy concerning the South China Sea, particularly through the South China Sea workshop, which conflicted with Beijing’s preference for discussing the disputes exclusively through bilateral channels.

Triggering factors: Initially, between 1990 and 1994, Beijing’s primary tactic in dealing with Jakarta’s proactive diplomacy was to undermine Jakarta’s neutrality by arguing that Jakarta was a disputant due to the nine-dash line crossing Indonesia’s EEZ. However, by early 1995, after its territorial occupation of Mischief Reef, Beijing began to recognise Jakarta’s instrumental value in alleviating concerns over Beijing’s assertiveness among ASEAN members. Consequently, Beijing softened its diplomatic approach towards Jakarta, including retreating from its claim of sovereignty over the Natuna Islands. Similarly, amid evolving regional dynamics, the foreign policy faction in Jakarta, led by Foreign Minister Ali Alatas, recognised the need to set aside disagreements with Beijing over the South China Sea. This was crucial both for securing Beijing’s support for expanding ASEAN membership and

enhancing ASEAN's relevance in key regional security forums, particularly the ARF. Indonesian Foreign Minister Alatas understood that Beijing would neither back down from its nine-dash line claim, nor further clarify the nature of that claim. However, the defence faction in Jakarta would not permit Alatas to pursue any cooperation before securing Beijing's firm recognition of Jakarta's sovereignty over the Natunas. Given the impossibility of this task, Alatas recognised that the best way to sidestep the need to resolve disagreements with Beijing was to establish tacit understandings that would allow both countries to sideline their disagreements indefinitely until they were ready to address them.

Signalling sincerity: From 27 April to 26 June 1995, Beijing and Jakarta engaged in diplomatic signalling to express readiness to negotiate tacit understandings. These included a public statement offered by Beijing on 23 June 1995 which backed down from claiming the Natuna Islands, while continuing to maintain a maritime jurisdictional claim.

#### ***Underlying conditions and triggering factors: Addressing reciprocal suspicion***

From 1990 to 1995, Jakarta's diplomatic activism to find regional solutions to the South China Sea disputes was at odds with Beijing's primary focus on managing the disputes bilaterally.<sup>137</sup> Responding to China's use of force against Vietnam in Johnson Reef in 1988, Indonesian diplomats (led by Foreign Minister Alatas and his key aide, Hasjim Djalal, a noted Indonesian diplomat specialising in maritime law), organised the 1990 Workshops on Managing Potential Conflicts in the South China Sea (commonly known as the SCS workshops).<sup>138</sup> This workshop initially involved only ASEAN members, but expanded to

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<sup>137</sup> Some scholars have noted Beijing's preference for bilateral approaches. Lai To Lee, *China and the South China Sea dialogues* (Westport, CT: Praeger, 1999); Cheng-Chwee Kuik, "Multilateralism in China's ASEAN policy: Its evolution, characteristics, and aspiration," *Contemporary Southeast Asia* 27, no. 1 (2005)

<sup>138</sup> For further discussion on the origins of this workshop, see Townsend-Gault, "The contribution of the South China Sea workshops: The importance of a functional approach."

include China, Taiwan, and Vietnam,<sup>139</sup> and rapidly became the most important forum for discussing South China Sea disputes, until its prominence waned in the 2000s.

Driven by the desire to improve relations with Southeast Asian nations, Beijing chose to participate in the SCS workshops, primarily by monitoring ongoing discussions during the sessions.<sup>140</sup> During the initial years of its involvement (1991-95), the Chinese delegation noticed a trend in which Indonesian officials pressured its members to align with Indonesian-led initiatives that they were hesitant to support but reluctant to oppose.<sup>141</sup> During the period from 1990 to 1995, Beijing's primary approach to dealing with Jakarta's activism was to undermine Jakarta's neutrality. For example, in 1993, Beijing labelled Jakarta an 'unwilling' participant and a disputant, thus preventing it from positioning itself as an "honest broker."<sup>142</sup> The Chinese delegation revealed a map that showed overlapping jurisdictions between its nine-dash line and Indonesia's EEZ line—an area extending seaward to a distance of 200 nautical miles (nm) out from Indonesia's archipelagic baseline (measured from the Natuna Islands, located between the Peninsular Malaysia to the west and Borneo to the east). China's nine-dash line covers a vast area in the South China Sea, indicating the area where Beijing asserts exclusive maritime jurisdiction.<sup>143</sup>

After revealing part of its claim in the 1993 workshop, Beijing noted some 'overlapping maritime interests' between Indonesia and China around the Natuna Islands. Delegates also asserted the historical basis for this claim, but did not offer any explanation concerning its

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<sup>139</sup> At this juncture, Vietnam was not an ASEAN member.

<sup>140</sup> As reported in Nayan Chandra and Tai Ming Cheung, "Reef knots," *Far Eastern Economic Review* 149, no. 35 (30 August 1990)

<sup>141</sup> This includes Beijing's opposition to Jakarta's proposal to formalise the workshop, establish a written commitment to the non-use of force, and various proposals for technical cooperation. For extensive study of the South China Sea workshop, see Ian Townsend-Gault, "Preventive diplomacy and pro-activity in the South China Sea," *Contemporary Southeast Asia* 20, no. 2 (1998); Dino Patti Djalal, "Indonesia and preventive diplomacy: A study of the workshops on managing potential conflicts in the South China Sea" (PhD thesis London School of Economics and Political Science 2000).

<sup>142</sup> As quoted in Douglas Johnson, "Drawn into the fray: Indonesia's Natuna Islands meet China's long gaze south," *Asian affairs: An American review* 24, no. 3 (1 January 1997)

<sup>143</sup> See, "Note of China No. CML/17/2009." *News release*, 7 May 2009, [https://www.un.org/Depts/los/clcs\\_new/submissions\\_files/mysvnm33\\_09/chn\\_2009re\\_mys\\_vnm\\_e.pdf](https://www.un.org/Depts/los/clcs_new/submissions_files/mysvnm33_09/chn_2009re_mys_vnm_e.pdf).

meaning or extent.<sup>144</sup> Indonesian officials interpreted two possible scenarios arising from Beijing's assertion:

- Scenario A: An overlapping maritime jurisdiction if Beijing claimed only sovereign rights over the waters; or
- Scenario B: A territorial dispute if the claim extended to islands in the Natunas.

From 1993 to 1995, Indonesian diplomats endeavoured to clarify China's claim by sending a series of diplomatic notes and requests for personal meetings. Throughout this period, however, Beijing remained unwilling to address Jakarta's requests for clarification, or to provide any details regarding the basis, scope, and extent of its claim.

Jakarta also exerted pressure on Beijing to commit, in writing, to restraint in the South China Sea, particularly regarding the non-use of force. During the fifth session of the SCS workshop in Bukittinggi (26–28 October 1994), Indonesian Foreign Minister Alatas and his aide Djalal pressured their Chinese counterparts to endorse a final communiqué, which included a commitment to the 'non-expansion of existing military presence in the Spratly Islands group.'<sup>145</sup> Xu Guangjian, the head of the Chinese delegation specialising in maritime law, deemed it 'unnecessary' to put such a commitment in writing, arguing that China's participation in the SCS workshop alone was sufficient evidence that Beijing would not use force against other disputants.<sup>146</sup>

The Chinese delegation's refusal to commit in writing to non-use of force and restraint raised concerns among ASEAN disputants, who feared that China might eventually use force

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<sup>144</sup> As quoted in Johnson, "Drawn into the fray: Indonesia's Natuna Islands meet China's long gaze south," 153.

<sup>145</sup> The exchanges between Indonesia and China were summarised in the report issued by the Research and Development Agency, Department of Foreign Affairs of the Republic of Indonesia, titled "the fifth workshop on managing potential conflicts in the South China Sea, Bukittinggi, Indonesia, 26–28 October 1994." Djalal quoted parts of the report. See, Djalal, "Indonesia and preventive diplomacy: A study of the workshops on managing potential conflicts in the South China Sea," 130.

<sup>146</sup> As quoted in *ibid.*, 131.

against them and expand its territorial occupation in the Spratlys.<sup>147</sup> As Beijing's occupation of Mischief Reef made headlines in early 1995, Southeast Asian states began to criticise China's assertiveness.<sup>148</sup> The Chinese Navy had erected shelters for fishermen around the atoll and asserted maritime jurisdiction, resulting in a loss of territory for the Philippines. Although Jiang Zemin, General Secretary of the Communist Party, preferred to project China's peaceful rise, scholars noted that the occupation of the reef was part of his effort to solidify his political power by catering to the naval dominance of the PLA.<sup>149</sup>

Given the newfound importance of Southeast Asia in China's post-Cold War foreign policy, Beijing attempted to mitigate the backlash from its territorial occupation of ASEAN members through two approaches—both of which ultimately failed.

First, Beijing held bilateral meetings with key Southeast Asian states, including the Philippines, in an attempt to broker tacit understandings. For instance, on 22 March 1995, after a meeting with Philippine Under-Secretary of Foreign Affairs Rudolfo Severino, Qian mentioned an 'understanding' to set aside the dispute and pursue joint development.<sup>150</sup> However, Philippine President Fidel Ramos persisted in asserting Manila's sovereignty over the Spratly Islands, and organised a high-profile media tour to expose China's assertiveness.<sup>151</sup>

Second, to demonstrate goodwill, Beijing hosted a dialogue in Hangzhou on 3–4 March 1995 with ASEAN members. During this dialogue, ASEAN states collectively denounced

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<sup>147</sup> See, Hasjim Djalal, "Lessons learned from successes and failures in conflict prevention (Indonesian experiences)" (Strengthening cooperative approaches to conflict prevention: The role of regional organisations and the United Nations, Ottawa, Canada, International Development Research Centre, 11-13 March 1998).

<sup>148</sup> Mischief Reef, referred to as Meiji Reef by Beijing, is located 130 nautical miles off the coast of the Palawan Islands in the Philippines. For the Philippines' response, see [Chapter 5](#).

<sup>149</sup> Christopher D Yung, "The PLA Navy lobby and its influence over China's maritime sovereignty policies," in *PLA influence on China's national security policymaking*, ed. Phillip C Saunders and Andrew Scobell (Palo Alto, CA: Stanford University Press, 2020), 294; John W Garver, "China's push through the South China Sea: The interaction of bureaucratic and national interests," *The China Quarterly* 132 (1992): 1026.

<sup>150</sup> Manila's response to Beijing's territorial occupation will be covered in detail in Chapter 5, in the section on the Philippines. As cited in "Recast with Chinese official reax," *Agence France-Presse*, 22 March 1995.

<sup>151</sup> As noted in "China attacks Manila for "denatured facts... exaggerations" over Spratlys," *Agence France-Presse*, 18 May 1995.

China's occupation of Mischief Reef, surprising Foreign Ministry of the PRC (FMPRC) officials with their resolve.<sup>152</sup>

The failure of these twin approaches prompted Beijing to recognise Jakarta's instrumental value in mitigating ASEAN members' suspicions about Beijing's intentions in the South China Sea. However, Beijing's desire to cooperate with Jakarta was complicated by the Indonesian military's (TNI) ongoing perception of China as a strategic threat.<sup>153</sup> Despite the normalisation of relations in 1990, the TNI continued to view China as a threat, at least until 1997.<sup>154</sup> This perception, deeply ingrained during the 23 years of China-Indonesia diplomatic estrangement (1967–1990), served a dual purpose for the TNI. It justified their domestic control and allowed them to leverage this narrative for increased financial aid from the West.<sup>155</sup> Consequently, the territorial integrity of the Natuna Islands (Scenario B) was considered non-negotiable (*harga mati*). In response to China's occupation of Mischief Reef, some Indonesian military officials predicted an imminent territorial dispute, citing the proximity of Chinese warships to the Natunas, extending southward to the waters off Sabah at the southern end of the Spratly chain.<sup>156</sup>

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<sup>152</sup> Leifer, *The ASEAN Regional Forum*, 302, 37–38.

<sup>153</sup> For the TNI–KEMLU discourse over time, see Justus M. Van der Kroef, "Before the thaw: Recent Indonesian attitudes toward People's China," *Asian Survey* 13, no. 5 (1973); Justus M. Van Der Kroef, "'Normalizing' relations with the People's Republic of China: Indonesia's rituals of ambiguity," *Contemporary Southeast Asia* 3, no. 3 (1981); Justus M. Van der Kroef, "'Normalizing' relations with China: Indonesia's policies and perceptions," *Asian Survey* 26, no. 8 (1986)

<sup>154</sup> Rizal Sukma, "The evolution of Indonesia's foreign policy: An Indonesian view," *ibid.* 35, no. 3 (1995): 312–13.

<sup>155</sup> Rizal Sukma, *Indonesia and China: The politics of a troubled relationship* ed. Michael Leifer, Politics in Asia series, (London and New York: Routledge, 1999), 101–31.

<sup>156</sup> In April 1995, Air Force Chief of Staff reaffirmed militarisation in the Natuna, as quoted in John McBeth, "Oil-rich diet: Beijing is asked to explain its maritime appetite," *Far Eastern Economic Review*, 27 April, 1995. In June 1995, regional military chief Maj. Gen. Arie J. Kumaat assured investors that the construction of a district military office on the island was nearing completion. As quoted in "Natuna island secure - Kumaat," *Jakarta Post*, 6 June 1995.

### *Signalling sincerity: The empowerment of KEMLU*

The perspective of Indonesia's Ministry of Foreign Affairs (commonly known as KEMLU) differed from that of TNI. The legalist faction within KEMLU, represented by figures like Hasjim Djalal, had confidence in Indonesia's sovereignty and sovereign rights over the Natunas.<sup>157</sup> For them, scenario B—Beijing's disputing Indonesia's sovereignty over the Natuna Islands—was highly unlikely.<sup>158</sup> The legalist faction argued that Beijing had no basis under UNCLOS to claim maritime jurisdiction in the Natunas, let alone assert territorial claims over Indonesia's islands.<sup>159</sup> This assessment appeared to reduce the perceived severity of the potential conflict for Foreign Minister Ali Alatas, allowing him to focus on pressing regional foreign policy issues with Beijing, such as reinforcing efforts to strengthen ASEAN centrality within the evolving regional architecture.<sup>160</sup> This difference in views between KEMLU and TNI regarding the potential severity of conflict with Beijing made KEMLU more amenable to political negotiation.<sup>161</sup> This openness was hinted at through KEMLU's diplomatic signalling to Beijing, and Beijing's recognition of this was evidenced in its response. As noted in the analytical framework in Chapter 2, '[signalling sincerity](#)' through diplomatic manoeuvres to convey readiness to move past pre-existing disagreements is a crucial step before both parties can negotiate tacit understandings. The following diplomatic exchanges suggest that Beijing and KEMLU engaged in this signalling process, where they each indicated their preliminary positions, attempted to eliminate barriers to negotiation, and conveyed their readiness to negotiate tacit understandings.

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<sup>157</sup> My interview with a high-ranking official who served as the Director of Legal Treaty in the Indonesian Foreign Ministry, 19 October 2021.

<sup>158</sup> *Ibid.*

<sup>159</sup> *Ibid.*

<sup>160</sup> *Ibid.* It was also corroborated in two other interviews, where respondents highlighted Alatas's pragmatic tendencies when he was confident in the certainty of Indonesia's position.

<sup>161</sup> These differing views between the TNI and KEMLU align with Sukma's findings, an Indonesian foreign policy scholar and practitioner. See Sukma, *Indonesia and China: The politics of a troubled relationship*

The process unfolded as follows:

*KEMLU's signalling:* The initial signalling came from KEMLU, subtly embedded within their public rhetoric. Departing from their usual discreet diplomacy, KEMLU publicly acknowledged on 27 April 1995 that they lacked clarity regarding China's claims over the Natunas. Hasjim Djalal remarked, 'China tells us they still adhere to the historic claims, but does that mean it is claiming the islands, the seabed, or the water? They can never give us a straight answer. We have a great deal of difficulty analysing what they are claiming.'<sup>162</sup> Though seemingly critical of Beijing, Djalal's statement provided the FMPRC with a hint that legal clarification was necessary to empower KEMLU over TNI.

*Beijing's signalling:* In response to KEMLU's statement, a Chinese Foreign Ministry spokesperson clarified on 23 June 1995 that Beijing did not dispute Indonesia's ownership of the Natuna Islands; he further suggested that 'the two sides [should] settle the existing issue of delimiting the sea border through bilateral negotiations and consultations.'<sup>163</sup> This statement was significant because it revealed both FMPRC's understanding of KEMLU's tacit signalling and their compliance with its demand. It also eliminated the possibility of the disputes being territorial (Scenario B), as Beijing had explicitly affirmed that it did not contest Indonesia's ownership of the Natuna Islands.

As noted earlier, Scenario A suspected that Beijing challenged Indonesia's sovereign rights or authority over maritime jurisdiction where Beijing's nine-dash line crossed Indonesia's EEZ. Scenario B was more serious, as it suspected Beijing of disputing Indonesia's sovereignty over the Natuna Islands. The key difference between

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<sup>162</sup> As cited in McBeth, "Oil-rich diet: Beijing is asked to explain its maritime appetite."

<sup>163</sup> As quoted in "No dispute over Natuna archipelago, spokesman says," *BBC Monitoring Service* (Beijing), 23 June 1995.

these two scenarios lies in the concept of ‘sovereignty’ and ‘sovereign rights’. Sovereignty involves a state’s comprehensive control over a territory, including rights, power, responsibilities towards its population, specific authorities, and recognition by other sovereign states. On the other hand, ‘sovereign rights’, as defined by UNCLOS, refer to the entitlements or privileges a state has within a specific maritime area known as the exclusive economic zone (EEZ). This means that sovereign rights are limited to certain aspects of control within the EEZ. Beijing’s position suggested that it contested Indonesia’s sovereign rights.

For Beijing to back down from its claim to territorial control over the Natuna Islands should be seen as a significant juncture and a calculated sacrifice. By partially retracting its claim and shifting from a territorial to a maritime jurisdictional claim, Beijing moved away from its previous stance that Jakarta was a party to the South China Sea dispute. Eliminating Scenario B means that Beijing recognised Jakarta’s rights and authority over the Natuna Islands, but disputed Jakarta’s entitlements in the area where China’s nine-dash line intersects with Indonesia’s EEZ. It also shifted the responsibility for managing the disputes from TNI to KEMLU. At this time, the TNI elite drove Indonesia’s strategic foreign policy, especially when territorial disputes were involved. However, if the potential dispute with Beijing concerned sovereign rights in the northern part of the Natunas, KEMLU could play a greater role. This distinction between sovereignty and sovereign rights became the primary reference point that allowed Jakarta, particularly KEMLU, to downplay the seriousness of the disagreements with China.

*Jakarta’s signalling:* On 26 June 1995, Alatas reacted to this public statement by stating, ‘The Chinese spokesman has confirmed there is no problem about the ownership of the Natuna Islands. [The] Natuna[s] belongs to Indonesia.... [Therefore,]

Indonesia does not see it has a sea-border problem with China, or the necessity to have sea-border delimitation.<sup>164</sup> China is far away to the north.' Alatas' response suggests that Beijing's signalling was a sufficient manoeuvre to remove barriers to negotiating tacit understandings. Since potential disputes with Beijing could now be understood to concern sovereign rights, disagreements could thus be managed and set aside if necessary.

The aforementioned diplomatic signalling suggests that Beijing understood the necessary preconditions to bring KEMLU to the negotiation table. Similarly, for a pragmatic diplomat like Alatas, disagreements over sovereign rights (Scenario B) were a lesser priority compared to other, more pressing regional concerns; these could be set aside until reassurances were obtained from Beijing. Such reassurances were crucial for managing domestic expectations. For Alatas, managing domestic expectations was crucial due to increasing pressure from both the TNI and civilian elites. These were urging KEMLU to obtain written assurances from Beijing that China would not challenge Indonesia's sovereignty over the Natuna Islands, and to eliminate any future possibility of maritime jurisdiction disputes in the northern part of the Natunas. Although Beijing had provided verbal clarification, some officials perceived its statements as lacking credibility without a written bilateral agreement.<sup>165</sup> Moreover, many domestic commentators highlighted China's failure to ratify or clarify its claims under UNCLOS, casting doubt on Beijing's commitment to international maritime

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<sup>164</sup> As quoted in "No problem with China over the Natuna isles, says Alatas," *Straits Times* (Jakarta), 15 June 1995.

<sup>165</sup> For example, on 27 June 1995, the chairman of the Inter Parliamentary Cooperation Board of the Indonesian House of Representatives, demanded that the Chinese government issue a formal clarification to put the case to rest. As noted in "Indonesia legislator demands China renounce claim on Natuna," *Dow Jones International News* (Jakarta), 28 June 1995. TNI elite, such as Edi Sudrajat, Minister of Defence and Security also questioned China's sincerity. On 28 June 1995, Sudrajat noted: 'China is claiming the Natunas as part of its territory.' As quoted in "Defence minister discusses status of military, PRC claim on Natunas," *BBC Monitoring Service: Asia-Pacific* (Jakarta), 3 July 1995.

law.<sup>166</sup> (In contrast, Indonesia had ratified UNCLOS on 13 December 1985, shortly after the negotiations concluded in 1982, through Law No. 17/1985.) This domestic scepticism underscored the need for further negotiations to manage expectations across domestic constituencies regarding the nature of the dispute between the two countries.

Amid the domestic debate, Indonesian Foreign Minister Ali Alatas was summoned by President Suharto on 26 June 1995 to provide an explanation regarding the ongoing debate over whether disputes existed with China.<sup>167</sup> The outcome of the meeting appeared to be Suharto's tacit endorsement for Alatas to further probe Beijing's position during his upcoming visit in July. This endorsement was indicated by a statement from the Vice-President, on 30 June 1995, which echoed KEMLU's position: 'China had never laid claim to the Natuna Islands. If [Beijing] indeed lays claim to the islands, the problem can be settled. China should not be seen from its negative aspects only, but its positive aspects must also be recognised. With its 1.2bn population, that country clearly plays an important role in the global forum'.<sup>168</sup> The Vice-President's statement suggests that Jakarta's top leadership was convinced by Alatas' explanation that Beijing's verbal statement indicated it did not dispute Indonesia's sovereignty over the Natuna Islands. The cooperative stance, taking into account Beijing's influence and involvement in multilateral forums, also indicates that Alatas successfully persuaded Jakarta's top leadership of the advantages of limited cooperation with Beijing to advance Jakarta's foreign policy objectives and regional leadership.<sup>169</sup> The second sentence implies a more open attitude towards settling disputes, but this approach—whether concerning sovereignty or

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<sup>166</sup> Juwono Sudarsono, deputy governor of the National Defence Institute, was one of the primary proponents of this view. As noted in "Official views China's economics interest in Natunas ", *BBC Monitoring Service* (Jakarta), 30 June 1995.

<sup>167</sup> As noted in "Alatas says no to talks on South China Sea border," *Jakarta Post* (Jakarta), 27 June 1995.

<sup>168</sup> As quoted in "Vice-president Sutrisno says China "never laid claim" to Natuna Islands ", *BBC Monitoring Service*, 5 July 1995.

<sup>169</sup> The Indonesian President Suharto placed significant emphasis on foreign policy during the post-Cold War period.

sovereign rights—was largely opposed by the legalist faction within KEMLU and among the Indonesian elite, and therefore never became a prominent position in Indonesia.

The endorsement from Jakarta's top leadership for Alatas to further probe Beijing's position also suggests that the diplomatic signalling between Beijing and KEMLU successfully removed domestic barriers in Jakarta to negotiating tacit understandings. The interactive signalling mentioned above highlights the function of restraint as both parties moved towards negotiating tacit understandings. On the one hand, Beijing demonstrated the ability to comprehend KEMLU's signalling, supporting the argument that a rising power may exhibit restraint to gain local partnerships. On the other hand, Jakarta's Alatas displayed a willingness to exercise restraint by persuading diverse domestic constituencies to consider Beijing's position, rather than outright dismissing the sincerity of Beijing's explanations. However, Alatas still faced the challenge of balancing several agendas: securing Beijing's written recognition of Indonesia's sovereignty over the Natunas; convincing Beijing counterparts about the merits of UNCLOS as the primary approach to the South China Sea issue; and maintaining Beijing's support for a multilateral approach to the dispute. These were his priorities during his visit to Beijing.

### **Formation: Establishing two tacit understandings for restraint**

This section delves into the formation of the two tacit understandings, which I argue occurred during the meeting between Indonesian Foreign Minister Ali Alatas and his Chinese counterpart Qian Qichen in Beijing from 18 to 21 July 1995. As noted in the Analytical Framework section of Chapter 2, the '[formation](#)' stage focuses on the negotiation of these tacit understandings. This stage comprises two substages:

- Inter-state negotiation: During this substage, state representatives discuss and agree on the terms for restraint and their interpretation.

- Domestic negotiation: In this substage, the agreed terms are further debated, socialised, and, in some instances, institutionalised within a state.

However, as this chapter focuses only on the second tacit understanding—limited multilateralism (TU-ID-2)—and this understanding was regional in its focus, ‘domestic negotiation’ is replaced by ‘regional dissemination’. This substage involves Alatas socialising Beijing’s reliability among ASEAN members during the ASEAN Ministerial Meeting on 28 July 1995.

***Inter-state negotiation: Jakarta and Beijing establishing two tacit understandings in July 1995***

While historians agree that the Alatas-Qian meeting in Beijing in July 1995 was a pivotal moment, there is some disagreement over its actual achievements.<sup>170</sup> Accounts, influenced by Indonesian diplomats, suggest that Alatas and Qian reached explicit or ‘clear’ understandings resolving the Natuna issues.<sup>171</sup> However, others argue that the areas of agreement were unclear.<sup>172</sup> This section intervenes in the debate by highlighting that, despite the fact that Alatas did not obtain written clarification from Beijing, he successfully negotiated

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<sup>170</sup> There are numerous works citing the Alatas-Qian meeting. Among them, most prominently, see Djalal, "Indonesia and preventive diplomacy: A study of the workshops on managing potential conflicts in the South China Sea," 150–51; Ian James Storey, "Indonesia's China policy in the new order and beyond: Problems and prospects," *Contemporary Southeast Asia* 22, no. 1 (2000): 159; Damos Dumoli Agusman, "The South China Sea UNCLOS tribunal award 2016: What it has changed and what it does mean to Indonesia," *Jurnal Hukum Internasional [The International Law Journal]* 14 (2016): 144; Leo Suryadinata and Mustafa Izzuddin, "The Natunas: Territorial integrity in the forefront of Indonesia–China relations," *Trends in Southeast Asia* (2017): 15–16.

<sup>171</sup> These accounts should be read with caution, as they reinforce only the Indonesian perspective, which was intended to downplay the need to consider whether a dispute with China existed. For example, Agusman’s account of the event consistently noted that ‘doubt [about the existence of a dispute in the Natunas] has been removed’ during the Alatas-Qian meeting. However, he also noted that the current Foreign Minister, Retno Marsudi, needed to address this doubt once more on 3 June 2016. Agusman, "The South China Sea UNCLOS tribunal award 2016: What it has changed and what it does mean to Indonesia," 144; Djalal, "Indonesia and preventive diplomacy: A study of the workshops on managing potential conflicts in the South China Sea," 150–51.

<sup>172</sup> For example, see Brad Nelson and Yohanes Sulaiman, "Indonesia makes waves: A new maritime policy heralds a more assertive foreign policy," *Global Asia* 10, no. 1 (2015): 75; M Taylor Fravel, "Traditional fishing grounds and China’s historic rights claims in the South China Sea," *Maritime Awareness Project*, 11 July, 2016, 5.

two tacit understandings. The exact conversation during the meeting could not be precisely analysed as it was intentionally left unrecorded.<sup>173</sup> Nevertheless, historical reconstruction is feasible, drawing on Alatas' recollections published in the media, interviews with those closely connected to Alatas regarding the event, and other secondary sources.

This section demonstrates what negotiating tacit understanding entails: expressing positions and exploring interests to find common ground. It involves adopting a mindset of abundance rather than a zero-sum approach, as the parties must be willing to set aside their differences and focus on shared interests. In the Indonesia-China context, Qian allowed Alatas to express Indonesia's position and investigate Beijing's stance. Rather than immediately accepting or rejecting Alatas' position, Qian listened attentively. Similarly, Alatas avoided pressuring Qian to make commitments beyond his capacity. By prioritising common interests, both parties cooperated to establish two tacit understandings: refraining from actively seeking resolution for disagreements over the Natunas; and limiting their conduct in multilateral forums to better align their interests.

*Negotiating in silence: Establishing the first tacit understanding.*

This section discusses how, by allowing Alatas to articulate Indonesia's position, Qian facilitated a principled discussion where both parties could acknowledge their differences.

In Beijing, during his meeting with Qian, Alatas presented three legal arguments, criticising China's nine-dash line and dismissing the possibility of a dispute between the two countries.<sup>174</sup> Alatas' articulation of Indonesia's position highlights the centrality of UNCLOS to Indonesia's way of approaching China's nine-dash line.

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<sup>173</sup> The former Indonesian Foreign Ministry's Director of Treaties noted that the sensitive nature of the meeting led to the decision to keep it unrecorded. Consequently, the results of the meeting were transmitted to Jakarta by Alatas himself via verbal means, rather than through the usual diplomatic cables and memos.

<sup>174</sup> While the conversation might have been more extensive, the three points discussed are based on my triangulation of various sources and corroborated through interviews with Indonesia's foreign policy officials. This point is also discussed here: Agusman, "The South China Sea UNCLOS tribunal award 2016: What it has

First, Alatas highlighted the excessive scope of China's nine-dash line, which did not align with the prescribed limits for entitlement under UNCLOS. According to UNCLOS, coastal states can claim a territorial sea extending up to 12 nautical miles and an EEZ extending up to 200 nautical miles from the baseline.<sup>175</sup> In the case of a coastal nation like China, this measurement should be determined from the location where the sea recedes at low water along its mainland coasts. However, the nine-dash line evidently extends beyond these points.<sup>176</sup>

Second, anticipating Beijing's potential use of UNCLOS Paragraph 121(3) regarding the Regime of Islands, Alatas argued that Beijing does not qualify for the privileges granted by this provision, which applies exclusively to archipelagic states.<sup>177</sup> The Regime of Islands provision specifies that high-tide elevations supporting 'human habitation or economic life' are entitled to both a 12-nautical-mile territorial sea and a 200-nautical-mile EEZ, while 'rocks' (including sandbanks and reefs above water at high tide) are only entitled to a 12-nautical-mile territorial sea.<sup>178</sup> Given that Beijing has already asserted continental claims to the waters off its mainland coast, it cannot simultaneously make archipelagic claims to legitimise the nine-dash line.<sup>179</sup>

Third, recognising the frequent occurrence of excessive maritime claims and non-archipelagic states asserting archipelagic rights, Alatas directly raised his third point.<sup>180</sup> Even if we assume that Beijing is entitled to the regime of island provisions, it would still be

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changed and what it does mean to Indonesia," 144; Djalal, "Indonesia and preventive diplomacy: A study of the workshops on managing potential conflicts in the South China Sea," 150–51.

<sup>175</sup> These 0-metre depth lines are published in the official nautical charts of the Hydrographic Service. It concerns the most recent charts at a scale of 1:150,000 or larger, or their digital equivalent. See also, J Ashley Roach and Robert W Smith, *Excessive maritime claims* (Leiden and Boston: Brill, 2012), 19.

<sup>176</sup> In their EEZ and continental shelf, coastal states have sovereign rights and jurisdiction to explore and exploit natural resources. Robert Beckman, "The UN Convention on the Law of the Sea and the maritime disputes in the South China Sea," *American Journal of International Law* 107, no. 1 (2013): 146.

<sup>177</sup> For discussion on claims to islands in the South China Sea, see Clive Schofield, "The trouble with islands: The definition and role of islands and rocks in maritime boundary delimitation," in *Maritime boundary disputes, settlement processes, and the Law of the Sea*, ed. Jon M. van Dyke (Leiden: Brill, 2009), 19–37.

<sup>178</sup> See Article 121 (3) on the Regime of Islands United Nations Convention on the Law of the Sea, 66 (1982).

<sup>179</sup> As quoted in Nayan Chanda, "Long shadow: Southeast Asians have China on their mind," *Far Eastern Economic Review* (Bangkok, Thailand), 28 December 1995.

<sup>180</sup> For example, more than 85 coastal states have made varied assertive archipelagic claims that were inconsistent with UNCLOS. See Roach and Smith, *Excessive maritime claims*.

necessary for Beijing to prove the existence of features capable of sustaining human habitation and to establish ownership over the area. Alatas indicated that, based on Indonesia's analysis, no such features exist. Therefore, even if China were asserting an archipelagic claim, it would still be impossible for the countries to have a dispute concerning overlapping maritime jurisdictions.<sup>181</sup>

In a media interview, reflecting on their meeting in Beijing, Alatas recalled that Qian promptly rebuffed his efforts to initiate a legal discussion, emphasising that Beijing had no intention of claiming the Natuna Islands.<sup>182</sup> Alatas was of the view that Qian's brief confirmation was a credible assurance that Beijing would not dispute Indonesia's territorial ownership of the Natuna Islands. However, the question of maritime jurisdiction remained.

Alatas asked, "But what about the [nine-dash] line?"<sup>183</sup> Implied in the question was whether there was a basis for China to claim exclusive maritime jurisdiction within the nine-dash line. This was his way to emphasise that Beijing had not yet clarified what it meant by 'historical right', and how it related to UNCLOS. Alatas' question asked whether China's nine-dash line was synonymous with a claim of sovereignty over the island groups in the South China Sea, and whether it also represented an additional claim of historical rights to fishing, navigation, and other marine activities (including the exploration and exploitation of resources, whether mineral or otherwise) in the surrounding waters.<sup>184</sup>

Qian crafted a careful position that respected UNCLOS in principle, but avoided linking China's nine-dash line with the legal instrument. Qian answered, 'Whatever dispute there may

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<sup>181</sup> *Ibid.*

<sup>182</sup> As quoted in Nayan Chanda, "Long shadow: Southeast Asians have China on their mind."

<sup>183</sup> Alatas' personal recollection, as quoted in Barry Wain, "China moderates its Spratlys claim," *The Asian Wall Street Journal* (Hong Kong), 2 February 1996.

<sup>184</sup> China's legal specialists, Gao and Jia, noted that China's nine-dash line is synonymous with sovereignty claims over features in the Spratlys and sovereign rights claims over the surrounding waters. However, this analysis could only be made after 2009, when Beijing revealed a series of legal statements. Zhiguo Gao and Bing Bing Jia, "The nine-dash line in the South China Sea: History, status, and implications," *American Journal of International Law* 107, no. 1 (2013).

be, we are willing to solve it on the basis of international law and the Law of the Sea Convention.’<sup>185</sup>

Qian’s answer needs to be parsed out in three parts:

‘Whatever dispute there may be’ implied his unwillingness to participate in legal discussions with Alatas. Another goal in wording this statement this way was to frame the dispute as a trivial matter.<sup>186</sup> Presumably, Alatas and Qian had knowledge of the resources within the Natuna EEZ, including fish and the natural resources in the seabed, which are said to be the world’s largest untapped gas reserves. However, Alatas and Qian had a shared awareness that tension over the matter should not disrupt bilateral relations and detract from the immediate regional interests of both countries.<sup>187</sup> This sentiment was shared by Alatas, who, prior to his departure, stated that ‘[the nine-dash] line has created a question mark.... But we do not want to make the issue bigger than it is.’<sup>188</sup>

Qian’s statement, ‘We are willing to solve it,’ reiterated China’s openness to establishing a bilateral settlement mechanism or a cooperative arrangement in the disputed area with Indonesia. This was Qian’s way of indicating that, for China, a dispute over maritime jurisdiction existed, as pursuing a resolution inherently acknowledges the existence of a dispute.<sup>189</sup> However, Alatas wanted to avoid any discussion about establishing an explicit

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<sup>185</sup> Alatas’ recollection of Qian’s statement, as quoted in Wain, "China moderates its Spratlys claim."

<sup>186</sup> This aligns with Beijing’s statements that aimed to emphasise the insignificance of the South China Sea issue in comparison to larger regional matters. For example, "China says fuss over trifles stirs Spratly row," *Agence France-Presse* (Beijing), 18 May 1995.

<sup>187</sup> This practical approach was acknowledged in various interviews, including discussions with Barry Desker, and a high-ranking Indonesian foreign policy official. My interview with Amb. Barry Desker, Singapore’s Former Ambassador to Indonesia 1986–1993, on 22 July 2021. Desker had previously interacted with Alatas personally on many occasions during his posting in Jakarta.

<sup>188</sup> As quoted in Ignatius Stephen, "Alatas concerned over Chinese claims in South China Sea," *Straits Times* (Jakarta), 18 July 1995.

<sup>189</sup> In *Helnan International Hotels A/S v Arab Republic of Egypt (ICSID Case No ARB/05/19)*, a case concerning bilateral investment treaties between Denmark and Egypt, ICJ clearly noted that a dispute arises as soon as one of “the parties wish to resolve the difference.” As quoted in Christoph Schreuer, "What is a legal dispute?," in *International Law between Universalism and Fragmentation*, ed. Isabelle Buffard et al. (Leiden: Brill, 2008), 20.

formal settlement mechanism, as Jakarta's main strategy was to deny the existence of any maritime disputes with China.<sup>190</sup>

The third part, '...solve it on the basis of international law and the Law of the Sea Convention [UNCLOS],' was the trickiest for Alatas to navigate. Qian's invocation of UNCLOS was the first in the context of the South China Sea dispute. It was probably clear to Qian that Alatas' consistent citing of UNCLOS indicated how indispensable the archipelagic section within UNCLOS was for Indonesia. Qian understood this, and informed Alatas that China would ratify UNCLOS in 1996. He also noted that Beijing would not oppose Southeast Asian states citing UNCLOS principles as one of the approaches to the South China Sea dispute. (This last point was later the main selling point that Alatas used to convince both regional partners and domestic constituencies that China was committed to regional stability).<sup>191</sup>

Selectivity in China's approach to international law should be underscored, as it influenced its relationship with UNCLOS regarding the South China Sea.<sup>192</sup> Part XV of UNCLOS, which advises on the peaceful settlement of disputes, aligns with China's preference for a bilateral approach.<sup>193</sup> However, Qian never committed to abandoning China's historical claims under UNCLOS. Instead, he pledged to respect only those aspects of UNCLOS that served China's interests. This selective approach was further emphasised by Qian's reiteration of the 'Five principles of peaceful coexistence' alongside his recognition of UNCLOS's

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<sup>190</sup> During my interview, Sukma and Emmers echoed this sentiment. My with Dr. Rizal Sukma, Indonesian Scholar at CSIS Jakarta and former Indonesia Ambassador to the UK, on 26 July 2021.

<sup>191</sup> See further discussion at the '[dissemination](#)' section below.

<sup>192</sup> China's reservations about and support for UNCLOS are discussed here Hui Yu, "Remarks on China's ratification of the 1982 UN Convention on the Law of the Sea," in *Asian yearbook of international law, Volume 5 (1995)* (Leiden: Brill, 1995), 214.

<sup>193</sup> This alignment is often reaffirmed during skirmishes in the contested area. For example, in "Foreign ministry spokesperson Hua Chunying's regular press conference." *News release*, 20 June 2016, <http://fm.china-embassy.org/eng/fyrth/t1373744.htm>.

usefulness.<sup>194</sup> These principles stress mutual respect for sovereignty and territorial integrity and non-interference in each other's internal affairs.<sup>195</sup>

In contrast to Beijing, Jakarta positioned itself in agreement with the perspective that granted UNCLOS greater authority than domestic law. This stance was influenced by its active participation in the UNCLOS III negotiation, which resulted in the establishment of archipelagic rights—a component integral to Indonesia's identity.<sup>196</sup> This is the message Alatas sought to communicate in his reply to Qian: 'Thank you, because my interpretation is that you [Beijing] can never come [or assert maritime jurisdiction] that close [to Indonesia's EEZ line in the Natuna].'<sup>197</sup> Alatas' reference to 'my interpretation' demonstrated his awareness that Indonesia and China differed in their approaches to the hierarchy of UNCLOS vis-à-vis domestic law; Beijing was unwilling to let UNCLOS dictate or constrain its national interests, especially in relation to territorial reach.<sup>198</sup> This statement also reiterated his earlier point about the importance of the application of UNCLOS Article 121 (3). As explained above, the article nullified the possibility of a dispute because no South China Sea feature claimed by China was able to generate any maritime jurisdiction that overlapped with Indonesia's.

Qian smiled. Taciturn, he answered, 'You draw your own conclusion.'<sup>199</sup> What he meant was that while Alatas could continue to stick to his own position, Beijing would do the same, with the hope that their opposing positions could coexist in the shared regional space.<sup>200</sup>

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<sup>194</sup> As reported in "Qian Qichen meets Indonesia's Alatas, comments on "Nuclear Menace", test ban. ," *BBC Monitoring Service* (Beijing, China) 1995; "Foreign ministry spokesperson Geng Shuang's regular press conference." *News release*, 1 January 2020, [https://www.fmprc.gov.cn/mfa\\_eng/xwfw\\_665399/s2510\\_665401/t1730335.shtml](https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/t1730335.shtml).

<sup>195</sup> See Jiabao Wen, "Carrying forward the five principles of peaceful coexistence in the promotion of peace and development," *Chinese Journal of International Law* 3, no. 2 (2004)

<sup>196</sup> Damos Dumoli Agusman, "The dynamic development on Indonesia's attitude toward international law," *Jurnal Hukum Internasional [The International Law Journal]* 13 (2015): 11–12.

<sup>197</sup> Alatas' personal recollection, as quoted in Wain, "China moderates its Spratlys claim."

<sup>198</sup> Yu, "Remarks on China's ratification of the 1982 UN Convention on the Law of the Sea," 214.

<sup>199</sup> Alatas' personal recollection, as quoted Nayan Chanda, "Long shadow: Southeast Asians have China on their mind."

<sup>200</sup> This is further supported in Chapter 4, which demonstrates that from this point until 2016, both Indonesia and China [managed to](#) assert the legal strength of their respective positions without directly contradicting each other. They also actively [deterred others](#) from emphasising the disagreement. This principled approach aligns with scholarly observations regarding Beijing's ability to coexist with differences and cooperate with adversaries.

In legal negotiation, this is an invitation to maintain disagreements on whether an overlapping maritime jurisdiction existed, and over the necessity to establish a bilateral mechanism to resolve the disagreements as a ‘divergence’. A divergence is a circumstance where both parties are aware of the existence of disagreements, but refrain from seeking clarification, enforcing their claims, and pursuing resolution.<sup>201</sup> When one or both parties initiate a resolution—whether through bilateral negotiation or by pursuing third-party arbitration—the disagreements are transformed into a legal dispute.<sup>202</sup> This legal understanding is crucial for comprehending how Alatas and Qian fundamentally agreed to the baseline of the first understanding, which I label ‘maintaining divergence’.

The first tacit understanding—maintaining divergence—enabled both countries to establish a legal point of divergence, preserving their disagreements about the South China Sea. The tacit understanding was not simply an offer to create legal ambiguity, but a proposed mutual construct that would allow both parties to continue deepening their relationship while preserving their disagreements.<sup>203</sup> Second, they agreed that, as a baseline, the disagreements needed to be managed. This management included tolerating differing sources of legal interpretations when explaining their respective legal positions.<sup>204</sup> Third, as a redline, they also agreed in principle to avoid seeking resolution, and discouraged other domestic actors in Indonesia from calling attention to the existence of disagreements.<sup>205</sup> Regardless of whether

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Goh, *Constructing the US rapprochement with China, 1961–1974: From ‘red menace’ to ‘tacit ally’*; Amy King, *China-Japan relations after World War Two: Empire, industry and war, 1949–1971* (Cambridge: Cambridge University Press, 2016).

<sup>201</sup> For further discussion on the difference between divergence and dispute, see the section titled ‘[Avoiding seeking a resolution](#)’.

<sup>202</sup> See, Schreuer, "What is a legal dispute?," 20.

<sup>203</sup> As noted in Chapter 2, tacit understandings are underlying bilateral consensuses negotiated between actors for various reasons. They contain baselines—the non-negotiable principles that need to be respected by both parties—and redlines, the imaginary limits of acceptable behaviour in a given context. In this context, as the consensuses, Alatas and Qian first agreed to ensure that disputes did not arise, thus maintaining the state of divergence about their disagreements in the South China Sea. See Chapter 4, in the section titled ‘[Brief overview: Maintaining divergence](#)’.

<sup>204</sup> See Chapter 4, in the section titled ‘[Maintenance: Practices of restraint as a result of maintaining divergence \(1997–2016\)](#)’.

<sup>205</sup> See Chapter 4, in the section titled ‘[Avoiding seeking a resolution](#)’ and ‘[Policing narratives to hide the disagreements](#)’.

Qian and Alatas had this concept of divergence in mind, preserving divergence directly resulted from framing disagreements as manageable and emphasising the need to postpone resolution. The existence of the first tacit understanding—maintaining divergence—and how it facilitated Jakarta’s exercise of restraint towards Beijing is discussed in more detail in Chapter 4.

By this point in the meeting, it was clear to Alatas that Qian would never entertain the idea of a written assurance on the Natuna issue. Reasoning through Qian’s taciturnity, Alatas once noted in an interview: ‘I thought, well, OK, they are playing coy. They cannot say, “Forget that line” ...[but] [t]here is no way any claim by China can reach the dotted line, close to the south [Natunas].’<sup>206</sup> Here, Alatas understood that Beijing acknowledged a dispute over maritime jurisdiction with Jakarta, but knew that articulating this would jeopardise relations with Indonesia.<sup>207</sup> Alatas’ statement also reflected confidence in Indonesia’s position, enabling him to set aside disagreements with China and accept the first tacit understanding—maintaining divergence. Alatas seemed to believe that Qian’s assurance that Beijing would not assert any territorial claim over the Natuna Islands was sufficient to quell domestic inquiries about a maritime jurisdiction dispute. This belief was demonstrated by his decision to accept the first tacit understanding. Alatas then said, ‘Fine, if that is your position, we’ll take it.’<sup>208</sup> Through this, Alatas implicitly acknowledged his willingness to respect Beijing’s perspective that a dispute existed, despite Jakarta’s disagreement.

*The second tacit understanding—limited multilateralism.*

This section highlights how Jakarta and Beijing needed to cooperate to lay the groundwork to support ASEAN’s increasing role in the area.<sup>209</sup> Following the first tacit

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<sup>206</sup> Alatas’ personal recollection, as quoted in Wain, "China moderates its Spratlys claim."

<sup>207</sup> An IR scholar and Desker noted ‘pragmatism’ as a key attribute in Alatas’ decision making.

<sup>208</sup> Alatas’ personal recollection, as quoted in Wain, "China moderates its Spratlys claim."

<sup>209</sup> Beijing and Jakarta’s efforts to reconcile complicate the argument made by scholars who suggest that ASEAN’s expanded role resulted from great power neglect. For example, Alice D. Ba, "The ASEAN regional

understanding, a second one (TU-ID-2) emerged as Alatas and Qian engaged in discussions on regional matters. The second tacit understanding centred on a perspective shared between Indonesia and China about the desirability of reducing Western influence, especially as the region shifted towards a US-dominated order in the early 1990s.<sup>210</sup> They concurred on the importance of solidifying ASEAN's role, particularly to ensure that it could foster confidence-building initiatives in the South China Sea without depending on external powers, especially the US. For Jakarta, this was key to achieving its 'regional resilience' strategy, which focused on providing home-grown solutions to regional issues.<sup>211</sup>

Despite China's occupation of Mischief Reef, Alatas noted that ASEAN-China relations were moving in a positive direction and aimed to elevate China's status with ASEAN from 'a consultative partner' to a 'dialogue partner'.<sup>212</sup> As the coordinator of ASEAN-China consultations, Alatas told Qian that Indonesia would work to promote ASEAN-China relations.<sup>213</sup> Moreover, Alatas seemed to suggest that Jakarta was prepared to show greater sensitivity to Beijing's regional interests, provided that Beijing agreed to certain conditions, particularly adherence to UNCLOS as a guiding principle in discussions regarding the South China Sea.<sup>214</sup> In response to Alatas' remarks, Qian stated, 'The Chinese government is always willing to resolve overlapping claims with other countries through peaceful negotiations and without the use of force.'<sup>215</sup> While Qian agreed that UNCLOS should serve as a guiding principle, his commitment seemed limited to the principle of maintaining peace and refraining

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forum: Maintaining the regional idea in Southeast Asia," *International Journal: Canada's Journal of Global Policy Analysis* 52, no. 4 (1997): 646.

<sup>210</sup> The baselines and red lines of this tacit understanding are discussed [later](#) in this chapter.

<sup>211</sup> Dewi Fortuna Anwar, "Indonesia's vision of regional order in East Asia amid US-China rivalry: Continuity and change," *Asia Policy* 25, no. 2 (2018)

<sup>212</sup> As reported in Simon Sinaga, "Natunas 'belong to Indonesia'," *Straits Times*, 22 July 1995.

<sup>213</sup> As reported in *ibid.*

<sup>214</sup> This is based on three pieces of evidence: (a) an inference from the earlier discussion that elites in Jakarta wanted Beijing to adhere to UNCLOS; (b) the significance of this evidence for Alatas, as he reiterated in his subsequent statements; and (c) how this became a key point in Alatas' memo, which was shared among ASEAN members as discussed in the next section.

<sup>215</sup> As quoted in "Beijing tells Alatas that China 'has never claimed' Natunas," *BBC monitoring service* (Beijing, China), 24 July 1995.

from force, rather than applying UNCLOS to justify China's historical claims in the South China Sea.<sup>216</sup>

These discussions laid the foundation for the second tacit understanding, outlining how Indonesia and China would navigate each other's interests and boundaries, while cooperating across various formal and informal platforms.

***'Regional dissemination' of the second tacit understanding.***

This section shows how Alatas honoured his pledge to promote China's benign intentions among Southeast Asian nations. He did this through public speeches and by sharing a confidential brief with other ASEAN states to highlight Beijing's commitment to upholding UNCLOS.

On 28 July 1995, just before the commencement of the ASEAN Ministerial Meeting (AMM), a precursor to the ARF meeting, Alatas publicly announced that during his visit to Beijing, Chinese leaders had expressed a willingness to engage in negotiations based on 'recognised international law'.<sup>217</sup> He highlighted their position as significant because it aligned with the 1982 UNCLOS—a clear and unambiguous document that left no room for 'misunderstandings and misperceptions'—and thus clarified China's stance on the South China Sea.<sup>218</sup> To further emphasise the point, Alatas released a confidential report during the AMM, elucidating "China's new position on the Spratly Islands." According to the Associated Press, the report outlined several key points:<sup>219</sup>

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<sup>216</sup> This is evidence from Alatas' 1995 report during ASEAN Ministerial Meeting, which is discussed in the next section. The report noted China had embraced UNCLOS. "ASEAN to study China's new position on Spratlys," *Dow Jones international news* (Bandar Seri Begawan, Brunei Darussalam), 28 July 1995.

<sup>217</sup> As quoted in Greg Torode, "Beijing to abide by UN sea law," *South China Morning Post* (Bandar Seri Begawan, Brunei Darussalam), 28 July 1995.

<sup>218</sup> As quoted in Achara Ashayagachat and Bhanravee Tansubhapol, "Optimism over 'new Chinese perspective' on Spratlys dispute," *Agence France-Presse* (Bandar Seri Begawan, Brunei Darussalam), 28 July 1995.

<sup>219</sup> See, "ASEAN to study China's new position on Spratlys."

- 1) China's willingness to 'resolve the issue through peaceful negotiations based on [relevant] international laws, including the 1982 United Nations Conventions on the Law of the Sea.'
- 2) A call for ASEAN to examine 'the implications of China's recognition (of the convention)' as a basis for negotiations.
- 3) China's willingness 'to shelve the issue of sovereignty and support various joint efforts' to prevent conflicts.
- 4) China's emphasis 'that the South China Sea issue should not become a problem between China and ASEAN.'

Alatas' efforts to persuade ASEAN members, particularly the Philippines, about Beijing's benign intentions should be considered a crucial piece of evidence. There was no compelling reason for Alatas to court domestic criticism or jeopardise his political career by helping China to improve its image. Nor was there a rationale for him to risk undermining the trust of his ASEAN counterparts by vouching for China, unless there was evidence that it would serve Indonesia's vision of what was best for ASEAN. In this regard, some interviewees highlighted that, during this period, ASEAN functioned more like a "club of foreign ministers," and that Alatas held significant influence within this club.<sup>220</sup> This bolsters the argument that Qian did indeed engage in negotiations with Alatas to enhance China's credibility.

Alatas' portrayal of China's adherence to UNCLOS strengthened Beijing's credibility, yet it produced misleading information that he did not rectify. For instance, upon hearing that China had agreed to abide by UNCLOS, Philippine Foreign Secretary Domingo Siazon remarked, 'That is the first signal, and it is a very positive signal,' noting the importance of considering sovereignty issues based on international law alongside historical claims.<sup>221</sup> As

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<sup>220</sup> Interview with an IR scholar who interacted with Alatas, 25 June 2021.

<sup>221</sup> As quoted in Torode, "Beijing to abide by UN sea law."

discussed earlier, Qian did not commit to using UNCLOS to explain the nine-dash line—a refusal that became evident after China ratified UNCLOS in 1996. This suggests a lie by omission; that is, Alatas’ partial explanation of China’s intent misled Siazon into believing that China was willing to use UNCLOS to justify the nine-dash line. While it is not possible to confirm whether Alatas intended to misinform Siazon, the outcome led to misinformation.<sup>222</sup> Alatas’ decision might reflect his belief in China’s sincerity in strengthening its ties with ASEAN states. Alternatively, it could be seen as a tactic: by reiterating China’s support for UNCLOS, he might have hoped to pressure China into employing UNCLOS to validate its claim. Two facts remain evident: (1) Alatas had a comprehensive understanding of China’s position, and (2) he chose to portray China in a favourable light.

Alatas’ aforementioned omission supports the observation that, by disseminating the confidential report, he was taking steps to improve ASEAN members’ perception of China. This contributed to what many scholars describe as a shift in tone between ASEAN and China, which began at the second ARF meeting in August 1995.<sup>223</sup> Alatas’ partial sharing of Beijing’s intent contributed to a shift in the tone of discussions between ASEAN and China, moving from cautious to cordial, further encouraging restraint, as discussed below. After learning about the changing tone at the AMM, Qian expressed satisfaction upon arrival in Bandar Seri Begawan, stating through an interpreter, ‘We are happy with the progress made in our relations with ASEAN countries.’<sup>224</sup>

Highlighting Alatas’ efforts to reshape Beijing’s image among ASEAN members validates his commitment to demonstrating Beijing’s reliability, as discussed in the previous

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<sup>222</sup> Indeed, Alatas’ motivation to mislead or present partial information could only be ascertained by interviewing him, which is impossible due to his passing in 2008.

<sup>223</sup> Leifer, *The ASEAN Regional Forum*, 302, 56; Ralf Emmers, "The influence of the balance of power factor within the ASEAN regional forum," *Contemporary Southeast Asia* (2001); Rosemary Foot, "China in the ASEAN regional forum: Organizational processes and domestic modes of thought," *Asian Survey* 38, no. 5 (1998)

<sup>224</sup> As quoted in "China's Qian arrives in Brunei for key talks," *Japan Economic Newswire* (Bandar Seri Begawan. Brunei Darussalam), 28 July 1995.

section. Alatas' commitment verifies the existence of the tacit understanding (TU-ID-2) by showing co-occurrences or actions expected if the tacit understanding existed. In Chapter 2, this co-occurrence is abbreviated as a '[top-down adoption](#).' The co-occurrence posits that if TU-ID-2 was negotiated, Alatas needed to adopt and promote it. Therefore, Alatas' efforts to socialise this tacit understanding among his ASEAN peers illustrate a call to sustain their disagreements and disputes over the South China Sea with China, rather than resolving them. Alatas aimed to persuade his peers of a larger regional agenda that necessitated cordial relations with China. As discussed in Chapter 5, Alatas' efforts reinforced the Philippines' conviction to negotiate its own tacit understanding with China to set aside their disputes in the South China Sea.

### **Maintenance: Limited multilateralism (TU-ID-2)**

This section delves into how Jakarta and Beijing relied on the second tacit understanding—limited multilateralism—to facilitate their engagement across two key regional forums: the ASEAN Regional Forum (ARF) and the South China Sea (SCS) workshop. It first offers a brief overview of the tacit understanding (TU-ID-2). Afterwards, this section further traces three co-occurrences in the way Jakarta and Beijing engaged each other in the ARF and the SCS workshop as steps to verify the existence of the tacit understanding. The [co-occurrences](#) are 'awareness'; 'disciplining'; and 'protest.' These are three behaviours that are expected to be observable if the second tacit understanding existed.

- Awareness: Following the July 1995 meeting, both countries differentiated the avenues through which they discussed issues across multilateral forums. This was a form of restraint that demonstrated a sense of decorum, ensuring that both countries knew the appropriate venues and timing for engaging in contestations.

- **Disciplining:** Following the July 1995 meeting, Indonesian representatives exercised restraint by carefully setting meeting agendas and communiqués in the ARF and SCS workshops, taking into account Beijing’s interests. By doing so, Jakarta often restrained others, such as the Philippine representative, from raising certain issues related to the South China Sea disputes.
- **Protests:** Following the July 1995 meeting, the Chinese delegation protested when an Indonesian representative was perceived to have violated the agreed redlines by involving external participants in a joint development initiative in the South China Sea. This suggests the exercise of restraint guided by redlines of TU-ID-2.

***Brief overview of limited multilateralism***

As noted in the “What are tacit understandings?” section in Chapter 2, tacit understandings are underlying bilateral consensuses negotiated between actors for various reasons. The second tacit understanding—limited multilateralism—aimed to establish limits between Jakarta and Beijing officials when discussing the South China Sea disputes in key regional forums, primarily the ASEAN Regional Forum (ARF) (formal) and the South China Sea (SCS) workshop (informal). As also explained in Chapter 2, tacit understandings contain baselines—the non-negotiable principles that need to be respected by both parties—and redlines, the imaginary limits of acceptable behaviour in a given context. From this chapter’s empirical discussion, I uncover the following baseline and redlines of the second tacit understanding (TU-ID-2):

*A baseline:* Both parties agreed that a sense of decorum was necessary to encourage Beijing to participate actively in these forums and, in exchange, support Jakarta’s regional initiatives to enhance ASEAN’s relevance in key security forums, particularly the ARF and the SCS workshop. This sense of decorum entails awareness of maintaining harmony in the ARF

and engaging in contestation in the SCS workshop. The ARF is a formal forum; thus, Jakarta and Beijing agreed to focus on the lowest common denominator as their primary goal was to preserve ASEAN's relevance in this forum. Conversely, the SCS workshop is an informal forum, so engaging in contestation there would not adversely affect their shared regional interests. This differentiation mitigated Beijing's previous concerns, as discussed in the 'antecedents' section above, about Jakarta's efforts from 1990 to July 1995 to rally other Southeast Asian states to create a formal regional mechanism for resolving the South China Sea disputes, which conflicted with Beijing's preference for bilateral negotiations. Consequently, a series of practices of restraint emerged, where Jakarta and Beijing deliberately set agendas accordingly and disciplined each other and other parties if they seemed to deviate from the agreed-upon agenda.

*Redlines:* Both parties agreed on a series of practical limits to guide their behaviour in key regional forums, particularly the ARF and the SCS workshop. These limits include *not* (a) discussing sensitive topics that may cause gridlock, such as South China Sea dispute resolutions, in the ARF; (b) discussing concrete confidence-building measures in the SCS workshop, as these should be addressed in the ARF; and (c) involving external parties in discussions about the South China Sea disputes. Additionally, this limit requires Jakarta to refrain from pursuing external initiatives without China's consent, in exchange for China entertaining Jakarta's initiatives in key regional forums.

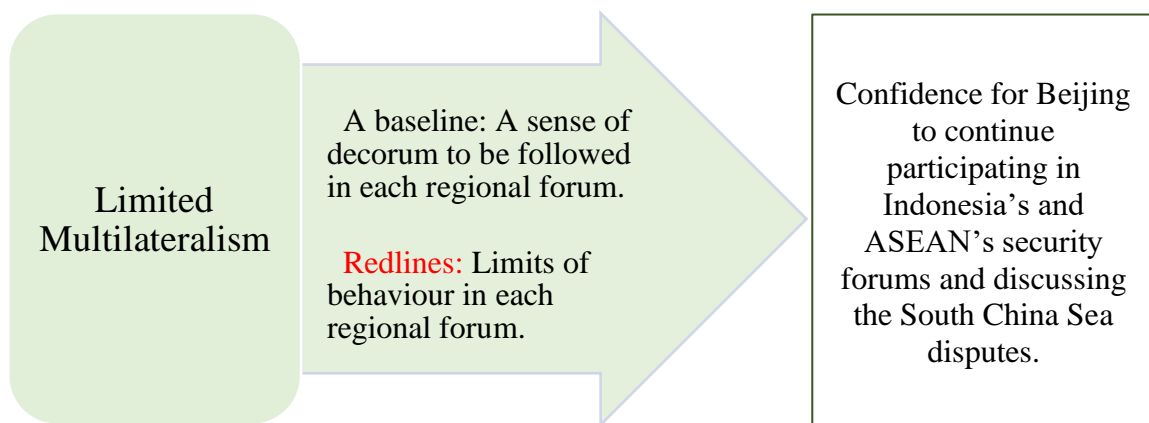


Figure 3.2 Summary of Indonesia-China second tacit understanding (TU-ID-2)

### *Limits of behaviour in the ARF*

As noted in [Notes on verification](#) in Chapter 2, tacit understandings help prevent conflict escalation by promoting awareness of when, where, and how to engage in disputes. Therefore, if Southeast Asian leaders delineate appropriate venues (both bilateral and multilateral forums) for engaging in discussions or contestations with China, this may confirm the existence of tacit understandings. I have referred to this as the 'awareness.' Relevant to this discussion, following the Alatas-Qian meeting in July 1995, there was a noticeable change in Jakarta's and Beijing's approach to discussing confidence-building measures (CBMs).

Beijing's initial position was that CBMs in relation to the South China Sea dispute should be discussed informally, rather than in formal meetings, and in a restrained fashion. At the first working session of the ARF in 1994, before the Alatas-Qian meeting, Qian expressed China's discomfort with discussing the Spratlys dispute in a multilateral forum. China's spokesman also insisted that the matter of sovereignty should not be discussed during formal multilateral meetings, but could be pursued bilaterally on the periphery of the meetings.<sup>225</sup> After the Alatas-Qian meeting, Beijing was more accommodating. As Michael Leifer, a scholar of Southeast Asian IR, observed, at the second meeting of the ARF 'China ha[d] been willing

<sup>225</sup> Leifer, *The ASEAN Regional Forum*, 302, 34.

to put its assertiveness on hold.<sup>226</sup> At the second ARF working session on 1 August 1995, Qian declared China's preparedness to hold multilateral talks.<sup>227</sup> Parties should still conduct negotiations at the bilateral level, but multilateral forums such as the ARF could be used to set the tone at the bilateral level.<sup>228</sup> Beijing still insisted that CBMs should only be addressed in general terms, and should not be reflected in the report of annual ministerial sessions or in the Inter-Sessional Support Group on CBMs, as they involved non-ASEAN states.<sup>229</sup> Beijing's shifting stance indicates that it was willing to allow the ARF to discuss CBMs in formal meetings, albeit within certain limits.

Furthermore, by permitting the deliberation of CBMs related to the South China Sea dispute within the ARF, Beijing could then restrict the scope of CBM discussions, preventing them from extending into the domain of preventive diplomacy.<sup>230</sup> Preventive diplomacy, defined as 'consensual diplomatic and political action taken by sovereign states with the consent of all directly involved parties to help prevent disputes and conflicts from arising between states', is one of the three evolutionary stages of the ARF's confidence-building measures (CBMs).<sup>231</sup> While CBMs are considered the first stage, preventive diplomacy is the second, and the third stage involves establishing formal mechanisms to resolve conflicts. Beijing preferred the ARF to focus on the first stage—CBMs—because the second and third stages allow for third-party intervention, which could help in preventing disputes and conflicts.

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<sup>226</sup> *Ibid.*, 56.

<sup>227</sup> China's change of behaviour and the Alatas-Qian meeting could be an instance of correlation rather than causation.

<sup>228</sup> Emmers, *Cooperative security and the balance of power in ASEAN and the ARF*, 139.

<sup>229</sup> Emmers and Tan's work captured the division between China and the West. See, Ralf Emmers and See Seng Tan, "The ASEAN Regional Forum and preventive diplomacy: Built to fail?," *Asian Security* 7, no. 1 (2011): 49; Simon Sheldon, "Evaluating Track 2 approaches to security dialogue in the Asia-Pacific region: The CSCAP experience (2002)," in *Assessing track 2 diplomacy in the Asia-Pacific region: A CSCAP reader*, ed. Desmond Ball and Chong Guan Kwa (Singapore: S. Rajaratnam School of International Studies, 2010), 103–04.

<sup>230</sup> Djalal, "Indonesia and preventive diplomacy: A study of the workshops on managing potential conflicts in the South China Sea," 133; Emmers and Tan, "The ASEAN Regional Forum and preventive diplomacy: Built to fail?," 51–55.

<sup>231</sup> "ASEAN Regional Forum (ARF) concept and principles of preventive diplomacy." *News release*, 25 July 2001, <https://aseanregionalforum.asean.org/wp-content/uploads/2019/01/ARF-Concept-Paper-of-Preventive-Diplomacy.pdf>.

My interviews with regional security experts involved in the ARF suggested that Beijing tended to veto discussions on preventive measures regarding the South China Sea.<sup>232</sup> Beijing also could minimise such discussions in informal forums, limiting them solely to the subject of joint cooperation, as elaborated in the next section.

Over time, Jakarta grew frustrated with Beijing's tendency to veto sensitive discussions beyond the general terms of CBMs. Nonetheless, Jakarta believed that, despite the challenges in finding concrete resolutions to the South China Sea dispute, its regional objectives were achieved: ensuring Beijing's continued participation in ASEAN-led regional forums and strengthening ASEAN centrality in the South China Sea disputes. From 1995 to the present, the ARF Chairman's statements have consistently highlighted ASEAN centrality. The consensus generally noted ASEAN's obligation as 'the primary driving force' of regionalism in East Asia.<sup>233</sup> This reflected the utility of TU-ID-2 in fostering mutual confidence between Jakarta and Beijing to work together in reasserting ASEAN's relevance within the ARF, with the aim of minimising Western interference in Southeast Asian affairs.

As ASEAN centrality was established in the ARF, ASEAN's way to prioritise consensus was infused into the forum: the participants were encouraged to articulate their countries' positions and engage in a restrained debate to produce a statement that represented common denominators at the time. Consequently, TU-ID-2 served not only to encourage China's restraint, but also to maintain the formal decorum of the ARF. For example, as open objections to wording in the ARF meetings were not desirable, the way countries in the ARF prevented other interpretations of important issues to prevail was by allowing the host countries to have the final say; and, as the host country rotated, so did the wording in the final statements,

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<sup>232</sup> Regional Co-Chair of CSCAP noted that this also applied in CSCAP, where an issue was taken off the discussion agenda if the Chinese delegates indicated that they were unwilling to have discussion on the issue.

<sup>233</sup> My survey of all ARF chairman's statements. An example from the 1995 statement, Article 6.2.1.

such as the ARF Chairman's and Inter-Sessional Support Group's (ISG) statements.<sup>234</sup> The rotating wordings in the final statements cancelled each other out, thus nullifying the possibility of one dominant view persisting.

Indonesia and China have differing views on whether there is a dispute in the South China Sea, which to a large extent also reflects disagreements between China and other disputants. For China, the dispute in the South China Sea is a series of bilateral disputes between China and several of its Southeast Asian neighbours. Therefore, whenever Beijing hosted, the word 'dispute' appeared in plural form in the final statements such as in the 1997 ISG's Statement on CBMs (6–8 March): 'The meeting welcomed the efforts of the countries concerned to ensure stability in the South China Sea and to continue the efforts for peaceful resolution to *the disputes*' (emphasis added).<sup>235</sup> This is in contrast to when Indonesia became the host—the word 'dispute' did not appear in the statement, it was merely implied: 'On the South China Sea, the Meeting welcomed the efforts by countries concerned to seek solutions by peaceful means....'<sup>236</sup> The absence of the word 'dispute' reflected the denial of there being any dispute with China in the South China Sea.<sup>237</sup> The willingness of parties to allow different interpretations to coexist amicably reflected the acceptance of the baseline that no single interpretation should be held as the truth.

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<sup>234</sup> These statements reflected consensus, at times disagreement, and, more importantly, the chairman's or host's preference. The host country usually drafted and set the agenda of the meeting, and thus were accorded more influence. This is ascertained from my interviews with Kwa Chong Guan and Amb. Barry Desker, both actively involved at the CSCAP and ARF, confirmed the role of the host. My interview with Kwa Chong Guan, a Senior Fellow at RSIS, on 14 July 2021.

<sup>235</sup> Summary Report of the ARF Inter-Sessional Support Group (ISG) on CBMs (6–7 March 1997, Beijing) Point no 6. See ASEAN Regional Forum: Document Series 1994-2000, 80 (Jakarta, Indonesia: ASEAN, 2000).

<sup>236</sup> Similar results appeared to be replicated when Malaysia and Brunei Darussalam held the chairmanship in 1995 and 1997. See the following ARF Chairman's statements: 1995 (Bandar Seri Begawan, Brunei Darussalam), Point no 11; 1996 (Jakarta, Indonesia), Point no 7.4; 1997 (Subang Jaya, Malaysia), Point no 4.1. The 1997 ISG's statement on CBM (Brunei Darussalam) point no 25 also frame the issue in the same vein. See *ibid.*

<sup>237</sup> Two other variants of the usage of the word dispute were 'the dispute' (singular, used by the Philippines and the US) and 'disputes' (without the article 'the') used by Bangkok and Singapore, reflecting their own attitudes and view of the dispute. See *ibid.*

Some might argue that the Chairman's or ISG's statements were non-binding. However, renegeing on these statements carried a negative connotation of not adhering to regional consensus. For China, in particular, this could undermine its goal of gaining legitimacy. One interviewee told a story of a multi-hour discussion in an ARF meeting on whether 'Asia Pacific' should be hyphenated.<sup>238</sup> The exhaustive debate on wording reflected an unwillingness to set a precedent: a disputant could refer to the failure to object to a wording as a sign of acknowledgement of their position. Therefore, it is better to nip undesired wording in the bud, preventing inclusion of a certain word that carries commitments one cannot fulfil.<sup>239</sup> For example, 'UNCLOS' (in its full form) first appeared in a formal document during Indonesia's chairmanship in 1996, which signified Jakarta's insistence on the importance of the convention as the guiding principle to the dispute. The 1996 Chairman's statement mentioned UNCLOS explicitly: 'to seek solutions by peaceful means in accordance with international law in general and with the *United Nations Convention on the Law of the Sea of 1982* in particular' (emphasis added).<sup>240</sup> In contrast, at the 1997 ISG meeting on CBMs in Beijing, neither UNCLOS nor international law in general was mentioned, which implied that despite allowing Jakarta (and other disputants) to invoke UNCLOS as a legal instrument, Beijing did not view it as the only way to approach the dispute.<sup>241</sup> However, Beijing understood that limited acceptance of UNCLOS—or at least some of its principles—would be the baseline of reassurance for the Southeast Asians.

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<sup>238</sup> My interview with Regional Co-Chair of the Council for Security Cooperation in the Asia-Pacific (CSCAP) and was a member of the ASEAN Regional Forum experts, 5 August 2021.

<sup>239</sup> Such an observation is confirmed by those who were involved in CSCAP. I have yet to confirm this with the Chinese delegates who were involved at the ARF.

<sup>240</sup> During the ARF meeting on 23 July 1996 in Jakarta, the word 'UNCLOS' was mentioned in the statement for the first time at Point 7.4 along with the 'international law in general'. See ASEAN Regional Forum: Document Series 1994-2000, Short.

<sup>241</sup> Summary report of the ARF Inter-Sessional Support Group (ISG) on CBMs (6–7 March 1997, Beijing), Point no 6. See *ibid.*, 80.

The preceding discussion showcases a mutual exercise of restraint within the ARF, where Jakarta and Beijing observe particular limits that enable them to discuss the South China Sea dispute and promote ASEAN's significance with confidence.

### *Limits of behaviour in the SCS Workshop*

As noted in '[Notes on verification](#)' in Chapter 2, tacit understandings must be enforced by those who negotiated them. Thus, if they exist, the involved parties need to engage in disciplining activities to ensure these understandings are adhered to by others who might not be aware of or agree with them. I have termed this co-occurrence as 'disciplining.' Furthermore, in the absence of an enforcement mechanism, both parties must monitor each other for potential or actual violations. Therefore, if the tacit understandings exist, the parties involved need to issue protests and warn the other side not to cross redlines. I have termed this co-occurrence as 'protests.' In this section, I focus on these two co-occurrences in the Indonesia-China context, which not only further verify the existence of the second tacit understanding (TU-ID-2), but also demonstrate how Jakarta and Beijing contest the redlines of TU-ID-2 as part of its maintenance.

The first co-occurrence can be seen by how Indonesian and Chinese delegates set the agenda in the South China Sea (SCS) workshop after July 1995. The Indonesian and Chinese delegations ensured that discussions regarding CBMs were not brought up during the sessions of the SCS workshop. As previously mentioned in the discussion on antecedents, the Chinese delegations were concerned that Southeast Asian states were more assertive in informal forums like the SCS workshop, pressing China to formalise its commitment to the non-use of force as part of the CBMs. By keeping CBM discussions confined to the ARF, where the decorum was more polite and restrained compared to the more candid atmosphere of the SCS workshop, China could prevent other countries, particularly the Philippines, from demanding such a

written commitment. For instance, during the sixth workshop held in Balikpapan from 9-13 October 1995, when the Philippines raised the subject of CBMs, the Chinese representatives declined to engage, labelling the topic as ‘sensitive’ and suggesting its discussion should be reserved for formal forums like the ARF.<sup>242</sup> Similarly, the Indonesian delegation avoided raising the issue of CBMs in the South China Sea (SCS) workshop and did not support the Philippines’ proposal. Instead, they focused on technical cooperation projects. During the eighth session, in Puncak on 2–6 December 1997, the Indonesian delegates decided to take the issue off the agenda because of ‘time constraints’.<sup>243</sup> The Indonesian delegates tacitly understood that refraining from discussing CBMs was a concession to maintain China’s commitment to the workshop; the workshop occasionally mentioned CBMs in joint statements, but Indonesian delegates did not raise them.<sup>244</sup> These dynamics revealed an exercise of restraint as a result of the existence of TU-ID-2, where Jakarta and Beijing disciplined or persuaded others to respect the decorum they had established.

Additionally, we can also observe the other co-occurrence: ‘protests’. Following the Alatas-Qian meeting in July 1995, Jakarta became more considerate of Beijing’s position, ensuring that it took Beijing’s views into account before proceeding with specific initiatives. This represented a shift from Jakarta’s previous approach, which often involved pursuing initiatives without consulting Beijing. For instance, during the Bukittinggi workshop (26–28 October 1994), Alatas proposed that ‘the time has come to consider inviting the participation of non-South China Sea entities.... Their contribution could be technical or financial.’<sup>245</sup> This suggestion unsettled the Chinese delegation, and its leader, Xu Guangjian, responded by

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<sup>242</sup> As quoted in Djalal, "Indonesia and preventive diplomacy: A study of the workshops on managing potential conflicts in the South China Sea," 133.

<sup>243</sup> As quoted in *ibid.*, 134.

<sup>244</sup> China consented to limited discussion of CBMs in the focus group within the SCS workshop on the Technical Working Group on Legal Matters, related to the informal discussion regarding a code of conduct as a CBM. As discussed in *ibid.*, 134–35.

<sup>245</sup> As quoted in "Menlu Alatas: Saatnya kita jajagi kerjasama di Laut Cina Selatan [Alatas: The time has come to consider inviting the participation of non-South China Sea entities]," *Kompas* (Jakarta, Indonesia), 26 October 1994.

emphasising that ‘intervention by countries and organisations from outside will in no way help but only complicate the matter.’<sup>246</sup> Despite this signal from the Chinese delegation, in March 1995, Alatas began reaching out to various developed countries and international agencies, such as the United Nations Development Programme and European Union, without securing China’s consent. Some countries, such as Australia and the US, pledged concrete technical contributions, while others such as Japan, South Korea, and Russia questioned whether China had agreed.<sup>247</sup> Overall, despite China’s adverse reaction, Indonesia was pleased with the response.

During the Balikpapan workshop held from 9 to 13 October 1995, which followed the Alatas-Qian meeting, Indonesian participants displayed increased tolerance toward the Chinese delegates’ reservation. In the South China Sea workshop session, the Chinese objected to almost every idea put forward by Jakarta.<sup>248</sup> However, the Indonesian delegates reluctantly acknowledged the significance of obtaining Chinese consent. Hasjim Djalal, the Indonesian head delegate, acknowledged that this resistance was ‘payback’ for the previous SCS workshop in Bukittinggi (1994), suggesting that perhaps Jakarta’s pace was deemed ‘too fast and too far’ by China.<sup>249</sup> At the end of the Balikpapan workshop, Djalal openly criticised the Chinese for abusing the principle of consensus, but conceded that ‘if you are not ready, you are not ready.’<sup>250</sup> This statement generally indicated Jakarta’s restraint—allowing Beijing to contest its proposals. Beijing’s objections also served as guardrails, ensuring that Jakarta’s initiatives

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<sup>246</sup> The statement by Professor Xu Guangjian was reflected in the report of the Bukittinggi Workshop, published by the Research and Development Agency of KEMLU. As quoted in Djalal, "Indonesia and preventive diplomacy: A study of the workshops on managing potential conflicts in the South China Sea," 98-99.

<sup>247</sup> See the *aide memoire* from the Australian Embassy in Jakarta to Djalal in February 1995 and a letter from Elinor G Constable, Assistant Secretary of State for Oceans and International Environmental and Scientific Affairs, to Hasjim Djalal, 29 March 1995. As quoted in *ibid.*, 102.

<sup>248</sup> *Ibid.*, 107.

<sup>249</sup> *Ibid.* Dino Patti Djalal’s interview with Hasjim Djalal.

<sup>250</sup> Hasjim Djalal’s comments were recorded in an audiotape of the Balikpapan workshop proceedings, stored in KEMLU’s Research and Development Agency. As quoted in *ibid.*, 104.

remained within the limits of their tacit understanding—TU-ID-2—which called for non-interference from non-disputants.

Jakarta continued to test the limits of the TU-ID-2 redline regarding the involvement of external parties in the dispute. In January 1996, Alatas penned letters of appeal to all ASEAN states and China, personally delivered by Hasjim Djalal. Alatas' letters held diplomatic significance, as they were designed to prompt responses from the recipients: 'I appeal to you, your government or authorities and your institutions to take an active interest in the realisation of the agreed project proposals and to contribute to their successful accomplishment either by providing expertise, technical assistance or financial support.'<sup>251</sup> Alatas' letter conveyed a tacit message: while acknowledging China's redline against external intervention, Alatas sought to create an exception for all ASEAN members, including non-disputants. He proposed that ASEAN states should have limited privileges to participate in the dispute.

Alatas' personal appeal garnered support to varying degrees from ASEAN states and China. In Beijing, Under-Secretary for Legal Affairs Chen Shigiu welcomed Djalal and emphasised 'the importance Beijing attaches to the Workshop.'<sup>252</sup> Chen, however, repeatedly stressed that ASEAN delegations should only discuss and propose potential projects; the governments concerned should have the final authority on project implementation and its related mechanisms. He also emphasised that the workshop must remain informal, particularly given Taiwan's participation.<sup>253</sup> Beijing agreed to Indonesia's request with certain restrictions: ASEAN states were granted the privilege of discussing potential projects, but decisions on actual implementation were reserved for China and the Southeast Asian disputants. This stance was reiterated during the seventh session in Batam, held from 14 to 17 December 1996.

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<sup>251</sup> Alatas' letter to Brunei's Foreign Minister H.R.H. Pengiran Muda Mohamed Bolkiah, dated 12 January 1996. As quoted in *ibid.*, 109.

<sup>252</sup> As quoted in *ibid.*, 111.

<sup>253</sup> For further discussion on Taiwan's participation, see Yann-Huei Song, "The South China Sea Workshop Process and Taiwan's Participation," *Ocean Development & International Law* 41, no. 3 (2010)

The discussion above demonstrates that Jakarta successfully managed to alter the Chinese redline from a stance of ‘no non-disputant interference’ to one allowing ‘limited interference exclusive to ASEAN states.’ However, this shift in the redline did not signify complete agreement between Indonesia and China. Indonesia aimed for the workshop to have a more active role, whereas China insisted that non-claimant ASEAN states could only propose, not execute. This persistent disagreement prompted Indonesia to challenge the redline further, while China relied on the consensus principle to thwart Indonesia’s attempts. During the eighth session, the Puncak workshop (1997), buoyed by what seemed like positive reactions from ASEAN states and China to Alatas’ letter, the Indonesian delegates drafted a joint consensus. It endorsed the workshop’s willingness’ [t]o proceed with the implementation of the project proposal on Biological Diversity, and that the project be initiated multilaterally by those which have decided to participate in it, while those which have not yet decided may do so at a time suitable to them.’<sup>254</sup> Alatas believed that the biodiversity project represented the lowest common denominator. The Indonesian statement aimed to respect China’s redline, while promoting a more active role for the workshop. By proceeding without China, Indonesia technically adhered to the redline by implementing the project solely with the consent of other ASEAN countries.

The Chinese delegation objected, noting that Indonesia must seek everyone’s consent, including China’s, before proposing such a statement—that was the basis of the ASEAN principle of consensus. The Chinese delegation countered with a proposal ‘[t]o recommend to various authorities on the implementation of the project proposal on Biological Diversity.’ This alternative statement reinforced Chen’s clarification to Djalal in the previous year that the

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<sup>254</sup> As quoted in the report of the Puncak workshop, which was published by the Research and Development Agency of KEMLU. As quoted in Djalal, "Indonesia and preventive diplomacy: A study of the workshops on managing potential conflicts in the South China Sea," 113.

workshop should be confined to discussing and recommending. Criticising the Chinese, Djalal lamented:<sup>255</sup>

*We cannot continue like this.... [W]e don't want people who are not ready to cooperate [the Chinese] stalling everyone. If someone does not want to participate in analysing and collating data, they are free to do so. But if that someone does not want to participate, they could not tell others not to do it.... [Y]ou can't do anything unless I join you, you can't do anything unless I agree with you' [sic].*

Following this contestation, the debate persisted within certain bounds: ASEAN states, including non-claimants, had the right to discuss the South China Sea dispute and propose projects, but lacked the authority to implement them. This discussion also confirms the previous argument on the importance of the consensus principle as China's baseline.<sup>256</sup> Using the ASEAN indigenous principle was tactful: it chipped away at Indonesia's power without creating an impression of defensiveness.

The accounts above confirm a persistent cycle of contention and compromise: Indonesia continually pushed forward, while China consistently raised objections. This dynamic indicates that, in practice, the negotiation of tacit understandings persisted and coexisted with their ongoing maintenance. The formation of tacit understandings is not a linear process. The Indonesian probes were designed to test the sincerity of Beijing's promise of benignity. It was clear to Indonesia that the 'benignity' card was an asset—but there was a limit to its efficacy. Although Indonesia was able to negotiate ASEAN states' involvement in the dispute, Jakarta could not get Beijing to allow the workshop to implement projects. Moreover, rather than being taken at face value, the Chinese reluctance should be interpreted as a negotiating tactic. From this perspective, it may also have been aimed at exerting pressure on Indonesia to acquiesce to the already specified redline. The implementation of the biodiversity

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<sup>255</sup> As quoted in *ibid.*

<sup>256</sup> For China's perspective on the ARF, including the emphasis on consensus, see Foot, "China in the ASEAN regional forum: Organizational processes and domestic modes of thought," 428.

project would have not undermined China's claim in the South China Sea. While China did not particularly object to the biodiversity project, allowing Indonesia to go forward with the statement could have set a precedent that a multilateral forum, albeit informal, might have the power to implement a project in the South China Sea without China's consent—a line that China was determined not to be crossed by everyone else.

## Conclusion

This chapter demonstrates that Indonesia and China developed two tacit understandings in July 1995 as a pragmatic approach to implementing restraint. In this context, the tacit understandings established by Indonesia and China allowed them to coordinate their behaviour in regional forums without needing to first resolve their disagreements over the existence of a dispute in the South China Sea. This finding refines the hypothesis by emphasising the goal-oriented nature of establishing tacit understandings. The [central hypothesis](#) of this thesis posits that maritime Southeast Asian states have each negotiated tacit understandings with China not to resolve, but to shelve disputes and disagreements over their competing territorial claims in the South China Sea. With this chapter's finding, I propose the following hypothesis refinement, which I label as the 'first proposition':

First proposition: Southeast Asian states formed tacit understandings with China as a convenient way to establish exercises of restraint, allowing actors to achieve broader goals without first needing to resolve disagreements and disputes. Therefore, the restraint exercises negotiated by parties during the formation of tacit understandings were calibrated to achieve specific objectives, enabling them to prioritise or deprioritise competing interests.

This first proposition offers a more specific answer to the puzzle of this thesis, which asks about the persistence of Southeast Asian states' restraint towards China after the Cold War, by

demonstrating how Jakarta and Beijing established tacit understandings. This chapter also shows that both countries calibrated their restraint practices to instil confidence in engaging each other across multilateral forums, thereby ensuring the success of their shared goals of bolstering ASEAN's relevance and mitigating the need to involve external parties in ASEAN matters.

In the antecedents section, I find that factions within both Jakarta and Beijing were able to engage in diplomatic signalling, make concessions, and empower each other's positions, thereby facilitating negotiations. Beijing was able to identify local partners—specifically, the Indonesian Foreign Ministry and Ali Alatas as the foreign minister—that aligned with its position and worked to empower them. This empowerment involved helping the Foreign Ministry gain more influence within Indonesia's fragmented domestic political landscape.

In the formation section, I also demonstrate how Indonesian Foreign Minister Alatas, during his visit to Beijing in July 1995, successfully persuaded China to agree to Jakarta's demands by appealing to its need for social acceptance. These demands were both bilateral and regional. On the bilateral front, Alatas secured further reassurance from Beijing that it would not challenge Indonesia's sovereignty over the Natuna Islands. On the regional front, he convinced China to participate in ASEAN-led regional forums. Additionally, Alatas persuaded his Chinese counterpart, Qian Qichen, to get Beijing to agree to the UNCLOS principles in approaching the South China Sea disputes. This finding from the regional front adds to the current hegemony literature by showing that a rising power can also be an "order taker."<sup>257</sup> It highlights Indonesia's ability, as a lesser but influential power, to make demands on a rising power, rooted in its understanding of Beijing's true desire—social acceptance from Southeast Asian states.

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<sup>257</sup> Ikenberry and Nexon, "Hegemony studies 3.0: The dynamics of hegemonic orders," 412.

In the maintenance section, I demonstrate how the second tacit understanding—limited multilateralism—fostered a robust exercise of restraint, including both countries restraining other Southeast Asian states when they deviated from the decorum established by Jakarta and Beijing for discussing the South China Sea disputes in the ARF and SCS workshop. This sheds light on an under-explored factor contributing to the China-ASEAN cooperation in the early post-Cold War period. Jakarta's ability to impose a sense of decorum in ASEAN-centred security meetings reassured China, encouraging it to actively participate and support the expansion of ASEAN's membership and its role in the South China Sea.

The first proposition, which emphasises the goal-oriented nature of establishing tacit understandings for restraint, will inform the investigation in Chapter 5. I will examine whether the formation of tacit understandings in the contrasting cases of Malaysia-China and the Philippines-China was similarly driven by goal-oriented motivations.

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**Chapter 4: Changing tacit understandings: Explaining  
Indonesia's shifting practices of restraint towards China in the  
South China Sea (1997-2022)**

Word count: 11,677 (15,399 including footnotes)

**Table 4.1 Chapter 4 map**

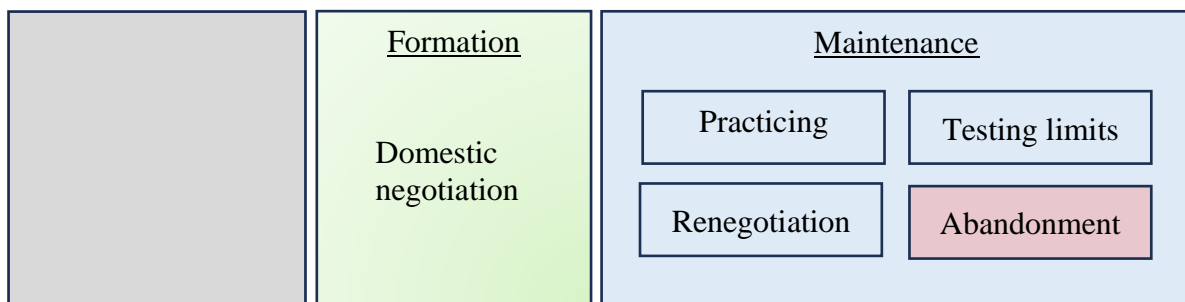
| <p>Purpose: This chapter demonstrates that specific restraint practices depended on adherence to particular tacit understandings. It establishes this link by connecting the persistence of Indonesia’s restraint practices towards China specifically to the presence of tacit understandings.</p> |   |
|---|---|
| Section   | Content highlight   |
| 1: Introduction   | Previewing how the chapter follows the structure of the Tacit Understanding Framework, with a focus on the second sub-stage of the formation stage, namely domestic negotiation, and the maintenance stage.   |
| 2: Brief overview: Maintaining divergence   | This chapter focuses on the first tacit understanding, maintaining divergence, which facilitates Indonesia and China’s restraint in the South China Sea. Both parties acknowledge existing disagreements but abstain from seeking clarification, enforcing claims, or pursuing a resolution to prevent these disagreements from escalating into disputes. Maintaining divergence involves a series of exercises enabling both parties to uphold their respective claims, employ narratives that sustain legitimacy among domestic constituencies, and critique opposing positions within defined limits.  |
| 3: Domestic negotiation: Accepting the tacit understanding (1995-97)  | Demonstrating how Indonesian FM Alatas ensured institutional coherence within KEMLU and persuaded President Suharto and the Indonesian military of the merits of adhering to a tacit understanding with China to manage disagreements in the Natunas. Beijing also showcased efforts to support KEMLU in strengthening its argument for adhering to the tacit understanding by sending high-ranking officials to Jakarta as a gesture of sincerity.   |
| 4: Maintenance: Practices of restraint as a result of maintaining divergence (1997–2016)  | <p>The goal of this tacit understanding is to prevent the emergence of a dispute, which necessitates looking at the dog that did not bark: the lack of evidence of hostility over the 19 years between 1997 and 2016 is itself the evidence.</p> <p><i>Avoiding seeking a resolution:</i> The first practice—avoiding the pursuit of resolution of disagreements—is fundamental because seeking resolution can transform a divergence into a dispute.</p> <p><i>Refraining from enforcing claims:</i> As a result of the tacit understanding, both countries also adopted a principled approach, allowing each other to express their positions and engage in activities in the area of overlapping claims without challenging the position of the other side.</p> <p><i>Policing narratives to hide the disagreements:</i> Several cases are unpacked to demonstrate how KEMLU and the Chinese Foreign Ministry (FMPRC) contradicted those who pointed to the disagreements.</p> |
| 4: Abandonment of maintaining divergence (TU-ID-1)  | <p>This section unpacks the efforts of Jakarta and Beijing to hold on to the tacit understanding as domestic pressure to abandon intensified.</p> <p>Two key insights emerge:</p>   |

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|   | <p>First, during this unravelling period, actors often hinted at or indirectly referenced the tacit understanding as a way to protest against the opposing side.</p> <p>Second, following the abandonment of the tacit understanding, observable shifts in behaviour occurred, further affirming that the prior exercise of restraint was governed by this tacit understanding.</p> <p>These moments stand out as some of the clearest evidence of the tacit understanding. Three critical junctures on 19 March, 30 May, and 17 June 2016, are unpacked to demonstrate the changing shades of Beijing’s attitude to the practice of maintaining the divergence and eventual abandonment of the prior tacit understanding after Jakarta and Beijing launched legal debates to undermine the other’s claims and sought a resolution to their disagreements.</p> |
| <p>5: Validating TU-ID-1 by comparing it to a new tacit understanding (TU-ID-3)</p> | <p>This section strengthens the evidence for a prior tacit understanding by showing how the previous restraint was contingent on both parties’ commitment to maintaining divergence. The third tacit understanding (TU-ID-3) between Indonesia and China, labelled ‘sharing usage,’ allowed both countries to enter the disputed area in the northern Natuna Islands and conduct sovereignty-related activities. While validating the full scope of TU-ID-3 is beyond the scope of this thesis due to its recent nature and limited evidence, I can demonstrate the existence of both a baseline and a redline for TU-ID-3, which differ fundamentally from those of TU-ID-1.</p>  |
| <p>6: Conclusion</p>  | <p>Hypothesis refinement: the Indonesia-China case establishes how specific restraint practices were contingent on the adherence to specific tacit understandings. Therefore, if any alterations or adjustments were made to the initial tacit understandings that were agreed upon by both parties, these changes impacted how restraint was practised.</p>   |

## Introduction

The Tacit Understanding Framework outlines the development of tacit understandings in three [stages](#): antecedents, formation, and maintenance, as depicted in Figure 4.1 below. This chapter focuses on the domestic negotiation aspect of formation (green box) and the maintenance stage (blue box).

Figure 4.1 Stages of tacit understanding development applied in Chapter 4



In Chapter 3, I find that in July 1995, the Indonesian Foreign Minister, Ali Alatas, and his Chinese counterpart, Qian Qichen, established two tacit understandings. The first, ‘maintaining divergence’, aimed at preserving their differing positions on the South China Sea. In legal terms, a divergence refers to a situation where both parties acknowledge existing disagreements but refrain from seeking clarification, enforcing claims, or pursuing resolution, in order to prevent these disagreements from escalating into disputes.<sup>258</sup> The disagreement relevant to this tacit understanding centred on whether a dispute existed in the area where China’s nine-dash line intersected with Indonesia’s Exclusive Economic Zone (EEZ) and whether they needed to establish a bilateral mechanism to manage and resolve this disagreement. What was tacitly understood between Alatas and Qian was the need to prevent their disagreements from escalating into full-blown disputes. Having established the first tacit

<sup>258</sup> For further discussion on the difference between divergence and dispute, see the section titled ‘[Avoiding seeking a resolution](#)’.

understanding (TU-ID-1), Alatas and Qian were then able to establish a second tacit understanding— ‘limited multilateralism’ (TU-ID-2). As discussed extensively in Chapter 3, this understanding enabled them to work together confidently to cement ASEAN’s relevance amid the expanding regionalism of the early 1990s. This chapter turns its attention back to the first tacit understanding—maintaining divergence (TU-ID-1).

In this chapter, I argue that from 1997 to 2016, under the first tacit understanding (TU-ID-1), Indonesia actively restrained its interactions with China concerning the South China Sea by (1) avoiding attempts to resolve disagreements; (2) refraining from enforcing claims that might highlight those disagreements; and (3) controlling narratives to obscure the disagreements.<sup>259</sup> More importantly, the abandonment of TU-ID-1 in 2016 corresponded with the cessation of these restraint practices, which both Indonesia and China had consistently exercised since they adopted the understanding in 1997. This finding further refines this thesis’s hypothesis by linking the persistence of the three practices of restraint specifically to TU-ID-1.<sup>260</sup>

Initially, this thesis [hypothesised](#) that maritime Southeast Asian states have each negotiated tacit understandings with China, not to resolve, but to shelve disputes and disagreements over their competing territorial claims in the South China Sea. The findings of this chapter demonstrate that specific restraint practices were contingent on adherence to particular tacit understandings. Consequently, when parties abandoned a tacit understanding, hostile exchanges ensued as previous restraint practices were discarded. Furthermore, I corroborate this refined hypothesis by showing that when Indonesia and China established another tacit understanding (TU-ID-3), the restraint practices it brought forth differed from

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<sup>259</sup> These practices of restraint are discussed further in the section titled ‘[Maintenance: Practices of restraint as a result of maintaining divergence \(1997–2016\)](#)’, below.

<sup>260</sup> This is a second refinement to the hypothesis. Chapter 3 [refines](#) the initial hypothesis by highlighting a goal-oriented nature of establishing tacit understanding.

those facilitated by the earlier divergence (TU-ID-1). Thus, I further demonstrate how specific restraint practices were contingent on adherence to specific tacit understandings.

## **Chapter organisation**

This chapter begins with the ‘domestic negotiation’ of the first tacit understanding negotiated between Indonesia and China—maintaining divergence. It then traces the ‘maintenance’ of this understanding before focusing on its ‘abandonment’. Subsequently, the chapter investigates how and why Jakarta and Beijing established the third tacit understanding (TU-ID-3), and how this understanding differs from maintaining divergence (TU-ID-1).

The first section briefly discusses the components of the first tacit understanding (TU-ID-1) established between Indonesia and China in July 1995.

The second section of this chapter delves into the ‘domestic negotiation’ stage, discussing how Foreign Minister Alatas persuaded various constituencies in Indonesia of the value of TU-ID-1. As noted in the analytical framework section of Chapter 2, the negotiator needed to socialise the understanding and gain domestic support. This discussion also helps verify the existence of TU-ID-1, as instructions or socialisation efforts from Alatas—the negotiator—advising Indonesian mid-ranking officials and his peers *not* to seek resolution on disagreements with China regarding the existence of disputes satisfy the co-occurrence termed ‘[top-down adoption](#)’.<sup>261</sup>

The third section delves into the ‘maintenance’ stage of TU-ID-1. It demonstrates how from 1997 to 2016, Jakarta and Beijing maintained the three restraint practices mentioned above by relying on TU-ID-1. Jakarta’s exercises of restraint towards Beijing were aimed as uphold of conflicting views about the South China Sea, representing a fundamental shift in

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<sup>261</sup> As outlined in the ‘[Notes on verification](#)’ in Chapter 2, this thesis verifies the existence of tacit understandings by observing co-occurrences or expected observable actions that would indicate their presence.

Jakarta's previous assertive approach, which sought legal clarification. Of particular note is the discussion highlighting the emergence of a template response designed to divert attention from the disagreements between Beijing and Jakarta, encapsulating a co-occurrence abbreviated as '[awareness](#)'. It confirms the existence of TU-ID-1 by demonstrating mutual awareness of the agreed approach to engaging with each other and managing public scrutiny of the disagreement. Furthermore, KEMLU officials' intensified efforts to discipline other agencies openly suggesting the existence of disagreement. This was part of the co-occurrence abbreviated as '[disciplining](#).' It confirms the existence of TU-ID-1 by observing Jakarta's and Beijing's actions to discipline those who might breach the understanding.

The fourth section focuses on the 'abandonment' of the first tacit understanding. It examines the period from March to June 2016, as the tacit understanding was abandoned. During this period, Beijing and Jakarta often hinted at TU-ID-1, urging the adherence to this tacit understanding. This act validates the existence of TU-ID-1—shorthand as '[protest](#)'. This co-occurrence suggests that if one side refers to prior tacit understandings while the other side acts in a way that contradicts them, it indicates that such tacit understandings are in place.

Ultimately, TU-ID-1 was abandoned due to Jakarta's struggle to manage its domestic debates. This prompted Beijing, on 20 June 2016, to explicitly assert its traditional fishing rights, followed by claims of maritime jurisdictional ownership over the waters. Afterwards, both nations departed from their previous restrained behaviour, choosing instead to assert legal claims to undermine each other's positions. Jakarta's and Beijing's shift in behaviour following the abandonment of the prior tacit understanding serves to further verify the existence of TU-ID-1. The existence of a tacit understanding can be confirmed by presenting evidence that the disappearance of prior restraint practices resulted from the abandonment of the earlier understanding. I have shorthanded this co-occurrence as: '[changes](#).'

The evolving practices of restraint are further analysed in the fifth section, where a comparison is drawn between the type of restraint facilitated by the new tacit understanding (TU-ID-3) and that of TU-ID-1. This analysis further validates TU-ID-1 by showing that Indonesia's changing approaches to restraint towards China corresponded with adjustments in tacit understandings, thus confirming a co-occurrence I have termed 'changes.' I label TU-ID-3 as 'sharing usage' because leaders in Jakarta and Beijing established it in response to the eruption of maritime jurisdiction disputes in 2016 to facilitate their coexistence and minimise hostilities between the two countries. This section highlights how different tacit understandings uniquely shape the practice of restraint. Furthermore, in this section, I also briefly discuss a co-occurrence I have abbreviated as 'rationalising,' which confirms TU-ID-3 by illustrating how Jakarta expressed the belief that Beijing needed some leeway for hostile actions.

### **Brief overview: Maintaining divergence**

As noted in the 'What are tacit understandings?' section in Chapter 2, tacit understandings are underlying bilateral consensuses negotiated between actors for various reasons. The first tacit understanding (TU-ID-1) enabled both countries to establish a legal point of divergence, preserving their disagreements about the South China Sea. In legal terms, divergence refers to a situation where both parties acknowledge the existence of disagreements but refrain from seeking clarification, enforcing their claims, or pursuing a resolution.<sup>262</sup> Legally, actively pursuing a resolution would essentially transform a divergence into a dispute, even if one party denies its existence.<sup>263</sup> As highlighted in Chapter 3, the disagreements between Indonesia and China in the South China Sea revolved around the uncertainty regarding a maritime jurisdiction dispute arising from the overlapping areas between China's nine-dash

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<sup>262</sup> This is further explored later in the section titled 'Avoiding seeking a resolution'.

<sup>263</sup> Schreuer, "What is a legal dispute?," 21.

line and Indonesia's EEZ line. Another point of contention was the necessity of establishing a bilateral mechanism to address any potential dispute.

The core disagreement between Beijing and Jakarta stemmed from contrasting perspectives on the legitimacy of the nine-dash line's excessive claim. Jakarta predominantly framed entitlements within the context of UNCLOS, while Beijing relied on justifications rooted in customary rights.<sup>264</sup> This led to divergent interpretations regarding the existence of a maritime jurisdiction dispute. During the negotiation of the tacit understanding in July 1995, Indonesian Foreign Minister Ali Alatas and his Chinese counterpart Qian Qichen chose not to view this issue as insurmountable.<sup>265</sup> What was tacitly understood between Alatas and Qian was that, while disagreements existed, resolving them should not take priority; since doing so would obstruct their countries' shared regional interest in bolstering ASEAN's centrality. As also explained in Chapter 2, tacit understandings contain baselines—the non-negotiable principles that need to be respected by both parties—and redlines, the imaginary limits of acceptable behaviour in a given context. From this chapter's empirical discussion, I uncover the following baseline and redlines of the first tacit understanding (TU-ID-1):

- *A baseline:* Jakarta and Beijing agreed that these disagreements needed to be managed. This management included tolerating differing sources of legal interpretations when explaining their respective legal positions.
- *Redlines:* the tacit understanding discouraged Jakarta and Beijing from highlighting the disagreement and seeking resolution. Consequently, a practice of restraint emerged, where Jakarta and Beijing concealed or downplayed the existence of disagreements in their diplomatic exchanges or public declarations.

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<sup>264</sup> Gao and Jia, "The nine-dash line in the South China Sea: History, status, and implications"; Damos Dumoli Agusman and Citra Yuda Nur Fatihah, "Celebrating the 25th anniversary of UNCLOS legal perspective: The Natuna case," *Indonesian Journal of International Law* 17 (2020)

<sup>265</sup> As discussed in Chapter 3, maintaining divergence was first established during the Alatas-Qian negotiations to allow both countries to proceed with negotiating the second tacit understanding.

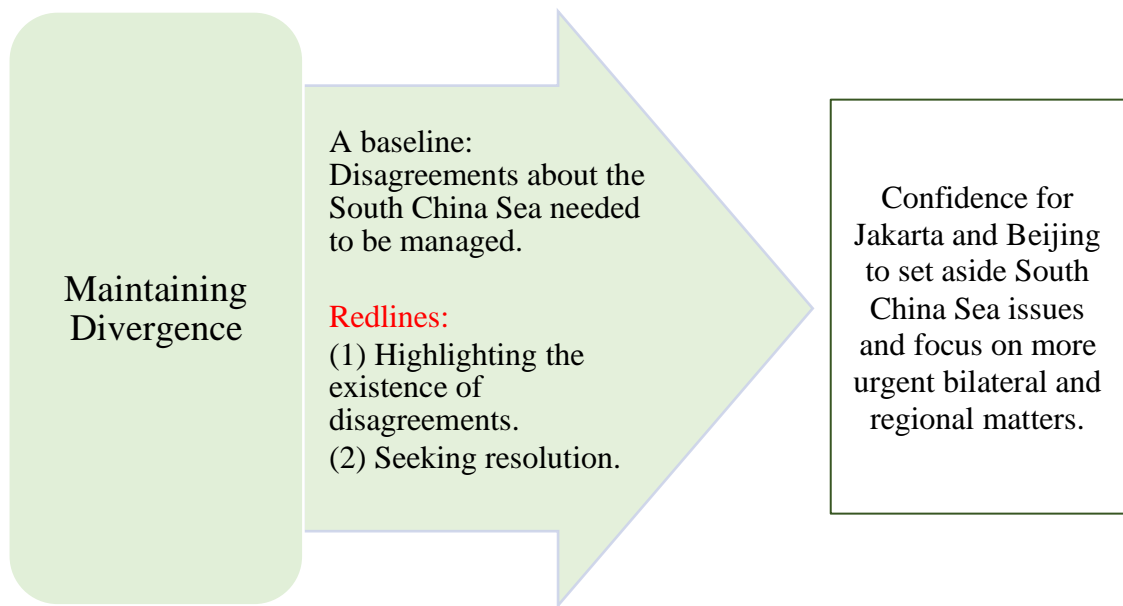


Figure 4.2 Summary of Indonesia-China first tacit understanding (TU-ID-1)

#### **Domestic negotiation: Accepting the tacit understanding (1995-97)**

As [highlighted](#) in Chapter 2, failure to secure domestic acceptance for tacit understandings can lead to the partial or complete abandonment of agreed terms. This section notes that Alatas undertook two key efforts to persuade domestic constituencies of the benefits of maintaining divergence: instructing his peers at the Indonesian Foreign Ministry (KEMLU), and convincing his colleagues in the Indonesian military (TNI). Alatas' action confirms TU-ID-1, as it fulfils a co-occurrence I have abbreviated as '[top-down](#).' Additionally, the Indonesian Army's factional interests, combined with Beijing's gestures of sincerity—such as dispatching a high-profile delegation to Jakarta in 1996—strengthened Alatas' argument for maintaining divergence with Beijing. Actions by both Alatas and Beijing further confirmed TU-ID-1, as they demonstrate a co-occurrence I have abbreviated as '[disciplining](#).'

### *Alatas' directive to KEMLU*

Upon his return to Jakarta from a visit to Beijing on 21 July 1995, Alatas de-emphasised the existence of a dispute.<sup>266</sup> Alatas told reporters that

*the [Chinese] explanation is satisfactory, because if China sticks to the 1982 international sea law convention [UNCLOS], then we are in the same position. ... But the sea border line is not clear between the Spratly Islands and the surrounding areas. However, China said it has no [territorial] dispute with Indonesia.*<sup>267</sup>

This statement is pivotal, as it represents Jakarta's initial public departure from its previous approach, which often aimed to seek clarification regarding Beijing's position. This declaration also stands as a typical example of Jakarta's frequent response pattern whenever questioned about Beijing's nine-dash line, comprising two essential aspects. First, it reflects Alatas' determination to address domestic expectations by asserting that he had persuaded China to support UNCLOS. Despite Qian not explicitly aligning the nine-dash line with UNCLOS, Alatas believed that regional pressure on China would lead to moderation in Beijing's behaviour, encouraging respect for UNCLOS. The second part— 'the sea border line is not clear' —provides an implied directive to consider the possibility that a dispute might arise between Jakarta and Beijing.<sup>268</sup> Due to a lack of extensive geographical surveys at the time of Alatas' instruction, Alatas believed that it was not worthwhile to assert Indonesia's position until there was greater clarity on the situation. In the interim, Alatas argued that Jakarta and Beijing could live with this uncertainty as a gesture of goodwill towards Beijing.

Alatas' realistic approach is further evident in his instruction that KEMLU prioritise pragmatism over legalism in its approach to the Natunas, emphasising Jakarta's broader

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<sup>266</sup> In addition to his statements in Brunei Darussalam during the 1995 ARF, Alatas also publicly reiterated the position domestically on numerous occasions. For examples, see "Asian nations resume talks on Spratlys," *Agence France-Presse* (Jakarta, Indonesia), 9 October 1995; Wain, "China moderates its Spratlys claim"; "Ready for a showdown," *Financial Times* (Jakarta), 25 June 1996.

<sup>267</sup> As quoted in John MacDougall, "China - Natunas belong to Indonesia," (Jakarta: Singapore Press Holding, 22 July 1995), Newspaper. <https://www.library.ohiou.edu/indopubs/1995/07/22/0012.html>.

<sup>268</sup> My interview with a high-ranking official who served as the Director of Legal Treaty in the Indonesian Foreign Ministry on 19 October 2021.

regional interests in its engagement with Beijing.<sup>269</sup> This directive was perceived as overly permissive by legal scholars within KEMLU, and was in stark contrast to the counsel provided by KEMLU's in-house experts on the law of the sea, notably Hasjim Djalal.<sup>270</sup> Alatas' stance was built on the premise that China could potentially assert claims to an EEZ and continental shelf from the Spratlys by leveraging UNCLOS Paragraph 121(3), which deals with the Regime of Islands.<sup>271</sup> This Paragraph stipulates that high-tide elevations, such as islands supporting 'human habitation or economic life', are entitled to both a 12-nautical-mile territorial sea and a 200-nautical-mile EEZ. Therefore, a dispute might arise if China became the recognised owner of the Spratly Islands following the resolution of the sovereignty dispute, and if there were features within the Spratlys entitled to an EEZ or continental shelf claims that might overlap with Indonesia's EEZ.

Refuting Alatas, Djalal maintained that the Regime of Islands right was exclusive to archipelagic states, not including China.<sup>272</sup> He further asserted that, based on KEMLU's analysis, none of the features in the Spratlys could sustain human habitation as outlined by UNCLOS Paragraph 121(3), thereby dismissing the potential for a dispute.<sup>273</sup> According to UNCLOS, coastal states like China could only claim a territorial sea extending 12 nautical miles from their baseline, followed by a 200-nautical-mile EEZ, and potentially an extended continental shelf.<sup>274</sup> Due to China's nine-dash line significantly surpassing UNCLOS-prescribed limits, Alatas was advised to unequivocally dismiss any idea of a dispute.<sup>275</sup> The

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<sup>269</sup> *Ibid.*

<sup>270</sup> *Ibid.*

<sup>271</sup> For a discussion on claims to islands in the South China Sea, see Schofield, "The trouble with islands: The definition and role of islands and rocks in maritime boundary delimitation," 19–37.

<sup>272</sup> Interview with a high-ranking official who served as the Director of Legal Treaty on the Indonesian Foreign Ministry, 19 October 2021.

<sup>273</sup> *Ibid.*

<sup>274</sup> For a discussion on claims to islands in the South China Sea, see Schofield, "The trouble with islands: The definition and role of islands and rocks in maritime boundary delimitation," 19–37.

<sup>275</sup> Beckman, "The UN Convention on the Law of the Sea and the maritime disputes in the South China Sea," 149–51.

prevailing stance within KEMLU closely aligned with Djalal's position that there was no possibility of overlapping maritime jurisdiction, upon which Alatas should have insisted.<sup>276</sup>

Given the hierarchical structure of KEMLU, Alatas' directive and viewpoint ultimately held sway. Additionally, diplomats within KEMLU comprehended the political rationale behind Alatas' adoption of this stance. The status of features within the Spratlys remained uncertain until 2016, when the Permanent Court of Arbitration ruled that none of the features within the nine-dash line were entitled to an EEZ because they could not support 'human habitation.'<sup>277</sup> KEMLU's position shifted as a result of this ruling.<sup>278</sup>

### ***Persuading the Indonesian military (TNI)***

Accepting the maintenance of the divergence also required further domestic negotiation with TNI. Despite Alatas' insistence that China did not pose a threat to Indonesia's territorial integrity, TNI and the defence establishment continued to view China as an external threat.<sup>279</sup> TNI pursued a series of actions against Beijing, including negotiating a pact akin to an alliance with Australia (called the Agreement on Maintaining Security) in 1995; procuring 24 British-made Hawk fighter aircraft for deterrence and patrol;<sup>280</sup> and improving facilities such as piers and logistics support bases in the Natunas to accommodate the berthing of 39 corvettes acquired from Germany.<sup>281</sup> To dispel TNI's continued anxiety, on 31 August 1996, during a monthly cabinet meeting with President Suharto, Alatas attempted to persuade the president and his TNI peers that Beijing would never claim the Natuna Islands as its territory. As he

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<sup>276</sup> *Ibid.*

<sup>277</sup> The Permanent Court of Arbitration (PCA) is established in 1899 by the Hague Convention for the Pacific Settlement of International Disputes to facilitate arbitration and other forms of dispute resolution between states, state entities, international organisations, and private parties.

<sup>278</sup> Agusman, "The South China Sea UNCLOS tribunal award 2016: What it has changed and what it does mean to Indonesia."

<sup>279</sup> As reported in Jim Della-Giacoma, "Indonesian military believed still most powerful," *Reuters News* (Jakarta), 3 October 1995.

<sup>280</sup> As reported in "Indonesia says ideally it needs 64 F-16 fighters," *ibid.* (Jakarta), 8 November 1995.

<sup>281</sup> As reported in Paul Jacob, "Natuna gas - Jakarta to step up naval patrols," *Straits Times* (Jakarta), 21 September 1996.

noted, 'Such claims have never been made.'<sup>282</sup> This was an early example of policing other agencies that pointed to the existence of the disagreements.

TNI elites organised a large-scale military exercise, an event that many observers lauded as a show of resolve against China. Held on 4-18 September 1996 near the Natuna Islands, the 17-day war games involved 19,000 soldiers, sailors, air force pilots, and police with a clear adversary: Beijing.<sup>283</sup> For the exercise, TNI had created a scenario in which a conflict broke out following an island takeover, reflecting the belief that Beijing would lodge a territorial claim.<sup>284</sup> Responding to the TNI war games, China's foreign policy spokesperson noted that 'China's stance towards the South China Sea is quite clear.'<sup>285</sup> This statement referenced the position agreed to during the Alatas–Qian meeting: China did not claim the Natuna Islands and respected UNCLOS, but insisted on the existence of 'overlapping maritime claims' in the Natunas.<sup>286</sup> The spokesperson also noted that China hoped Indonesia would not take any action to complicate the situation in the region.<sup>287</sup>

Amid the display of hostilities, on 11 September 1996, Beijing dispatched a high-profile military delegation led by People's Liberation Army General Fu Quangyou to meet with his Indonesian counterpart and President Suharto in Jakarta.<sup>288</sup> Despite the ongoing anti-China wargames, Fu conveyed to the media that the visit aimed to 'enhance friendship between the two nations.'<sup>289</sup> Making a similar case to Alatas, Fu stated that China did not lay claim to the

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<sup>282</sup> As quoted in "Indonesia says China never claimed Natuna Islands: Foreign minister," *Agence France-Presse* (Jakarta), 4 September 1996.

<sup>283</sup> As reported in "Chinese, Indonesian military officials pledge better ties," *Dow Jones Asian Equities Report* (Beijing), 9 September 1996.

<sup>284</sup> As reported in "Military chief denies Natuna exercise a "show of force" (an excerpt from report by Indonesian newspaper 'Republika' on Sep 3, 1996)," *BBC Monitoring Service* (Jakarta), 4 September 1996.

<sup>285</sup> As cited in *ibid.*

<sup>286</sup> *Ibid.*

<sup>287</sup> *Ibid.*

<sup>288</sup> Fu was accompanied by Deputy Commander of the Chengdu Command, Lieutenant General Chen Xianhua, Admiral Zhang Linzhong, Airforce Chief Lieutenant General Xu Qiliang and Deputy PLA Director General, and Major General Lu Dengming. See "Suharto meets Chinese military leaders," *Agence France-Presse*, 11 September 1996.

<sup>289</sup> As cited in "China and Indonesia studying science cooperation," *Dow Jones international news* (Jakarta), 11 September 1996.

Natuna Islands.<sup>290</sup> At the conclusion of Fu's visit, TNI publicly aligned with Alatas' narrative, affirming that there were no issues with Beijing in the South China Sea.<sup>291</sup> TNI and the defence establishment accepted the merit of adopting the tacit understanding, as it allowed them to portray any dispute over the Natunas as a managed risk: policy could be presented as inhabiting, rather than developing, substantial military infrastructure in the islands. However, TNI retained suspicions about Beijing's intentions regarding the Natunas.<sup>292</sup> Thus, as a strategic move, TNI assumed control of the ambassadorship to China from KEMLU in 1997, emphasising the security aspect of their relationship. Subsequently, in 2009, as Indonesia prepared to sign a comprehensive strategic partnership deal with China, TNI handed the ambassadorship back to KEMLU, symbolising a shift towards a developmentalist outlook.<sup>293</sup>

The discussion above demonstrates Alatas' efforts to convince his peers of the merits of maintaining the divergence, suggesting the existence of a tacit understanding for that purpose. Beijing's action to help Alatas make his case was also an important indication of deliberate efforts from both sides to persuade the ruling establishment to adopt the tacit understanding. The two efforts cumulatively confirm TU-ID-1 by satisfying a co-occurrence I termed '[disciplining](#),' demonstrated through mutual efforts by Beijing and domestic factions within Indonesia to discipline and persuade others of the merits of upholding the tacit understanding.

### **Maintenance: Practices of restraint as a result of maintaining divergence (1997–2016)**

This section further examines what maintaining divergence entails. The basis of this tacit understanding is to prevent the emergence of a dispute, which requires looking at the 'dog

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<sup>290</sup> As reported in *ibid.*

<sup>291</sup> As reported in "Suharto meets Chinese military leaders."

<sup>292</sup> For example, in one of my interviews on 6 March 2022 with the Director of Strategy at the Indonesian Defence Ministry, he continued to believe that Beijing's claim in the Natunas is territorial.

<sup>293</sup> KEMLU posted Imran Cotan, former Ambassador to Australia, who was supposed to be posted to the UN, indicating China's importance to Jakarta. A conversation with an unnamed KEMLU official.

that did not bark’ —the absence of evidence of hostility serves as evidence in itself. The 19 years between 1997 and 2016 provide traces of evidence that demonstrate the efforts to maintain divergence. It is argued that, following the acceptance of the tacit understanding, Jakarta and Beijing implemented three primary practices of restraint to sustain this divergence: 1) avoiding the resolution of disagreements; 2) refraining from enforcing claims that might reveal the existence of these disagreements; and 3) controlling narratives to obscure the disagreements. The first and third practice of restraint was particularly important for verifying the existence of TU-ID-1, as it represents expected behaviour when the understanding is in place. This is part of two co-occurrences I have abbreviated as ‘[awareness](#)’ and ‘[disciplining](#).’

### ***Avoiding seeking a resolution***

The first practice—avoiding the pursuit of resolution of disagreements—is fundamental because seeking resolution can transform a divergence into a dispute. As the International Court of Justice (ICJ) noted in *Helnan International Hotels A/S v Arab Republic of Egypt* (ICSID Case No ARB/05/19), a case concerning bilateral investment treaties between Denmark and Egypt, a dispute must be clearly distinguished from a divergence.<sup>294</sup>

*Although, the terms ‘divergence’ and ‘dispute’ both require the existence of a disagreement between the parties on specific points and their respective knowledge of such disagreement, there is an important distinction to make between them as they do not imply the same degree of animosity. Indeed, in the case of a divergence, the parties hold different views but without necessarily pursuing the difference in an active manner. On the other hand, in case of a dispute, the difference of views forms the subject of an active exchange between the parties under circumstances which indicate that the parties wish to resolve the difference, be it before a third party or otherwise (Helnan International Hotels A/S v. The Arab Republic of Egypt, Decision on Jurisdiction: 17 October 2006, at para. 52) (Underlines added)*

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<sup>294</sup> As quoted in Schreuer, "What is a legal dispute?," 20.

This explanation suggests that disagreement on its own is insufficient for a dispute to arise; the pursuit of resolution is a precondition.<sup>295</sup> However, when parties choose not to seek clarification on disagreements, enforce their claims, or pursue resolution, despite being aware of the existing disagreements, these differences are maintained as a divergence.

Jakarta and Beijing fundamentally differed in their interpretations of what pursuing a resolution entailed. Jakarta believed that no territorial or maritime dispute could exist unless Beijing could substantiate its claim in accordance with UNCLOS.<sup>296</sup> Jakarta perceived seeking resolution as (a) clarifying the basis and extent of the nine-dash line and (b) urging Beijing to renounce its historical claims that conflicted with UNCLOS. Essentially, Jakarta aimed to prevent any legal arbitration by arguing that Beijing had no entitlements to support its claims.<sup>297</sup> In contrast, Beijing viewed the issue as a maritime jurisdiction dispute, but refrained from disclosing the basis of its claims to avoid legal disputes with Southeast Asian states.<sup>298</sup> Beijing sought resolution through establishing bilateral mechanisms, such as security dialogues or hotlines, to manage and negotiate an understanding.<sup>299</sup> This had been proposed several times to Jakarta prior to the Alatas-Qian meeting in July 1995. Beijing's first clarification on 23 June 1995 clearly noted that 'the two sides [should] settle the existing issue of delimiting the sea border through bilateral negotiations and consultations.'<sup>300</sup> In response, Jakarta noted that 'Indonesia does not see it has a sea-border problem with China, or the necessity to have sea-border delimitation.'<sup>301</sup> Although Beijing proposed bilateral mechanisms to discuss disagreements, Jakarta declined, unwilling to legitimise Beijing's nine-dash line.

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<sup>295</sup> *Ibid.*

<sup>296</sup> Agusman and Fatihah, "Celebrating the 25th anniversary of UNCLOS legal perspective: The Natuna case."

<sup>297</sup> Several scholars, including Damos, Sukma, and Dewi Fortuna Anwar, noted this sentiment. My interview with Dewi Fortuna Anwar, a senior researcher at the Indonesian Institute of Sciences and former Deputy Secretary for Political Affairs of the Vice President of Indonesia, 14 March 2022.

<sup>298</sup> As demonstrated in Chapter 3, in the section titled '[Negotiating in silence: Establishing the first tacit understanding.](#)'

<sup>299</sup> *Ibid.*

<sup>300</sup> As quoted in "No dispute over Natuna archipelago, spokesman says."

<sup>301</sup> *Ibid.*

These differing approaches to resolution resulted in distinct expectations of actions to maintain the divergence. For Jakarta, the action involved desisting from seeking clarification from Beijing and discrediting Beijing's nine-dash line using UNCLOS.<sup>302</sup> As a consequence, Jakarta shifted its approach from consistently seeking clarification (between 1993 and 1995) to embracing the coexistence of multiple perspectives (from 1995 to 2016). Conversely, for Beijing, the action entailed ceasing pressure on Jakarta to engage in bilateral negotiations. Beijing was careful not to further undermine Indonesia's status as an honest broker, as it had done in 1993 when it characterised Jakarta as an unwilling disputant.

By repeatedly highlighting that Beijing did not assert territorial claims over the Natunas, both nations obscured remaining disagreements regarding overlapping jurisdictions and the need to establish a bilateral resolution mechanism. Until 2016, their diplomatic statements adhered to a rehearsed pattern, a deflection tactic termed the 'no-dispute narrative.' This narrative had three key components: (a) steering attention away from the disagreements; (b) capitalising on what had been agreed to—that Beijing had not asserted any territorial claim over the islands in the Natuna waters; and (c) highlighting bilateral accomplishments or potential achievements. For example, on 19 March 2014, Indonesian Foreign Minister Natalegawa noted that 'We need to be clear when approaching this issue. Between Indonesia and China, there is *no territorial dispute*, none (emphasis added).'<sup>303</sup> In Natalegawa's subsequent remarks, he chose not to address the core disagreement concerning maritime jurisdiction in the Natunas. Instead, he concentrated on possible collaborative endeavours in the region where Indonesia's EEZ intersects with the nine-dash line, giving the impression of amicability despite limited likelihood of practical implementation.<sup>304</sup> Natalegawa's statement

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<sup>302</sup> My interview with a high-ranking official who served as the Director of Legal Treaty in the Indonesian Foreign Ministry on 19 October 2021.

<sup>303</sup> As quoted in Panca Hari Wibowo, "Indonesia pernah sampaikan keberatan atas peta Natuna [Indonesia had send a protest over China's South China Sea map that impacted the Natunas]," *Antara* (Jakarta), 19 March 2021, <https://www.antaraneews.com/berita/424961/indonesia-pernah-sampaikan-keberatan-atas-peta-natuna>.

<sup>304</sup> *Ibid.*

used all three elements in his public response. The no-dispute narrative has also been repeatedly used in writings and media briefings by prominent KEMLU career officials.<sup>305</sup> Considering the hierarchical structure of KEMLU, the joint endeavour by these diplomats to veil lingering disputes regarding overlapping jurisdictions indicates the institutional intention to maintain divergence as the predominant mode of coexistence. This appeared to be reciprocated by the ministry's counterparts in Beijing.

On 12 November 2015, when a reporter asked about Beijing's views on its disagreements with Indonesia in the Natunas, Foreign Ministry Spokesperson Hong Lei repeated Natalegawa's approach by noting that the Indonesian side has no territorial claim to China's Nansha Islands. 'The Chinese side has *no objection to Indonesia's sovereignty over the Natuna Islands* .... [The] China–Indonesia comprehensive strategic partnership is making steady and sound progress. We hope to make joint efforts with the Indonesian side to keep advancing the bilateral relationship' (emphasis added).<sup>306</sup> Hong's statement also used the three elements of the no-dispute narrative. The repeated usage of the no-dispute narrative suggests that it had been embraced as a template or standardised response when there was an escalation of tension in the Natunas. This further validates TU-ID-1, as it reflects a co-occurrence I have abbreviated as '[awareness](#),' indicated by the proactive intent of both countries to sustain the divergence until 2016.

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<sup>305</sup> This includes KEMLU officials such as Hasjim Djalal, Arif Havas Oegroseno, and Damos Dumoli Agusman. Agusman, noted that when it comes to the Natunas, 'the doubt has been removed.' Another Indonesian official, Arif Havas Oegroseno, who was KEMLU's UNCLOS scholar and the former Director of Sovereignty at the Coordinating Ministry of Maritime Affairs and Resources of Indonesia, described China's claims over the Natunas as 'having no legal basis.' See Djalal, "Indonesia and preventive diplomacy: A study of the workshops on managing potential conflicts in the South China Sea," 164; Agusman, "The South China Sea UNCLOS tribunal award 2016: What it has changed and what it does mean to Indonesia," 144; as quoted in "Indonesia rejects China's claims over South China Sea," *Reuters* (Jakarta), 1 January 2020, <https://www.reuters.com/article/us-indonesia-china-southchinasea-idUSKBN1Z01RE>.

<sup>306</sup> As quoted in "Foreign Ministry spokesperson Hong Lei's regular press conference." *News release*, 12 November 2015, <https://www.mfa.gov.cn/ce/ceie/eng/fyrth/t1314306.htm>. .

### *Refraining from enforcing claims*

As a result of the tacit understanding, both countries also adopted a principled approach, allowing each other to express their positions and engage in activities in the area of overlapping claims without challenging the position of the other side. Both nations refrained from enforcing their claims in two main ways: (1) avoiding launching legal arguments against each other; and (2) avoiding activities that amounted to physical control or the denial of access.

#### *Avoiding launching legal arguments against each other.*

To refrain from enforcing claims, the first observable practice was that both parties were cautious in the language and phrases they employed while challenging the claims upheld by the opposing side. For example, up until 2016, Beijing consistently avoided using terms such as ‘dispute’ or ‘jurisdiction’ in its interactions with Jakarta, unlike its acknowledgment of disputes with other South China Sea disputants.<sup>307</sup> Beijing’s spokesperson preferred to characterise its disagreements with Indonesia in the Natunas as ‘overlapping claims on maritime rights and interests’, a phrase which had no precise legal meaning.<sup>308</sup> It was therefore unclear whether Beijing sought peaceful passage, access for fishing, or actual possession over the maritime area. It is reasonable to argue that Beijing’s restrained rhetoric was a delaying tactic, as crafting claims supported by recognised legal arguments is a crucial element leading to the emergence of a dispute. Likewise, when Beijing acknowledged the presence of overlapping claims, Jakarta outright dismissed the idea of any dispute, but played down the necessity to address the claim or raise a more assertive diplomatic protest. The primary objective for both was to navigate a stance where each party could bolster its claim without explicitly highlighting the differing views.

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<sup>307</sup> Suryadinata and Izzuddin, "The Natunas: Territorial integrity in the forefront of Indonesia–China relations," 13–18.

<sup>308</sup> As quoted in "Foreign ministry spokesperson Hua Chunying's regular press conference "; "Foreign ministry spokesperson Geng Shuang's regular press conference."

Another revealing example is the way in which both avoided debating the legality of the ‘traditional fishing grounds’ term between 2009 and 2016. Beijing had used this concept to describe its claim in the Natunas, but without attaching its legal meaning. Before 2009, Beijing had employed this term to claim its jurisdictional ownership in the South China Sea against other parties in dispute, but it was not used with Jakarta to assert claims in the waters around the Natuna Islands. On 20 June 2009, following the detention by Indonesia’s maritime patrol of 75 fishermen from the Guangxi region and their eight boats for fishing in the waters north of the Natuna Islands, China’s Foreign Ministry Spokesperson Qin Gang remarked that the fishermen were operating in ‘China’s traditional fishing grounds off the Nansha Islands in the South China Sea.’<sup>309</sup> He urged the Indonesian government to ‘release the fishermen and their boats immediately.’<sup>310</sup> This was the first time China had used the ‘traditional fishing ground’ term in its interactions with Indonesia. However, a dispute had yet to arise because Beijing’s intention behind using the phrase remained unclear—whether it was to demand access to the area for fishing or to enforce maritime jurisdiction.<sup>311</sup> Jakarta also downplayed the need to further clarify what Beijing meant by the term.

Beijing’s initial use of the term ‘traditional fishing ground’ in its interactions with Jakarta could be interpreted as a hardening of its position, partly influenced by prior regional dynamics.<sup>312</sup> On 7 May 2009, China submitted a note verbale to the CLCS, asserting sovereignty over islands and sovereign rights over the waters within the nine-dash line, including the seabed and subsoil.<sup>313</sup> This strengthened legal claim pressured Jakarta to respond.

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<sup>309</sup> "Foreign ministry spokesperson Qin Gang's regular press conference." *News release*, 25 June 2009, <https://www.fmprc.gov.cn/ce/ceun/eng/fyrth/t569723.htm>.

<sup>310</sup> *Ibid.*

<sup>311</sup> As discussed in the section below, in 2016, it became evident that Beijing was leaning towards the latter option—expressing its exclusive maritime jurisdiction.

<sup>312</sup> For a detailed description of the regional dynamics, see Nguyen Hong Thao and Ramses Amer, "Coastal states in the South China Sea and submissions on the outer limits of the continental shelf," *Ocean Development & International Law* 42, no. 3 (2011); Nguyễn Hồng Thao, "South China Sea: New battle of the diplomatic notes among claimants in 2019–2021," *Asia-Pacific Journal of Ocean Law and Policy* 6, no. 2 (2021)

<sup>313</sup> "Note of China No. CML/17/2009".

However, Jakarta maintained its stance of contesting the legality of the nine-dash line while preserving the divergence.

On 8 July 2010, Jakarta issued a note verbale that (a) affirmed it was not a claimant but attentive to substantive issues, and (b) argued that small or remote features in the South China Sea likely lacked entitlement to an EEZ or continental shelf.<sup>314</sup> It concluded that the nine-dash line map had no international legal basis and undermined UNCLOS.<sup>315</sup> While Jakarta's note questioned Beijing's legal claims, it did not signal a shift from divergence, as neither party established direct legal claims or sought resolution. Minister Natalegawa reiterated in March 2014 that the Natunas issue should be differentiated from the South China Sea dispute, with Jakarta addressing Beijing's broader behaviour rather than specific claims in the Natunas.

*Avoiding activities that amounted to physical control or the denial of access*

To refrain from enforcing claims, the second observable practice was that both parties avoided engaging in drilling activities in the region where their claims overlapped (as discussed below, until 2021). The decision not to exploit the area was also influenced by the difficulty of identifying an economically viable oil field (up until 2014). Consequently, both parties indirectly established a no-exploitation zone in the area of overlapping claims, allowing only exploration.<sup>316</sup> Regardless, to maintain its claim in the area, Jakarta opted to explore the areas adjacent to it. Jakarta's strategy aimed to bolster its position by constructing infrastructure in the Natuna Islands and within the EEZ surrounding the disputed area, aligning with the doctrine 'possession is nine-tenths of the law.'<sup>317</sup> Known as 'acquisitive prescription', this

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<sup>314</sup> "Note verbale No. 480/POL-703/VII/10 from the Permanent mission of the Republic of Indonesia to the UN Secretary-General." *News release*, 8 July 2010, [http://www.un.org/Depts/los/clcs\\_new/submissions\\_files/mysvnm33\\_09/idn\\_2010re\\_mys\\_vnm\\_e.pdf](http://www.un.org/Depts/los/clcs_new/submissions_files/mysvnm33_09/idn_2010re_mys_vnm_e.pdf).

<sup>315</sup> *Ibid.*

<sup>316</sup> CO<sub>2</sub> increases the cost of production. As cited in McBeth, "Oil-rich diet: Beijing is asked to explain its maritime appetite."

<sup>317</sup> Interview with an expert in the Hydro-Oceanographic Center (Pushidrosal), Indonesian Navy, 26 January 2021.

doctrine suggests that openly encroaching upon a domain over time confers sovereignty if other states do not persistently object.<sup>318</sup> The occupation of the Natuna Islands was intended to establish a *fait accompli* in the surrounding EEZ, covering the area of overlapping claims and implying Jakarta's ownership of the contested region.

To prevent the perception that Jakarta was conceding to Beijing by not exploiting resources in the overlapping claims area, Indonesia engaged instead in various exploration endeavours; exploitation activities did not commence until 2021. Indonesia also aimed to secure Western involvement in economic activities in the region adjacent to the disputed area, thus enhancing international recognition of Indonesia's sovereign rights, and organised its own military exercises and patrols.<sup>319</sup> Additionally, Jakarta finalised continental shelf agreements with Vietnam and Malaysia, further reinforcing its territorial claims, and continued delineating EEZ boundaries with Vietnam, thereby solidifying its ownership claims. All these actions were designed to demonstrate continuous exercise of power and authority over territory, aligning with Paragraph 239 of the Eritrea/Yemen Arbitration Award, international law for acquisition or attribution of certain territory.<sup>320</sup> On two separate occasions, two senior Indonesian Foreign Ministry officials indicated that this strategy was guided by the doctrine of 'estoppel,' which prohibits asserting something contradictory to a prior action or statement.<sup>321</sup> This principle, recognised as a rule of evidence, acknowledges silence as a form of agreement or

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<sup>318</sup> Douglas HN Johnson, "Acquisitive prescription in international law," *British Year Book of International Law* 27 (1950)

<sup>319</sup> Storey, "Indonesia's China policy in the new order and beyond: Problems and prospects," 160.

<sup>320</sup> The State of Eritrea and the Republic of Yemen both claimed sovereignty over a group of islands in the Red Sea and disagreed as to the location of their maritime boundary. See "Eritrea/Yemen - Sovereignty and maritime delimitation in the Red Sea," in *1996-04*, ed. Permanent Court of Arbitration. <https://pca-cpa.org/en/cases/81/>.

<sup>321</sup> The initial instance occurred during a roundtable gathering that involved pertinent stakeholders from various Indonesian maritime agencies. I organised this roundtable on 2 February 2017, at the University of Indonesia. The second occasion took place during an interview with a high-ranking official who served as the Director of Legal Treaty on the Indonesian Foreign Ministry, 19 October 2021. For detailed [field notes](#), see the Sources and Bibliography section.

acquiescence.<sup>322</sup> The rationale behind Jakarta's approach was to establish multiple instances where Beijing did not contest Jakarta's assertion of sovereignty. Consequently, this lack of objection could be interpreted as Beijing tacitly acknowledging Jakarta's sovereignty and sovereign rights.

For Beijing, permitting Indonesia to administer the East Natuna gas field served as an illustration of a basic level of tolerance rather than a recognition of sovereign rights.<sup>323</sup> Considering China's predominant material power, allowing Jakarta to explore for oil and gas in the disputed area should be interpreted as a form of restraint. This stance contrasts with Beijing's negative reactions to similar endeavours by other claimants. Beijing has consistently enacted domestic regulations since 1958 to assert sovereignty in the South China Sea, viewing the presence of Southeast Asian states in the area as an act of 'using force to take possession of another state's territory'— that is, trespassing on Chinese territory.<sup>324</sup> As articulated by prominent Chinese scholars Zhiguo Gao and Bing Bing Jia, the doctrine of effective occupation or 'acquisitive prescription' within the framework of the UN Charter era was deemed 'no longer acceptable.'<sup>325</sup> However, this argument contradicted the finding of the South China Sea Arbitration ruling in 2016, highlighted in Paragraph 270, which unequivocally stated: 'The Tribunal is unable to identify any evidence suggesting that China historically regulated or controlled fishing in the South China Sea beyond the limits of the territorial sea.'<sup>326</sup> Later, as a dispute arose in 2016 and Jakarta pursued a more aggressive policy of exploitation, Beijing

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<sup>322</sup> For a discussion of 'estoppel,' see W Jack Grosse, "Silence as acceptance," *Southern University Law Review* 9 (1982): 82; Agusman and Fatihah, "Celebrating the 25th anniversary of UNCLOS legal perspective: The Natuna case," 559.

<sup>323</sup> Interview with a high-ranking official who served as the Director of Legal Treaty on the Indonesian Foreign Ministry, 19 October 2021.

<sup>324</sup> Zhiguo Gao and Bing Bing Jia, "The Nine-Dash Line in the South China Sea: History, Status, and Implications," *American Journal of International Law* 107, no. 1 (2013): 115.

<sup>325</sup> They cited UN Charter Paragraph 129, which states: 'No territorial acquisition resulting from the threat or use of force shall be recogni[s]ed as legal.' Gao and Jia, "The nine-dash line in the South China Sea: History, status, and implications," 115.

<sup>326</sup> *Philippines v. China* (PCA case No 2013–19), Decision on Jurisdiction: 12 July 2016. PCA, "The South China Sea arbitration (The Republic of the Philippines V. The People's Republic of China)." *News release*, 12 July 2016.

started to issue threats of sanctions against Western companies operating in the disputed area.<sup>327</sup>

### *Policing narratives to hide the disagreements*

This section discusses the role of KEMLU in dissuading others from investigating or highlighting existing disagreements. Given that KEMLU and the Chinese Foreign Ministry (FMPRC) were not the exclusive stakeholders in maritime security, they were compelled to take various measures, from issuing reminders to outright contradicting other stakeholders who breached the tacit understanding. The efficacy of these measures relied heavily on the rapport between the foreign minister and the president, as well as the status of the foreign ministry in relation to other governmental agencies.<sup>328</sup> As previously described, during a cabinet meeting on 31 August 1996, Alatas effectively managed to reduce TNI's hostility towards China by persuading President Suharto about the necessity of avoiding confrontation, highlighting the significance of their partnership.

As tensions escalated in the South China Sea dispute following Beijing's 2009 note verbale, KEMLU intensified its policing activities. For instance, on 13 March 2014, Commodore Fahru Zaini from the Ministry of Defence publicly mentioned that 'China had claimed Natuna waters' as its exclusive maritime jurisdiction, which overlapped with Indonesia's EEZ, undermining the country's territorial integrity.<sup>329</sup> Zaini's comments drew strong reactions from Indonesia's Foreign Policy spokesperson Michael Tene and Foreign Minister Natalegawa as they contradicted the baseline of maintaining the divergence. Zaini's act of explaining the disagreements to the public was deemed unacceptable.

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<sup>327</sup> See the section below titled '[Changes: Comparing practices of restraint facilitated by TU-ID-1 and TU-ID-3](#)'.

<sup>328</sup> Several TNI officials discussed KEMLU's efforts to maintain the dominant view; Maj. Gen. (ret.) Jan Pieter Ate particularly expressed a strongly negative view, noting that Indonesia could not continue to maintain such an approach.

<sup>329</sup> As quoted in Heru Purwanto, "China includes part of Natuna waters in its map," *Antara* (Jakarta), 13 March 2014, <https://en.antaranews.com/news/93178/china-includes-part-of-natuna-waters-in-its-map>.

To counter Zaini's assertion, Tene, on 14 March 2014, reinforced the no-dispute narrative, stating that 'Indonesia had no maritime border with China,' reiterating Jakarta's stance as a non-claimant. Natalegawa echoed Tene, emphasising that 'there was no territorial dispute between Indonesia and China.'<sup>330</sup> Notably, Natalegawa sidestepped addressing Zaini's core claim about maritime jurisdiction, focusing instead on Beijing's lack of claim over the Natuna Islands. Importantly, the foreign minister's response to a mid-ranking official like Zaini was a clear signal to Beijing of Jakarta's commitment to upholding the divergence. Zaini's comments indicated a growing awareness among defence planners that the no-dispute narrative functioned as a deflection tactic. TNI Chief General Moeldoko, in an April 2014 *Wall Street Journal* op-ed, suggested that the South China Sea dispute would extend to the Natunas.<sup>331</sup> Moeldoko's remarks, advocating for militarising the Natunas, surpassed Zaini's stance. Responding to Moeldoko, the FMPRC issued a statement insisting that Beijing had no dispute with Jakarta over the Natuna Islands, and Natalegawa expressed a similar sentiment, noting that 'It must be made crystal clear that between Indonesia and China there are no outstanding or overlapping maritime territorial disputes,' and explaining that Jakarta had "inferred" from Beijing that the line did not cross Indonesian territory.<sup>332</sup>

During the subsequent tenure of Foreign Minister Retno Marsudi, known for her more reserved approach compared to Natalegawa, there were continued policing activities, at least until 2016.<sup>333</sup> The discussion above illustrates that maintaining divergence necessitates a form

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<sup>330</sup> As quoted in Wibowo, "Indonesia pernah sampaikan keberatan atas peta Natuna [Indonesia had send a protest over China's South China Sea map that impacted the Natunas]."

<sup>331</sup> Moeldoko, "China's dismaying new claims in the South China Sea," *The Wall Street Journal* (24 April 2014). <https://www.wsj.com/articles/SB10001424052702304279904579515692835172248>.

<sup>332</sup> As quoted in Kanupriya Kapoor and Jonathan Thatcher, "Indonesia military worries over Asia arms race, territorial tension," *Reuters*, 3 April 2014, <https://www.reuters.com/article/us-indonesia-military-idUSBREA320GD20140403>.

<sup>333</sup> For instance, in November 2015, when Minister of Security Luhut Panjaitan publicly mentioned Jakarta's contemplation of pursuing arbitration to resolve disputes, this statement was considered a more significant breach than those made by Moeldoko and Zaini, as it contradicted the core principle of maintaining divergence: avoiding seeking a resolution. In response, Indonesian foreign ministry spokesperson reiterated the longstanding position that there was no territorial dispute between Indonesia and China, despite Jakarta's continued consideration of arbitration. KEMLU consistently portrayed arbitration as the least preferred option.

of guardianship, where entities like KEMLU exert protective oversight of institutions deviating from the tacit understanding. This highlights that exercising restraint must be a deliberate, rather than merely a habitual action.

### **Abandonment of maintaining divergence (TU-ID-1)**

This section unpacks the series of events in March and June 2016 that led to the abandonment of TU-ID-1, and how the abandonment of the tacit understanding gave rise to disputes between Indonesia and China over traditional fishing rights and maritime jurisdiction in the area where China's nine-dash line cut across Indonesia's EEZ. Two key insights emerge. First, during this period, Jakarta and Beijing often hinted at or indirectly referenced the tacit understanding as a way to protest against the opposing side. This helps verify the existence of TU-ID-1, as it satisfies the co-occurrence I shorthand as '[protest](#).' Second, following the abandonment of the tacit understanding, observable shifts in behaviour occurred, further affirming that the prior exercise of restraint was governed by this understanding. These two insights are part of a co-occurrence I have shorthanded as '[changes](#).'

#### ***19 March 2016: Holding on to the tacit understanding***

This section considers the efforts made by both nations to caution each other and manage domestic pressures to preserve the divergence.

Upon the appointment of Joko Widodo (popularly known as Jokowi) as the seventh president of Indonesia, several reforms were implemented, one of which involved the inclusion of non-career politicians in his administration.<sup>334</sup> Susi Pudjiastuti, a successful businesswoman appointed as the Minister of Maritime Affairs and Fisheries, inadvertently triggered a domestic

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<sup>334</sup> Eve Warburton, "Jokowi and the new developmentalism," *Bulletin of Indonesian Economic Studies* 52, no. 3 (2016/09/01 2016)

debate regarding the inconsistency of advocating restraint towards Beijing while Jokowi's maritime security agenda called for assertiveness against foreign intruders.<sup>335</sup> One pivotal incident occurred on 19 March 2016, when the Chinese Coast Guard (CCG) interfered with Indonesian authorities attempting to apprehend a Chinese fishing vessel, Kway Fey, operating within the area of overlapping claims.<sup>336</sup> The CCG successfully seized control of the Kway Fey from Indonesia's maritime patrol. Amid escalating nationalist fervour over maritime concerns, this incident garnered significant media attention. Minister Pudjiastuti and the defence establishment utilised it as a rallying point to bolster nationalistic sentiment in support of reinforcing border control, adding pressure on Jokowi to provide an appropriate response.<sup>337</sup> Beyond the usual diplomatic protest, Jakarta addressed the issue in the media, expressing dissatisfaction with the CCG's interference in its law enforcement operations. Against this backdrop, two actions fundamentally breached the redline. First, the Indonesian Navy's enforcement actions and subsequent reactions from elites, alongside extensive media coverage, suggested a deviation from the understood status quo. Second, Jakarta elites used the term 'dispute' rather than 'disagreement.'

What is crucial to note are Beijing's attempts to remind Jakarta of their tacit understanding, further affirming the existence of such agreements. China's Foreign Ministry Spokesperson, Hua Chunying, emphasised the absence of a sovereignty dispute between Indonesia and China by reiterating to the media: 'Indonesia has no territorial claims over China's Nansha Islands, and China fully agrees that the Natuna Islands belong to Indonesia.'<sup>338</sup> As previously discussed, this script had been employed by both Beijing and Jakarta. On the other hand, the discord within Jakarta generated conflicting messages, indicating to Beijing an

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<sup>335</sup> Evan Laksmana, "Indonesian Sea policy: Accelerating Jokowi's global maritime fulcrum," *Asia Maritime Transparency Initiative* (Washington, DC) 2017.

<sup>336</sup> Leo Suryadinata, "Did the Natuna incident shake Indonesia-China relations?," *ISEAS Perspective* 19 (2016)

<sup>337</sup> Syailendra, "A nonbalancing act: Explaining Indonesia's failure to balance against the Chinese threat."

<sup>338</sup> "Foreign ministry spokesperson Hua Chunying's regular press conference." *News release*, 23 March 2016, <https://www.fmprc.gov.cn/ce/cedk/eng/fyrth/t1350212.htm>.

uncertain commitment to maintaining divergence. In support of the tacit understanding, on 26 March 2016, the Coordinating Minister of Political, Legal and Security Affairs Luhut Panjaitan referred to the no-dispute narrative, asserting that Beijing and Jakarta had ‘agreed to discuss a series of cooperations in the Natunas, so let’s not discuss this openly in the media.’<sup>339</sup> Similar to Natalegawa’s statement discussed in the previous section, Luhut pointed towards potential cooperation that had not been explored but conveyed an impression of cordiality. Additionally, he emphasised the importance of discreet diplomacy, aiming to divert attention away from disagreements. However, other elites questioned the significance of maintaining the divergence. Minister Pudjiastuti perceived the CCG’s actions as a violation of Indonesia’s sovereign rights, and summoned the Chinese ambassador to request an explanation.<sup>340</sup> This marked a departure from a nineteen-year-old practice of refraining from seeking clarification.

The preceding discussion additionally highlights the domestic and bilateral dynamics that underlie the adherence to tacit understandings. Shifts in domestic politics raised questions regarding the contrast between the government’s nationalistic maritime agenda and the tacit understanding which, as intended, sought to preserve rather than resolve disagreements.

### ***30 May-17 June 2016: Reassessing the maintenance of the divergence***

This section examines the point when it became evident that the previous tacit understanding was insufficient to address the evolving dynamics between Beijing and Jakarta. The second incident, on 30 May 2016, was a reckoning moment for Beijing, highlighting that the tacit understanding lacked the capacity to persuade either Indonesia’s defence

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<sup>339</sup> As quoted in Abi Sarwanto, "Luhut sebut Indonesia-China sepakat kerja sama soal perikanan [Luhut noted that Indonesia-China has agreed on fisheries cooperation]," *CNN Indonesia*, 29 April 2016, <https://www.cnnindonesia.com/nasional/20160429073357-20-127445/luhut-sebut-indonesia-china-sepakat-kerja-sama-soal-perikanan>.

<sup>340</sup> Pudjiastuti, Indonesia’s most popular minister known for her policy of showcasing strength by sinking foreign ships, held considerable influence in the domestic political landscape, making it impossible to ignore her stance. Emirza Adi Syailendra, "Indonesia’s elite divided on China," *East Asia Forum*, April 20, 2018, <http://www.eastasiaforum.org/2018/04/20/indonesias-elite-divided-on-china/>.

establishment or influential figures like Minister Pujastuti amidst changing domestic dynamics in Jakarta.

After the 19 March incident, the Indonesian Navy took the lead in patrolling the Natunas, a departure from the traditional civilian-led patrols supervised by the Ministry of Maritime and Fisheries. This shift towards militarisation of the Natuna area was a response to what the Indonesian Navy deemed as China's 'fishing militancy', where the CCG embedded themselves to shield Chinese fishing activities from Indonesia's law enforcement efforts at the border.<sup>341</sup> This constituted an escalation, as Jakarta responded to coastguard interference by launching naval action, thus violating the *posse comitatus* doctrine that encourages non-military responses for civilian law enforcement matters. On 30 May 2016, an Indonesian Navy-led patrol fired shots at a Chinese fishing trawler, Gu Bei Yu-27088, after it disregarded commands from the Navy. The act of firing shots was considered a kinetic response, marking an escalation that breached the redline aimed at averting a dispute. The shots struck the vessel's stern, leading to the seizure of the ship and its crew members. This time, the CCG refrained from interfering with the arrest, possibly because they were overpowered. Publicly, the Indonesian Navy celebrated their accomplishment, emphasising their strong action against vessels violating Indonesian territory.<sup>342</sup> Interestingly, neither KEMLU nor FMPRC issued any public protests, deviating from their usual guardianship of the tacit understanding, indicating that they had possibly been restrained by their respective political masters as each side considered their positions.

On 17 June 2016, another standoff occurred between the Indonesian Navy ship KRI Imam Bonjol-383 and two CCG vessels as they attempted to stop the Navy's arrest of a Chinese

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<sup>341</sup> *Ibid.*

<sup>342</sup> *Ibid.*

fishing boat, the Yueyandong Yu 19038.<sup>343</sup> The Indonesian Navy intentionally provoked this incident by targeting Chinese fishing boats during a naval exercise in the Natunas. As the CCG attempted to obstruct the Indonesian Navy's activities, warning shots were fired from the Navy, hitting the CCG vessels, which constituted another redline violation. Several Indonesian elites, including Minister Pudjiastuti, maintained that firing warning shots fell within Indonesia's jurisdictional authority, as the Chinese vessels refused to comply with the Navy's commands.<sup>344</sup> In response, on 20 June 2016, China's Foreign Spokesperson, Hua Chunying, condemned the Indonesian Navy's patrols in unprecedented terms, asserting China's perspective that a dispute over maritime jurisdiction existed in the Natunas:<sup>345</sup>

*We have stated our position over the weekend on Indonesian Navy vessels harassing and shooting Chinese fishing boats and fishermen. This took place in waters which are Chinese fishermen's traditional fishing grounds and where China and Indonesia have overlapping claims for maritime rights and interests. The Indonesian vessels that harassed and shot Chinese fishing boats with a willful resort to force put the life and property of Chinese fishermen in danger and violated international laws including UNCLOS and the Declaration on the Conduct of Parties in the South China Sea (DOC). China strongly protests and condemns the abuse of force. China urges the Indonesian side to stop taking actions that complicate, exacerbate the dispute and undermine regional peace and stability, and handle the fishery issue at sea in a constructive way. (Underlines added)*

Hua's statement marked a departure from Beijing's adherence to the tacit understanding, formulating legal arguments that highlighted the existence of a dispute concerning fishing rights. This statement dealt with two legal questions: whether China had the right to fish in those waters, and whether it held jurisdictional authority to conduct law enforcement in the traditional fishing ground around the Natunas.

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<sup>343</sup> As noted in Francis Chan and Wahyudi Soeriaatmadja, "Indonesia defends Navy for firing warning shots at Chinese poachers in South China Sea," *The Strait Times* (Singapore), 20 June 2016, [straitstimes.com/asia/se-asia/indonesia-defends-navy-for-firing-warning-shots-at-chinese-poachers-in-south-china-sea](http://straitstimes.com/asia/se-asia/indonesia-defends-navy-for-firing-warning-shots-at-chinese-poachers-in-south-china-sea).

<sup>344</sup> As reported in *ibid*.

<sup>345</sup> "Foreign ministry spokesperson Hua Chunying's regular press conference ".

### *From July 2016 onwards: After the abandonment*

This section delves into the subsequent interactions between the two nations following the abandonment of the earlier tacit understanding. Both sides not only asserted their positions using recognised legal arguments, but also sought to invalidate the other's stance. This marks a departure from previous practices of engaging in restrained legal debates as discussed above. Indonesian elites countered Beijing's claims by disputing the legality of Beijing's traditional fishing grounds claim under UNCLOS. They highlighted that, according to Paragraph 51 of UNCLOS, traditional fishing rights must be regulated by bilateral agreements, which China did not have with Indonesia.<sup>346</sup> The Indonesian legalists argued that three conditions must be met: evidence of generational fishing; a bilateral agreement; and the use of traditional fishing methods—conditions that China did not satisfy, as it employed modern trawlers. They also emphasised that traditional fishing rights do not confer sovereign jurisdiction, countering China's perceived claims of sovereignty.<sup>347</sup> This constituted a direct legal challenge to Beijing's position. Building on the prior discussion, this viewpoint echoes Djalal's and other legalists' perspectives that Alatas had aimed to discourage due to pragmatic concerns.

Contrary to Indonesia's strict textual definition of traditional fishing rights as per UNCLOS, Beijing and other claimants have used the term 'traditional fishing ground' more liberally. For example, after China's occupation in late 1994, the Philippines described the Mischief Reef area as its 'traditional fishing ground', and asserted that their fishers needed no permission from China to access the waters.<sup>348</sup> Therefore, they generally use the term (1) to protect *access* over the area to conduct activities that imply jurisdictional authority, such as fishing and law enforcement; (2) to exercise *physical control* by denying others from

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<sup>346</sup> As quoted in "Indonesia vows to prosecute Chinese trawler crew in South China Sea dispute," *The Guardian* (Jakarta), 24 March 2016.

<sup>347</sup> *Ibid.*

<sup>348</sup> As quoted in "China, Philippines Agree on Code of Conduct in Spratlys," *Dow Jones International News*, 1995.

conducting activities ranging from patrols to natural resources exploration and exploitation in the areas; and (3) to assert sovereign *ownership* based on legitimisation of a ‘historical claim’ argument and prolonged control over the area. This highlights the contrasting viewpoints between Indonesia and China on the definition of a traditional fishing ground based on two key aspects: (a) the strict adherence to Paragraph 51 of UNCLOS in defining traditional fishing rights; and (b) whether a traditional fishing ground grants rights to exercise jurisdiction. The construction of claims supported by recognised legal arguments becomes a critical factor leading to the emergence of a dispute.

The dispute’s escalation extended beyond the fishing disagreement. There was a gradual shift towards a debate over maritime jurisdiction, placing Indonesia among the South China Sea disputants. In 2016, China’s Foreign Spokesperson, Hua Chunying, noted that ‘China and Indonesia have *overlapping claims on maritime rights and interests* in some parts of the South China Sea .... China is willing to settle the overlapping claims through negotiation and consultation with Indonesia’ (emphasis added).<sup>349</sup> Furthermore, China’s Foreign Ministry Spokesperson, Geng Shuang, noted on 8 January 2020 that, regardless of Indonesia’s acceptance, ‘it does not alter the objective fact that China holds rights and interests over the relevant waters.’<sup>350</sup> The emergence of a dispute over maritime jurisdiction became evident with Indonesia’s endeavour to exploit resources in the contested area and Beijing’s diplomatic note in August 2021, urging Indonesia to halt oil and gas drilling operations in the Tuna Block, which Beijing claims as its territory based on historical rights.<sup>351</sup>

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<sup>349</sup> As quoted in "Foreign ministry spokesperson Hua Chunying's regular press conference ".

<sup>350</sup> As quoted in Niniek Karmini, "Indonesia president visits islands also claimed by China," *Associated Press* (Jakarta), 8 January 2020, <https://apnews.com/article/30ecc727451cbcaa0e28a198ef8bcccc>.

<sup>351</sup> The diplomatic note was leaked to Reuters. As quoted in Kate Lamb Tom Allard, Agustinus Beo Da Costa, "China protested Indonesian drilling, military exercises," *Reuters*, 22 December 2021, <https://www.reuters.com/world/asia-pacific/exclusive-china-protested-indonesian-drilling-military-exercises-2021-12-01/>.

The various actions mentioned above have indicated a lack of interest from both sides in maintaining the divergence. This shift is evident in (a) the opposing views expressed in communications between China and Indonesia; (b) China's claims over the Natunas countered by Indonesian legal arguments in public domains; and (c) attempts from one side to address disagreements. The latter differentiates a 'dispute' from a 'divergence,' signifying the emergence of a dispute. This evolving situation marks the 'new normal,' which both parties seek to normalise, as discussed in the following section.

Despite the emergence of disputes over fishing, maritime jurisdiction, and related issues, Jakarta continued to deny the existence of disputes with China up to November 2024. For example, in denying overlapping claims with China, Indonesian Foreign Minister Retno Marsudi argued against the need for negotiation.<sup>352</sup> However, despite Minister Marsudi's objection to Beijing's assertion, a consensus on the existence of a dispute is not a prerequisite for a dispute to exist. Christopher Schreuer, an expert in investment arbitration, highlighted that even minimal expressions of opposing positions suffice to establish a dispute, and 'the denial of the existence of a dispute by one party will be to no avail.'<sup>353</sup> The Indonesian government changed its rhetoric from denial to acknowledging the existence of disputes after Prabowo Subianto assumed the presidency in 2024.<sup>354</sup> On 9 November 2024, the two countries issued a joint statement noting that 'the two sides reached important common understanding on joint development in areas of *overlapping claims* and agreed to establish an *Inter-Governmental Joint Steering Committee* to explore and advance relevant cooperation based on the principles of "mutual respect, equality, mutual benefit, flexibility, pragmatism, and

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<sup>352</sup> As quoted in Leo Suryadinata, "South China Sea: Is Jakarta no longer neutral?," *The Strait Times*, 24 April 2014, <https://www.straitstimes.com/opinion/south-china-sea-is-jakarta-no-longer-neutral>; Tia Asmara, "No reason to negotiate' with Beijing on South China Sea," *Benar News* (Jakarta), 18 June 2020, <https://www.benarnews.org/english/news/indonesian/response-letter-06182020173036.html>; "Hassan Wirajuda: "There are no more disputed islands", " *Tempo* (Jakarta), 24 December 2002, <https://magz.tempco.co/read/5904/hassan-wirajuda-there-are-no-more-disputed-islands>.

<sup>353</sup> Schreuer, "What is a legal dispute?," 21.

<sup>354</sup> Emirza Adi Syailendra, "Understanding Prabowo's Natunas gambit with China," *Lowy Interpreter* (Canberra), 27 November 2024.

consensus-building,” pursuant to their respective prevailing laws and regulations’ (emphasis added).<sup>355</sup> This further supports my argument that disputes have emerged between the two countries, as they acknowledge the existence of overlapping claims and have attempted to resolve the issue by establishing a bilateral mechanism.

### **Validating TU-ID-1 by comparing it to a new tacit understanding (TU-ID-3)**

In this section, I argue that a new tacit understanding replaced TU-ID-1, which was abandoned in July 2016, as discussed in the previous section.<sup>356</sup> This new tacit understanding is the third one (TU-ID-3) established between Indonesia and China. Validating the full scope of this tacit understanding goes beyond the remit of this thesis, primarily due to its recency, meaning that evidence to corroborate it remains limited. However, I can already demonstrate the existence of both a baseline and a redline for TU-ID-3, which fundamentally differ from those of TU-ID-1. Regardless, it is important to underscore that the goal of this exercise remains to highlight the specific impact of TU-ID-1 on restraint, and how the aforementioned practices of restraint (1997 to July 2016) were a product of that tacit understanding. Once a new tacit understanding was established, the practices of restraint associated with TU-ID-1 were no longer observed, and a new set of restraint practices were introduced. This shift

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<sup>355</sup> "Joint statement between the People's Republic of China and the Republic of Indonesia on advancing the comprehensive strategic partnership and the China-Indonesia community with a shared future." *News release*, 10 November 2024, [https://english.www.gov.cn/news/202411/10/content\\_WS67301550c6d0868f4e8ecca9.html](https://english.www.gov.cn/news/202411/10/content_WS67301550c6d0868f4e8ecca9.html).

<sup>356</sup> The primary source for this information is my interview with the Director of Defence Strategy at the Indonesian Ministry of Defence in Jakarta, conducted on 16 March 2022. Although the Director was willing to share information and answered several follow-up questions regarding the establishment of the third tacit understanding, he was unwilling to fully disclose all details and requested that some points remain off the record. He permitted me to use some of the information he provided, but as a result, my reporting is somewhat incomplete. Nonetheless, given his position, there is good reason to consider his information credible. Additionally, I corroborate the existence of TU-ID-3 through interviews with various serving officials from the Indonesian Navy, the Indonesian Foreign Ministry, and the Indonesian Defence Ministry. While they could not provide direct evidence of its existence, they testified to the presence of Presidential instructions for restraint towards China, which suggest the existence of TU-ID-3. Furthermore, I can demonstrate its presence through its impact on Indonesia's restrained behaviour in the South China Sea between 2018 and 2022. One such observation is a new practice of restraint in which Indonesian naval officers began to rationalise Beijing's assertive behaviour—primarily CCG incursions to monitor its own exploitation activities—as acceptable. This rationalisation was a co-occurrence—an expected behaviour that arises if TU-ID-3 is in place.

validates the existence of TU-ID-1, as it satisfies a co-occurrence I have abbreviated as [‘changes.’](#)

### *Sharing usage (TU-ID-3)*

I label TU-ID-3 as ‘sharing usage’, because the tacit understanding between the two countries allowed them to enter the disputed area in the northern part of Natuna Islands and conduct various sovereign rights and sovereignty reassertion activities.<sup>357</sup> The term ‘sharing usage’ is derived from Jakarta’s preferred option to manage the emergence of disputes in 2016 with China.

After the abandonment of TU-ID-1 in 2016, President Jokowi sought to maintain domestic coherence and establish a new practice of restraint, ensuring the growing economic relationship between Indonesia and China remained successful. In a 16 March 2022 interview, the Director of Defence Strategy at the Indonesian Ministry of Defence explained that Jakarta and Beijing had negotiated an ‘unwritten agreement’ (perjanjian tidak tertulis), kept out of the media spotlight, which both sides followed during Jokowi’s administration to preserve economic cooperation.<sup>358</sup> The Director mentioned that this agreement stemmed from a 2017 meeting led by Coordinating Minister Luhut Panjaitan, involving key ministers and experts.<sup>359</sup> Although the details of the meetings were off the record, he shared that four options were discussed for dealing with Beijing in the Natunas: (1) establishing a neutral zone; (2) denying access; (3) sharing usage; and (4) pursuing arbitration.<sup>360</sup> Ultimately, Jakarta chose the third

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<sup>357</sup> I argue that this tacit understanding is part of a larger tacit understanding, which I call the ‘normalisation’ of disputes, because the goal is to integrate disputes into the routines of the relationship. However, since the main purpose of this section is to validate TU-ID-1 rather than provide a comprehensive explanation of TU-ID-3, I believe that simply demonstrating the intent to share usage is sufficient. The development of the ‘normalisation’ of disputes as a tacit understanding between the countries should be addressed in future studies.

<sup>358</sup> Interview with the Director of Defence Strategy at the Indonesian Ministry of Defence, Jakarta, 16 March 2022.

<sup>359</sup> Coordinating Minister Luhut Panjaitan was an influential figure overseeing maritime and investment issues.

<sup>360</sup> Interview with the Director of Defence Strategy at the Indonesian Ministry of Defence, Jakarta, 16 March 2022.

option—sharing usage—where Indonesia continued oil exploitation, escorted by the Indonesian Navy, while Jakarta accepted the CCG's presence for monitoring and surveys, provided they did not disrupt Jakarta's activities.

The exclusion of the three other options highlights Jakarta's preference for maintaining a tacit understanding that preserves disputes rather than resolving them, while preventing escalation.<sup>361</sup> The first option—establishing a neutral zone—was quickly dismissed, as Jakarta wanted to continue resource exploitation in the area.<sup>362</sup> This option would have required acknowledging the existence of a dispute, a stance opposed by KEMLU and Indonesian law of the sea experts.<sup>363</sup> The second option—denying access—carried the risk of escalating hostilities. While it was endorsed by Indonesian military defence planners, President Jokowi opposed it to avoid jeopardising the growing economic relationship with China.<sup>364</sup> The fourth option—pursuing arbitration—was seriously considered, but Jakarta hesitated, fearing it might upset neighbours like the Philippines and Malaysia, which aim to undermine Beijing's legal basis for its historical claims. Foreign policy elite opinion in Indonesia suggests that Beijing's claim was already weakened by the 2016 South China Sea Arbitration ruling, which nullified its historical rights.<sup>365</sup> As a result, Jakarta believed it could wait for Beijing to withdraw its claim under international pressure, focusing instead on strengthening its legal basis and

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<sup>361</sup> The deliberations among Indonesian policy planners reveal a parallel between the previous tacit understanding and the new one, with both primarily emphasising pragmatic interests, even as each side formulated claims to undermine the other's positions.

<sup>362</sup> Particularly because of the discovery of Tuna Block in 2014, which is an area rich in oil and viable to be drilled at low cost. Retno Sulistyowati, "Securing economic projects in the Tuna field," *Tempo*, 20 December, 2021, <https://magz.tempo.co/read/economy/38702/securing-economical-oil-and-gas-projects-in-tuna-block>.

<sup>363</sup> My four interviews conducted between 2022 and 2023 with Indonesian Ministry diplomats who received legal training also support this claim. The interviewees wish to remain anonymous.

<sup>364</sup> My five interviews with eight Indonesian Navy personnel from different maritime agencies in 2022 suggest that they preferred a stronger approach but received directives not to escalate. The interviewees wish to remain anonymous.

<sup>365</sup> My four interviews conducted between 2022 and 2023 with Indonesian Ministry diplomats who received legal training also support this claim. The interviewees wish to remain anonymous. See also Agusman, "The South China Sea UNCLOS tribunal award 2016: What it has changed and what it does mean to Indonesia"; Agusman and Fatimah, "Celebrating the 25th anniversary of UNCLOS legal perspective: The Natuna case."

asserting stronger arguments, rather than pursuing a bilateral mechanism to resolve the dispute. This led to the preference for the third option—sharing usage.

Since 2017, TU-ID-3 has visibly facilitated Jakarta's restraint towards Beijing in the South China Sea. This acceptance was enabled by President Jokowi's stronger grip on domestic institutions.<sup>366</sup> While the exact timing and details of these negotiations require further research, evidence points to its existence and highlights how it has shaped Jakarta's exercise of restraint towards China, compared to TU-ID-1.<sup>367</sup> As discussed below, key examples include Jokowi's instruction to the Indonesian Navy to abandon the practice of ramming Chinese vessels, and his directive to KEMLU to adopt a more sensitive approach toward China. These actions contributed to a noticeable reduction in hostility projected by Jakarta in the South China Sea, as discussed in the following section.

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<sup>366</sup> The ability for Jakarta to easily conduct domestic negotiation of the new tacit understanding was also fostered by Jokowi consolidating his power at the domestic level. In 2017, Jokowi appointed more former military figures to his cabinet, formed a majority in parliament, and reshuffled ministers. His control was further bolstered by a landslide victory in the 2018 general election. This boosted his confidence in managing domestic affairs, allowing him to deflect criticism, including concerns about Chinese investment. For a discussion about Jokowi's consolidation of power, see Marcus Mietzner. "Indonesia in 2016: Jokowi's Presidency between elite consolidation and extra-parliamentary opposition." *Asian Survey* 57.1 (2017): 165-172.

<sup>367</sup> The new tacit understanding was negotiated against the backdrop of Indonesia's need for Chinese investment, and Beijing's need to recruit Jakarta as a partner for its regional ambition to project itself as a benign great power. Evi Fitriani, "Indonesian perceptions of the rise of China: Dare you, dare you not," *The Pacific Review* 31, no. 3 (2018)

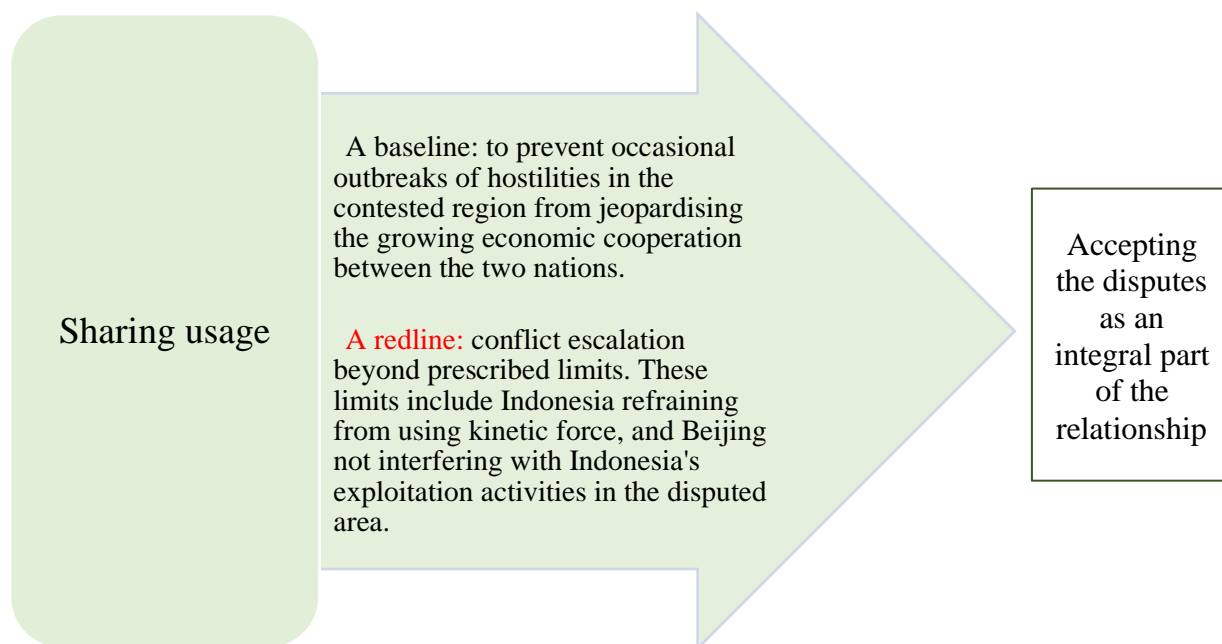


Figure 4.3 Summary of Indonesia-China third tacit understanding (TU-ID-3)

In the November 2024 joint statement between Indonesia and China, they also noted the intent to share usage by proposing the establishment of an ‘Inter-Governmental Joint Steering Committee to explore cooperation in the disputed area.’ This further corroborates the acceptance of TU-ID-3.

***Changes: Comparing practices of restraint facilitated by TU-ID-1 and TU-ID-3***

The core of TU-ID-3 was to accept disputes over traditional fishing rights and maritime jurisdiction as part of the bilateral relationship, allowing both countries to manage these issues while focusing on economic gains and fostering predictable behaviour at sea to reduce the risk of misunderstandings.<sup>368</sup> By accepting a baseline and a redline as noted in Figure 4.1, both parties could engage in hostilities within defined limits. This approach diverged from the practices of restraint under TU-ID-1, which sought to conceal disagreements.

<sup>368</sup> This inference is based on my interview with the Director of Defence Strategy at the Indonesian Ministry of Defence in Jakarta, 16 March 2022, along with the empirical observations discussed in this section.

The baseline of TU-ID-1 was to prevent occasional hostilities in the contested region from jeopardising the growing economic cooperation between Indonesia and China.<sup>369</sup> This led to a practice of restraint, marked by increased sensitivity to Beijing's regional concerns, particularly following the regional humiliation China faced after the 2016 Arbitration Tribunal ruling.<sup>370</sup> For instance, in 2017, in response to a surge in Chinese fishing encroachments in Natuna waters, 21 Indonesian agencies endorsed the renaming of the disputed area from the South China Sea to the North Natuna Sea to reinforce sovereign rights over waters claimed by China.<sup>371</sup> However, after China's protest, Indonesia postponed its international submission of the name change to the International Hydrographic Organisation, implementing the renaming only in its official domestic maps.<sup>372</sup> Additionally, President Jokowi 'exiled' the deputy of sovereignty who initiated the name change, creating a chilling effect for those who might escalate tensions.<sup>373</sup>

Despite this scaled-back approach, Indonesia continued to use the new map for patrolling its territory.<sup>374</sup> Moreover, Indonesia maintained its assertiveness in consolidating its sovereign rights. This was demonstrated by its submission of an extended continental shelf claim and its conclusion of EEZ delimitation agreements with Vietnam, further cementing its

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<sup>369</sup> The Director of Defence Strategy at the Indonesian Ministry of Defence highlighted the significant economic motivation behind TU-ID-3, especially during COVID-19 period. *Ibid.*

<sup>370</sup> This insight was gained from an online interview with a high-ranking diplomat who worked in legal affairs, 19 October 2021. This was also corroborated by an online interview with an expert (Colonel level) at the Hydro-Oceanographic Centre (Pushidrosal), Indonesian Navy, 26 January 2022.

<sup>371</sup> "Tegaskan batas wilayah NKRI, pemerintah terbitkan peta mutakhir [The Indonesian government published a latest map to reinforce its border]," Coordinating Ministry of Maritime Affairs, 2017, accessed 8 August, 2017, <https://maritim.go.id/peta-nkri-2017/>.

<sup>372</sup> Saifulbahri Ismail, "China demands Indonesia rescind decision to rename part of South China Sea," *ChannelNews Asia* (Singapore), 2 September 2017, <http://www.channelnewsasia.com/news/asiapacific/china-demands-indonesia-rescind-decision-to-rename-part-of-south-9179992>.

<sup>373</sup> The deputy took on the role of Ambassador to Germany. Various interviews and discussions I had with Indonesian diplomats and scholars associated with him between 2021 and 2024 confirmed that this posting was intended to reassure China of Indonesia's commitment to TU-ID-3.

<sup>374</sup> An interview with a TNI officer in early 2022 revealed that the Indonesian Navy had been instructed not to use the new map in operations in the Natunas, indicating continued sensitivity to Beijing's stance on the tribunal ruling. This was corroborated by my online interview with an Expert Staff member (Colonel level) at the Hydro-Oceanographic Centre (Pushidrosal), Indonesian Navy, on 26 January 2022.

territorial claims.<sup>375</sup> While Jakarta remained assertive in reinforcing its sovereignty, it carefully avoided actions that could embarrass Beijing or escalate diplomatic tensions.<sup>376</sup> Indonesia deliberately avoided engaging in international efforts that could strain relations with China, prioritising the maintenance of economic ties.

Jakarta also adopted a redline to prevent conflict escalation, encapsulated in President Jokowi's instruction to 'jangan bikin gaduh' (do not make noise).<sup>377</sup> This directive discouraged the Indonesian Navy and maritime agencies from escalating tensions with China in the Natuna waters, with career repercussions for those who did.<sup>378</sup> While Jakarta sought to protect its sovereignty and resource rights in the EEZ, the directive discouraged the use of kinetic force against China unless provoked. The TU-ID-3 redline required that Beijing refrain from disrupting Indonesia's resource exploitation, while Indonesia avoided using force in response to CCG presence.<sup>379</sup> Unlike TU-ID-1, which aimed to conceal disagreements, TU-ID-3 acknowledged these differences but insulated the broader relationship from skirmishes by regulating hostilities. This led to coordinated shadowing between the Indonesian Navy and the CCG in disputed areas, where both sides monitored each other without direct confrontation. This directive confirms the existence of TU-ID-3 by demonstrating the presence of a [top-down](#) directive.

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<sup>375</sup> Pornomo Rovana Astri Yoga, "Indonesia: Law No. 16 of 2023, related to the continental shelf," *Asia-Pacific Journal of Ocean Law and Policy* 9, no. 1 (2024)

<sup>376</sup> For example, Jakarta refrained from calling for compliance to the SCS tribunal. Evan A Laksmana and Ristian A Supriyanto, "Abandoned at sea: The tribunal ruling and Indonesia's missing archipelagic foreign policy," *Asian Politics & Policy* 10, no. 2 (2018)

<sup>377</sup> According to one of the Indonesian Navy colonels, there was a clear instruction from the President to the Navy to abandon its usual rules of engagement and follow 'jangan bikin gaduh', or do not escalate. This removed the option of firing warning shots or ramming the CCG unless confronted by kinetic force. An Indonesian Navy officer who participated in the making of rules of engagement at sea lamented this instruction, noting that it inhibited the way Navy patrol, which led to continuous CCG presence.

<sup>378</sup> The Navy faced political pressure to avoid strong actions exclusively against China, in contrast to its more aggressive stance towards Vietnamese or Malaysian vessels. Interview with former Director of Cooperation at the Indonesian Maritime Security Agency, 28 March 2022.

<sup>379</sup> Interview with the Director of Defence Strategy at the Indonesian Ministry of Defence took place on 16 March 2022. His account aligned with my interview with an expert (Colonel level) from the Hydro-Oceanographic Centre (Pushidrosal), Indonesian Navy, on 26 January 2022. It was also supported by my interview with a colonel who was the former commander of the Ranai Naval Base in Natuna, Riau Archipelago, on 23 January 2022.

The precise interaction between Jakarta and Beijing in the Tuna Block illustrates how the redline facilitates restraint. On 30 June 2021, after Indonesia started operating a semi-submersible rig, the Noble Clyde Boudreaux, to drill two appraisal wells in the Tuna Block (located in the disputed area), CCG vessels immediately deployed and remained there, taking shifts.<sup>380</sup> The waltz started: CCG 5202 operated in the Tuna Block from 3 July to 8 August before it was replaced by 5305, which remained through early October and was replaced by 6305, which began operating near the Noble Clyde Boudreaux in mid-October. Reacting to the CCG presence, Indonesia deployed its navy to conduct a long series of patrols, usually one vessel at a time, between July and November. The Asia Maritime Transparency Initiative reported that on many occasions, the Indonesian Navy pursued CCG vessels at close quarters, at distances of less than 1 nautical mile (nm), but did not fire warning shots as they had in May and June 2016. The Navy merely shadowed the CCGs, allowing them to stay.<sup>381</sup> This waltz is a mark of acceptance of limited hostilities, which again stands in contrast to the prior tacit understanding that discouraged any show of force. It also confirms the existence of TU-ID-3 by demonstrating an [awareness](#) of redlines.

The acknowledgment of limited hostilities is further evident in Jakarta's domestic rhetoric and the control exercised by foreign policy institutions and the President over potential spoilers.<sup>382</sup> For instance, both TNI and KEMLU framed the persistent presence of CCG vessels as "innocent passage" by civilian ships, despite the CCG clearly asserting Beijing's maritime jurisdiction claims.<sup>383</sup> This framing further validates the existence of TU-ID-3, as it serves as

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<sup>380</sup> "Nervous energy: China targets new Indonesian, Malaysian drilling," *Asia Maritime Transparency Initiative*, 12 November, 2021, <https://amti.csis.org/nervous-energy-china-targets-new-indonesian-malaysian-drilling/>.

<sup>381</sup> *Ibid.*

<sup>382</sup> An interview with an expert (Colonel level) from the Hydro-Oceanographic Centre (Pushidrosal), Indonesian Navy, 26 January 2022.

<sup>383</sup> 'Innocent passage' is outlined in UNCLOS, specifically Articles 17 to 32. It refers to the right of vessels to pass through the territorial sea of a coastal state, provided that such passage is not prejudicial to the peace, good order, or security of that state. However, for passage to be considered 'innocent,' it must adhere to certain conditions, such as being continuous and refraining from engaging in any activities that are considered hostile, including conducting surveys. Indonesian scholars and foreign policy analysts do not view China's activities in the disputed area as innocent passage; rather, the Foreign Minister's description of them as such was a way to

a mechanism for [rationalising](#) Beijing's hostile behaviour. To object without escalating, the Indonesian Navy shadowed CCG vessels while maintaining a reasonable distance.<sup>384</sup> An interview suggested that Beijing facilitated this by not sending military escorts with the CCG, even though Jakarta responded with its navy—often seen as a disproportionate response, given the CCG's civilian status.<sup>385</sup> As a result of TU-ID-3, Jakarta began differentiating between CCG and PLA Navy encroachments. The former was tolerated; the latter would breach a redline.<sup>386</sup> By 2022, Chinese fishing and law enforcement encroachments in Natuna waters had become routine, but they were managed without escalation, reflecting Beijing's acceptance that the naval response did not constitute provocation.<sup>387</sup>

The adherence to TU-ID-3 was reaffirmed during leader-to-leader calls, including one between Jokowi and Xi in early 2021, where both reiterated the understanding. The acceptance of Chinese COVID-19 vaccines during this period also highlighted the intertwined nature of economic and security considerations in the relationship between Indonesia and China.<sup>388</sup>

## Conclusion

This chapter demonstrates how Jakarta's persistence in restraining its actions towards Beijing in the South China Sea was sustained by adherence to two tacit understandings: TU-ID-1, which was in place from 1997 to 2016, and TU-ID-3, which was followed from 2017

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soften and attenuate public concern. Interview with an expert (Colonel level) from the Hydro-Oceanographic Centre (Pushidrosal), Indonesian Navy, 26 January 2022.

<sup>384</sup> An expert at the Coordinating Ministry for Politic, Legal and Security Affairs of Indonesia and an active colonel each described the enormous political pressure that was imposed on the Navy officers.

<sup>385</sup> When asked whether Jakarta believed that Beijing has indeed subscribed to this new tacit understanding, the Director of Defence Strategy answered yes with a sense of certainty. The interview took place at the Indonesian Ministry of Defence, 16 March 2022.

<sup>386</sup> This narrative was embraced because it allowed personnel from maritime security agencies to argue that the CCG's jurisdiction is on 'land,' meaning its presence does not constitute an assertion of sovereignty and therefore qualifies as innocent passage. This was supported by an interview with an expert (Colonel level) from the Hydro-Oceanographic Centre (Pushidrosal), Indonesian Navy, 26 January 2022.

<sup>387</sup> *Ibid.* This insight was also supported by my interview with a colonel who was the former commander of the Ranai Naval Base in Natuna, Riau Archipelago, 23 January 2022.

<sup>388</sup> Interview with the Director of Defence Strategy at the Indonesian Ministry of Defence, 16 March 2022.

until 2022, marking the end of my observation period. TU-ID-1—focused on maintaining divergence—facilitated three key practices of restraint by Jakarta towards China from 1997 to 2016: (1) avoiding attempts to resolve disagreements; (2) refraining from enforcing claims that might highlight those disagreements; and (3) controlling narratives to obscure the disagreements. The purpose of these three restraint practices was to allow Jakarta and Beijing to set aside their disagreements about whether disputes existed in the South China Sea, enabling them to focus on shared regional interests. When TU-ID-1 was abandoned by Jakarta and Beijing in 2016, these practices of restraint also disappeared. Moreover, when Jakarta and Beijing established a new tacit understanding in 2017, which I have labelled as ‘sharing usage’ (TU-ID-3), the practices of restraint shifted as well. While TU-ID-1 primarily aimed to prevent disputes from erupting, TU-ID-3 sought to ensure that disputes did not hinder the improvement of economic and diplomatic relations between Jakarta and Beijing. The enduring reliance on tacit understandings to facilitate restraint underscores how both Jakarta and Beijing continued to view them as the most convenient and practical way to manage their disagreements and disputes in the South China Sea.

This chapter’s finding also provides a deeper understanding of Indonesia’s practices of restraint towards China. While the dependent variable of this thesis examines the persistence of restraint, this chapter shows that Jakarta’s practices of restraint towards China varied, shifting depending on whether Jakarta adhered to any tacit understandings. The specific tacit understanding Jakarta relied on, such as TU-ID-1 or TU-ID-3, also played a crucial role in shaping its approach to restraint towards China. Without such tacit understandings, the relationship became hostile, as evidenced during the period between March and June 2016.

Moreover, this chapter establishes a causal link between tacit understandings (TU-ID-1 and TU-ID-3) and Indonesia’s approach to the South China Sea in relation to China. It refines this thesis’s hypothesis, which initially posited that tacit understandings were established to

help Southeast Asian states set disagreements and disputes aside with China by establishing redlines and baselines. This chapter proposes the following refinement, referred to as the second proposition:<sup>389</sup>

Second proposition: Specific exercises of restraint were contingent on the adherence to particular tacit understandings. Therefore, if any alterations or adjustments were made to the initial tacit understandings that were agreed upon by both parties, these changes impacted how restraint was practised.

Consistent with the second proposition, the section on ‘domestic negotiation’ also underscores that Jakarta’s practices of restraint towards China began when TU-ID-1 was adopted in 1997. Alatas’s ability to maintain a unified stance within the Indonesian Foreign Ministry (KEMLU) and secure President Suharto’s support for adopting TU-ID-1 was crucial. The discussion above also shows how Beijing needed to further reassure the Indonesian defence establishment that it would not challenge Indonesia’s sovereignty over the Natuna Islands through a series of high-level exchanges and reciprocal visits. This adds depth to the current literature on Indonesia-China relations, particularly Rizal Sukma’s work, by identifying the juncture when Indonesia’s threat perception towards China shifted in the post-Cold War period.<sup>390</sup> First, it introduces the KEMLU-TNI divide, which Sukma primarily traced during the Cold War period. Second, while Sukma attributed the changing perception to the 1998 Asian Financial Crisis, I argue that this shift in perception was tied to the adoption of TU-ID-1, which had already begun before the height of the Financial Crisis in 1998. Beijing also demonstrated efforts to support KEMLU in strengthening its argument for adhering to the tacit understanding by sending high-ranking officials to Jakarta as a gesture of sincerity. The

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<sup>389</sup> The first [refinement](#), discussed extensively in Chapter 3, posits that parties establish tacit understandings to achieve specific goals.

<sup>390</sup> Sukma, *Indonesia and China: The politics of a troubled relationship*

dynamics of the Indonesian Foreign Minister Alatas and his counterpart in Beijing, Qian Qichen, needing to convince their peers of the value of this approach so that both countries could maintain divergence in the South China Sea suggest that the following practices of restraint required TU-ID-1 to be accepted by various key constituencies, especially the Indonesian military.

Furthermore, throughout this chapter, I demonstrate how key actors, particularly Indonesian foreign ministers, needed to persuade or counter statements from their peers that violated the tacit understanding's red lines. I also show how Beijing remained attuned to Indonesia's domestic landscape. During different phases of the tacit understandings, Beijing actively supported the Indonesian Foreign Ministry's actions to discipline dissenters from these understandings. It was willing to deploy high-ranking officials to persuade like-minded Indonesian elites to maintain both TU-ID-1 and TU-ID-3. Beijing also reminded Jakarta's factions about the tacit understanding whenever deviations occurred, and responded to Jakarta's competitive domestic politics. These actions highlight that fostering restraint has required joint efforts from specific elites in Jakarta and Beijing to consistently emphasise the importance of adhering to tacit understandings. Beijing's willingness to engage with like-minded actors in a lesser but influential power such as Indonesia further contributes to the literature on how a rising power can gain regional support to bolster its rise.

In the 'abandonment' section, the specific existence and impact of TU-ID-1 on restraint became more observable. The presence of TU-ID-1 was revealed through the efforts by Beijing and Jakarta to warn each other against crossing the red lines, which satisfied the co-occurrence I referred to as 'protest.' Furthermore, this section demonstrates how a tacit understanding operates in a dynamic environment, where Jakarta's top leaders must continually assess the utility of adhering to the tacit understanding with China in relation to other factors such as domestic politics, economic cooperation, and structural aspects of the balance of power.

Specifically, the difficulty faced by President Joko Widodo's administration in controlling dissenters led to the abandonment of TU-ID-1 in 2016. However, due to the deepening of economic cooperation with China, his administration quickly established a replacement tacit understanding to facilitate restraint in the South China Sea. In this case, TU-ID-3 gained support due to an unusually strong link between economic and security considerations.

Lastly, when negotiating TU-ID-3, Jakarta had to consider non-negotiables in the South China Sea and a hierarchy of priorities, such as the ability to continue exploiting oil and natural resources, while also providing Beijing with some room to manoeuvre. This room included allowing the CCG to monitor its oil exploitation activities. This ability to move beyond a zero-sum perspective demonstrates a link between TU-ID-1 and TU-ID-3: when Indonesian Foreign Minister Ali Alatas negotiated TU-ID-1, he also guided decision-makers away from demanding Beijing's acceptance of Jakarta's position, instead prioritising more pressing matters and deferring disagreements. Alatas' non-zero-sum outlook appears to have been replicated during the negotiation of TU-ID-3. However, TU-ID-1 and TU-ID-3 facilitate different types of restraint due to their differing goals: while TU-ID-1 aimed to divert attention from disagreements to preserve them, TU-ID-3 was more accepting of open conflicts. What TU-ID-3 sought to protect was the deepening economic and diplomatic cooperation from these open conflicts.

The second proposition presented in this chapter will inform the discussions in Chapters 6 and 7, aiming to determine whether a causal link can be drawn between tacit understandings and practices of restraint in the Malaysia-China and Philippines-China dyads.

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**Chapter 5: Variation of tacit understandings: Comparing  
Malaysia and the Philippines' establishment of tacit  
understandings with China**

Word count: 8,906 (11,667 including footnotes)

**Table 5.1 Chapter 5 map**

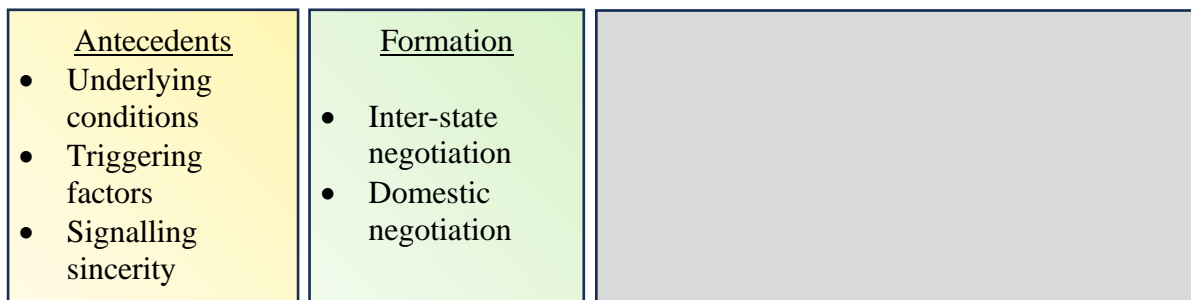
| <p>Purpose: This chapter compares Malaysia’s and the Philippines’ antecedents and formation of tacit understandings with China during the transition from the Cold War to the post-Cold War era in the late 1980s to the early 1990s. It argues that, similar to Indonesia, Malaysia and the Philippines also viewed the negotiation of tacit understandings as the most convenient means of setting aside South China Sea disputes, allowing them to focus on broader domestic and regional priorities. Furthermore, a key finding of this chapter is that differing goals in establishing tacit understandings led to variations in the stages of their development.</p> |   |
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| Section  | Content highlight   |
| 1: Introduction  | <p>Previewing how the chapter follows the structure of the Tacit Understanding Framework, with a focus on the antecedents and formation stages.</p>   |
| 2: Forming tacit understandings: The Malaysia-China Case, 1985-1992  | <p>The first part examines how Kuala Lumpur negotiated its tacit understanding with Beijing to diversify its economic portfolio following the 1980s recession.</p> <p><b>Antecedents:</b> Diversifying relationships was necessary to counter Western protectionism, which threatened Mahathir Mohamad’s regime stability.</p> <p><b>Formation of the first tacit understanding:</b> During his 1985 visit to China, Mahathir proposed mutual leverage to advance regional interests, forming a tacit understanding of ‘supporting mutual interests.’ This was contingent on Beijing proving itself a reliable partner that supported Malaysia’s proposal for a pan-Asian economic grouping.</p> <p><b>Formation of the second tacit understanding:</b> By the early 1990s, Beijing had demonstrated reliability, prompting Kuala Lumpur to embrace the first understanding. In 1992, the defence ministers formalised another tacit understanding to ‘maintain divergence’ in the South China Sea, ensuring disagreements did not hinder regional collaboration.</p> |
| 3: Forming a tacit understanding: The Philippines-China Case (February–August 1995)  | <p>Unlike Malaysia, the negotiation of a tacit understanding between the Philippines and China was not driven by a proactive strategy but by Manila’s assessment of the best option after Beijing occupied Mischief Reef in 1995.</p> <p><b>Antecedents:</b> The need for a tacit understanding arose from regional states like Indonesia, Malaysia, and Singapore, who were concerned that the ongoing confrontation between the Philippine and PLA navies in the South China Sea could undermine efforts to integrate Beijing into regional networks and strengthen ASEAN. Manila, under regional pressure to exercise restraint and with the US unwilling to guarantee its security, concluded that negotiating a tacit understanding with Beijing was the best option.</p>  |

|               |   |
|---------------|---|
|               | <p><b>Formation:</b> The negotiation deviated slightly from my proposed framework, marked by a mix of confrontation and gestures of sincerity, which played key roles in the process.</p> <p><b>Result:</b> In August 1995, the two countries agreed on a tacit understanding to manage their disputes, allowing broader bilateral interests like economic and regional security cooperation to flourish. I label this ‘dispute preservation,’ reflecting the goal of managing rather than resolving disputes. The maintenance of this understanding is discussed in Chapter 7.</p>   |
| 4: Conclusion | <p>This chapter demonstrates how different pathways embarked on by two countries, Malaysia and the Philippines, led to a common outcome of establishing tacit understandings with China. For Malaysia, the strategic calculation was one of self-help to recoup preexisting losses as a result of Western protectionism during the 1980s energy crisis. By contrast, for the Philippines, the pathway to establishing this understanding stemmed from regional pressures. Regardless, the decision to eventually negotiate a tacit understanding was still a result of Manila’s strategic calculation that siding with regional opinion at the time would result in better outcomes for its overall security.</p> |

## Introduction

The Tacit Understanding Framework outlines the development of tacit understandings in three stages: antecedents, formation, and maintenance, as depicted in Figure 5.1 below.<sup>391</sup> This chapter focuses on the first two stages (yellow and green boxes).

Figure 5.1 Stages of tacit understanding development applied in Chapter 5



This chapter compares Malaysia's and the Philippines' antecedents and formation of tacit understandings with China during the transition from the Cold War to the post-Cold War era in the late 1980s to the early 1990s. These two cases are at opposite ends of the spectrum, where the Malaysia-China case represents an 'easy' or most likely case for the tacit understanding hypothesis.<sup>392</sup> The Philippines-China case, by comparison, represents the 'hard' or least likely case, where at first glance tacit understandings do not seem to exist to facilitate restraint. The tacit understanding hypothesis suggests that maritime Southeast Asian states have each negotiated tacit understandings with China, not to resolve but instead to shelve disputes and disagreements over their competing territorial claims in the South China Sea. Based on findings in Chapter 3, this hypothesis is further refined into a more specific proposition that forming tacit understandings was a convenient way to implement exercises of

<sup>391</sup> This figure is based upon the one in Chapter 2. For further elaboration, please see the '[Stages of tacit understandings development](#)' section.

<sup>392</sup> See further justification and explanation on case selection in Chapter 1, the '[Tacit Understanding Framework and case selection](#)' section.

restraint, allowing Southeast Asian leaders to set aside disputes with China and prioritise larger domestic and regional agendas. This finding emphasises the goal-oriented nature of establishing tacit understandings. Thus, the practices of restraint they facilitated were calibrated to achieve specific goals, enabling them to prioritise or deprioritise competing interests (I refer to this as the first proposition).<sup>393</sup>

This chapter argues that the first proposition holds in both cases under investigation here, bolstering confidence in the strength of the tacit understanding hypothesis. Similar to Indonesia, Malaysia and the Philippines also regarded the negotiation of tacit understandings as the most convenient means of setting aside South China Sea disputes, allowing them to focus on broader domestic and regional priorities. While in the Malaysia case, de-emphasising the South China Sea dispute with China through tacit understandings was in the service of a regional strategy that aimed to leverage China's rise, in the Philippines case, it was a consequence of regional pressure from key ASEAN states on the Philippines to form a *modus vivendi* with China, so that key regional states could integrate Beijing into regional processes. Demonstrating how different circumstances led to a common outcome of establishing tacit understandings indicates the validity of the first proposition. Forming tacit understandings with China during the period of acute uncertainty was indeed seen in Malaysia and the Philippines as the most suitable way to implement exercises of restraint, allowing them to set aside disputes with China and prioritise larger domestic and regional agendas.

Furthermore, this chapter also reveals as its key finding that differing goals of establishing tacit understandings led to variations within the stages of their development. The variation provides insights into how each tacit understanding developed across two opposing contexts. Observing these variations helps bolster confidence in the cause-and-effect

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<sup>393</sup> This proposition refines the tacit understanding hypothesis by offering a more specific reason or purpose of why Southeast Asian states negotiated tacit understandings with China. This specificity makes the hypothesis testable and measurable, which is essential for scientific investigation. For further explanation, see the '[Chapter previews](#)' section of Chapter 1 and the [conclusion](#) of Chapter 3.

relationships between tacit understandings and restraint. Moreover, these differences subsequently influenced the practice of restraint, as discussed further in Chapters 6 and 7.

### **Chapter organisation**

This chapter focuses on the antecedents and formation stages to guide the analysis of each case.

The first part discusses how Kuala Lumpur negotiated its tacit understanding with Beijing based on the need to diversify its economic portfolio following the 1980s domestic economic recession. Diversifying relationships became necessary to respond to Western economic protectionism, which threatened Prime Minister Mahathir Mohamad's regime stability. During his visit to China in 1985, Mahathir proposed that Kuala Lumpur and Beijing could leverage each other's position to advance their regional interests. This became the basis of a tacit understanding that I label 'supporting mutual interests.' However, accepting this tacit understanding was contingent on Beijing's ability to show that it could be a reliable partner—one that reciprocated Malaysia's restraint and supported Kuala Lumpur's proposal for a pan-Asian regional economic grouping. Given Beijing's ability to exhibit its reliability in the early 1990s, Kuala Lumpur embraced the first tacit understanding. In 1992, the respective defence ministers further established another tacit understanding to 'maintain divergence' in the South China Sea, ensuring their disagreements did not impede their growing regional collaboration.

The second part of this chapter discusses the negotiation of a tacit understanding between Manila and Beijing, which lasted from March to August 1995. I have designated this tacit understanding as 'dispute preservation', wherein Beijing and Manila agreed to acknowledge disputes as part of their relationship. In May 1995, the Philippines faced pressure from ASEAN members to de-prioritise its claims in the South China Sea, particularly regarding China's occupation of Mischief Reef. Key regional states, including Indonesia, Malaysia, and

Singapore, exerted pressure on both Beijing and Manila to negotiate acceptable terms for coexistence as the region focused on integrating Beijing into the region. Manila and Beijing deemed a tacit understanding as the most convenient way. For the Philippines, negotiating a tacit understanding for restraint with China was not its preferred choice, but given the lack of willingness from the US to guarantee its security, it was the best option available, particularly in light of pressure from the region. This case demonstrates how a small state like the Philippines addressed Beijing's imposition of terms during the negotiation process by engaging in limited confrontation at sea to express dissatisfaction. The confrontations were not intended to cause harm, but rather served as an integral part of the negotiation process, signalling Manila's unhappiness with the terms imposed by Beijing. Concurrently, Manila also relied on regional pressure to press Beijing to exercise restraint.

In each of the analyses above, I confirm the existence of tacit understandings by identifying a co-occurrence I have termed as a 'top-down directive to preserve disagreements and disputes with China.' As explained in Chapter 2, under the section '[Notes on verification](#)', we can confirm or falsify the presence of tacit understandings by observing co-occurrences or the associated actions expected if such understandings exist. In this case, I find directives from the top leadership in Malaysia and the Philippines to key domestic stakeholders to maintain disagreements or disputes with China in the South China Sea. This suggests that Mahathir of Malaysia and Ramos of the Philippines were confident that their countries' disputes with China could be reasonably managed, even without formal agreements.

This chapter concludes by highlighting the differences in Malaysia's and the Philippines' experiences while negotiating tacit understandings with China.

## **Forming tacit understandings: The Malaysia-China Case, 1985-1992**

This section demonstrates Malaysia's proactive approach to convincing China of the merits of negotiating tacit understandings. It shows how, as a key part of their tacit understanding negotiations, Mahathir tested Beijing by demanding that China demonstrate reliability through support for a series of Malaysian initiatives and by exercising rhetorical restraint in response to Malaysia's development of garrisons in the South China Sea. The demonstration of reliability was a precondition for accepting the tacit understanding termed 'supporting mutual interests', as Mahathir desired to transform the two countries' relationship in order to allow him to leverage Beijing's rise to Kuala Lumpur's benefit.<sup>394</sup>

The insights gained from analysing the Malaysia-China negotiation reveal a deviation from the Tacit Understanding Framework proposed in [Chapter 2](#). While specific sub-stages were identifiably present, including underlying factors, triggering events, and signalling sincerity during the Antecedents stage, as well as negotiations between states and domestic adoption in the Formation stage, these elements occurred in a nonlinear and overlapping manner. Ultimately, this section highlights the importance of tacit understandings in enabling Kuala Lumpur to set aside the South China Sea dispute with China to focus on broader regional interests, such as shaping the financial regional order.

### ***Antecedents: Malaysia's re-evaluation of its regional strategy***

In 1985, the Malaysian Prime Minister, Mahathir Mohamad, decided to transform Kuala Lumpur's political relations with Beijing as a course correction to diversify Malaysia's economy.<sup>395</sup> During the mid-1980s to the early 1990s, Malaysia heavily relied on exporting raw materials like rubber, tin, palm oil, cocoa, and other commodities to the West. This

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<sup>394</sup> This eventually occurred after the 1997-98 Asian Financial Crisis. See Chapter 6, section titled '[1998-2009: Leveraging China's rise: Modifying the two tacit understandings \(TU-MY-1.2 and TU-MY-2\)](#).'

<sup>395</sup> Joseph Chin Yong Liow, "Malaysia-China relations in the 1990s: The maturing of a partnership," *Asian Survey* (2000): 679.

dependence exposed Malaysia to vulnerability in the face of Western protectionist measures triggered by the early 1980s energy crisis resulting from the oil market collapse.<sup>396</sup> For example, the United States' restrictions on textiles in the early 1980s had adverse effects on the Malaysian economy. Amid the economic recession in Malaysia, Mahathir, newly elected as Prime Minister at the time, struggled to uphold the legitimacy of Barisan Nasional (the National Front), his primary coalition.<sup>397</sup> His strategy to restructure Malaysia's production towards export manufacturing, including the development of domestically produced Proton cars, encountered obstacles as demand from Western markets dwindled.<sup>398</sup> On 28 August 1984, Mahathir condemned Japan's rejection of Malaysia's manufactured goods, opting to import only raw materials, labelling it a 'classic pattern of economic colonialism.'<sup>399</sup> On 9 February 1985, during the 17th ASEAN Economic Ministers meeting, he remarked that nations like the United States and Japan displayed an "inward-looking" approach in trade affairs.<sup>400</sup> The reluctance of the West to accommodate Malaysia's interests fostered discontent and prompted Mahathir to reassess Malaysia's foreign policy, including its stance towards China, which was then perceived as the nation's most significant external threat.

Mahathir's first step was to commission a secret examination of China. The findings, leaked on 4 July 1985, suggested that despite scepticism regarding the sustainability of 'any policy they devise towards China', Malaysia should pursue 'a pragmatic middle ground that

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<sup>396</sup> Pamela Sodhy, "Malaysia and the United States in the 1980s," *ibid.* 27, no. 10 (1987): 1087.

<sup>397</sup> Mahathir came to power on 16 July 1981.

<sup>398</sup> Although Malaysia managed to negotiate a compromise settlement with the US in February 1985, Malaysian manufacturers remained concerned about America's increasingly protectionist stance. They were frustrated by quota restrictions limiting their products' export to the US. See Sodhy, "Malaysia and the United States in the 1980s," 1087.

<sup>399</sup> As quoted in Sulong Wong, "World trade news: Malaysian PM warns Japan on 'colonialist' policy," *Financial Times*, 28 August 1984.

<sup>400</sup> Prime Minister Mahathir Mohamad's Opening Remark at the Seventeenth Meeting of the ASEAN Economic Ministers, the Hilton Hotel, Kuala Lumpur, 7 February 1985. Find the full text at [http://lib.perdana.org.my/PLF/Speech\\_dmm/speech/1985/THE%20OPENING%20OF%20THE%20ASEAN%20ECONOMIC.PDF](http://lib.perdana.org.my/PLF/Speech_dmm/speech/1985/THE%20OPENING%20OF%20THE%20ASEAN%20ECONOMIC.PDF)

integrates vigilance with commercial opportunism.<sup>401</sup> To execute the suggestion, Mahathir needed to work on his anti-Chinese tendencies and establish confidence on the domestic front about building a relationship with China.<sup>402</sup>

### *Forming two tacit understandings*

In November 1985, Mahathir led the largest official trade delegation to Beijing, consisting of 130 members mainly from the business community.<sup>403</sup> The purpose of Mahathir's visit was to explore the possibility of improving strained diplomatic relations. In his welcome speech on 20 November, in Beijing, Mahathir expressed readiness to enhance 'mutual understanding' with the Chinese.<sup>404</sup> Throughout his China tour from 20 to 27 November, he delivered five speeches focusing on three major themes: (1) consistent emphasis on China's modernisation and its potential for a greater regional role; (2) attempts to foster a shared sense of mission by portraying a narrative of 'us' (the developing world) versus 'them' (the developed world); and (3) justification for why China should amplify Malaysia's voice. Through these three points, Mahathir articulated Kuala Lumpur's overall position, explored shared interests, and sought common ground for closer alignment.

During his address at Tsinghua University in Beijing, also on 22 November, Mahathir highlighted the importance of China sharing its 'modernisation' model with other countries in

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<sup>401</sup> James Clad, a journalist at the *Far Eastern economic review*, leaked a document called "Managing a controlled relationship with the People's Republic of China" on 4 July 1985. He was charged for this act. As cited in Stephen Leong, "Malaysia and the People's Republic of China in the 1980s: Political vigilance and economic pragmatism," *Asian Survey* 27, no. 10 (1987): 1119.

<sup>402</sup> This point was reiterated in several interviews conducted in Malaysia, such as those with BA Hamzah and JN Mak, prominent scholars of Malaysia's security policy. As a serving mid-ranking military officer in the early 1980s, Hamzah recounted that Mahathir's change in view on China attracted criticism from various quarters. Interview with BA Hamzah, Kuala Lumpur, 12 October 2022; interview with JN Mak, 17 October 2022. Also see Poh Ping Lee, "The Indochinese situation and the big powers in Southeast Asia: The Malaysian view," *ibid.* 22, no. 6 (1982): 518-20.

<sup>403</sup> Leong, "Malaysia and the People's Republic of China in the 1980s: Political vigilance and economic pragmatism," 1119-20.

<sup>404</sup> Prime Minister Mahathir Mohamad's speech at the welcoming banquet hosted by HE Zhao Ziyang, Premier of the State Council of the People, Beijing, 20 November 1985. Find the full text here: [http://lib.perdana.org.my/PLF/Digital\\_Content/Prominent\\_Leaders/Mahathir/speech/1985/THE%20WELCOMING%20BANQUET%20ZHAO%20ZIYANG.PDF](http://lib.perdana.org.my/PLF/Digital_Content/Prominent_Leaders/Mahathir/speech/1985/THE%20WELCOMING%20BANQUET%20ZHAO%20ZIYANG.PDF)

the region that were also in the process of industrialisation.<sup>405</sup> This emphasis on placing China's modernisation on a pedestal remained a key theme in his subsequent speeches during his travels to Shanghai, Xi'an, and Guangzhou.<sup>406</sup> On 22 November, at a banquet in Beijing, Mahathir commended the 'rapidity' of China's modernisation, deliberately praising it to segue into his second point that Beijing should assume a greater regional role in establishing a pan-Asian regional order with Malaysia's assistance.<sup>407</sup> In discussions with Premier Zhao Ziyang, Mahathir underscored that 'no single economy can stand in isolation.'<sup>408</sup> He specifically identified 'rising protectionism compounded by a fundamentally unjust economic system' as a critical issue that, if left unaddressed, could lead to the region becoming subservient to Western interests.<sup>409</sup> With the intention of having a profound impact, Mahathir deployed an 'us-vs-them' frame in his speeches, positioning China and Malaysia as 'us' and the West as 'them'.

The tactic of fostering an us-vs-them framing served to demonstrate that China and Malaysia shared common interests and should collaborate. Mahathir employed strong language to criticise the West, stating that 'developed countries will undoubtedly utilise their entrenched position within the system to enhance their interests at our expense' and accusing them of manipulating commodity markets and perpetuating institutions that solely serve their own interests.<sup>410</sup> In contrast, he portrayed China as a 'developing third world country' committed to creating a fair system for smaller states. This Manichean dichotomy formed the basis for the

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<sup>405</sup> Prime Minister Mahathir Mohamad's speech was titled "Regional co-operation: Challenges and prospects," Qing Hua University, Beijing, 22 November 1985.

Find the full text here:

[http://lib.perdana.org.my/PLF/Digital\\_Content/Prominent\\_Leaders/Mahathir/speech/1985/QING%20HUA%20UNIVERSITY%20BEIJING.PDF](http://lib.perdana.org.my/PLF/Digital_Content/Prominent_Leaders/Mahathir/speech/1985/QING%20HUA%20UNIVERSITY%20BEIJING.PDF)

<sup>406</sup> Prime Minister Mahathir Mohamad's speech at the banquet in Guangzhou, 27 November 1985. Find the full text here:

[http://lib.perdana.org.my/PLF/Digital\\_Content/Prominent\\_Leaders/Mahathir/speech/1985/A%20BANQUET%20IN%20GUANGZHOU.PDF](http://lib.perdana.org.my/PLF/Digital_Content/Prominent_Leaders/Mahathir/speech/1985/A%20BANQUET%20IN%20GUANGZHOU.PDF)

<sup>407</sup> Prime Minister Mahathir Mohamad's speech at the welcoming banquet hosted by HE Zhao Ziyang.

<sup>408</sup> *Ibid.*

<sup>409</sup> Prime Minister Mahathir Mohamad's speech was titled "Regional co-operation: Challenges and prospects," Qing Hua University.

<sup>410</sup> *Ibid.*

idea that China required Malaysia's assistance for integration into the region. Mahathir argued that both nations must leverage their limited influence together to have a greater impact. To achieve this, a 'loose consensus' was necessary, representing a tacit understanding that Kuala Lumpur would aid Beijing's integration into the region in exchange for support for Malaysia's regional initiatives, preferential treatment as an economic partner in the region, and the reinforcement of the legitimacy of Malaysia's ruling elite.<sup>411</sup> The tacit understanding is referred to here as 'regional interest alignment.' 'Lest I be misunderstood,' Mahathir clarified, 'I do not seek this for Malaysia alone but for all the developing countries in the region.'<sup>412</sup>

However, to reach this point, Mahathir emphasised the necessity of embracing the concept of 'neighbourhood' as a crucial baseline to the tacit understanding. In his words, 'Whether we like it or not, we are *neighbours*, and our actions and policies are bound to impact one another (emphasis added).'<sup>413</sup> In that context, the emphasis was on China being a distant country, thus not a matter of concern. However, Mahathir's proposition of neighbourhood necessarily aimed to promote closeness with a series of implications for Malaysia's strategic calculation of China. Strategic calculation here refers to the approach taken to secure one's interests and derive advantages from the relationship amid the changing domestic political landscape and regional security environment.<sup>414</sup>

First, it promoted a new geographical imagination, suggesting that Beijing and Kuala Lumpur were close despite being separated by the South China Sea. This marked a departure from the past: Kuala Lumpur had consistently rejected Beijing's attempts to normalise relations up to the 1970s, and maintained a strategic distance in their political relationship up to the 1985 visit.

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<sup>411</sup> *Ibid.*

<sup>412</sup> *Ibid.*

<sup>413</sup> *Ibid.*

<sup>414</sup> The importance of strategic calculation as a mediating variable between tacit understandings and restraint is discussed in [Chapter 6](#).

Second, it established a dichotomy between permanent and transitory actors. In Malaysia's strategic thinking, particularly after the British withdrawal east of the Suez in the 1970s, this dichotomy was crucial in response to the trauma of abandonment.<sup>415</sup> In acknowledging China as an enduring power distinct from transient Western powers, Malaysia expected reciprocal awareness from Beijing regarding Malaysia's interests and regional stability. During his Tsinghua speech, 'Your *neighbours*,' Mahathir noted, 'worry how [China's military power] would impinge upon their territorial integrity and sovereignty (emphasis added).'<sup>416</sup>

Third, the concept of 'neighbourhood' implied a sense of permanence that required different measures and considerations. The significance of the third point lies in Mahathir's suggestion for a broader tacit understanding compared to what Jakarta derived from the Alatas-Qian discussion. Mahathir advocated for a shift in both countries' approach, urging a transition from a short-term reference point to a long-term one. The implications of changing the reference point will be briefly discussed in the next section, but will be extensively unpacked in the next chapter.

At this juncture, the negotiation of the tacit understanding took shape as Mahathir persuaded his Chinese counterparts to redefine the relationship between the two countries by embracing the new geographical imagination. This involved a fundamental reassessment to navigate the challenges of being neighbours with a 'shared destiny.'<sup>417</sup> At the conclusion of his trip, Mahathir signed several economic agreements, including the establishment of direct trade, a shipping pact, and measures to avoid double taxation.

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<sup>415</sup> BA Hamzah, a retired Malaysian high-ranking military officer, expressed this view during an interview in Kuala Lumpur on 12 October 2022. It is also discussed in Mat Taib Yasin, Azhar Abdul Rahman, and Johari Ramzan Ahmad, *Battling the waves in the South China Sea* (Kuala Lumpur: Royal Malaysian Navy Sea Power Center, 2021), 17.

<sup>416</sup> Prime Minister Mahathir Mohamad's speech was titled "Regional co-operation: Challenges and prospects," Qing Hua University.

<sup>417</sup> *Ibid.*

*Mahathir's domestic persuasion of the tacit understanding*

Mahathir initiated a shift in Malaysia's strategic calculation of China, laying the foundation for how the country managed economic competition and China's assertiveness at sea.<sup>418</sup> This involved inculcating the concept of 'forbearance,' defined as Malaysia's willingness to endure initial losses in the early stages of its relationship with China as part of the growth process.<sup>419</sup> Upon his return to Kuala Lumpur on 2 December 1985, Mahathir informed the nation that both parties had decided to shift the narrative from highlighting differences to concentrating 'on our similarities...on economic matters where we can achieve more.'<sup>420</sup> This call was also followed by a behind-the-scenes directive, discouraging foreign policy and defence agencies from viewing China as a threat.<sup>421</sup> This approach to China was different to that of Mahathir's predecessors—and to his own during the 1950-1985 period. The key differences involved two aspects: (1) differentiating between reciprocity and mutuality, where reciprocity involved direct transactional exchanges, and mutuality focused on benefits that could be negotiated as either an offset or compensation; and (2) recognising that the timeframe for expected rewards would be more extended.

The period from 1985 to the early 1990s served as a test case for this new strategic calculation, as the two countries were economic competitors in electrical goods, textiles, and agricultural produce. Before his 1985 visit, Mahathir had been outspoken in criticising China. For instance, on 3 June 1985, a few months before the official visit at the International Monetary Conference, he singled out China as a 'challenge' and dismissed optimism about

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<sup>418</sup> The importance of 'strategic calculation' as a mediating variable between tacit understandings and Kuala Lumpur's exercise of restraint towards China is further explored in [Chapter 6](#).

<sup>419</sup> The concept of forbearance is also further explored in Chapter 6, in the section titled '[Changing the baseline: Towards harmonising shared interests.](#)'

<sup>420</sup> As cited in Leong, "Malaysia and the People's Republic of China in the 1980s: Political vigilance and economic pragmatism," 1121.

<sup>421</sup> BA Hamzah, a retired Malaysian high-ranking military officer, explained Mahathir's directive based on his firsthand experience during an interview in Kuala Lumpur on 12 October 2022.

China as ‘illusions.’<sup>422</sup> He argued that China would not be a significant export market due to its self-sufficiency aspirations in producing consumer goods. Mahathir maintained that Beijing was not only an ‘economic competitor for investment but also for markets.’ He also called for Southeast Asian states to collaborate in order to become ‘more efficient producers’ and contest China’s share.<sup>423</sup> This competition-oriented perspective reflected his zero-sum mindset, where Beijing’s gain was perceived as Malaysia’s loss.

However, following the trip, Mahathir’s position shifted. As he expressed it, competition was anticipated, and Malaysia ‘must learn to live with it.’<sup>424</sup> Mahathir emphasised Malaysia’s acceptance of short-term economic losses, with a view to extending the length of time required to realise the expected benefits. This extended reference point complicates the assertion that Malaysia’s restraint towards Beijing was solely driven by rent-seeking practices or seeking short-term economic benefits.<sup>425</sup> Although economic factors are a consideration, they are viewed within a broader context that anticipates potential future gains from fostering stronger relations with the emerging power.

At the rhetorical level, Kuala Lumpur shifted from publicly labelling China as a threat to attributing the threat to actions rather than the actor—a departure from its previous tendency to perceive China as a threat or criticise those supporting China. As an illustration, on 9 July 1984, Mahathir informed the US Secretary of State George P Shultz that Washington was jeopardising maritime security in Southeast Asia by arming China as a strategy against Soviet influence.<sup>426</sup> Tan Shafie, then Malaysia’s foreign minister, also openly cautioned his US

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<sup>422</sup> Prime Minister Mahathir Mohamad’s speech at the 1985 International Monetary Conference Outlook for the Pacific: The need for optimism without illusions, Shangri-La Hotel, Hongkong, 3 June 1985.

<sup>423</sup> *Ibid.*

<sup>424</sup> As cited in Leong, "Malaysia and the People's Republic of China in the 1980s: Political vigilance and economic pragmatism," 1121-22.

<sup>425</sup> For example, Prashanth Parameswaran, "Malaysia’s approach to the South China Sea and implications for the United States," *Maritime Strategy Series*, 2015; Elina Noor and T. N. Qistina, "Great power rivalries, domestic politics and Malaysian foreign policy," *Asian Security* 13, no. 3 (2017).

<sup>426</sup> As quoted in Bernard Gwertzman, "Malaysia, seeing a threat, urges US to stop building up power of China " *The New York times* (Kuala Lumpur), 10 July 1984.

counterpart that China had expansionist tendencies ‘which she has not yet given up.’<sup>427</sup> This underscores the prevailing dispositional belief among Malaysia’s elite that China had a master plan to dominate Southeast Asia under its sphere of influence, as Mahathir speculated, ‘if not now, then at some future date.’<sup>428</sup> However, by the early 1990s, Malaysian elites refrained from labelling China as a threat and also began to correct others, emphasising that China only poses a threat if treated as such.<sup>429</sup> This re-categorisation meant that China’s assertiveness within its territory could be addressed in a different manner.

Mahathir’s call should be seen as confirmation that he had made a principled deal with Beijing’s leadership during his 1985 visit, as it was followed by a dramatic shift in Malaysia’s behaviour. This satisfies a co-occurrence I have termed a ‘top-down directive to preserve disagreements and disputes with China.’<sup>430</sup> This co-occurrence posits that instructions from Southeast Asian top leadership, advising mid-ranking officials not to seek resolution of disputes, may indicate the presence of tacit understandings.

#### *Mutual reassurance and acceptance of the first tacit understanding*

In the provided framework, ‘signalling sincerity’ is identified as an initial step before engaging in the negotiation of tacit understandings. In this section, it is shown to be a crucial element of the Malaysia-China negotiation process: each party reciprocally reassured the other, demonstrating their readiness to embrace a tacit understanding that aligned with their regional interests.

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<sup>427</sup> As cited in Lee, "The Indochinese situation and the big powers in Southeast Asia: The Malaysian view," 518.

<sup>428</sup> *Ibid.*

<sup>429</sup> Correcting others who perceived China as a threat was a dynamic the author witnessed firsthand in two roundtables composed of various stakeholders. During one of these roundtables, two high-ranking Royal Malaysian Navy (RMN) officers corrected their Western counterparts from Australia who portrayed China as a threat. Roundtable in Kuala Lumpur, 7 November 2022.

<sup>430</sup> See Chapter 2 section titled ‘[Notes on verification](#).’

The end of the Cold War in Southeast Asia brought about a series of changes in Malaysia-China relations. The collapse of the Communist Party of Malaya in Malaysia, marked by the signing of the Hat Yai Peace Accord on 2 December 1989, allowed Malaysia to shift its focus from domestic concerns to regional issues.<sup>431</sup> With Beijing cutting ties with overseas Chinese, the influence of ethnic Chinese on bilateral relations also diminished.<sup>432</sup> In August and September 1990, Kuala Lumpur terminated its policies aimed at isolating Chinese Malaysians from mainland China; travel restrictions, for example, were lifted. Confidence in China was reinforced by factors such as the perceived transient nature of the West, evident in the US withdrawal from Vietnam and its reluctance to intervene in the second Indochina crisis. This solidified the need to cooperate with other regional powers, such as China.<sup>433</sup> Additionally, Kuala Lumpur's elite anticipated China's steady rise as the next great power, potentially surpassing Japan.<sup>434</sup>

Japan was Mahathir's top choice as an economic partner, but Tokyo's reluctance to play a bigger regional role and readjust its economic policy during the time of crisis was fundamental to his decision to reassess Kuala Lumpur's politics of alignment with the West.<sup>435</sup> These junctures and perceptions solidified Mahathir's conviction that it was the opportune moment to demonstrate Malaysia's willingness to assist in China's regional integration. In return, Mahathir sought China's support for Malaysia's regionalism agenda, constituting the

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<sup>431</sup> For the context behind the treaty, see John Funston, "Malaysia and Thailand's southern conflict: Reconciling security and ethnicity," *Contemporary Southeast Asia* (2010)

<sup>432</sup> Liow, "Malaysia-China relations in the 1990s: The maturing of a partnership," 69; Kuik, "Making sense of Malaysia's China policy: Asymmetry, proximity, and elite's domestic authority," 447.

<sup>433</sup> According to a Malaysian scholar at the Malaysian Defence University, the lesson of withdrawal from Vietnam and unwillingness to interfere in Cambodia continues to be cited as evidence of the transient nature of the US. My interview in Kuala Lumpur, 20 October 2022.

<sup>434</sup> As noted in Allen S Whiting, "ASEAN eyes China: The security dimension," *Asian Survey* 37, no. 4 (1997): 311.

<sup>435</sup> As Razak Baginda, a Malaysian scholar, posited, 'Dr. Mahathir's position towards the Chinese came about only after failing to woo the Japanese to play a much more independent role in regional affairs. Dr. Mahathir's "Look East" policy, which was an attempt to emulate the Japanese and to establish close relations with Tokyo, failed to bring Japan firmly on the side of East Asia.' Abdul Razak Baginda, *China-Malaysia relations and foreign policy*, Routledge Contemporary Asia Series, (London: Routledge, 2015), 249.

core of the ongoing negotiations for a tacit understanding aimed at aligning their regional interests.

But the key test for the tacit understanding acceptance remained on whether Beijing demonstrated its reliability as a partner.<sup>436</sup> For Mahathir, this was vital because Malaysia's eventual interest in adopting the tacit understanding was to leverage Beijing's power to advance its regional position.<sup>437</sup> During Chinese Premier Li Peng's visit to Malaysia in December 1990, aimed at promoting Beijing's good neighbour policy for enhanced relations post the Tiananmen incident, Mahathir emphasised the importance of regional collaboration.<sup>438</sup> At a banquet meeting in the same month, Mahathir introduced the concept of the East Asian Economic Grouping (EAEG), solidifying his vision of comprehensive economic cooperation and market integration across Pan-Asia as a countermeasure to Western dominance. Consistent with his speeches in Beijing, Mahathir elaborated on Beijing's role in leading regional integration and supporting Malaysia's advocacy for fair trade through the EAEG.<sup>439</sup> Even though the EAEG faced setbacks due to inadequate support from others, including Japan and fellow ASEAN members, Beijing's support for the EAEG acted as a testament to its reliability. This demonstrated a commitment to reciprocate Kuala Lumpur's 'tacit readiness' in furthering Chinese regional interests.<sup>440</sup> Beijing's support for Kuala Lumpur's EAEG was regarded by Mahathir as a turning point in Malaysia–China relations.<sup>441</sup>

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<sup>436</sup> This desire to test China was demonstrated through various demands for China to support Malaysia's regional initiatives and to refrain from criticism when Malaysia developed garrisons in the South China Sea. For more information, see Chapter 6, in the section titled '[1993-97: The changing baseline and redline of the first tacit understanding as a transitional step](#),' which further discusses these tests.

<sup>437</sup> As discussed further in [Chapter 6](#).

<sup>438</sup> The deterioration between China and the West after the Tiananmen incident in June 1989 also provided impetus for a closer relationship with Malaysia. China embarked upon the good neighbour policy, which aligned with Malaysia's aim to facilitate China's regional integration. Ang, *Southeast Asia after the Cold War: A contemporary history*, 20.

<sup>439</sup> Kuik, "Making sense of Malaysia's China policy: Asymmetry, proximity, and elite's domestic authority," 449–50.

<sup>440</sup> *Ibid.*, 435.

<sup>441</sup> *Ibid.*, 447-48; Joseph Chinyong Liow, "Malaysia's post-Cold War China policy: A reassessment," in *The rise of China: Responses from Southeast Asia and Japan*, ed. Jun Tsunekawa (Tokyo: The National Institute for Defense Studies, 2009).

In addition to seeking assurance for supporting the EAEG, Mahathir also expected Beijing to refrain from criticising Malaysia's development of military garrisons in the South China Sea. On 4 May 1991, Kuala Lumpur announced its intention to further develop Swallow Reef for tourism.<sup>442</sup> This reef, claimed by both Beijing and Kuala Lumpur, is an oceanic atoll of the Spratly Islands, approximately 7 kilometres long and 2 kilometres wide with a central lagoon, located approximately 300 kilometres northwest of Kota Kinabalu, Sabah, East Malaysia. The Royal Malaysian Navy (RMN) had maintained platoon-size units on the island since its occupation in 1983, but did not pursue any other policies to reinforce ownership. Given the improvement in their relationship, the Chinese Foreign Ministry spokesperson insisted on China's 'undisputable' rights over the reef, but no further action was taken.<sup>443</sup> While there were a series of protests against Malaysia's reef development from neighbouring countries, especially Vietnam, Beijing's reaction was relatively muted.<sup>444</sup> Kuala Lumpur seemed to interpret Beijing's muted response to its reinforcement of the Swallow Reef claim as an acknowledgment of the importance of their bilateral relationship.

On 22 May 1992, Malaysia's Sultan Azlah Shah visited the atoll, marking a significant event.<sup>445</sup> A Malaysian official emphasised that this visit strengthened his country's ownership claim.<sup>446</sup> Beijing's response to the Malaysian king's visit was noticeably subdued, especially when compared to its previous criticisms of Vietnam's inspection tour.<sup>447</sup> Rather than lodging a protest, Beijing reaffirmed its diplomatic relations with Malaysia during the visit of Chinese President Yang Shangkun on 10 January 1992. Yang expressed China's readiness to collaborate with Malaysia 'for the establishment of a just and equitable international order.'<sup>448</sup>

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<sup>442</sup> As reported in "Disputed Spratly island ready to receive tourists," *Straits Times* (Kuala Lumpur), 31 December 1991.

<sup>443</sup> As quoted in Kenneth L. Whiting, "String of islands is latest Asian flashpoint," *The Associated Press*, 7 January 1992.

<sup>444</sup> "Liow, "Malaysia-China relations in the 1990s: The maturing of a partnership."

<sup>445</sup> As reported in "Malaysian king visits disputed Spratly island," *Agence France-Presse*, 22 May 1992.

<sup>446</sup> As reported in "Malaysian king visits atoll in disputed Spratlys ", *Reuters*, 22 May 1992.

<sup>447</sup> Liow, "Malaysia's post-Cold War China policy: A reassessment," 63.

<sup>448</sup> As quoted in "Malaysia wants new phase in China ties," *Agence France-Presse*, 10 January 1992.

This statement referenced their shared goal at the time, as Beijing supported Kuala Lumpur's proposal for the East Asia Economic Grouping.<sup>449</sup> Such acknowledgement of Malaysia's strategic value in the region was seen as initial evidence that China was willing to exercise restraint towards smaller states in recognition of their importance.

### *The second tacit understanding*

The extensive explanation of how Malaysia negotiated the tacit understanding is essential in giving context to why a second tacit understanding regarding restraint in the South China Sea was easily established. As discussions in the region intensified about the South China Sea dispute in early 1992, Chinese Vice Premier Yao Yilin visited Malaysia for eight days in August 1992 to explore ways to manage the dispute.<sup>450</sup> Yao also invited Malaysia's Defence Minister Najib Razak to Beijing. During this visit, on 17 August 1992, Najib was cited in the media suggesting that both countries had reached an agreement to maintain their differences regarding overlapping jurisdictions and ownership of features in Malaysia's EEZ that intersect with the nine-dash line.<sup>451</sup> Najib also noted that he endorsed the proposal for both nations to 'jointly develop the islands [in the disputed area].'<sup>452</sup>

Upon Najib's return, internal disagreements surfaced among Malaysia's elites. Some argued that initiating bilateral talks and engaging in joint development in the disputed area might legitimise Beijing's nine-dash line.<sup>453</sup> Hence, when Chinese Defence Minister Chi

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<sup>449</sup> In the end, ASEAN economic ministers agreed to endorse a watered-down version of the EAEG by changing its name from a 'group' to a 'caucus,' because the initial proposal was deemed too aggressive and met with stern criticism from US officials. The latter were openly hostile to the proposal, contending that APEC, of which the US and ASEAN were (and remain) members, was a preferable forum for discussing economic matters. As reported in *ibid.* It was also noted in Raphael Pura, "U.S. is cautious over proposal on Asia caucus—Plan is weaker version of a call to confront Western trade blocs," *The Wall Street Journal*, 30 October 1991.

<sup>450</sup> As reported in "Malaysian and Chinese defence ministers meet," *Agence France-Presse* (Beijing), 17 August 1992.

<sup>451</sup> As reported in "China seeks peaceful solution of Spratlys dispute: Premier," *Agence France-Presse* (Beijing), 18 August 1992.

<sup>452</sup> *Ibid.*

<sup>453</sup> "China will not use force to press Spratlys claim," *Reuters* (Kuala Lumpur), 25 May 1993.,"

Haotian visited Malaysia on 14 May 1993, and presented a concrete proposal for potential joint development, Najib rejected the proposal, deeming it an unacceptable solution.<sup>454</sup> However, both parties agreed that they needed to preserve their disagreements.<sup>455</sup> This suggests that, although joint development was ultimately excluded from the final version of the second tacit understanding, both parties concurred on maintaining divergence as a tacit understanding to manage their disagreements in the South China Sea.<sup>456</sup> In a legal context, ‘divergence’ refers to a circumstance where both parties are aware of the existence of disagreements but refrain from seeking clarification on those disagreements, enforcing their claims, and pursuing a resolution.<sup>457</sup> As its baseline, maintaining divergence was aimed at preventing disputes from occurring. As a consequence of the baseline, this tacit understanding had two redlines of pursuing resolution and indicating the existence of disagreements via joint exploitation activities.<sup>458</sup>

### *Negotiating tacit understandings with China: Malaysia’s experience*

The preceding discussions suggest how Mahathir perceived negotiating tacit understandings for restraint as a part of his proactive strategy, which included diversifying Malaysia’s economic portfolio and leveraging China’s rise to Malaysia’s advantage. Mahathir initiated the negotiations for tacit understandings during his visit to China in 1985. He persuaded his Chinese counterparts of the benefits of solidifying their regional alignment of interests based on the concept of mutual exchange between the two nations; Malaysia would

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<sup>454</sup> *Ibid.*,

<sup>455</sup> Scott Bentley, "Malaysia’s “special relationship” with China and the South China Sea: Not so special anymore," ed. Gilbert Rozman and Joseph Chinyong Liow, *International Relations and Asia’s Southern Tier: ASEAN, Australia, and India* (2018). 130-31; Hayton, *The South China Sea: The struggle for power in Asia*; Liow, "Malaysia-China relations in the 1990s: The maturing of a partnership."

<sup>456</sup> See [Chapter 6](#) for further corroboration of the existence of this tacit understanding.

<sup>457</sup> See Schreuer, "What is a legal dispute?," 20.

<sup>458</sup> See [Chapter 6](#) for further explanation on the impact of this baseline and redline on Kuala Lumpur’s exercise of restraint towards Beijing.

facilitate China's regional integration, and in return, China would support Malaysia's regional initiatives. This suggests that the first refinement of this thesis' hypothesis, which emphasises the goal-oriented nature of negotiating tacit understandings to enable restraint, is also valid in the Malaysia-China case.

This chapter also finds that Malaysia's approach to negotiating tacit understandings with China slightly differed from the typical example provided by the Tacit Understanding Framework. A key aspect of the negotiation was Mahathir's desire for China to signal sincerity by supporting Malaysia's regional initiatives and maintaining a muted response when Malaysia developed military garrisons in the South China Sea, as an acknowledgment of Malaysia's importance. Contrasting Malaysia's negotiation process with that of Indonesia, it became evident that Malaysia's approach spanned a much longer period, approximately seven years, compared to Indonesia's more expedited negotiation, which occurred within the timeframe of a single foreign minister visit. In Indonesia's case, reaching an agreement on fundamental principles, which focused on enforcing boundaries of acceptable conduct, occurred relatively swiftly; much of the negotiation unfolded during the maintenance stage. In Malaysia's case, both sides had to build trust gradually. Because the aim was to advance Malaysia's regional position by strengthening ties with a rising power, mutual reassurance was imperative to establish a baseline that aligned with both parties' shared interests. This emphasis on long-term relationship building necessitated Malaysia to alter its strategic calculation towards China, thus taking more time to embrace.

Furthermore, in establishing its tacit understandings with China, Kuala Lumpur demonstrated acceptance of, or even a preference for, an unequal relationship with China, believing it could leverage this dynamic to its advantage. This contrasts with the Philippines' approach, which sought to mitigate these inequalities, as discussed next.

### **Forming a tacit understanding: The Philippines-China case (February–August 1995)**

Unlike the Malaysia case, the negotiation of a tacit understanding in the Philippine-China case was not the result of a proactive strategy. Instead, it stemmed from Manila's assessment of the least bad option to managing its territorial loss after Beijing occupied Mischief Reef in 1995.

- **Antecedents:** The impetus for negotiating a tacit understanding came from influential regional states like Indonesia, Malaysia, and Singapore. In May 1995, these states expressed concerns that the continuing confrontation between the Philippines Navy (PN) and the PLA Navy (PLA-N) in the South China Sea would jeopardise ongoing efforts by each of them to integrate Beijing into regional networks, bolstering ASEAN relevance.<sup>459</sup> Manila concluded that negotiating a tacit understanding with Beijing was the optimal choice, given the regional pressure for Manila to exercise restraint towards Beijing and the United States' reluctance to explicitly guarantee Manila's security in the South China Sea against Beijing.
- **Formation:** The negotiation of the tacit understanding deviated slightly from my proposed framework.<sup>460</sup> This deviation was characterised by overlapping occurrences of confrontation and actions signalling sincerity, which became integral aspects of the tacit understanding negotiation between the Philippines and China.
- **The result:** In August 1995, I find that both countries agreed on a tacit understanding, acknowledging that their bilateral interests were broader than the disputes in the South China Sea and, therefore, should be managed to allow other interests, ranging from bilateral economic and regional security cooperation, to flourish. I label this tacit

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<sup>459</sup> [Chapter 6](#) discusses Malaysia's efforts to integrate China into the region. [Chapter 3](#) discusses Indonesia's collaboration with China to enhance ASEAN's relevance.

<sup>460</sup> See Chapter 2 for a discussion of the [stages of tacit understanding development](#). Figure 5.2 below summarises the Philippines-China negotiation process.

understanding as ‘dispute preservation’, a term not used in the Philippines but one which points to the idea that the Philippines-China tacit understanding aimed to ensure that the disputes were managed rather than resolved. The maintenance of this tacit understanding is discussed in Chapter 7.

***Antecedents: The inability of Manila and Beijing to establish tacit understandings, and regional pressure for them to find ways to coexist***

This section discusses why Manila and Beijing were unable to negotiate a stable tacit understanding on their own, largely because Beijing tended to impose terms that the Philippines perceived as unequal.

The antecedents driving the need for a tacit understanding to maintain restraint included the emergence of a dispute following the detection and confirmation of China’s occupation of Mischief Reef on 10 March 1995. Mischief Reef, referred to as Meiji Reef by Beijing, sits 130 nautical miles off the coast of the Palawan Islands in the Philippines.<sup>461</sup> In response to China’s occupation of this feature, which Manila claimed as part of the South China Sea, Philippine President Fidel Ramos publicly lodged a diplomatic protest, urging Beijing to vacate the reef.<sup>462</sup> Refusing to leave, on 11 March, Qian Qichen, China’s Vice Premier, emphasised Beijing’s ‘sovereignty over the Nansha Islands’ or known internationally as the Spratly Islands.<sup>463</sup> Following this refusal, the Philippines and Chinese navies engaged in a standoff around Jackson Atoll and the Half Moon Reef.<sup>464</sup>

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<sup>461</sup> The Philippines formally laid claim to the Spratly Islands in the 1970s. Seeking access to oil resources, President Ferdinand Marcos persuaded Tomas Cloma, a Philippine entrepreneur in the fishing industry who had settled in the area in 1933 (staying until 1978), to transfer his claim to the Philippine government on 4 December 1974. Manila argued that prior to Cloma’s entrepreneurial activities, the territory belonged to no one. They also contended that the territories were within the country’s continental margin. Rodolfo Severino, *Where in the world is the Philippines?: debating its national territory* (Singapore: Institute of Southeast Asian Studies, 2011), 67-70.

<sup>462</sup> As reported in "China says it poses no threat over Spratly Isles ", *Reuters* (Beijing), 10 March 1995.

<sup>463</sup> Qian also noted that the structures on the reef were intended as fishers’ shelters rather than for military purposes. As quoted in "Qian Qichen news conference with foreign reporters live on Chinese Central TV-foreign relations," *BBC Monitoring Service* (Beijing), 11 March 1995.

<sup>464</sup> As reported in "Recast with Chinese official reax."

To prevent conflict escalation, on 22 March, Foreign Affairs Undersecretary Rodolfo Severino met with his Chinese counterpart, Tang Jiaxuan, in Beijing to discuss the occupation of the reef.<sup>465</sup> Following the meeting, the *Xinhua News Agency*, the official state news agency of the People's Republic of China, quoted a spokesperson from the Chinese Foreign Ministry stating that both countries had reached 'understandings' and that they continued to set aside their dispute, suggesting that a consensus had been reached to uphold parts of the previous tacit understanding.<sup>466</sup> However, Manila indicated its dissatisfaction publicly. Severino did not offer comments after the meeting, and the Philippines' Foreign Minister Roberto Romulo insisted that the two sides had to conduct 'further discussions.'<sup>467</sup> This demonstrates that Manila and Beijing could not establish mutually agreeable terms that would constitute a stable tacit understanding at this point. Further evidence of continued hostility at sea emerged the day after the Severino-Tang discussion, when the Philippine Navy escalated its activities in the South China Sea. They destroyed numerous Chinese survey markers around Jackson Atoll and Half Moon Reef, and apprehended 64 Chinese fishermen along with their boats in the contested area. On 25 March, the Chinese Foreign Ministry issued a protest, stating that destroying its markers would not aid in settling the dispute.<sup>468</sup>

Given the inability of Manila and Beijing to find ways to coexist, regional pressure acted as an intervening variable that ultimately brought the two countries to the negotiating table. Regional pressure included public appeals to both Beijing and Manila to find ways to coexist, along with behind-the-scenes persuasion from key states like Indonesia to assure Manila that Beijing was a reliable partner. This regional pressure was first conveyed on 4 April 1995, when Beijing organised vice-ministerial China-ASEAN talks in Hangzhou to underscore

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<sup>465</sup> "China, Philippines in secretive talks on Spratlys," *Reuters* (Beijing), 22 March 1995.

<sup>466</sup> As quoted in "Recast with Chinese official reax."

<sup>467</sup> As quoted in Robert J. Saiget, "China, Philippines revive Spratlys dispute," *Japan Economic Newswire* (Beijing), 28 March 1995.

<sup>468</sup> As reported in *ibid.*

its benign intentions in the region. During this meeting, however, the Southeast Asian delegates were united in their collective criticism of Beijing for its occupation of Mischief Reef.<sup>469</sup> Regardless of their collective resolve, the Southeast Asian delegates also expressed their expectation that Beijing should demonstrate restraint and assume a 'leadership' role commensurate with its size and economy.<sup>470</sup> At the conclusion of the meeting, the Philippines Under Secretary of Foreign Affairs Severino stated, China had a better depth of understanding of ASEAN's concerns, 'and ASEAN had a better idea of China's position.'<sup>471</sup> Although hostility between Manila and Beijing persisted after the Hangzhou meeting, behind-the-scenes communication continued, suggesting that both sides had begun to seriously consider establishing terms for restraint.

### ***Between confrontation and signalling sincerity***

For the Philippines, the continued escalation of conflict in the South China Sea served as a way to express its rejection of Beijing's imposed position. Knowing that regional opinion was on its side, Manila sought to level the playing field and ensure continued access to its waters while conducting activities that reinforce its sovereign rights over the area. Indeed, regional integration in Southeast Asia was a vital part of Beijing's foreign policy agenda after the Tiananmen incident in 1989,<sup>472</sup> participating in the key regional forums was a crucial manoeuvre to prevent ASEAN states from ganging up on Beijing.<sup>473</sup> Therefore, Manila sought to tempory conflict escalation to advance its position, while relying on regional support to get

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<sup>469</sup> As reported in Laura Tyson, "Taipei and Beijing offer olive branch in Spratly row," *Financial Times* (Beijing), 5 April 1995.

<sup>470</sup> As reported in Kathy Chen and Joseph Kahn, "China ascendancy arouses concern at Asia Conference," *The Wall Street Journal* (Beijing), 15 May 1995.

<sup>471</sup> As quoted Benjamin Kang Lim, "China again rejects multilateral talks on Spratly," *Reuters* (Beijing), 4 April 1995.

<sup>472</sup> Chapters 3 and 6 of this thesis also highlight Beijing's various efforts to integrate into the region. Chapter 3, especially the '[Antecedents](#)' section, addresses the regional concerns that motivated Beijing to negotiate a tacit understanding with Jakarta. See also Alice D Ba, "China and ASEAN: re-navigating relations for a 21st-century Asia," *Asian Survey* 43, no. 4 (2003): 630-34.

<sup>473</sup> Chen, "China's Spratly policy: With special reference to the Philippines and Malaysia."

Beijing to exercise restraint, and used behind-the-scenes communication strategies to ensure that tacit understandings continued to be negotiated and formed.

On the conflict escalation front, on 11 May 1995, the Philippine Defence Department organised a media tour of a PN ship carrying 39 Philippine and foreign journalists to Mischief Reef to expose China's aggression to the world.<sup>474</sup> Chinese Foreign Ministry spokesman Shen Guofang argued that Manila's actions had infringed upon China's sovereignty, which risked internationalising the dispute.<sup>475</sup> President Ramos maintained that the media tour was 'non-provocative, non-confrontational, entirely peaceful'; Manila simply sought to assert ownership over features within its claim.<sup>476</sup> In response to Ramos, China's Foreign Minister and Vice Premier Qian Qichen reiterated Shen's warning, stating that if the media tour was repeated, Manila should be prepared for a military response.<sup>477</sup>

The hostile exchanges between Manila and Beijing sparked public appeals from regional leaders, who expressed apprehension about the escalating tensions. This regional pressure offered Manila a cushion to shield itself from Beijing's potential reprisals. Singaporean Prime Minister Goh Chok Tong emphasised that Beijing must demonstrate, through its demeanour and actions, its commitment to being 'a responsible member of the international community;' however, he also cautioned Manila that viewing 'China as a threat' and taking measures to hinder its economic advancement could exacerbate the perceived

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<sup>474</sup> Two Chinese vessels closely followed the PN ship during the tour. Subsequently, local and international media scrutinised China's activities at Mischief Reef. As reported in "China attacks Manila for "denatured facts... exaggerations" over Spratlys."

<sup>475</sup> Shen's warning suggested that involving international media to expose and embarrass Beijing crossed a redline. As quoted in *ibid.*

<sup>476</sup> As quoted in "China says fuss over trifles stirs Spratly row."

<sup>477</sup> As reported in *ibid.*

threat.<sup>478</sup> Goh's statement echoed sentiments expressed by other countries in the region, including Thailand, Malaysia, Vietnam, and Indonesia.<sup>479</sup>

Balancing the hostility, on 22 May 1995 Ramos penned a personal letter to Jiang Zemin, General Secretary of the CCP Central Committee and President of the PRC. Ramos presented a proposal to further discuss each country's respective redlines and explore 'positive ways of addressing issues related to the South China Sea.'<sup>480</sup> In the same letter, Ramos suggested a series of financial measures to enhance the relationship, including fostering relations among local governments and expanding trade between the southern Chinese island province of Hainan and Cebu to an annual volume of USD 1 billion.<sup>481</sup> Ramos emphasised that if Beijing could reassure Manila of its intentions and maintain strong economic cooperation, Manila was prepared to address the dispute bilaterally.<sup>482</sup>

It is important to note that Ramos' proposal should not be interpreted as Manila's submission to China's position, but rather as an acknowledgment that the disputes need not hinder their economic and diplomatic relations. It also suggests that the confrontation earlier served as a way to advance the interests of both countries, as Beijing and Manila negotiated tacit understanding via probing areas of common interest.

Despite exploring areas of common interest, the two countries continued to engage in confrontations at sea. One of the most notable incidents was a 70-minute standoff in the South China Sea between a Philippine Navy landing craft carrying journalists and two Chinese fishing boats on 25 May 1995.<sup>483</sup> This suggests that President Ramos' proposal did not call for a

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<sup>478</sup> As quoted in Kathy Chen and Joseph Kahn, "Engagement seen as best China policy," *The Asian Wall Street Journal* (Beijing), 15 May 1995.

<sup>479</sup> As noted in [Chapter 6](#), Mahathir consistently noted that China should not be regarded as a threat. For the view from Thailand, Taiwan, Indonesia, and Vietnam, see *ibid.*; "China says fuss over trifles stirs Spratly row"; "Taiwan President urges setting aside Spratly claims," *Reuters* (Taipei), 4 April 1995.

<sup>480</sup> As quoted in "Manila proposes measures to build trust with China," *Japan Economic Newswire* (Manila), 25 May 1995.

<sup>481</sup> Philippine senior official's testimonial as quoted in *ibid.*

<sup>482</sup> As quoted in *ibid.*

<sup>483</sup> *Ibid.*

complete freeze or cessation of conflicts in the disputed area. Instead, he tacitly suggested that both countries acknowledge that disputes and eruptions of conflict were part of their relationship and should not detract from closer economic cooperation. Acknowledging disputes as part of the relationship meant that both countries actively managed the South China Sea disputes instead of resolving them, and this was the proposed baseline of their tacit understanding.

This proposed baseline was evident in Ramos' dual tactic of using conciliatory rhetoric towards China while maintaining assertiveness in the South China Sea, which set the stage for the forthcoming diplomatic negotiations between the two nations. For example, while waiting for Jiang's response, Manila continued its show of resolve in the South China Sea. Ramos advocated for the development of 'a viable air defence capability' to safeguard the South China Sea; lifted a previous ban on fishing within 60 miles (96 kilometres) of Philippine-claimed territory in the Spratlys to increase Manila's presence in the disputed area; and sought to enhance defence relations with the US.<sup>484</sup> However, in response to another incident involving Chinese fishing vessels on 6 July 1995, Ramos remarked that Beijing should not be perceived as 'a serious military threat to our external security, at least for the moment'.<sup>485</sup> Therefore, unlike before, the Philippines ensured that Manila's assertive actions were followed by a series of conciliatory messages.<sup>486</sup> This juncture marked the cessation of hostile rhetoric against China, even as the Philippines continued to display resolve that it would not back down from its claims.

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<sup>484</sup> As reported in "Air defense priority for Philippine national security: Ramos," *Agence France-Presse*, 1 July 1995; "Manila sees 'positive developments' in Spratlys," *Reuters* (Manila), 20 July 1995; "Ramos encourages Filipino fishermen to fish in Spratlys," *Agence France-Presse* (Manila), 20 July 1995.

<sup>485</sup> As quoted in "Philippines' Ramos hints at Spratlys breakthrough," *Reuters* (Manila), 6 July 1995.

<sup>486</sup> As quoted in *ibid.*

<sup>486</sup> For instance, Jose De Venecia, speaker of the House of Representatives, stated that military modernisation aimed to assist Manila in reinforcing its presence in the Spratlys, rather than countering 'China's aggression.' As quoted in "Manila ready to go to shopping for \$2Bn of arms," *Financial Times* (Manila), 24 July 1995.

Manila's push for Beijing to negotiate a more equitable tacit understanding was strengthened by Jakarta's efforts, as ASEAN's *primus inter pares*, to moderate Beijing's actions.<sup>487</sup> Prior to the ASEAN Ministerial Meeting and the ASEAN Regional Forum meeting in late July 1995, Jakarta secured a series of commitments from Beijing aimed at promoting greater restraint in the South China Sea, which it presented at the meeting as 'China's new perspective.'<sup>488</sup> These commitments included Beijing's participation in ASEAN's formal discussions focused on resolving the South China Sea disputes, and its acceptance of UNCLOS as a guiding principle for addressing the conflicts. Encouraged by Alatas' reassurance, Philippine Foreign Minister Domingo Siazon, during a one-hour sideline meeting at the 1995 ARF, urged Qian to accept President Ramos' proposal as a demonstration of commitment. Qian pledged that Beijing would not jeopardise the 'stability of the South China Sea'.<sup>489</sup> After the ARF meeting, in a press conference, Siazon conveyed Manila's intention to further discuss the technicalities of insulating economic cooperation from their dispute in another meeting scheduled for August in Manila.<sup>490</sup>

The discussion above demonstrates how Manila combined conflict escalation, regional pressure, and behind-the-scenes communication to persuade Beijing to negotiate mutually acceptable terms, rather than imposing its will on Manila.

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<sup>487</sup> This was mainly discussed in [Chapter 3](#), which recounts Indonesian Foreign Minister Ali Alatas and Chinese Foreign Minister Qian Qichen negotiating a tacit understanding called '[limited multilateralism](#),' ensuring confidence for Jakarta and Beijing to collaborate in bolstering ASEAN relevance as the driver of key regional forums.

<sup>488</sup> See the discussion in Chapter 3, especially in the '[regional dissemination](#).' Siazon noted in a press conference that China's stance, as introduced by Alatas, 'opens a door for possible political compromise.' As cited in "Manila, Beijing agree on new vice ministerial talks," *Japan Economic Newswire* (Bandar Seri Begawan), 30 July 1995.

<sup>489</sup> As reported in Edward Luce and Peter Motagnon, "'Cool Spratlys row' call," *Financial Times*, 28 July 1995.

<sup>490</sup> As reported in "Manila, Beijing agree on new vice ministerial talks."

*Inter-state negotiation: Establishing 'dispute preservation'*

Manila's desired tacit understanding aimed to ensure that disputes with Beijing would not harm economic ties between China and the Philippines. It sought to maintain limited conflicts in the Spratlys while strengthening business relations, allowing Manila to reinforce its sovereignty without risking excessive reprisals from Beijing. The economic aspect was highlighted by President Ramos prior to the August 1995 meeting, when he emphasised the importance of sister-province relations between Palawan and Hainan, and aimed to enhance business ties despite the ongoing disputes.<sup>491</sup>

At the onset of the vice-ministerial meeting on 8 August, China's Vice Minister Wang Yingfan and Manila's Severino each articulated their country's position. Wang emphasised the necessity to set aside sovereignty claims while exploring joint projects, whereas Severino expressed Manila's intention to continue discussing sovereignty matters and urged Beijing to remove structures on Mischief Reef.<sup>492</sup> Additionally, they discussed ownership of maritime areas considered traditional fishing grounds.<sup>493</sup> When Wang suggested that Philippine fishermen could fish around Mischief Reef, Severino countered that Manila required no permission from anyone to fish in their jurisdiction.<sup>494</sup> Despite the differing positions, Severino conceded that Beijing was unlikely to withdraw soon from the reef, and recognised that both countries 'held different views on the matter' of the law of the sea.<sup>495</sup> Due to the inability to resolve the dispute, Manila and Beijing opted to establish an abstract 'code of conduct' that

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<sup>491</sup> As a gesture of goodwill, on 5 August, Ramos removed China from the list of countries prohibited from entering into trade agreements with Manila, targeting an increase in bilateral trade to USD 700-900 million for 1995. As reported in "Spratlys to figure in Manila, Beijing talks," *Straits Times* (Manila), 5 August 1995. As reported in "Chinese officials arrive for talks on Spratly Islands," *Dow Jones International News* (Manila), 8 August 1995.

<sup>492</sup> As quoted in "Philippines, China begin talks on Spratlys dispute," *Japan Economic Newswire* (Manila), 9 August 1995.

<sup>493</sup> For a discussion about the legality of the traditional fishing ground assertion, see Fravel, "Traditional fishing grounds and China's historic rights claims in the South China Sea."

<sup>494</sup> As reported in Cecil Morella, "Recast with details of talks on Spratly Islands," *Agence France-Presse* (Manila), 10 August 1995.

<sup>495</sup> *Ibid.*

enabled them to enhance economic cooperation while addressing differences through ‘friendly consultations and negotiations.’<sup>496</sup> I argue that this ‘code of conduct’ constituted a tacit understanding of ‘dispute preservation’, as there was no formal agreement governing their behaviour in the disputed area.

What the two parties tacitly agreed upon, as outlined in a joint statement on 11 August, was a ‘set of principles’ enabling them to coexist despite the dispute ‘without prejudice to the freedom of navigation in the South China Sea.’<sup>497</sup> These principles specifically suggest that territorial disputes in the South China Sea ‘should not affect the normal development of relations.’<sup>498</sup> Implicit regulatory boundaries were embedded within the tacit understanding, facilitating restraint to mitigate the ‘threat of force.’<sup>499</sup> Although the specifics of these boundaries were not publicly disclosed, over time, some of them became evident through observations of their interactions in the disputed area, as further elaborated in Chapter 7.

To affirm their commitment to the tacit understanding, both parties engaged in gestures to signal sincerity. On 14 August, Jiang sent a letter to Ramos, reassuring him of Beijing’s dedication to stability in the South China Sea.<sup>500</sup> In return, Ramos urged other Western nations to provide Beijing with the opportunity to act as a responsible emerging power. On 19 August, while visiting Canberra, Ramos emphasised that Philippine elites agreed on the importance of integrating China ‘into the network of collaboration’ that connected Manila and Beijing.<sup>501</sup> He instructed the Philippines foreign affairs department not to let ‘differences hinder the expansion of our overall bilateral relations.’<sup>502</sup> This directive satisfies a co-occurrence I have termed a

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<sup>496</sup> *Ibid.*

<sup>497</sup> As quoted in "Code of conduct ensures freedom of navigation in Spratlys," *ibid.* (Manila), 11 August 1995.

<sup>498</sup> As quoted in Nirmal Ghosh, "Beijing, Manila Code Protects Navigation in South China Sea," *Straits Times* (Manila), 12 August 1995.

<sup>499</sup> As quoted in "Code of conduct ensures freedom of navigation in Spratlys."

<sup>500</sup> As reported "Beijing pledges to avoid war in Spratlys: Philippine legislator," *Agence France-Presse* (Manila), 14 August 1995.

<sup>501</sup> As quoted in "Ramos wants Southeast Asian nations to work with China," *Dow Jones International News* (Canberra), 19 August 1995.

<sup>502</sup> As quoted in "Manila to act soon on jailed Chinese - Ramos," *Reuters* (Manila), 15 August 1995.

‘top-down directive to preserve disagreements and disputes with China.’<sup>503</sup> This co-occurrence posits that instructions from Southeast Asian top leadership, advising mid-ranking officials not to seek resolution of disputes, may indicate the presence of tacit understandings.

Moreover, on 25 August, to further demonstrate acceptance of the dispute as part of their relationship with Beijing, Ramos granted a full pardon to the 64 Chinese fishermen who had been held captive since March.<sup>504</sup> This development indicates that Manila had domestically embraced the tacit understanding, demonstrated through its gesture of goodwill, signalling sincerity.

### *Negotiating a tacit understanding with China: The Philippines’ experience*

The preceding discussions demonstrate how Ramos came to terms with the importance of negotiating tacit understandings with China, a larger and more assertive country. The key findings show that the negotiation process was non-linear compared to my proposed model of how tacit understandings develop, as explained in Chapter 2. This nonlinearity is depicted in Figure 5.2 below, which features four colours representing the four overlapping stages of tacit understanding negotiation.

- The **red colour** represents instances of exchanging warnings and engaging in confrontations at sea.<sup>505</sup>
- The **green colour** represents regional pressure, which acted as an external trigger pushing both parties to negotiate a tacit understanding. Regional pressure came from key Southeast Asian states pressuring Beijing and Manila to find ways to coexist.

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<sup>503</sup> See Chapter 2 section titled ‘[Notes on verification](#).’

<sup>504</sup> As reported in "Ramos pardons 62 detained chinese fishermen," *Japan Economic Newswire* (Manila), 25 August 1995.

<sup>505</sup> While confrontation at sea was typically seen as a way of maintaining tacit understandings, as observed in the Indonesian case discussed in [Chapter 4](#), in the Philippines-China case, confrontation was approached as a component of negotiation, as the tacit understanding aimed to accept disputes as part of the relationship.

- The purple colour indicates the signalling of sincerity from both sides.<sup>506</sup>
- The blue colour symbolises bilateral negotiations, where representatives from Manila and Beijing were sent to negotiate the tacit understanding.

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<sup>506</sup> While the concept of [signalling sincerity](#) was introduced in Chapter 2 as one of the antecedents, in this context, it functioned as a crucial element of the negotiation process itself.

Figure 5.2. The 1995 negotiation of a tacit understanding to acknowledge the dispute as part of Beijing-Manila relations.

Red: confrontations; green: regional pressure; purple: signalling sincerity; blue: bilateral negotiations

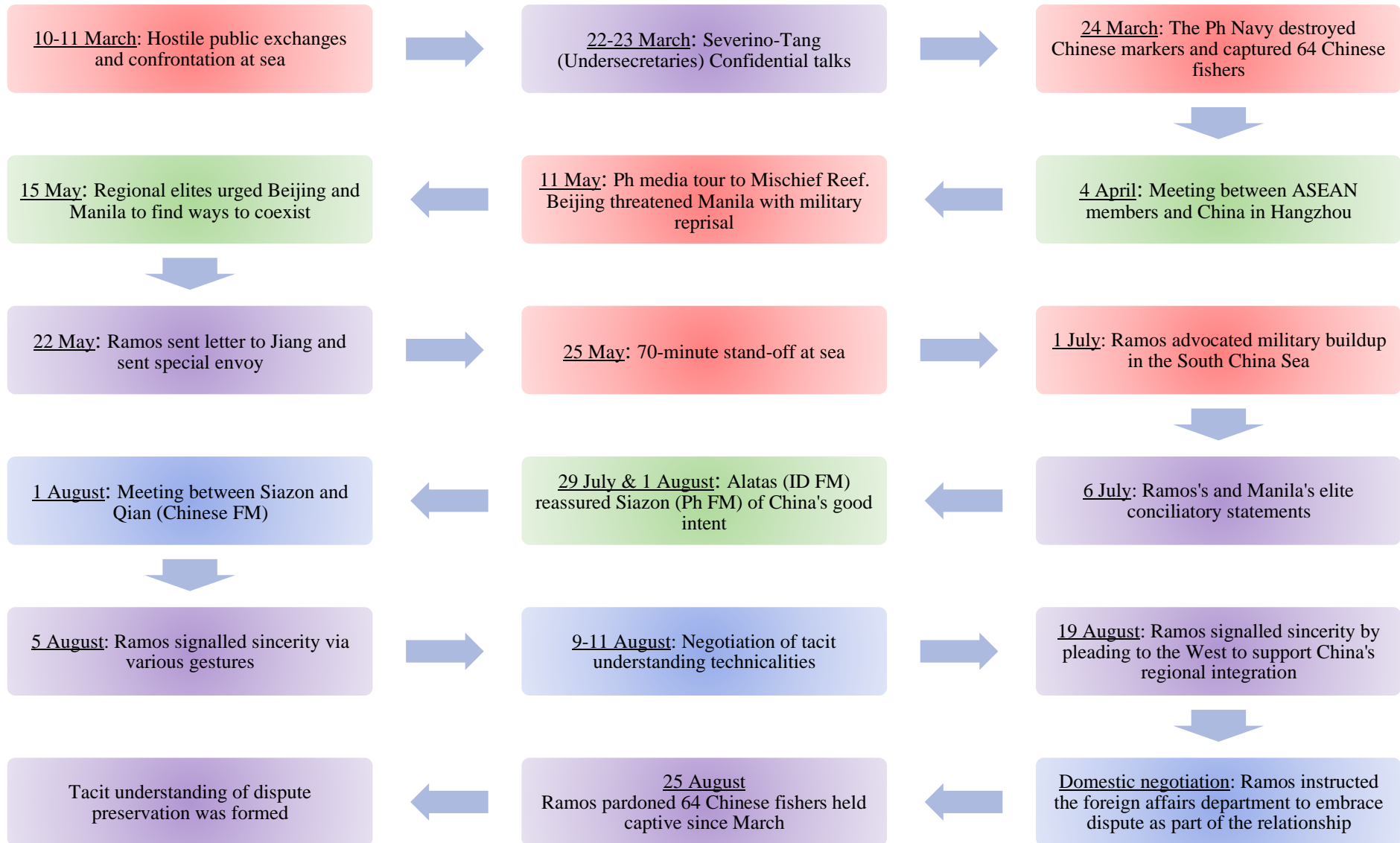


Figure 5.2 demonstrates how the negotiation process between the Philippines and China contrasts with that between Malaysia and China due to differing goals in establishing tacit understandings. As noted in the Malaysia-China section, their negotiations focused on strengthening the foundation of their relationship as they worked towards shared regional goals. Malaysia was also more comfortable with the power asymmetry in their relationship and, in fact, viewed it as beneficial. However, in the Philippines-China case, the negotiation process centred on mitigating power imbalance through reassurances and agreeing on equitable terms for restraint. The concern with mitigating inequalities stemmed from the fact that, in direct bilateral talks (blue boxes), Beijing often pushed Manila to accept its stance on shelving the dispute concerning maritime jurisdiction and sovereignty over the Spratlys while initiating joint development in the contested region. Behind the scenes, Manila preferred proposing quid pro quo agreements, often of an economic nature. As a result, as illustrated in Figure 5.2, there are unique features in the Manila-Beijing negotiation process, particularly confrontation (red boxes) and regional pressure (green boxes).

In Figure 5.2, confrontation, represented in red boxes, served as a signalling mechanism to reject proposals from the opposing side. Despite ongoing confrontations, Manila and Beijing continued communicating their positions through secret diplomatic channels or public statements, indicating that they were negotiating a tacit understanding. Therefore, confrontation should be viewed as a form of indirect negotiation, as discussed in Chapter 2, where both sides participated through iterative interactions.

In Figure 5.2, regional pressure, represented in green boxes, is a unique feature present only in the Philippines-China dyad. In contrast, the other two cases incorporated broader regional outlooks into their tacit understandings, such as Mahathir's pan-Asian vision or Alatas' efforts to keep ASEAN relevant in key regional forums like the ARF. The Philippines-China

tacit understanding, however, was narrowly focused on managing bilateral disputes, while allowing other regional states to encourage Beijing's greater participation in these forums.

This finding further corroborates the claim that differing goals between two states when establishing tacit understandings will lead to differing pathways and emphases during the negotiation of these understandings.

## **Conclusion**

This chapter demonstrates how two countries, Malaysia and the Philippines, embarked upon different pathways, which nevertheless led to a common goal—the establishment of tacit understandings with China. For Malaysia, the strategic calculation was a self-help to recoup pre-existing losses as a result of Western protectionism during the 1980s energy crisis. For the Philippines, the pathway to establishing a tacit understanding contrasts with Malaysia's experience as it emerged out of regional pressures. Regardless, the decision to eventually negotiate a tacit understanding was the result of Manila's strategic calculation that aligning with regional opinion would yield better outcomes for its overall security. Given Beijing's desire for regional integration, Manila was able to leverage regional pressure to push China toward agreeing to a more favourable tacit understanding. Both Malaysia and the Philippines regarded the negotiation of tacit understandings as the most convenient means of setting aside South China Sea disputes and allowing them to focus on broader domestic and regional priorities; this reinforces the validity of the first proposition regarding using restraint as a strategic tool.

Additionally, this chapter demonstrates that the differing goals of establishing tacit understandings influenced variations within their developmental stages, leading to the distinct agreements reached by Malaysia and China, and the Philippines and China. Showing how the independent variable—tacit understandings—extends beyond specific conditions and

accommodates modifications strengthens the credibility of the thesis and enables it to develop general principles applicable across various contexts.

In the case of Malaysia, its tacit understandings with China were negotiated to sustain wider interests beyond managing disputes in the South China Sea, responding to the regional order transition into the post-Cold War era. These wider interests included diversifying Malaysia's economic portfolio beyond the West to include other regional powers. Additionally, as the Cold War ended, Malaysia began to incorporate a region-wide outlook of building a pan-Asian economic grouping. Therefore, Malaysia's tacit understandings had a long-term goal of improving mutual trust with Beijing in order to align their regional interests. This goal of alignment of regional interests, as further discussed in this chapter, shaped the way Kuala Lumpur negotiated tacit understandings with Beijing, placing greater emphasis on strengthening the baseline of the tacit understandings to embrace China as a staying power.

Conversely, in the case of the Philippines, the tacit understanding negotiated was narrowly focused on managing tensions in the South China Sea in the aftermath of China's occupation of Mischief Reef in early 1995. It did not incorporate region-wide goals, as the Malaysia-China tacit understandings did. However, this tacit understanding was negotiated to avoid disruption to other key regional states' intentions to integrate Beijing into ASEAN regional processes. As a result, during the negotiation of their tacit understanding, Manila and Beijing placed greater emphasis on establishing redlines (limits of hostility) to minimise the impact of ongoing disputes on their ability to coexist in the region.

In the following two chapters, I delve deeper into how the differing types of tacit understandings facilitated peculiarities in exercises of restraint by Malaysia and the Philippines towards China.

**Chapter 6: Evolving practices of restraint: How Malaysia and  
China maintained their tacit understandings (1993-2022)**

Word count: 9,996 (including footnotes 15,610)

**Table 6.1 Chapter 6 map**

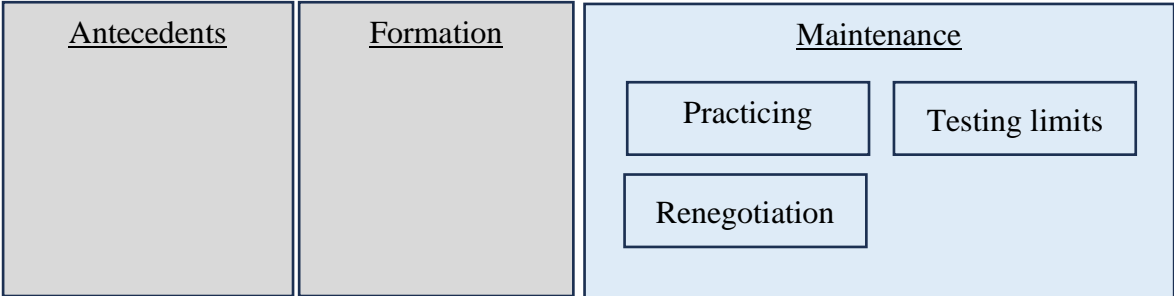
| <p>Purpose: This chapter argues that Malaysia and China’s ability to modify their tacit understandings on an ongoing basis underpins the persistence of restraint (the dependent variable) and its growing variations. In particular, it demonstrates how restraint practices towards China in the South China Sea evolved over time, reflecting Kuala Lumpur’s adjustments to the contents of its tacit understandings with China. Identifying variations in the dependent variable helps establish a cause-and-effect relationship by examining how changes in independent variables correspond to changes in the dependent variable.</p> |   |
|---|---|
| Section   | Content highlight   |
| 1: Introduction   | <ul style="list-style-type: none"> <li>• Previewing how the chapter follows the structure of the Tacit Understanding Framework, with a focus on the maintenance stage.</li> <li>• Previewing the usefulness of unpacking Malaysia-China relations as the 'easy case' of my thesis.</li> </ul>   |
| 2: Brief overview: The two tacit understandings   | <p>A reminder of the two tacit understandings discussed in Chapter 5: the first, ‘supporting mutual interests,’ aimed to leverage Malaysia and China’s regional positions for mutual benefit, and the second, ‘maintaining divergence,’ focused on managing their South China Sea disagreement to prevent it from overshadowing shared goals.</p>   |
| 3: 1993-97: The changing baseline and redline of the first tacit understanding as a transitional step   | <p>This section examines the modification of the first tacit understanding (TU-MY-1) between 1993 and 1997, focusing on changes to its baseline and redline, and how these influenced Kuala Lumpur’s strategic calculations and practices of restraint towards China.</p> <p>First, Mahathir modified the TU-MY-1 baseline by building trust and strengthening their cautious relationship, which I term ‘harmonising shared interests.’</p> <p>Second, Mahathir expanded the TU-MY-1 redline beyond discouraging domestic views of China as a threat to encouraging regional countries to avoid a narrow perspective on China.</p>   |
| 4: 1998-2009: Leveraging China’s rise: Modifying the two tacit understandings (TU-MY-1.2 and TU-MY-2)   | <p>This section examines how, between 1998 and 2009, Mahathir Mohamad (1998–2003) and his successor, Prime Minister Abdullah Badawi (2003–2009), modified the content of the two tacit understandings with China. Their primary aim was to more explicitly connect economic and security interests. This shift was made possible by the 1997–98 Asian Financial Crisis, which created opportunities for Malaysia and China to advance a regional economic agenda previously resisted by other Southeast Asian states. The crisis, one of the most significant in the post–Cold War period for Southeast Asia, became a turning point in ASEAN-China relations. Seizing this opportunity, Mahathir recalibrated the two tacit understandings to align with the evolving regional dynamics.</p> |
| 5: 2009-22: Instituting a relational redline  | <p>The third section examines how, between 2009 and 2022, Prime Minister Najib Razak and subsequent leaders further modified the second tacit understanding, maintaining divergence, to manage the dual impacts of China’s rise: increasing economic cooperation and growing assertiveness in the South China Sea.</p>  |

|               |  |
|---------------|--|
|               | <p>Modification of maintaining divergence: Razak introduced a relational redline, complementing the previous tactical ones, that evaluates Chinese assertiveness within the broader context of their relationship.</p> <p>Additional restraint practice: This modification led to a new restraint practice, where Kuala Lumpur allowed Beijing to demonstrate power in exchange for support of Malaysia's regime interests. Beijing refrained from direct confrontation and continued to support Malaysia's regime legitimacy, enabling a deepening political partnership while insulating it from episodic skirmishes.</p>  |
| 6: Conclusion | <p>This chapter highlighted a crucial narrative on how decision-makers in Kuala Lumpur and Beijing continued to maintain the two tacit understandings in the post-Cold War period because they believed that these were the best approach to enhance security in the South China Sea while obtaining benefits from each other. It addresses the thesis puzzle of how Southeast Asian states consistently maintain restraint. In the case of Malaysia and China, this has been achieved through a gradual process of building trust with China while adapting to changing regional and domestic conditions by modifying their tacit understandings and strategic calculations, which in turn diversifies their restraint practices.</p> |

**Introduction**

The Tacit Understanding Framework outlines the development of tacit understandings in three stages: antecedents, formation, and maintenance, as depicted in Figure 6.1 below.<sup>507</sup> In this chapter and the next, I compare the maintenance stage of two cases:<sup>508</sup> Malaysia-China (the easy case) and Philippines-China (the hard case).<sup>509</sup> This chapter focuses on the former, while the next chapter explores the latter. By examining both easy and hard cases, I aim to establish the robustness of the tacit understanding hypothesis and unpack a causal pathway for how tacit understandings facilitate restraint across a spectrum of political landscapes.

Figure 6.1 Stages of tacit understanding development applied in Chapter 6



In this chapter, I argue that the ability of Malaysia and China to modify their tacit understandings on an ongoing basis undergirds the persistence of restraint (the dependent variable) and their growing variations.<sup>510</sup> I use the term ‘modify’ because the changes in these tacit understandings were not dramatic, but rather ‘progressive.’ Progressive modification entails slight alterations to the contents of the initial tacit understandings, but it meaningfully

<sup>507</sup> For further elaboration, please see Chapter 2, ‘[Stages of tacit understandings development](#)’ section.  
<sup>508</sup> Outlined in Chapter 2, ‘[maintenance](#)’ is the third stage following antecedents and formation. During the maintenance stage, parties implement tacit understandings; push boundaries to establish new redlines; and adjust aspects of their tacit agreements to adapt to significant structural, regional, and domestic changes. Parties may also opt to abandon their tacit understandings, but such occurrences were not observed in the Malaysia-China case.  
<sup>509</sup> See further justification and explanation on case selection in Chapter 1, ‘[The Tacit Understanding Framework and case selection](#)’ section. While an easy case suggests that the proposed independent variable (tacit understandings) can be readily observed in facilitating the dependent variable (restraint), a hard case suggests it is unlikely that the relationship between both will be observed.  
<sup>510</sup> The two tacit understandings will be unpacked below in the section titled ‘[Brief overview](#)’.

impacts how Malaysia exercised restraint in the South China Sea towards China. The goal of progressive modification is to allow Malaysia and China to establish a new exercise of restraint, coping with changing domestic and external pressures.

As the easy case, I suggest that tacit understandings likely facilitated Malaysia's exercise of restraint towards China in the post-Cold War period, given the transformation of their relationship from antagonistic to cordial in the late 1980s and the stability of their relationship since then.<sup>511</sup> Unpacking the Malaysia-China case offers two contributions for this thesis.

First, the analysis of how Kuala Lumpur maintained its tacit understandings with China for more than 30 years (1993-2022) could help identify underlying mechanisms that explain why Malaysian leaders continued to see the benefits of relying on tacit understandings to facilitate their restraint towards China. It could also explain why officials in Kuala Lumpur believe that Beijing responded in kind to their restrained behaviour in the South China Sea.<sup>512</sup> Extending the observation found in Chapter 5, this chapter finds the continuing importance of strategic calculation as a mediating variable between tacit understanding and restraint in the Malaysia-China case. 'Strategic calculation' here refers to the approach taken to secure one's interests and derive advantages from the relationship amid the changing domestic political landscape and regional security environment.

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<sup>511</sup> This finding is consistent with observations made by some Malaysian scholars who have suggested the presence of implicit mutual understandings to explain Malaysia's unusually high tolerance of China's assertiveness in the region. In 2013, Cheng-Chwee Kuik noted the presence of 'a tacit readiness on the part of Malaysia to acknowledge and adapt to—as opposed to ignore, refuse, and resist—the reality of [China's] geostrategic outreach.' See Kuik, "Making sense of Malaysia's China policy: Asymmetry, proximity, and elite's domestic authority," 433. In 2022, in a commentary, Ngeow Chow Bing noted the presence of 'an unwritten mutual understanding,' which acted as a 'modus operandi' in the South China Sea. See Chow-Bing Ngeow, "Malaysia-China defence ties: Managing feud in the South China Sea," *RSIS Commentary*, 26 May 2022, <https://www.rsis.edu.sg/rsis-publication/rsis/malaysia-china-defence-ties-managing-feud-in-the-south-china-sea/>.

<sup>512</sup> During my fieldwork in Malaysia between June and December 2022, Malaysian maritime officials expressed a shared belief in this reciprocity in the relationship between China and Malaysia. One example came from my interview with a Royal Malaysian Navy officer, who noted that there had never been a physical collision between China and Malaysia in the South China Sea up to 2022, despite frequent shadowing between the Chinese Coast Guard (CCG) and the RMN since 2012. My fieldwork findings align with a claim in an RMN official publication, which suggests that China treated Malaysia differently from other disputants due to its recognition of their special relationship. See Yasin, Rahman, and Ahmad, *Battling the waves in the South China Sea*, 26.

Second, I can further refine this thesis' hypothesis by identifying a cause-effect relationship between tacit understandings and restraint.<sup>513</sup> This refinement involves demonstrating that any modifications to the initial tacit understandings agreed upon by Malaysia and China affected how Malaysian officials exercised restraint towards China in the South China Sea.<sup>514</sup> In particular, this chapter demonstrates the evolution of restraint practices towards China in the South China Sea over time, which corresponded to Kuala Lumpur's modification of the contents of its tacit understandings with China. The evolution of restraint here entails two components: reinforcing pre-existing restraint practices with slight adjustments, and adding new restraint practices to cope with new circumstances. Identifying the variation of a dependent variable helps this thesis establish a cause-and-effect relationship by examining how changes in independent variables correspond to changes in the dependent variable.

### **Chapter organisation**

This chapter traces modifications in the content of tacit understandings at three critical junctures: 1993-97, 1998-2008, and 2009-22.<sup>515</sup> In examining each of these junctures, I discuss (a) the domestic and external circumstances that led to Kuala Lumpur to modify its tacit understandings with Beijing; (b) the impact of these modifications on strategic calculation; and (c) how these modifications changed Malaysia's practices of restraint towards China. Overall, splitting the analyses into these critical junctures enriches the current state of knowledge that tends to lump together Malaysia's post-Cold War approach towards China in the South China

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<sup>513</sup> This thesis hypothesises that maritime Southeast Asian states have each negotiated tacit understandings with China, not to resolve but instead to shelve disputes and disagreements over their competing territorial claims in the South China Sea.

<sup>514</sup> This proposition refines the tacit understanding hypothesis by offering a more precise causal mechanism that leads to the expected outcome. For further explanation, see the '[chapter preview](#)' section of Chapter 1, as well as the [conclusion](#) of Chapter 4.

<sup>515</sup> The end year of 2022 was simply the date chosen to end the research for this thesis; it does not connote that tacit understandings were no longer in effect.

Sea across administrations and claim constancy.<sup>516</sup> To bolster confidence in the existence of the two Malaysia-China tacit understandings, I aim to highlight several co-occurrences throughout this chapter as a way to verify their presence. Co-occurrence refers to the fact of two or more things occurring together or simultaneously. As outlined in the '[Notes on verification](#)' section in Chapter 2, this thesis seeks to confirm or falsify the presence of tacit understandings by observing the expected actions associated with them.

Overall, this chapter demonstrates that Malaysian leaders sustained and enhanced their relations with China by gradually adjusting their tacit understandings with Beijing in response to changing domestic and regional conditions. The success of these modifications fostered stability in relationships and gave the appearance of constancy.<sup>517</sup>

### **Brief overview: The two tacit understandings**

This chapter discusses how Malaysia modified its two tacit understandings with China and how these modifications correspond to readjustments in Malaysia's practices of restraint towards China in the South China Sea from 1993 to 2022. Therefore, a reminder about the two tacit understandings is necessary.

As noted in the '[What are tacit understandings?](#)' section in Chapter 2, tacit understandings are underlying bilateral concords negotiated between actors for various reasons. Tacit understandings contain baselines—the non-negotiable principles that need to be respected by both parties—and redlines, the imaginary limits of acceptable behaviour in a given context. As discussed in Chapter 5, Malaysia and China negotiated two tacit understandings; these are summarised in Figure 6.2 below. The first, termed 'supporting mutual interests,' aimed to leverage each country's respective positions and importance in the region for mutual benefit.

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<sup>516</sup> See footnote 63.

<sup>517</sup> For scholarly accounts of the stability of Malaysia-China relations in the South China Sea, see Kuik, "Making sense of Malaysia's China policy: Asymmetry, proximity, and elite's domestic authority"; Storey, "Malaysia and the South China Sea dispute: Policy continuity amid domestic political change."

The second, termed ‘maintaining divergence,’ focused on preventing their disagreement over maritime jurisdiction in the South China Sea from overshadowing their shared goals.

The first tacit understanding (TU-MY-1) —supporting mutual interests—was negotiated by Prime Minister Mahathir Mohamad in 1985 to diversify Malaysia’s relationships amid the economic recessions of the 1980s, which threatened his regime’s legitimacy. It was the primary tacit understanding between Malaysia and China. As its baseline, this tacit understanding required Malaysia to accept China as a staying power, necessitating that Mahathir discourage domestic constituents from framing China as a threat. In addition to facilitating Malaysia’s restraint of rhetoric towards China, it encouraged the production of a domestic narrative within Malaysia that viewed China as a manageable risk.<sup>518</sup> This perspective made the relationship with China, a former adversary, more palatable.

The second tacit understanding (TU-MY-2) —maintaining divergence—was negotiated to sustain the first tacit understanding. It was negotiated in 1992 by Malaysian Defence Minister Najib Razak with his Chinese counterpart, aiming to ensure that the South China Sea disputes did not disrupt the progress of Malaysia’s diplomatic relationships with China. In a legal context, such a situation is referred to as a ‘divergence’: a circumstance where both parties are aware of the existence of disagreements but refrain from seeking clarification on those disagreements, enforcing their claims, and pursuing a resolution.<sup>519</sup> As its baseline, maintaining divergence was aimed at preventing disputes from occurring. This tacit understanding had two redlines: pursuing resolution, and indicating the existence of disagreements via joint exploitation activities.

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<sup>518</sup> As discussed in [Chapter 5](#), until 1985, Prime Minister Mahathir Mohamad did not shy away from declaring China as a threat to Malaysia and Southeast Asia.

<sup>519</sup> See Schreuer, "What is a legal dispute?," 20.

These two tacit understandings enabled Malaysia to deprioritise security interests in the South China Sea, given the priority of other interests with Beijing, especially in economic matters.

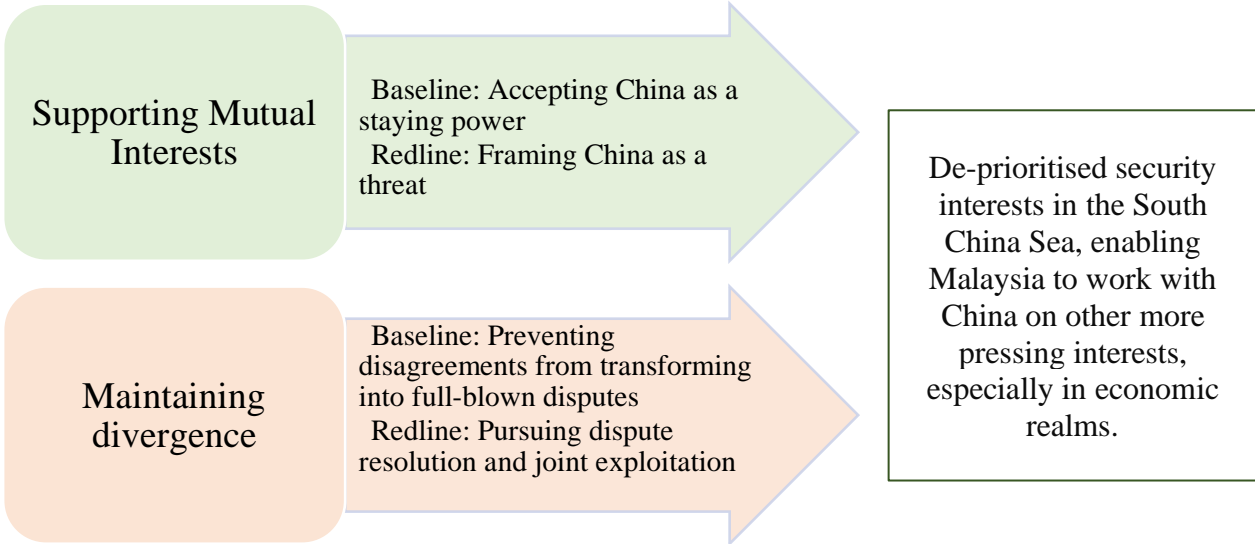


Figure 6.2 Summary of Malaysia-China tacit understandings (as of 1992)

This chapter utilises Figure 6.2 above as the initial version of the tacit understandings that Kuala Lumpur’s leaders modified over time. This chapter refers to the first tacit understanding as TU-MY-1, with its subsequent modifications denoted as TU-MY-1.2 and TU-MY-1.3, marking the second and third evolutions of the original position. Similarly, the second tacit understanding is referred to as TU-MY-2, with its progressive modifications labelled TU-MY-2.2 and TU-MY-2.3, indicating the second and third evolutions of that initial stance.

**1993-97: The changing baseline and redline of the first tacit understanding as a transitional step**

This section discusses the modification of the baseline and redline of the first tacit understanding (TU-MY-1)—supporting mutual interests—into its second version between

1993 and 1997. It also examines how this modification influenced Kuala Lumpur's strategic calculations, leading to the evolution of its practices of restraint towards China. First, modifying the TU-MY-1 baseline, Mahathir built trust and laid the groundwork for a stronger foundation in their relationship, which remained cautious at that time. I refer to this changing baseline as 'harmonising shared interests.' Second, Mahathir modified the TU-MY-1 redline by expanding the tacit understanding beyond discouraging domestic fears of China. He urged regional countries to avoid a myopic view—framing China solely as a threat in the South China Sea—without considering the broader need to integrate a rising power into the regional framework.

### ***Modifying the content of TU-MY-1: Discouraging the myopic view***

The modification of the content of a tacit understanding should be considered from the perspective of a changing regional context amid the transition from the Cold War to the post-Cold War period.<sup>520</sup> As discussed in Chapter 5, Malaysia's overt dependence on the West made it vulnerable to the effects of economic protectionism in the 1980s, exacerbating the domestic recession and threatening the legitimacy of Kuala Lumpur's ruling regime during Mahathir's early tenure as Prime Minister. However, the regional context changed between 1985 and 1993, and the primary shift for Kuala Lumpur was its growing confidence in China as a responsible regional player, rather than merely a power it needed to contend with. This confidence incentivised Mahathir to make adjustments to the content of the first tacit understanding, both the baseline and redline of regional interest alignment. Consequently, Kuala Lumpur reassessed its strategic calculation of China and evolved its practices of restraint.

Mahathir's growing confidence in Beijing was partly the result of a series of regional events in which Beijing demonstrated its commitment to engaging Southeast Asia following

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<sup>520</sup> For a comprehensive discussion on how Southeast Asia responded to the end of the Cold War, see Ang Cheng Guan, *Southeast Asia after the Cold War: A contemporary history* (Singapore: NUS Press, 2019).

the end of the Cold War.<sup>521</sup> Beijing's changing outlook on Southeast Asia led to several associated changes, including the normalisation of diplomatic relations with key Southeast Asian states, increased high-level bilateral political contacts, and reciprocal visits between the ministers of both countries.<sup>522</sup> Mahathir's growing confidence in China was also partly due to the prediction that China was poised to rise as a great power in the post-Cold War period, potentially surpassing Japan and challenging the United States.<sup>523</sup> This stood in contrast to the first leaked secret study commissioned by Mahathir in 1985, which cast doubt on the sustainability of improving relations with China.<sup>524</sup> Beijing's growing status was appealing to Mahathir, who sought to engage in constructing a regional economic grouping aimed at creating less Western-dominated economic exchanges.<sup>525</sup>

Amid the shifting balance of power in the region, Mahathir noticed that neighbouring countries were adopting different approaches towards China.<sup>526</sup> The first approach, which was adopted by Singapore, emphasised anchoring the presence of the status quo power in the region.<sup>527</sup> Mahathir and Malaysian officials also shared the indispensable US role as a regional balancer and a key player to secure freedom of navigation in the South China Sea.<sup>528</sup> However, Mahathir desired to chart a more independent foreign policy and placed greater emphasis on

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<sup>521</sup> Kuik, "Making sense of Malaysia's China policy: Asymmetry, proximity, and elite's domestic authority," 449-52.

<sup>522</sup> ASEAN gained a particular importance in China's foreign policy after the Tiananmen Incident in 1989, as noted by Ba, "China and ASEAN: re-navigating relations for a 21st-century Asia," 630-34. For a review of the maturing relationship between China and Malaysia during this period of transition from Cold War to post-Cold War, see Liow, "Malaysia-China relations in the 1990s: The maturing of a partnership."

<sup>523</sup> As noted in Whiting's interview with Malaysian officials; see Whiting, "ASEAN eyes China: The security dimension," 311.

<sup>524</sup> The report, leaked on 4 July 1985, is cited in Leong, "Malaysia and the People's Republic of China in the 1980s: Political vigilance and economic pragmatism," 1119.

<sup>525</sup> As noted in [Chapter 5](#), Beijing's willingness to support the East Asia Economic Grouping (EAEG) was seen as a turning point by Malaysia. This initiative sought to create a pan-Asia economic exchange, challenged by the United States but supported by China.

<sup>526</sup> One of the best-edited volumes featuring a collection of essays on Southeast Asian states' evolving threat perceptions of China in the post-Cold War period is Yee and Storey, *The China threat: Perceptions, myths and reality*.

<sup>527</sup> See Liow, *Ambivalent engagement: The United States and regional security in Southeast Asia after the Cold War*.

<sup>528</sup> Acharya, "Containment, engagement, or counter-dominance? Malaysia's response to the rise of China," 143. For the book, see Mahathir Mohamad and Shintaro Ishihara, *The voice of Asia: Two leaders discuss the coming century* (Tokyo, Japan: Kodansha International Ltd, 1996).

the pan-Asian solidarity project.<sup>529</sup> The second approach, which was adopted by the Philippines, took a more assertive stance against China in seeking a regional resolution in the South China Sea.<sup>530</sup> As opposed to other Southeast Asian states' combative attitude towards China, political circles in Kuala Lumpur had appreciated Beijing's active involvement in regional multilateral processes and careful avoidance of involvement in Southeast Asian states' domestic politics.<sup>531</sup> Moreover, Mahathir was perturbed by too much attention given to the South China Sea disputes; he was concerned that it would take away from more pressing interests, especially in regional order building in the economic realm.<sup>532</sup> The third approach, which was adopted by Jakarta, focused on cautious engagement, confining interactions with Beijing primarily to regional forums due to lingering anti-China sentiment.<sup>533</sup> Mahathir viewed an opportunity to be an early comer to the relationship with China and to act as a bridge between China and the region, which he sought to capitalise on in the future.<sup>534</sup> Rather than fully aligning with these approaches, he sought an approach that would allow for greater acceptance of China's participation and integration into the regional process.

I contend that, during this period, Mahathir began to develop a thoughtful strategic approach towards China, aimed at leveraging the relationship with this rising power to enhance

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<sup>529</sup> As noted by Amitav Acharya, in Mahathir's co-authored book titled *The voice of Asia*, Mahathir took a 'Gaullist swipe at the US,' stating: 'I don't think the U.S. military presence guarantees security in Asia.' As cited in Acharya, "Containment, engagement, or counter-dominance? Malaysia's response to the rise of China," 142. Acharya also offered a brief overview on Malaysia-US security relations in this book chapter.

<sup>530</sup> As noted in the Philippines section of [Chapter 5](#).

<sup>531</sup> Joseph Chinyong Liow, "Malaysia's Post-Cold War China Policy: A Reassessment," ed. Jun Tsunekawa, vol. 49, *The Rise of China: Responses from Southeast Asia and Japan* (Tokyo, Japan: The National Institute for Defense Studies, 2009). 49.

<sup>532</sup> During his state visit to Thailand in 1993, Mahathir once complained that 'too much is being made of the problem with the Spratlys.' As cited in "Too much made of problem with Spratlys—Mahathir," *The Sunday Times*, 22 August 1993.

"Too much made of problem with Spratlys—Mahathir," *The Sunday Times*, 22 August 1993. See also the next section on Malaysia's shared views on multilateralism with China.

<sup>533</sup> Between 1985 and 1992, Malaysia primarily adopted a strategy of cautious engagement. For details on Jakarta's approach to China, refer to Chapters 3 and 4. Additionally, for an in-depth analysis of Indonesia's stance towards China in the early post-Cold War period, see Sukma, *Indonesia and China: The politics of a troubled relationship* For analyses on regionalism in early post-Cold War Southeast Asia, see Ba, *(Re)negotiating East and Southeast Asia*; Amitav Acharya, *Constructing a security community in Southeast Asia: ASEAN and the problem of regional order* (London and New York: Routledge, 2009).

<sup>534</sup> Liow, "Malaysia's Post-Cold War China Policy: A Reassessment," 75; Kuik, "Making sense of Malaysia's China policy: Asymmetry, proximity, and elite's domestic authority."

Malaysia's influence in the region. In March 1994, Mahathir urged China, Japan, and Indonesia to claim their rightful place in the region while stressing their responsibility to shape an economic framework benefiting smaller states like Malaysia.<sup>535</sup> However, Kuala Lumpur expected Beijing to first demonstrate its reliability by backing its regional initiatives and accommodating differing positions on various issues. Mahathir began to introduce a series of actions as transitional steps, which I refer to as 'harmonising shared interests,' before he could fully trust China.<sup>536</sup> As Mahathir noted in an interview, as Beijing 'becomes like us' and part of the 'community', 'Malaysia-China relations as well as Southeast Asia-China relations' were likely to benefit.<sup>537</sup> By harmonising shared interests, Mahathir aimed to probe areas of further regional cooperation, but also impressed upon China the need to tolerate and afford Kuala Lumpur room for disagreements in regional matters. In so doing, he evolved the first tacit understanding into a second version (TU-MY-1.2), as summarised in Figure 6.3 below and unpacked in the next section.

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<sup>535</sup> As quoted in Abdul Razak Baginda, "Malaysian perceptions of China: From hostility to cordiality," in *The China threat*, ed. Herbert Yee and Ian Storey (London: Routledge, 2002), 249

<sup>536</sup> Kuik recognised this process as Malaysia's 'binding' strategy towards China. Kuik, "Making sense of Malaysia's China policy: Asymmetry, proximity, and elite's domestic authority."

<sup>537</sup> Kuik conducted this interview with Mahathir on 29 April 2010. *Ibid.*, 455.

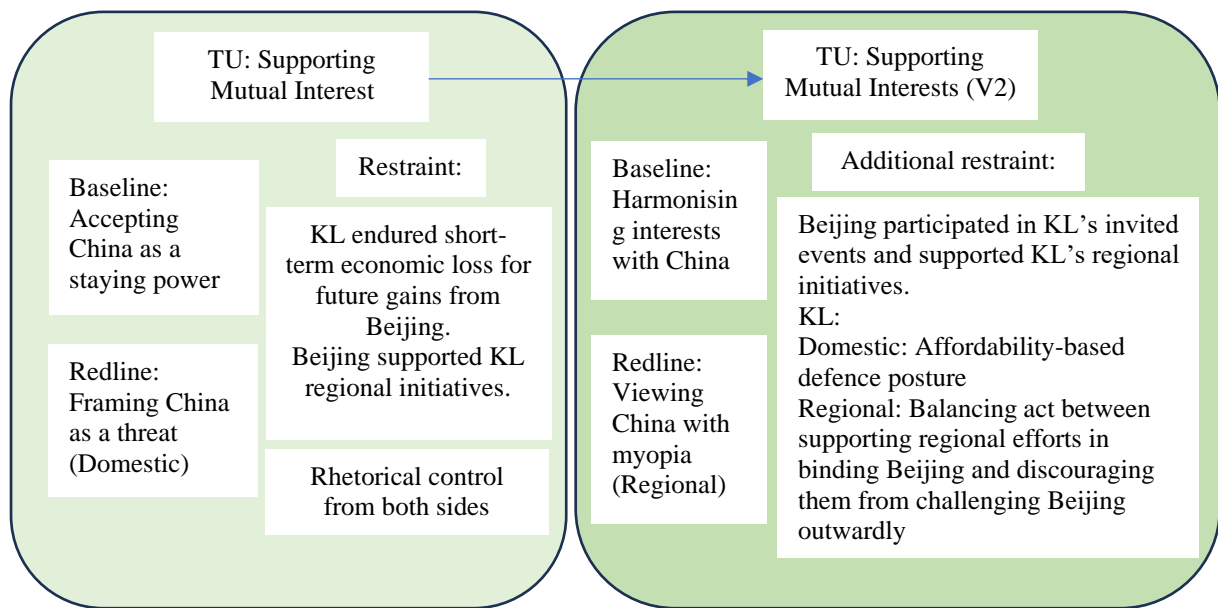


Figure 6.3 From TU-MY-1 to TU-MY-1.2

The content modification from TU-MY-1 to TU-MY-1.2 in Figure 6.2 above should be viewed as progressive, as both versions essentially aim to derive benefits from improving relations with China. However, as noted under the ‘additional restraint’ label, this slight change produced meaningful behavioural changes, changing Malaysia’s strategic calculation of China and evolving Malaysia’s exercises of restraint towards China.

*Changing the baseline: Towards harmonising shared interests*

While the earlier baseline of ‘accepting China as a staying power’ emphasised the importance of thinking about contentions with China as manageable risks instead of threats, the revised baseline of ‘harmonising shared interests’ acknowledged the need to manage some conflicting interests with China and prioritise others. Key priorities included collaborating on the establishment of fair regional economic frameworks and strengthening bilateral ties, particularly in the economic domain.

The revision of the baseline from ‘accepting China as a staying power’ in TU-MY-1 to ‘harmonising shared interests’ in TU-MY-1.2 was both implied and articulated through a series of speech acts and actions. For instance, Mahathir led two high-profile visits to China between 1993 and 1994, bringing large Malaysian business delegations with him.<sup>538</sup> Kuala Lumpur also extended invitations to Beijing to participate as an observer in various ASEAN-led meetings, such as the ARF from 1993 to 1994 (initially as an observer and later as a full participant); the ASEAN–China Senior Officials Meeting (SOM) from 1994 to 1995; and the ASEAN Plus Three in 1997.<sup>539</sup> Cheng-Chwee Kuik noted that these invitations were emblematic of Mahathir’s conviction that China was an ‘indispensable partner in his quest “to marshal influence and create coalitions” in the post-Cold War international economic arena.’<sup>540</sup>

It should be noted that Kuala Lumpur had to proactively manage resistance from other ASEAN members and regional partners who were less receptive to Beijing’s presence or its attitude in these meetings (further discussed below). As a result of Kuala Lumpur’s bilateral and multilateral engagements with Beijing, the initial focus on domestic acceptance of China as a lasting power evolved into a new baseline centred on harmonising shared interests. Joseph Liow observed by the end of the 1990s a full ‘convergence of economic, strategic and political perspectives on [a] range of issues.’<sup>541</sup> But in contrast to Liow’s finding of full convergence in various sectors, I argue that this process remained partial and limited to certain sectors at this point in time.

The shift towards harmonising shared interests allowed Mahathir to approach fostering closer relations with China more confidently. This recalibration of strategic logic became the

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<sup>538</sup> During Mahathir's visit in June 1993, a delegation of 290 Malaysian business leaders accompanied him, resulting in trade and investment agreements totalling around \$600 million. Michael Vatikiotis, "Mixed motives: Fear and prospect of profits colour ASEAN view of China," *Far Eastern Economic Review* 156 (1993): 13.

<sup>539</sup> Kuik, "Multilateralism in China's ASEAN policy: Its evolution, characteristics, and aspiration," 103. Kuik, "Making sense of Malaysia's China policy: Asymmetry, proximity, and elite's domestic authority," 450

<sup>540</sup> Kuik, "Making sense of Malaysia's China policy: Asymmetry, proximity, and elite's domestic authority," 448

<sup>541</sup> Liow, "Malaysia's post-Cold War China policy: A reassessment."

mediating variable, acting as a causal link between tacit understandings and practices of restraint.

First, the changing baseline reinforced Malaysia's tendency to tolerate short-term losses for future gains, particularly in efforts to suppress domestic criticism rooted in enduring anti-China sentiments.<sup>542</sup> From the early years until 1998, Mahathir and his Foreign Minister, Abdullah Badawi, had to actively counter domestic opposition to expanding economic ties with China.<sup>543</sup> This opposition arose because the balance of Sino-Malaysian trade favoured China, and most Malaysian investors in China were ethnically Chinese, raising concerns about their loyalty.<sup>544</sup>

Second, the changing baseline fostered a new strategic logic focused on the positive impact of socialising Beijing into ASEAN norms. Malaysian leaders believed that as Beijing became more accustomed to regional norms—such as ASEAN's principles of non-interference and its central role—China would adjust its behaviour accordingly. As a result, Beijing's visible commitment to ASEAN had reassuring effects for Malaysia.<sup>545</sup> As elaborated in the next section, this new strategic logic enabled Malaysia to adopt a balancing act: contesting other Southeast Asian states on Beijing's behalf, while also cooperating with them to limit China's assertiveness.

Third, the changing baseline broadened Malaysia's red line from a primarily domestic focus to a regional call for avoiding a myopic view of the South China Sea.<sup>546</sup> A narrow view tends to isolate issues, treating the South China Sea as separate from other regional concerns.

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<sup>542</sup> In Chapter 5, this idea is discussed as forbearance.

<sup>543</sup> On domestic concerns over business with China, see Editorial, "China can be misread," *The Straits Times*, 12 August 1998.

<sup>544</sup> Until 1998, doing business with China remained a contentious issue. For further discussion, see Acharya, "Containment, engagement, or counter-dominance? Malaysia's response to the rise of China," 139.

<sup>545</sup> *Ibid.*, 133; Kuik, "Multilateralism in China's ASEAN policy: Its evolution, characteristics, and aspiration," 102.

<sup>546</sup> For example, Mahathir discouraged the US naval presence in the East Asia region, calling it 'a waste of money as there was nothing to fear from either Japan or China.' As cited in Acharya, "Containment, engagement, or counter-dominance? Malaysia's response to the rise of China," 133.

In contrast, Mahathir aimed to intertwine economic and security matters so that one could be de-prioritised for the benefit of the other, with progress in one area contributing to improvements in the other.

As a result of the shift in tacit understanding to its second version (TU-MY-1.2) and the ensuing calibration in strategic logic, Malaysia's practices of restraint towards China also evolved.

1. Adding new restraint: Malaysian officials adopted a balancing act, aligning with China and contesting other regional countries on certain issues, while collaborating with these same countries in multilateral frameworks to restrain China in other instances.
2. Adding new restraint: Domestically, Malaysia shifted towards an affordability-based approach—rather than a threat-based one—in developing its defence posture.
3. Reinforcing pre-existing restraint: Regionally, Mahathir consistently emphasised the importance of avoiding the framing of China as a threat and warned against isolating the South China Sea issue from other regional agendas.

The evolving restraint demonstrates a causal link between tacit understanding and restraint, as changes in the content of tacit understandings aligned with adjustments in Malaysia's approach. This change confirms a co-occurrence that I summarised as '[Changes](#)'. The co-occurrence suggests that failure to link Southeast Asian states' changing practices of restraint towards China with changes in tacit understandings would invalidate the hypothesis. This chapter's ability to show the link further validates the existence of TU-MY-1.

*Adding new restraint: Malaysian officials adopted a balancing act*

By embracing the strategic logic that socialising China into ASEAN would benefit Malaysia's regional interests, Malaysia began incorporating a balancing act to ensure Beijing

remained comfortable with further integration into ASEAN. This balancing act involved measures to shield Beijing from pressure by other Southeast Asian states—primarily Indonesia and the Philippines—when they sought to push China into discussions or commitments it was reluctant to make. The objective was not to be subservient to Beijing, but to contest other Southeast Asian states when Malaysia's interests aligned with China's. At the same time, Malaysia also collaborated with other Southeast Asian states to curb Beijing's assertiveness through ASEAN's normative framework. Furthermore, Kuala Lumpur sought Beijing's tolerance for differing positions during multilateral and bilateral discussions, such as refraining from pressuring Malaysia to acknowledge disputes in the South China Sea. This approach ensured that the second tacit understanding of maintaining divergence (TU-MY-2) remained intact.

The balancing act was evident in how Malaysia and China strategically navigated bilateral and multilateral forums, demonstrating their awareness of which issues to address in each setting. Similar to the 'limited multilateralism' (TU-ID-2) tacit understanding between Indonesia and China discussed in Chapter 3, Malaysia and China recognised the appropriate venues for addressing sensitive issues. While Indonesia and China delineate the venues across informal and formal mechanisms to delineate their issues due to their limited bilateral engagement, Malaysia and China delineate theirs across bilateral and multilateral avenues.<sup>547</sup> Malaysia focused on discussing sensitive issues bilaterally while participating in multilateral forums as part of its strategy to socialise China with ASEAN norms. This delineation allowed Malaysia to rely on each forum's strengths to manage its sometimes-conflicting interests. These interests included asserting its claims and pursuing economic opportunities in the South China Sea, enhancing its bilateral relationship with China, securing China's support for Malaysia's regional initiatives, and using the benefits of the relationship to bolster its ruling regime's

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<sup>547</sup> Liow, "Malaysia's post-Cold War China policy: A reassessment," 66.

legitimacy. As explained below, this delineation became a defining feature of Malaysia's approach to managing relations with China and ASEAN members in the post-Cold War period.

### **Malaysia's shifting preference for bilateral discussions with China regarding sensitive topics, such as the South China Sea disputes**

As Malaysia and China harmonised their shared interests, Malaysia's confidence in China's reliability grew, leading Malaysia to prefer discussing sensitive issues, especially regarding the South China Sea disputes, in bilateral settings.<sup>548</sup> By 1997, Prime Minister Mahathir argued that bilateral negotiations fostered 'greater intimacy, understanding, and results' compared to focusing solely on multilateral approaches.<sup>549</sup> This preference counters conventional scholarly wisdom that smaller states in asymmetric settings would favour multilateral forums to avoid being bullied by larger powers like China.<sup>550</sup> In Malaysia's approach to China, discussing sensitive South China Sea issues in a bilateral setting served two key purposes. First, bilateral talks allowed Malaysia to address South China Sea issues alongside economic and security matters, often prioritising economic interests over security concerns in the region.<sup>551</sup> Second, Malaysia avoided discussing these disputes in multilateral forums with China present to prevent legitimising assumptions that disputes existed with China

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<sup>548</sup> As noted by Dino Patti Djalal, an Indonesian diplomat who closely interacted with his Malaysian counterpart, Malaysian officials viewed bilateral dialogues as useful 'to clarify and understand the position' of each disputant. Djalal, "Indonesia and preventive diplomacy: A study of the workshops on managing potential conflicts in the South China Sea." This is consistent with Liow's finding. See Liow, "Malaysia's post-Cold War China policy: A reassessment," 66-67.

<sup>549</sup> As cited in Shanti Nair, *Islam in Malaysian foreign policy*, Museum and Heritage Studies, Politics & International Relations, (London: Routledge, 2013), 95.

<sup>550</sup> Segal, "East Asia and the 'constraint of China'"; Tom Long, "Small states, great power? Gaining influence through intrinsic, derivative, and collective power," *International Studies Review* 19, no. 2 (2017)

<sup>551</sup> All bilateral communiqués between Malaysia and China during the post-Cold War period considered the South China Sea issues along with other agenda items, especially matters of economic cooperation. For instance, "Joint statement between the government of the People's Republic of China and the government of Malaysia on the framework for future bilateral cooperation." *News release*, 31 May 1999, [http://my.china-embassy.gov.cn/zt/zmgxzywj/199905/t19990531\\_1769035.htm](http://my.china-embassy.gov.cn/zt/zmgxzywj/199905/t19990531_1769035.htm); "Joint communique between the People's Republic of China and Malaysia," *People's Daily* (Beijing), 29 May 2004, [http://english.peopledaily.com.cn/200405/30/eng20040530\\_144795.html](http://english.peopledaily.com.cn/200405/30/eng20040530_144795.html).

in the South China Sea.<sup>552</sup> Keeping these discussions private allowed Mahathir to preserve Malaysia's tacit understanding of maintaining divergence with China.

Malaysian leaders continued to face pressure from their Chinese counterparts during bilateral negotiations, particularly regarding the establishment of a joint commission to resolve disputes and conduct joint exploration in the contested areas.<sup>553</sup> Kuala Lumpur consistently rejected these proposals, fearing they would legitimise the notion that disputes existed between the two nations—violating the tacit understanding to maintain divergence (TU-MY-2).<sup>554</sup> Despite these challenges, rather than confront the pressure directly, Malaysia appeared to employ various stalling tactics, including agreeing to proposals without following through. In two instances, in 1993 and 2019, Malaysia's Defence Ministers suggested an agreement to create a bilateral mechanism to address disputes with Beijing.<sup>555</sup> However, by convention, establishing such a mechanism would formalise the existence of a dispute, violating the tacit understanding's principle of maintaining divergence.<sup>556</sup> In both cases, Kuala Lumpur refused to follow through, leaving Beijing's proposals unaddressed. This practice of non-commitment served as a subtle way for Malaysia to resist Beijing's pressure while preserving the tacit understanding of divergence.

Beijing could have punished Kuala Lumpur for these refusals to follow through, but for more than 30 years, it has instead opted for a rewards-based approach.<sup>557</sup> As a result, we have

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<sup>552</sup> For an extensive explanation of the disagreements between Malaysia and China in the South China Sea, see BA Hamzah, "China's excessive maritime claims in the South China Sea: A Malaysian perspective," in BA Hamzah, "China's excessive maritime claims in the South China Sea: A Malaysian perspective," in *Malaysia and South China Sea: Policy, strategy and risks*, ed. Adam Leong BA Hamzah, Vivian Forbes (Kuala Lumpur: Centre for Defence and International Security Studies (CDiSS), 2020).

<sup>553</sup> This pressure has persisted for more than 30 years, starting in 1992, with Beijing repeatedly urging Kuala Lumpur to acknowledge that disputes exist between them.

<sup>554</sup> As noted, disputes arise when one party seeks resolution.

<sup>555</sup> For the 1993 case, see [Chapter 5](#). For 2019, see Ben Blanchard, "China, Malaysia to set up South China Sea dialogue mechanism," *Reuters*, 12 September 2019, <https://www.reuters.com/article/us-china-malaysia/china-malaysia-to-set-up-south-china-seadialogue-mechanism-idUSKCN1VX0JN/>.

<sup>556</sup> See Schreuer, "What is a legal dispute?."

<sup>557</sup> For instance, as discussed in the following sections, when Malaysia took assertive actions, such as occupying two features or submitting the 2009 CLCS, Beijing responded by strengthening their relationship and pledging greater economic development. This mirrors the situation when Malaysia established a garrison on Swallow Reef in the early 1990s (as discussed in [Chapter 5](#)).

yet to see Beijing employing economic instruments as a form of pressure against Malaysia, as it did with the Philippines following the Scarborough Shoal incidents.<sup>558</sup> This dynamic reinforces the second strategic logic previously discussed: Kuala Lumpur appears to mitigate Beijing's assertiveness by aligning regional and bilateral interests. As the stakes in their relationship have grown, Kuala Lumpur has become increasingly confident that Beijing will remain cautious in exercising its power against Malaysia.

### **Malaysia's shifting preferences on multilateral discussion**

In addition to the tactics described above, Malaysia engaged in a balancing act where it contested ASEAN members on behalf of China on certain issues, while also collaborating with ASEAN members to constrain China. However, this needs to be understood in light of the following contexts. First, Malaysia sought to encourage China to embrace ASEAN norms, such as the principles of non-intervention.<sup>559</sup> Second, one of Malaysia's contributions to China was its ability to manage ASEAN members in regional forums. Therefore, it was essential for Malaysia to be a key player in these forums and to encourage China's participation. Third, Malaysia strategically leveraged China's rising power status and support to advance its own interests in these forums.<sup>560</sup> Rather than dismissing Malaysia's multilateral engagement in ASEAN as mere 'lip service'—which is often based on instances where it acts in its own self-interest or in defence of China—we should recognise that Kuala Lumpur has layered interests.

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<sup>558</sup> For further explanation, see [Chapter 7](#).

<sup>559</sup> In another instance, when Chinese structures were discovered on Mischief Reef in 1995, Malaysia took an active stance, calling for China to exercise restraint and joining ASEAN's collective efforts. This conveyed a clear message to Beijing that there were 'certain rules of the game' among Southeast Asian states, and that Malaysia played a crucial role in shaping these rules. As cited in Liow, "Malaysia's post-Cold War China policy: A reassessment," 66-67.

<sup>560</sup> One example of Beijing's consistent support for Kuala Lumpur was its backing of the East Asia Economic Grouping (EAEG), which later became the East Asia Economic Caucus (EAEC) due to resistance from other countries, fearing it would become a bloc. Although the EAEC never materialised into a concrete entity, Mahathir was 'especially appreciative of the support expressed by China for ASEAN's proposal for the East Asian Nations to engage in purposeful exchange of views on matters affecting the peace, stability and economic growth of the region.' As cited in Acharya, "Containment, engagement, or counter-dominance? Malaysia's response to the rise of China," 145.

These interests both align with and diverge from those of China and other ASEAN members in various ways.<sup>561</sup>

While working with ASEAN members to constrain China's assertiveness, Malaysian participants in the South China Sea workshop frequently opposed the Chinese delegates' attempts to exclude confidence-building from the discussions. Kuala Lumpur often encouraged Beijing to embrace military transparency as a confidence-building measure.<sup>562</sup> Malaysian officials envisioned regional discussions, such as the South China Sea workshop, as a forum to socialise with their counterparts.<sup>563</sup> However, for Malaysia, confidence-building activities such as dialogue and idea exchanges appeared to be the end instead of the means to reach a specific end.

However, Kuala Lumpur also contested ASEAN members on behalf of China, especially when their actions contradicted the Malaysia-China shared vision of the role of regional forums in fostering greater economic discussions.<sup>564</sup> While Malaysia actively participated in discussions about the South China Sea disputes, it aimed to confine these discussions to the realm of confidence-building, insisting that concrete proposals should be addressed in a bilateral setting. Therefore, Malaysia would not hesitate to challenge and restrain other Southeast Asian states, at least on three issues.

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<sup>561</sup> Liow characterised Malaysia's multilateral engagement as a 'lip-service'. Liow, "Malaysia's post-Cold War China policy: A reassessment," 75.

<sup>562</sup> During the ASEAN Ministerial Meeting in 1993 in Singapore, Foreign Minister Abdullah Badawi called for South China Sea disputants to embrace 'confidence-building measures' to foster stability. See "Statement by H.E. Datuk Abdullah bin Haji Ahmad Badawi, Minister of Foreign Affairs of Malaysia, 27th ASEAN Ministerial Meeting (AMM)." *News release*, July 1993. Kuala Lumpur often convened workshops and working groups in the ARF focusing on confidence-building as the theme. For a comprehensive study on preventive diplomacy and South China Sea disputants' behaviour, see Djalal, "Indonesia and preventive diplomacy: A study of the workshops on managing potential conflicts in the South China Sea," 191.

<sup>563</sup> In earlier years, they sent high-ranking officials, usually the Undersecretary of Foreign Affairs, indicating their investment in regional discussion. See Djalal, "Indonesia and preventive diplomacy: A study of the workshops on managing potential conflicts in the South China Sea," 191.

<sup>564</sup> Kuala Lumpur was also wary of creating a dynamic where ASEAN appeared to be ganging up against China. Thus, Beijing's consent was key for Kuala Lumpur, ensuring Beijing's comfort in participating in Kuala Lumpur's initiatives. Rajmah Hussain, "A Southeast Asian perspective: View from Malaysia," in *Multilateral activities in South East Asia: Pacific symposium, 1995*, ed. Michael W Everett and Mary A Sommerville (Washington, DC: National Defense University Press, 1995), 53-62.

First, Kuala Lumpur often opposed Jakarta's and Manila's efforts to establish a formal regional mechanism for resolving South China Sea disputes.<sup>565</sup> This stance aligned with Beijing's preference for using regional forums as venues for dialogue rather than creating a formal conflict resolution mechanism.<sup>566</sup>

Second, regarding joint technical cooperation in the disputed area, Malaysia was reluctant to support proposals for cooperation in the disputed areas from Indonesia, especially when they encroached on the Sarawak and Sabah basins—key regions for Malaysia's oil production and exploration.<sup>567</sup> Beijing was also reluctant to support technical cooperation in the disputed area when it was proposed during ASEAN discussions, preferring such initiatives to arise from bilateral discussions. Although Malaysia and Beijing were both hesitant to endorse proposals for joint cooperation in the disputed area, Kuala Lumpur resisted Beijing's repeated pressure to participate in joint development projects in the South China Sea, opting instead for unilateral resource exploitation in the disputed region.<sup>568</sup>

Third, while Malaysia participated in discussions on a code of conduct and called for restraint, it opposed the Philippines' proposal for complete demilitarisation, considering it

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<sup>565</sup> As discussed in [Chapter 3](#), Jakarta, in the early 1990s, aimed to formalise the South China Sea Workshop, a Track 1.5 initiative where high-ranking officials could address South China Sea issues in an informal setting. Following the Manila Declaration in 1992, Manila has supported this effort and has been advocating for a regional mechanism to help resolve the disputes.

<sup>566</sup> As cited by one study, in various discussions in the early to late 1990s, Indonesian diplomats often engaged in debates with the Chinese and Malaysians during deliberations on potential projects in the disputed area. See Djajal, "Indonesia and preventive diplomacy: A study of the workshops on managing potential conflicts in the South China Sea," 193.

<sup>567</sup> JN Mak observed that Malaysia harboured 'suspicions' about Indonesia's motives during the joint exploration discussions at the South China Sea workshop. See JN Mak, *The law of the sea after UNCLOS: Implications for the South China Seas dispute* (Malaysian Institute of Maritime Affairs, 1995).

<sup>568</sup> In the early 1990s, more than 100 exploration wells were drilled in the Sabah Basin, leading to the discovery of more than one billion barrels of recoverable oil reserves. Malaysian elites also believed that the Sarawak Basin was a highly productive oil-producing region, with recoverable reserves exceeding 1.5 billion barrels of oil and 20 trillion cubic feet (TCF) of gas. For a comprehensive overview of Malaysia's petroleum industry, see Leong Fee Wan, *Economic prospects of Malaysia's petroleum economy* (Kuala Lumpur: Maritime Institute of Malaysia, 1994), 3.

impractical (a view shared by China).<sup>569</sup> As explained later, at this moment, Kuala Lumpur also had the appetite to expand its military garrison in the South China Sea.<sup>570</sup>

The explanation above demonstrates how Malaysia's balancing act was a multidirectional exercise in restraint, aligning with Beijing due to shared interests while working with ASEAN when it strengthened its position against Beijing. The balancing act and delineation of avenues to discuss the South China Sea disputes also fulfil three co-occurrences, which further demonstrates the existence of tacit understanding.<sup>571</sup> I shorthanded the three co-occurrences as '[awareness](#),' '[disciplining](#),' and '[protest](#).' The first co-occurrence posits that when leaders delineate appropriate venues (bilateral and multilateral forums) for engaging in discussion or contestation with China, this may confirm the existence of tacit understandings. The second co-occurrence suggests that actions to discipline those who might breach these understandings help confirm their existence. The third co-occurrence suggests that given the absence of an enforcement mechanism, both parties' action to monitor each other for potential or actual violations suggests the existence of tacit understanding.

*Malaysia reinforces existing restraints and adds new one: Towards avoiding myopia*

As explained earlier, the changing baseline also shifted Kuala Lumpur's redline in the South China Sea towards China. The harmonisation of shared interests incentivised Malaysia to avoid viewing China through a narrow or myopic lens. Kuala Lumpur began adopting what I refer to as a 'constructivist' perspective on China, implying that China becomes a threat only

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<sup>569</sup> Besides deeming demilitarisation impractical, Malaysia at this stage focused on establishing bases and a garrison in the South China Sea and resolving immediate disputes with neighbours, such as those with Brunei over Limbang, and with Indonesia over Sipadan and Ligitan. Consequently, resolving the South China Sea disputes took lower priority. See JN Mak, "Perspectives from the Asia Pacific" (Security implications of conflict in the South China Sea, Mandaluyong City, Philippines, 11-15 November 1995).

<sup>570</sup> See section titled 'Modifying the second tacit understanding (TU-MY-2), maintaining Divergence'.

<sup>571</sup> See Chapter 2 section titled '[Notes on verification](#).'

if one chooses to perceive it as such.<sup>572</sup> This constructivist view—that threat perception is a choice rather than a reality dictated by external circumstances—was often reflected in the belief in a self-fulfilling prophecy, suggesting that China could become a threat partly due to predictions and the expectations of others.<sup>573</sup> This shift in Kuala Lumpur’s strategic logic produced two behavioural impacts on Malaysia’s restraint practices in the South China Sea towards China.

First, it reinforced the existing practice of avoiding threat-based assessments of China, influencing Malaysia’s defence posture. Malaysian scholar JN Mak noted that rejecting the perception of Beijing as a threat altered Malaysia’s approach to preparing for maritime threats and building its defence capabilities, focusing on affordability rather than specific threats.<sup>574</sup> This affordability-based assessment highlights a gap between the views of operational defence planners and Malaysia’s top elites, particularly in the Prime Minister’s Office. While defence planners saw China as a maritime threat, policies from the Prime Minister’s Office downplayed the need to respond to China’s growing power and actions in the South China Sea.<sup>575</sup> Furthermore, by the late 1990s, under the Sixth Malaysia Plan (6MP), there was no significant increase in defence spending for the RMN and Air Force, despite ongoing tensions in the South China Sea compared to the Army. In the Seventh Malaysia Plan (1996), military expenditures emphasised continental defence with artillery, air-defence systems, armoured platforms, and

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<sup>572</sup> This aligns with Alexander Wendt’s idea of constructivism. Alexander Wendt, "Anarchy is what states make of it: The social construction of power politics," *International Organization* 46, no. 2 (1992). Alexander Wendt, "Anarchy is what states make of it: The social construction of power politics," *International Organization* 46, no. 2 (1992). See also Emirza Adi Syailendra, "Why don’t Malaysian policymakers view China as a threat?," *The Diplomat*, 24 February 2023, <https://thediplomat.com/2023/02/why-dont-malaysian-policymakers-view-china-as-a-threat/>.

<sup>573</sup> As Mahathir expressed in an interview on 7 May 1997: ‘If you identify a country as your future enemy, it becomes your present enemy—because then they will identify you as an enemy and there will be tension.’ For the full interview, see "‘I am still here’: Asiaweek’s complete interview with Mahathir Mohamad," *Asiaweek*, 7 May, 1997, <http://edition.cnn.com/ASIANOW/asiaweek/97/0509/cs3.html>; Kuik, "Making sense of Malaysia’s China policy: Asymmetry, proximity, and elite’s domestic authority," 457

<sup>574</sup> JN Mak, "The modernization of the Malaysian armed forces," *Contemporary Southeast Asia* 19, no. 1 (1997): 36.

<sup>575</sup> Malaysian defence planners remained wary of China’s intent in the South China Sea, and expressed them internally and publicly, calling for building a credible deterrence. As quoted in Razak Baginda, "Malaysian perceptions of China: From hostility to cordiality," 249.

logistics equipment rather than maritime deterrence.<sup>576</sup> Liow observed that the military buildup from the early 1990s to the early 2000s was more suited for land-based threats rather than maritime ones, indicating that Malaysia's military buildup in the maritime domain did not reflect an acute perception of a Chinese threat.<sup>577</sup>

Second, in addition to promoting a domestic policy of not viewing China as a threat, Prime Minister Mahathir began advocating this perspective in regional forums, urging participants to avoid adopting a narrow approach when addressing the South China Sea issue with China. Since 1993, top Malaysian officials, including Mahathir, Defence Minister Najib, and Foreign Minister Badawi, urged regional actors not to view China as a threat or involve external actors to contain China.<sup>578</sup> This contrasted with Kuala Lumpur's earlier portrayal of Beijing as a threat and its alignment with the West to counterbalance Beijing in the early 1970s. Downplaying the China threat served two primary functions for Malaysia: demonstrating its commitment to making China a partner, and keeping regional discussions focused on economic integration rather than containing China.

The regional call to avoid myopia due to shifting redlines has become one of the most enduring aspects of Malaysia's practice of restraint, consistently upheld by all Malaysian Prime Ministers and reflected in official documents such as the 2019 Defence White Paper.<sup>579</sup> This

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<sup>576</sup> Similarly, the Eighth Malaysia Plan (2001) emphasised acquiring Adnan armoured vehicles, medium-calibre guns, multiple launch rocket systems (MLRS), tactical bridges, and operational flight simulators. The government has justified most of these purchases as part of an upgrading process and to support Malaysia's substantial UN peacekeeping commitments. See Liow, "Malaysia's post-Cold War China policy: A reassessment," 59.

<sup>577</sup> Defence spending in general was reduced from the Sixth Malaysia Plan, even as economic growth had increased. See International Institute of Strategic Studies, *The Military Balance 1997/1998* (London: Oxford University Press, 1997), 168.

<sup>578</sup> Liow, "Malaysia's post-Cold War China policy: A reassessment," 59.

<sup>579</sup> For instance, in 1994, Mahathir stated that "historically China has not exhibited any consistent policy of territorial acquisitiveness." In 1996, Defense Minister Syed Hamid emphasised China's responsible behaviour, saying, 'We in Southeast Asia generally feel that China has so far been a sober and responsible regional player.' As noted in paragraph 48 of Mahathir Mohamad, "The 1994 China summit meeting." *News release*, 11 May 1994; "The ADJ interview: Dato Syed Hamid Albar, Malaysia's Defence Minister," *Asian Defence Journal*, April 1996.

<sup>579</sup> Prime Minister Ismail Yaakob's warning that the presence of nuclear-powered submarines in Southeast Asia's waters could 'provoke other powers to act aggressively in the region, especially in the South China Sea.' In "Malaysia warns new Indo-Pacific pact may trigger nuclear arms race," *Reuters* (Kuala Lumpur), 18

continued practice of restraint further confirms the existence of the first tacit understanding, as it fulfils a co-occurrence I have termed ‘disciplining activities towards others who might violate agreed redlines with China.’ This co-occurrence suggests that actions taken to discipline those who may breach these understandings help validate their existence.<sup>580</sup>

### **1998-2009: Leveraging China’s rise: Modifying the two tacit understandings (TU-MY-1.2 and TU-MY-2)**

This section examines how, between 1998 and 2009, Mahathir Mohamad (1998–2003) and his successor, Prime Minister Abdullah Badawi (2003–2009), modified the content of the two tacit understandings with China. Their primary aim was to more explicitly connect economic and security interests. This shift was made possible by the 1997–98 Asian Financial Crisis, which created opportunities for Malaysia and China to advance a regional economic agenda previously resisted by other Southeast Asian states. The crisis, triggered by a wave of currency devaluations, destabilised many Asian markets, causing widespread disruption. Amid perceived neglect from Western powers, China took a proactive role in assisting Southeast Asian countries, notably through its unilateral decision not to devalue the renminbi.<sup>581</sup> The crisis, one of the most significant in the post–Cold War period for Southeast Asia, became a turning point in ASEAN-China relations. Seizing this opportunity, Mahathir recalibrated the two tacit understandings to align with the evolving regional dynamics.

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September 2021, <https://www.reuters.com/world/asia-pacific/malaysia-warns-new-indo-pacific-pact-may-trigger-nuclear-arms-race-2021-09-18/>. Prior to that, Prime Minister Mahathir Mohamad made a statement in 2020: ‘We would not like to see too many warships in this area [Malaysia’s maritime jurisdiction] because [a] warship attracts other warships’; “Malaysia may renegotiate some deals with China: Mahathir,” *The Star* (Kuala Lumpur), 10 May 2018, <https://www.thestar.com.my/business/business-news/2018/05/10/malaysia-mayrenegotiate-some-deals-with-china-mahathir/>.

<sup>580</sup> See Chapter 2 section titled ‘[Notes on verification](#).’

<sup>581</sup> Various scholars noted that this juncture marked a turning point, where Southeast Asian states began to abandon the notion of China as a threat and instead to view Beijing as a responsible stabilising power. See Yee and Storey, *The China threat: Perceptions, myths and reality*.

### *Reinforcing the redline of avoiding myopia*

The 1997–98 Asian Financial Crisis enabled Mahathir to bolster his efforts, begun in the early 1980s, to centralise decision-making within the Prime Minister’s Office (PMO).<sup>582</sup> This centralisation allowed the PMO to manage relations with China directly, sidelining dissenters advocating caution.<sup>583</sup> Mahathir restructured economic and security institutions, elevating economic interests over security concerns and assigning the Inter-Ministerial Committee on China Affairs to coordinate bilateral relations.<sup>584</sup> His dual role as Prime Minister and Finance Minister further prioritised economic development, such as creating ‘economic corridors,’ while limiting the defence sector’s influence.<sup>585</sup> Consequently, the first tacit understanding’s baseline with China—centred on supporting mutual interests (TU-MY-1.2)—shifted towards ‘leveraging China’ to bolster Malaysia’s regime and regional influence.<sup>586</sup>

The two modifications are summarised in Figure 6.4 below. These changes should be viewed as progressive, aiming to capitalise on improved relations with China. However, as indicated under the ‘additional restraint’ label, even slight adjustments resulted in meaningful behavioural shifts, enhancing previous restraint practices with new ones. As Malaysia’s relationship with China deepened, it gave rise to what Malaysian scholar Ngeow Chow Bing

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<sup>582</sup> Reducing institutional checks on executive power had been ongoing since Mahathir assumed office in July 1981, but the 1997–98 Asian Financial Crisis provided an opportunity to further strengthen the PMO. See Dan Slater, "Iron cage in an iron fist: Authoritarian institutions and the personalization of power in Malaysia," *Comparative Politics* (2003): 82; Kenichi Ohno, "Avoiding the middle-income trap: Renovating industrial policy formulation in Vietnam," *ASEAN Economic Bulletin* (2009): 32.

<sup>583</sup> One consequence of this centralisation of power was the separation of economic and security institutions, with a clear prioritisation of economic interests over security concerns. Chow-Bing Ngeow, "Malaysia’s China policy and the South China Sea dispute under the Najib administration (2009–2018): A domestic policy process approach," *Asian Politics & Policy* 11, no. 4 (2019): 600.

<sup>584</sup> Francis E Hutchinson, "Malaysia’s federal system: Overt and covert centralisation," *Journal of Contemporary Asia* 44, no. 3 (2014): 432. Although the maritime-related agency also held regular meetings chaired by the National Security Council, the ranking of officials handling it was lower than the economic one. See Figure 2 in Ngeow, "Malaysia’s China policy and the South China Sea dispute under the Najib administration (2009–2018): A domestic policy process approach," 601.

<sup>585</sup> Kai Ostwald, "Federalism without decentralization: Power consolidation in Malaysia," *Journal of Southeast Asian Economies* (2017): 495.

<sup>586</sup> The next section unpacks the baseline of leveraging China.

describes as bureaucratic ‘tunnel vision.’<sup>587</sup> This narrow focus has persisted into the current administration under Prime Minister Anwar in 2024, with the PMO prioritising Chinese investments in Malaysia while relegating operational concerns in the South China Sea to a lower priority.

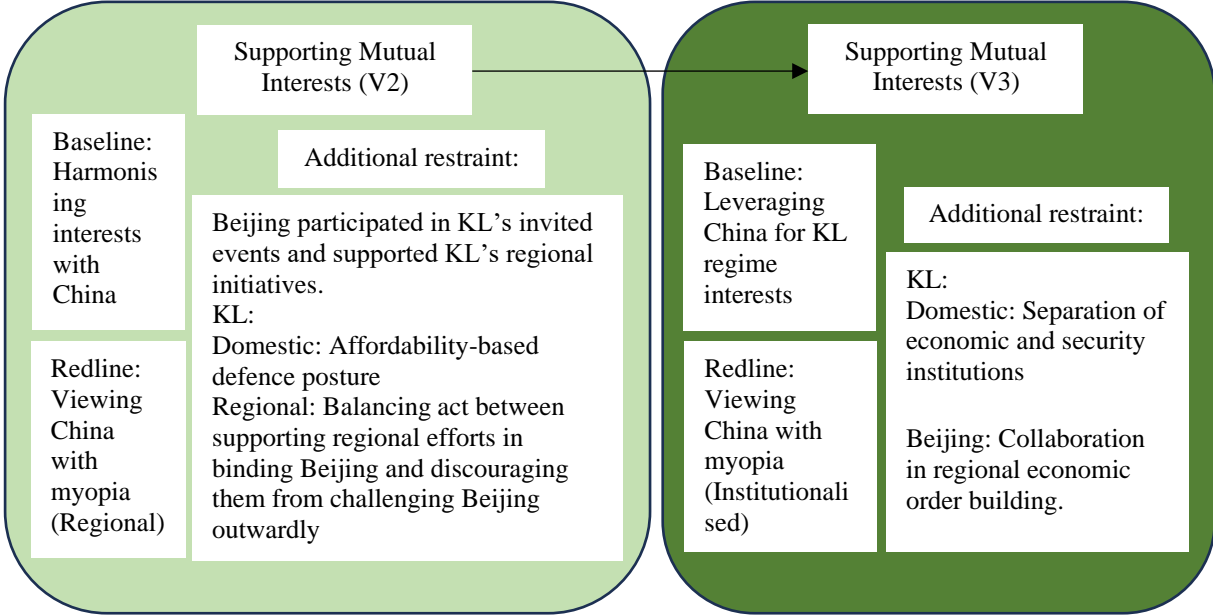


Figure 6.4 From TU-MY-1.2 to TU-MY-1.3

The evolving restraint practice further confirms a co-occurrence that I summarised as ‘[changes](#).’ As noted in Chapter 2, the failure to link Southeast Asian states’ changing practices of restraint towards China with changes in tacit understandings would invalidate the hypothesis. This chapter’s ability to show the link further validates the existence of TU-MY-1.<sup>588</sup>

***Changing baseline: Towards leveraging China***

Leveraging China involves actively supporting Beijing’s rise by consistently endorsing its expanding role in Southeast Asia and accommodating its growing assertiveness in the

<sup>587</sup> Ngeow, "Malaysia’s China policy and the South China Sea dispute under the Najib administration (2009–2018): A domestic policy process approach," 601.  
<sup>588</sup> See Chapter 2 section titled ‘[Notes on verification](#).’

process. This concept differs from the previous baseline—harmonising interests—which served as a transitional phase. The key distinction lies in the confidence already established in China, with Kuala Lumpur now feeling secure enough to pursue broader economic and regional initiatives with Beijing.<sup>589</sup> This confidence was exemplified by both countries signing a joint vision in September 1997 to establish pan-Asian economic centres aimed at countering US dominance in the region and competing with economic hubs in Europe and North America.<sup>590</sup> In presenting this argument, I contend that the confidence stemming from the tacit understanding fostered greater economic cooperation between Kuala Lumpur and Beijing, rather than the other way around.<sup>591</sup> This confidence also facilitated collaboration between Malaysia and China in building a regional economic order, replicating the balancing act previously discussed beyond the South China Sea disputes.

At the regional level, Malaysia's embrace of leveraging China was evident in Kuala Lumpur's proactive leadership in establishing ASEAN+3 (APT), which formalised ties between Southeast Asian nations and South Korea, Japan, and China.<sup>592</sup> This initiative brought the idea

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<sup>589</sup> By 2007, this led to increased bilateral coordination across various issues and greater political engagement of Chinese diplomats in Malaysia's political circles. According to Wikileaks Cable, Prime Ministerial Political Secretary Vincent Lim informed East Asia and Pacific DAS Thomas Christensen that Malaysia witnessed a significant transformation in its relationship with Beijing, particularly as the US reduced its engagement in the region following its involvement in Iraq. Lim noted, 'Chinese diplomats are engaging regularly in political circles... This is a real change.' Embassy Kuala Lumpur, "EAP DAS Christensen's October 17 meeting with Prime Ministerial Political Secretary Vincent Lim," 07KUALALUMPUR1580. Dated 7 November 2007.

<sup>590</sup> Acharya, "Containment, engagement, or counter-dominance? Malaysia's response to the rise of China," 140-41; Sheldon Simon, "ASEAN and multilateralism: The long, bumpy road to community," *Contemporary Southeast Asia* 30, no. 2 (2008): 281.

<sup>591</sup> From the 1980s to the late 1990s, Malaysia and China maintained a competitive economic relationship, often skewed in China's favour in terms of trade balances. Despite this, Mahathir advocated for restraint (see the previous discussion). However, during his visit to China in August 1999, the two countries signed a Memorandum of Understanding, committing to a \$1 billion investment in a pulp and paper plant in Sabah, East Malaysia. Bilateral trade also grew steadily, rising from USD 307 million in 1982 to USD 1.4 billion in 1992, and surging to USD 14 billion by 2002. Kuik, "Making sense of Malaysia's China policy: Asymmetry, proximity, and elite's domestic authority," 456.

<sup>592</sup> ASEAN Plus Three (APT) quietly commenced in Kuala Lumpur in December 1997 as an informal event coinciding with ASEAN's thirtieth anniversary. This was the first successful regional economic institution in Asia to exclude the United States as an official member during its inception. Malaysia, as the ASEAN chair at the time, selectively invited leaders from China, Japan, and South Korea. APT was seen as the actualisation of Mahathir's initial concept of establishing a pan-Asian economic grouping via the East Asia Economic Grouping (EAEG), which failed in the face of resistance from the United States. For the connection between APT and Mahathir's initial idea of EAEC, see Takashi Terada, "ASEAN plus three: Becoming more like a normal regionalism?," in *Routledge handbook of Asian regionalism*, ed. Mark Beeson and Richard Stubbs (London: Routledge, 2012), 364-65.

of pan-Asian regionalism closer—a vision shared by Malaysia and China.<sup>593</sup> A combination of China's support and the 1997–98 Asian Financial Crisis enabled the inclusion of Northeast Asian states while excluding the United States. At the 2000 summit in Thailand, APT introduced the Chiang Mai Initiative—a currency swap arrangement among central banks—designed to guard against future speculative attacks.<sup>594</sup> This mechanism provided an alternative to the Western-dominated International Monetary Fund, reinforcing the shared vision between Malaysia and China.

In May 2004, Prime Minister Abdullah Badawi, Mahathir's successor, led a delegation to China comprising a significant portion of his cabinet and more than 500 business leaders, thereby solidifying Malaysia's relationship with Beijing. This visit resulted in a commitment from both nations to 'strengthen consultations and coordination' across regional platforms, reinforcing their tacit understanding of supporting mutual interests (TU-MY-1.3).<sup>595</sup> This commitment suggests that TU-MY-1.3 continued after Mahathir's departure in 2003. This ongoing adherence is exemplified by Badawi hosting the inaugural East Asia Summit (EAS) in 2005, which focused on China's relations with Southeast Asia and emphasised the facilitation of Beijing's regional interests.<sup>596</sup>

Originally envisioned by Malaysia and China as an enhanced ASEAN+3 (APT) to foster economic partnerships without US involvement, the EAS aimed to expand its agenda beyond economics to include security, democracy, governance, and human security.<sup>597</sup> However,

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<sup>593</sup> As discussed in the Malaysia-China section [Chapter 5](#).

<sup>594</sup> Terada, "ASEAN plus three: Becoming more like a normal regionalism?," 364-65.

<sup>595</sup> As published in "Joint communique between the People's Republic of China and Malaysia."

<sup>596</sup> The East Asia Summit (EAS) serves as the leading platform for strategic discussions in the Asia-Pacific region. It is the sole forum led by heads of state where all major Asia-Pacific partners gather to address the political, security, and economic issues affecting the region. Additionally, the EAS plays a crucial role in promoting enhanced regional cooperation. Cheng-Chwee Kuik, "Malaysia's China policy in the post-Mahathir era: a neoclassical realist explanation," *RSIS Working Paper* (2012): 21-22.

<sup>597</sup> For the geopolitical discussion on the EAS, see Mohan Malik, "The East Asia Summit," *Australian Journal of International Affairs* 60, no. 2 (2006). For study on the EAS, see Ralf Emmers, Joseph Chinyong Liow, and See Seng Tan, "The East Asia Summit and the regional security architecture," *Maryland Series in Contemporary Asian Studies* 2010, no. 3 (2010).

concerns over Chinese dominance led other ASEAN members and Japan to advocate for including Australia, New Zealand, and India in the summit. To maintain ASEAN's relevance, member states insisted on retaining the exclusive right to host the annual summits and required adherence to ASEAN founding principles through the Treaty of Amity and Cooperation (TAC) as a condition for joining the EAS.<sup>598</sup>

While the EAS did not emerge as the pan-Asian economic group initially envisioned by Malaysia and China due to these pressures, it became a significant outcome of Malaysia leveraging China's status to promote regional economic interaction, even persuading established powers to support its initiative.

### *Modifying 'maintaining divergence' (TU-MY-2)*

The evolution of the first tacit understanding into its third version (TU-MY-1.3) shaped the second tacit understanding (TU-MY-2), advancing it into TU-MY-2.2. The initial baseline of TU-MY-2 sought to prevent disputes by maintaining divergence—acknowledging disagreements without resolving them, so disputes technically did not exist. However, TU-MY-2.2 introduced a new expectation: Malaysia anticipated greater restraint from China in recognition of its importance and functional utility. This functional utility involved Malaysia advancing China's interests, such as discouraging other disputants from involving external powers, particularly the US, in the South China Sea. This shift was driven by the confidence gained through TU-MY-1.3, which fostered a strategic calculation that Malaysia could rely on Beijing's restraint as long as it remained useful to China's regional interests.<sup>599</sup> Kuala Lumpur's elites came to expect China's restraint in exchange for Malaysia's cooperative role. As

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<sup>598</sup> Despite active participation from US regional allies such as Japan, Australia, and South Korea in the EAS, Washington expressed scepticism about supporting and participating until signing the TAC in 2009, formally joining the summit in 2011.

<sup>599</sup> This strategic logic is further unpacked in Emirza Syailendra, Syailendra, "Malaysia's strategic approach: Unpacking the "action-reaction spiral" logic in the South China Sea."

discussed further below, Mahathir viewed China’s need to cultivate local partners as an opportunity to advance Malaysia’s security interests. This belief prompted Malaysia to push the boundaries of TU-MY-2, as illustrated in Figure 6.5 below, and introduce a new practice of restraint, referred to in this thesis as limited resistance.<sup>600</sup> While engaging in limited resistance—measured assertive actions such as occupying features in contested areas of the South China Sea—Kuala Lumpur expected Beijing to tolerate these moves as recognition of Malaysia’s value to China’s regional goals.

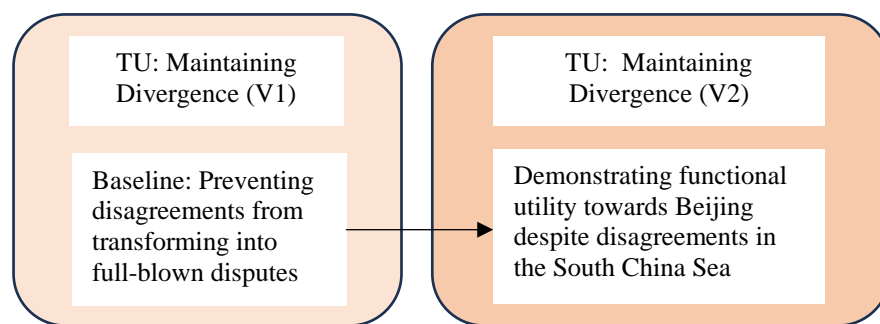


Figure 6.5 From TU-MY-2 to TU-MY2.2

As a small state, Kuala Lumpur showcased its functional utility to Beijing by remaining attuned to its needs, particularly during periods of regional tension. When tensions arose between Beijing and Manila in early 1999 over China’s military expansion in the Mischief Reef, Kuala Lumpur actively discouraged Manila from involving the US.<sup>601</sup> Philippine Defence Secretary Mercado had sought U.S. mediation, but on 15 January, Mahathir publicly warned against American interference, stating, ‘There is no need for the United States to interfere in the matter. We can resolve it among ourselves.’<sup>602</sup> Soon after, on 24 January, Chinese PLA

<sup>600</sup> As discussed in the Introduction, limited resistance is a part of Southeast Asian states’ restraint practice towards China. Limited resistance is a measured assertive action that a state takes to protect its claims and position while being careful not to humiliate the other state.

<sup>601</sup> In late 1998, Beijing further developed its military garrison on Mischief Reef. As quoted in "Mischief reef a major Chinese fortress, says Philippine navy," *Straits Times* (Manila), 25 January 1999.

<sup>602</sup> Philippine Defense Secretary Mercado attempted to persuade US Secretary of Defense William Cohen to mediate discussions among disputants. Michael Richardson, "Philippines is stymied in dispute with China," *International Herald Tribune*, 21 January 1999; "Meanwhile in the Spratlys," *The Asian Wall Street Journal*, 21 January 1999. Mahathir was quoted as telling reporters in northern Alor Star town by the national Bernama news agency. See "Mahathir wants U.S. to stay out of Spratlys row," *Reuters*, 15 January 1999.

Chief of Staff Fu Quanyou visited Kuala Lumpur to reaffirm bilateral ties and emphasise the need for ‘friendly consultations’ to resolve the dispute.<sup>603</sup> Given ASEAN’s consensus-based approach, Malaysia’s opposition effectively blocked US mediation efforts. With no backing from other ASEAN members and reassurances from Beijing to pursue diplomatic solutions, the Philippines withdrew its request, acknowledging that ‘the Americans should refrain from intervening.’<sup>604</sup>

Recognising their mutual importance, Malaysia and China signed a joint statement on 31 May 1999, outlining the *Framework for future bilateral cooperation*.<sup>605</sup> This statement reaffirmed three key aspects of their tacit understandings: the importance of fostering friendly relations between the People’s Republic of China and ASEAN; collaboration towards establishing a multipolar world and a fair, rational new international political and economic order; and a commitment to bilateral consultations for addressing the South China Sea disputes. Beyond deepening diplomatic relations, Kuala Lumpur’s demonstration of utility came with the expectation that Beijing would reciprocate with greater restraint—especially as Malaysia moved to occupy more features in the South China Sea in 1999, including *Terumbu Peninjau* (Investigator Shoal) and *Terumbu Siput* (Erica Reef).<sup>606</sup> Notably, when the Philippines publicised Malaysia’s occupation of Investigator Shoal on 25 June 1999, Beijing refrained from criticising Kuala Lumpur’s actions.<sup>607</sup> Building on this, Malaysia proceeded to occupy Erica

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<sup>603</sup> As quoted in "Chinese PLA Chief of General Staff visits Malaysia," *Xinhua News Agency*, 24 January 1999. "Malaysian PM meets Chinese PLA General Staff Chief," *Xinhua News Agency*, 24 January 1999.

<sup>604</sup> As quoted in "Philippines' Estrada asks U.S. to avoid Spratlys dispute," *Dow Jones International News*, 13 February 1999.

<sup>605</sup> See "Joint statement between the government of the People's Republic of China and the government of Malaysia on the framework for future bilateral cooperation."

<sup>606</sup> Investigator Shoal, or known as Pawikan to the Philippines, lies about 975 kilometres southeast of Manila, within the Kalayaan Island Group, the area in the Spratlys claimed by Manila and claimed by Malaysia as part of its continental shelf. Erica Reef lies roughly 525 kilometres west of the southern Philippine city of Puerto Princesa, under the area claimed by the Philippines as the Kalayaan Island Group in the Spratlys, a cluster of potentially oil and gas-rich reefs and atolls in the South China Sea. Since March 1998, Malaysia had attempted to occupy the Investigator Shoal by placing floating steel drums marked with red flags above it, but this was swiftly thwarted by Manila the following month. As reported in "RP sees China-KL collusion on Spratlys," *Manila Standard*, 25 June 1999.

<sup>607</sup> Philippine Defence Secretary Orlando Mercado criticised Kuala Lumpur for its stealthy occupation of Investigator Shoal, pointing to a published image of a constructed concrete platform measuring 20 metres by 50

Reef, again meeting with a muted response from Beijing. These restrained reactions reinforced Mahathir's belief that China would continue to exercise restraint as long as Malaysia remained valuable to its regional interests.<sup>608</sup>

While Kuala Lumpur secured Beijing's restraint by protecting its regional interests, it also needed to ease Manila's concerns and maintain solidarity with fellow ASEAN members. To this end, Mahathir promised Manila that he would leverage Malaysia's close ties with Beijing to support the Philippines' proposal for a code of conduct.<sup>609</sup> The proposal urged ASEAN member states and China to refrain from new construction, expansion of structures, or the occupation of additional islands, waters, or other features in the South China Sea.<sup>610</sup> Despite initial reluctance, the Philippine foreign policy establishment recognised the importance of ASEAN cohesion and Malaysia's role in pressuring Beijing to engage in discussions on the code of conduct.<sup>611</sup> Malaysia's balancing act between Beijing and ASEAN exemplifies the ongoing practice of restraint discussed earlier.<sup>612</sup>

## **2009-22: Instituting a relational redline**

This section examines how Badawi's successor, Malaysian Prime Minister Najib Razak, further modified the second tacit understanding, maintaining its divergence (TU-MY-2.2) into a third version (TU-MY-2.3) to manage the dual impacts of China's rise: growing economic

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metres (65 feet by 165 feet) built by Malaysia. "Philippine Defense Sec urges protest vs Malaysia on shoal," *Dow Jones International News*, 22 June 1999.

<sup>608</sup> Razak Baginda, "Malaysian perceptions of China: From hostility to cordiality," 244.

<sup>609</sup> This support was expressed during a July 1999 ARF meeting. As reported in "Philippines to protest new Malaysian structure in Spratlys," *Associated Press Newswires*, 19 August 1999.

<sup>610</sup> As reported in Tim Johnson, "ASEAN considers draft code of conduct for S. China Sea," *Japan Economic Newswire*, 20 July 1999.

<sup>611</sup> As reported in some news outlets, two Philippine OV-10 warplanes and two Malaysian Hawk fighter jets came into close contact above Investigator Shoal, but no shot was fired. "Malaysian, Philippine warplanes meet above Spratlys," *ibid.*, 31 October 1999; "No Spratly stand-off with Philippines - Malaysia," *Reuters*, 1 November 1999. Negotiations began in early 2000, and although ASEAN failed to obtain a commitment to a code of conduct, they reached a consensus on a Declaration of Conduct in 2003—a first step.

<sup>612</sup> See the previous section titled '[Malaysia's shifting preferences on multilateral discussion](#).'

cooperation that bolsters regime interests and increasing assertiveness in the South China Sea. Razak specifically introduced a ‘relational redline,’ complementing the earlier ‘tactical redlines,’ to assess Chinese assertiveness by considering broader interests within the bilateral relationship. While tactical redlines are operational—such as preventing the exploitation of resources—a relational redline prioritises preserving the overall relationship. This shift fostered a new practice of restraint, allowing Kuala Lumpur to give Beijing space to project assertiveness in exchange for support of Malaysia’s regime interests. In turn, Beijing avoided direct confrontations with Kuala Lumpur and continued to back the regime’s legitimacy. This mutual tolerance deepened the political partnership and insulated it from the episodic skirmishes that arose.

### *Towards TU-MY-2.3*

After Najib Razak became Prime Minister in 2009, Malaysia increasingly leveraged Chinese investments to bolster regime legitimacy, aligning with Beijing’s global push for influence through risky infrastructure projects.<sup>613</sup> This approach suggests that Najib continued to uphold TU-MY-1.3, or the support of mutual interests, which only intensified with the 2013 Belt and Road Initiative, further deepening Malaysia-China economic ties.<sup>614</sup> Chinese firms played a key role in Najib’s New Economic Programme, promoting *Bumiputera* prosperity (referring primarily to the Malay ethnic group).<sup>615</sup> After Najib lost a two-thirds parliamentary

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<sup>613</sup> Recognising Malaysia’s significance as a local partner, Beijing embarked on significant investment projects, such as a 13.5-kilometer dual carriageway toll bridge and controlled-access highway in the state of Penang, Malaysia—among Malaysia’s largest infrastructure ventures at the time. For a survey of Malaysia’s Foreign Policy towards China in Badawi, see Mohamad Ikhran Mohamad Ridzuan and Marfunizah Ma’dan, “Abdullah Badawi’s foreign policy towards China: Three-level analysis of a pragmatic and idealistic diplomacy strategy in a two-way cooperation,” *Journal of International Studies* 19, no. 1 (2023); Elsa Lafaye de Micheaux, “Political economy of China’s investment in Malaysia (2009–2018),” *Bandung* 6, no. 1 (2019).

<sup>614</sup> For an overview of China’s Belt and Road Strategy, see Giuseppe Gabusi, “‘Crossing the river by feeling the gold’: The Asian Infrastructure Investment Bank and the financial support to the Belt and Road Initiative,” *China & World Economy* 25, no. 5 (2017).

<sup>615</sup> Guanle Lim, “China’s investments in Malaysia: Choosing the ‘right’ partners,” *International Journal of China Studies* 6, no. 1 (2015).

majority and control of five state assemblies in 2013, Beijing supported his regime with economically questionable projects, such as the Kuantan Port—located in Najib’s political stronghold of Pahang—despite its redundant location near Pasir Gudang Port.<sup>616</sup> As one political economist noted, this investment was ‘the price China had to pay to secure the best possible goodwill among Malaysian policymakers.’<sup>617</sup>

However, this improved economic cooperation coincided with rising tensions in the South China Sea. The 2009 joint submission of Malaysia and Vietnam’s extended continental shelf claims to the Commission on the Limits of the Continental Shelf (CLCS) drew China’s objections, as Beijing asserted that the claims infringed on its sovereignty.<sup>618</sup> From 2012 onwards (observed at least until 2022), Malaysia experienced near-constant incursions by Chinese maritime militias and coast guard vessels.<sup>619</sup> Rather than resisting China’s rise, Najib believed Malaysia should benefit from Beijing’s economic growth to serve its regime interests.<sup>620</sup> However, this required greater tolerance of China’s assertiveness and a reevaluation of Malaysia’s redlines.<sup>621</sup>

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<sup>616</sup> Pahang ranked foremost among all Chinese investment projects in 2014 (concentrating 60% of Chinese investments in 2013–2014). de Micheaux, "Political economy of China’s investment in Malaysia (2009–2018)," 5 and 19.

<sup>617</sup> *Ibid.*, 29.

<sup>618</sup> The cycle of hostility in the South China Sea began in 2009 with the Commission on the Limits of the Continental Shelf (CLCS) deadline, requiring states to submit claims clarifying their continental shelf limits. On 6 May, Malaysia and Vietnam jointly submitted their extended claims, basing entitlements on mainland coasts rather than the Spratly Islands. Beijing opposed this interpretation and, on 7 May, issued a *note verbale* asserting that the submissions infringed on China’s sovereignty, sovereign rights, and jurisdiction. For the context surrounding CLCS submission, see Robert Beckman and Tara Davenport, "CLCS submissions and claims in the South China Sea" (The second international workshop on the South China Sea, Hanoi, Vietnam, East Sea (South China Sea) Studies, November 10-11 2010). For Malaysia-Vietnam Joint Submission, see "Joint submission to the Commission on the Limits of the Continental Shelf pursuant to article 76, paragraph 8 of the United Nations Convention on the Law of the Sea 1982 in respect of the southern part of the South China Sea." *News release*, May 2009, [https://www.un.org/depts/los/clcs\\_new/submissions\\_files/mysvnm33\\_09/mys\\_vnm2009executivesummary.pdf](https://www.un.org/depts/los/clcs_new/submissions_files/mysvnm33_09/mys_vnm2009executivesummary.pdf). For Beijing’s protest, see "Note of China No. CML/17/2009".

<sup>619</sup> During my interviews, 2012 was most frequently cited as the key moment when Malaysian defence planners and observers noted China’s increased presence in Malaysia’s EEZ off the coast of Sabah and Sarawak. See also Bentley, "Malaysia’s “special relationship” with China and the South China Sea: Not so special anymore."

<sup>620</sup> Noor and Qistina, "Great power rivalries, domestic politics and Malaysian foreign policy."

<sup>621</sup> Ngeow, "Malaysia’s China policy and the South China Sea dispute under the Najib administration (2009–2018): A domestic policy process approach."

I argue that in response to these dual developments, Najib adopted a strategic logic that evolved the second tacit understanding (TU-MY-2.2) into its third version. The previous redlines were tactical, focusing on resisting China’s historical claims in the South China Sea, particularly through actions like pursuing dispute resolution and joint development.<sup>622</sup> Kuala Lumpur viewed these actions as crossing the line, as they risked legitimising China’s historical claim and triggering bilateral disputes in the South China Sea. The new redline is relational, aiming to preserve this divergence by preventing disputes from arising, while allowing Beijing some room to express assertiveness within limits. As shown in Figure 6.6, the key shift from TU-MY-2.2 to TU-MY-2.3 lies in the introduction of redlines that distinguish tactical from relational ones.

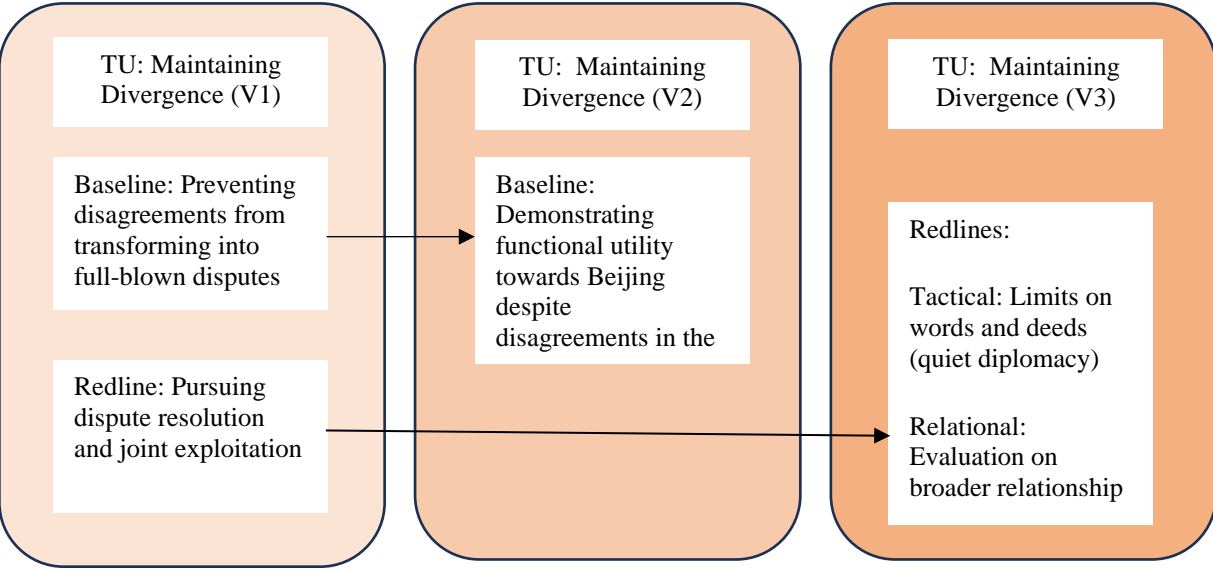


Figure 6.6 The second modification of the content of the second tacit understanding — maintaining divergence

<sup>622</sup> Tactical redlines typically reflected the fundamental requirements for each party to maintain divergence and safeguard their claims at sea. These stipulations generally needed to be respected to ensure that regime interests remained protected and insulated from domestic backlash. These redlines were practical and tangible, such as: (1) disrupting Kuala Lumpur’s oil exploitation in the disputed area; (2) militarising the disputed area by allowing the PLA Navy and Air Force to encroach in the disputed area, and (3) bringing episodic skirmishes in the disputed area to media attention.

Distinguishing between tactical and relational redlines improves stability by assessing breaches in operational contexts, such as maritime incursions, within the framework of broader strategic interests. Consequently, violations of tactical redlines frequently diminish in significance and do not adversely affect bilateral relationships due to the existence of room for extended acceptable hostilities. By evaluating the broader aspects of the relationship, Malaysia has increased its tolerance for China’s incursions into disputed areas, thus allowing more room for expressing assertiveness within limits. The impact of such delineation is visualised in Figure 6.7 which resembles a ‘halo’ below. Both sides understood that assertiveness was occasionally necessary to preserve status and domestic legitimacy. Similar to a long-term relationship, tactical annoyances (e.g., maritime incursions) are tolerated for larger goals in the relationship, fostering stability despite episodic tensions in the disputed area.

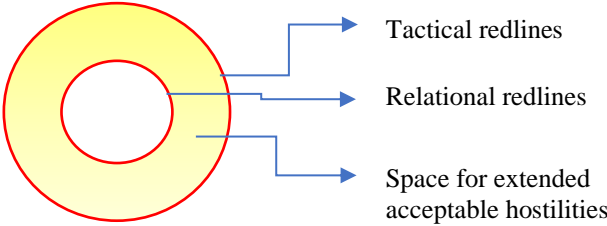


Figure 6.7 The delineation of tactical and relational redlines created space for extended acceptable hostilities.

In the next section, I demonstrate how the space for extended acceptable hostilities enhances Malaysia’s restraint towards China.

***Reinforcing prior restraint and adding new restraint practices***

The first observable impact of modification of TU-MY-2 redline was a greater tolerance of the near-constant incursions by the Chinese Coast Guard (CCG) in Malaysia’s EEZ since

2012.<sup>623</sup> Although some observers might hastily attribute this greater tolerance to Malaysia's lack of capacity to deter China, this overlooks several factors: (1) the frustration and concern among Malaysian elites regarding assistance from other external parties to counter China; (2) the introduction of new domestic narratives to alleviate internal worries; and (3) the development of new explanations to downplay China's assertiveness. All three factors demonstrate that this greater tolerance was a deliberate decision by Malaysian elites, reflecting the existence of room for extended acceptable hostilities.

First, the frustration and concern among Malaysian elites regarding assistance from external parties in countering China have been publicly expressed and are part of reinforcement of prior restraint practices aimed at preventing external actors from getting involved in the South China Sea disputes. For instance, Kuala Lumpur criticised the involvement of the United States and Australia in April 2020 when they confronted CCG vessels during incursions into Malaysia's EEZ off the coast of Sarawak.<sup>624</sup> While the US and Australia viewed their actions as support for Malaysia against a potentially hostile rising power, Malaysian elites saw them as destabilising.<sup>625</sup> Malaysia's handling of CCG incursions suggests that, despite recognising the United States' role as an indirect counterbalance, Malaysian elites prioritised allowing limited hostilities towards Beijing to preserve their relationship. This act of restraint confirms the existence of TU-MY-2.3, as it aligns with the verification method I refer to as 'Disciplining activities towards others who might violate agreed redlines with China.'<sup>626</sup> Because not

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<sup>623</sup> As noted in the introduction, Malaysia's July 2020 Auditor-General audit documentation noted that between 2016 and 2019, the CCG and People's Liberation Army Navy (PLA-N) made a total of 89 incursions into the Malaysian Exclusive Economic Zone (EEZ) around the James Shoal and the Luconia Shoals, both submerged features off the coast of Sarawak. For full report, see Laporan Ketua Audit Negara Tahun 2018 Siri 3 [Auditor-General's Report 2018 Series 3], Short, 6-12. Some scholars, such as Bentley, noted that Beijing had almost permanently stationed its ship in the disputed area with Malaysia. Bentley, "Malaysia's 'special relationship' with China and the South China Sea: Not so special anymore."

<sup>624</sup> Euan Graham, "U.S. naval standoff with China fails to reassure regional allies," *Foreign Policy*, 4 May, 2020, <https://foreignpolicy.com/2020/05/04/malaysia-south-china-sea-us-navy-drillship-standoff/>.

<sup>625</sup> "Malaysia committed to safeguarding its interests in S.China Sea - Foreign Minister," *Reuters* (Kuala Lumpur), 23 April 2020, <https://www.reuters.com/article/malaysia-china-southchinasea-idUSL3N2CB18I>.

<sup>626</sup> As noted in the Chapter 2 section titled '[Notes on verification](#),' actions taken to discipline those who might breach tacit understandings help confirm their existence.

everyone is aware of the full extent of the tacit understandings, these disciplining activities suggest that Malaysian elites actively enforced them.

Second, the introduction of new domestic narratives to alleviate domestic worries further confirms that this greater tolerance is part of the modification of the TU-MY-2.3 redline. Malaysian officials also adopted a softer descriptor, referring to these constant incursions as ‘white hull diplomacy’, tacitly accepting them while drawing the line at grey hull vessels (PLA Navy).<sup>627</sup> Describing these incursions as diplomacy softened their tone, suggesting that they were performative acts aimed at domestic legitimacy rather than direct challenges to Malaysia.<sup>628</sup> This new descriptor should be regarded as a practice of restraint towards China, recognising that it was not intended to undermine Malaysia’s claims but to cement Xi Jinping’s regime legitimacy domestically.<sup>629</sup> In exchange, as discussed above, Beijing actively bolstered the legitimacy of Kuala Lumpur’s ruling regime through various economic investments.<sup>630</sup> This descriptor also confirms the existence of tacit understandings, as it validates a co-occurrence, which I shorthand as ‘awareness.’<sup>631</sup> The clear distinction between coast guard and navy intrusions suggests that Kuala Lumpur differentiates between what constitutes hostile actions from China, finding the former acceptable as it is within Kuala Lumpur’s tactical redline.

Third, the development of new explanations to downplay China’s assertiveness indicates that Malaysian defence planners deliberately tolerate it in exchange for other interests, such as enhanced security for oil exploitation and stronger economic ties with Beijing.<sup>632</sup>

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<sup>627</sup> During my interactions in June-December 2022, director-level officials in the Malaysian Department of Defence and RMN often used these phrases to refer to frequent incursions by the CCG.

<sup>628</sup> An interviewee explained why they used that particular phrase to describe China’s assertive actions when I asked about it.

<sup>629</sup> *Ibid.*

<sup>630</sup> *Ibid.*

<sup>631</sup> As noted in the Chapter 2 section titled ‘[Notes on verification.](#)’

<sup>632</sup> From my various interviews with Malaysian officials in 2022, natural resources emerged as Malaysia’s primary concern in the South China Sea. As of 2019, Malaysia was the world’s third-largest producer of natural gas, with an output of 29 million tonnes, and the 26th largest producer of crude oil, at approximately 661,240 barrels per day. One retired defence official noted that the Malaysian government often believed the best tactic in dealing with China was to deplete natural resources in the contested area, making future ownership less appealing. I also discuss this emphasis in this essay: Emirza Adi Syailendra, "The sense and sensibility of Malaysia’s approach to its maritime boundary disputes," *Asia Maritime Transparency Initiative* (Washington

During my interviews in 2022, defence officials acknowledged the CCG's hostile intentions, particularly its use of maritime militias to legitimise historical claims.<sup>633</sup> This awareness prompted Kuala Lumpur to proactively challenge Beijing's legal arguments regarding the nine-dash line.<sup>634</sup> To balance tolerating China's assertiveness while legally contesting it, Malaysian elites emphasised a legal argument that CCG ships operate under different jurisdictional principles based on land.<sup>635</sup> Consequently, their presence in Malaysia's maritime jurisdiction was not viewed as a violation of sovereignty, but as ensuring safe passage for civilian vessels. This legal narrative suggests that Malaysian officials believe Beijing requires some leeway for hostile actions by rationalising its assertiveness. This also confirms the existence of the tacit understanding, as it satisfies a co-occurrence which I shorthand as '[rationalising](#).'<sup>636</sup> If Southeast Asian states express greater concern over China's assertiveness and take measures to counter it, it challenges the notion of tacit understandings. However, this example suggests that Malaysian defence planners lack urgency in enhancing their deterrence capabilities despite Beijing's increased intrusions.

In addition to expanding the room for extended hostilities and adopting a new tactical redline, Kuala Lumpur evaluated Beijing's assertiveness in light of the overall importance of their bilateral relationship, including economic projects and relationship preservation. For instance, in March 2013, when four Chinese warships conducted exercises near James Shoal, Defence Minister Hishammuddin Hussein downplayed Malaysia's concerns compared to other claimants. Similarly, in January 2014, the RMN claimed that three Chinese warships exercised

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D.C.), 21 November 2022, <https://amti.csis.org/the-sense-and-sensibility-of-malysias-approach-to-its-maritime-boundary-disputes/>.

<sup>633</sup> This was particularly evident in a roundtable I attended with seven RMN officials and foreign naval counterparts. While the RMN officials stated that China should not be viewed as a threat, they also expressed concerns about its increasing assertiveness in the South China Sea and the potential for conflict escalation.

<sup>634</sup> Hamzah, "China's excessive maritime claims in the South China Sea: A Malaysian perspective."

<sup>635</sup> A remark from a high-ranking Defence official during a roundtable was not contradicted by other participants in the room.

<sup>636</sup> As noted in the Chapter 2 section titled '[Notes on verification](#).'

outside Malaysia's EEZ.<sup>637</sup> In March 2016, the government responded calmly to the presence of nearly 100 Chinese fishing vessels escorted by CCG near Luconia Shoals. However, breaches of tactical redlines did prompt protests from some Malaysian officials. For example, when 16 Chinese military aircraft flew over disputed waters off Sarawak, the Malaysian Air Force pressured Hishammuddin Hussein to lodge a diplomatic protest.<sup>638</sup> In response, the Chinese ambassador was summoned to explain the violation of Malaysian airspace, but the situation was quickly resolved, and the bilateral relationship remained intact. These cases demonstrate the impact of having tactical and relational redlines: while incursions by the PLA-N into Malaysia's EEZ are viewed as violations of tactical redlines, the Malaysian government often downplays their significance, prioritising the importance of maintaining positive relations.

The ongoing downplaying of grey hull incursions reflects a broader tolerance for acceptable hostilities. Although Beijing occasionally crosses Malaysia's tactical redlines, some Malaysian defence planners believe these incidents can be managed discreetly, given their confidence in the legality of their claims and the perception that Beijing does not threaten their longstanding relationship.<sup>639</sup> This approach demonstrates how the Malaysian government assesses risks in light of broader interests, constituting a new practice of restraint.

## **Conclusion**

This chapter highlights a crucial narrative on how decision-makers in Kuala Lumpur and Beijing continued to maintain the two tacit understandings in the post-Cold War period because they believed that these were the best approach to enhance security in the South China

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<sup>637</sup> As quoted in Carl Thayer, "'Speak softly and carry a big stick': What is Malaysia playing at?," *The Diplomat*, 28 February 2014.

<sup>638</sup> Abdul Razak Ahmad, Cheng-Chwee Kuik, and Yew Meng Lai, "PLA overflight near Malaysian airspace: A precarious provocation," *Fulcrum* (Kuala Lumpur), 30 June 2021.

<sup>639</sup> My findings are also consistent with those of Ngeow, "Malaysia-China defence ties: Managing feud in the South China Sea"; Kuik, "Shades of grey: Riskification and hedging in the Indo-Pacific."

Sea while obtaining benefits from each other. It addresses the thesis puzzle of how Southeast Asian states consistently maintain restraint. In the case of Malaysia and China, this was achieved through a gradual process of building trust with China while adapting to changing regional and domestic conditions. By modifying their tacit understandings, they adjusted their strategic calculations, which, in turn, evolved their practices of restraint.

As noted in the relevant sections above, various co-occurrences are confirmed, which validates the existence of the two tacit understanding put forward.<sup>640</sup> However, one particularly important theme in this chapter is the co-occurrence I have abbreviated as: ‘Changes.’<sup>641</sup> This co-occurrence not only validates the existence of the two tacit understandings, but also demonstrates the causal relationship between tacit understandings and restraint in the Malaysia-China context. This causal relationship is evidenced by showing that when the content of tacit understandings was modified, the associated restraint practices evolved as well, either by reinforcing pre-existing ones or introducing new ones, as summarised in Figure 6.8 below. This relationship is represented by the gradation of colour (shades of green and orange), with each modification in the tacit understanding’s baseline and redline reflecting the evolution of Kuala Lumpur’s restraint towards China.

First, each modification of the tacit understanding responded to changing external and domestic shocks, or an intersection between the two. External shocks include the transition from the Cold War to the post-Cold War period, the 1997-98 Asian Financial Crisis, and the regional debates triggered by the CLCS submission in 2009, which coincided with the rise of China. These external shocks often affected domestic changes within Malaysia, which in turn influenced how Malaysia responded to the South China Sea and China.

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<sup>640</sup> Co-occurrence refers to ‘the fact of two or more things happening together or simultaneously.’ I suggest that we can confirm or falsify the presence of tacit understandings by observing the corresponding actions expected to occur if such understandings exist. See Chapter 2, titled ‘Notes on verification.’

<sup>641</sup> See Chapter 2 titled ‘Notes on verification.’

Second, each modification led to an evolution of restraint, either by maintaining and strengthening existing practices or by introducing new ones to address evolving circumstances. Reinforcing prior restraint or slight readjustment of them suggests the continuing importance of the practice, which was also the reason why Kuala Lumpur maintained the two tacit understandings with China. Adding new restraint practices signifies that as the goals of the relationship expand, or due to changing external circumstances, these new practices were often deemed necessary.

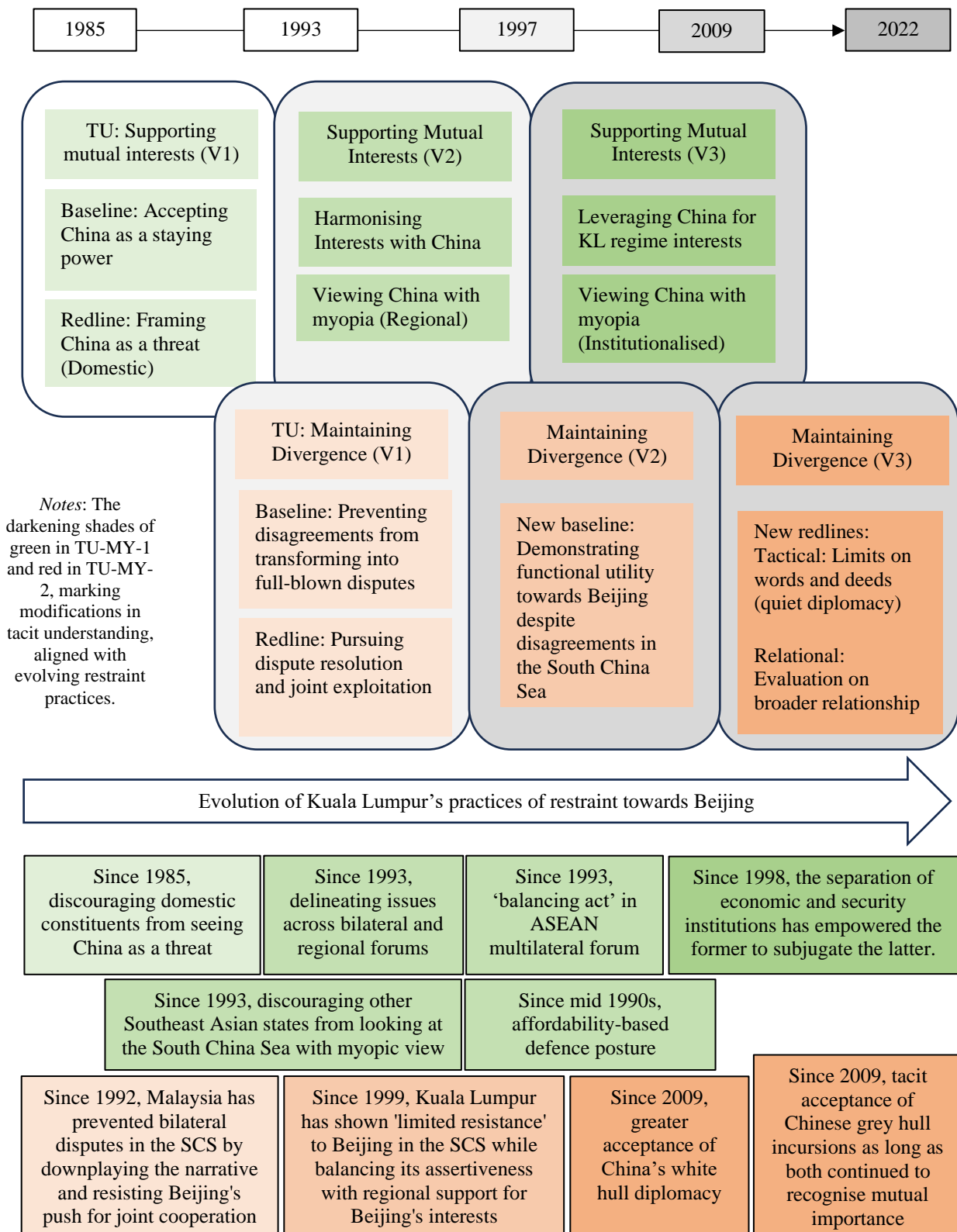


Figure 6.8 Visualisation of how the modification of tacit understandings corresponded with the evolution of practices of restraint.

The modification above should be considered progressive, with Kuala Lumpur gradually testing Beijing's reliability before feeling comfortable working together to achieve various regional goals. For example, the second version of the tacit understanding of regional interest alignment should be seen as a transitional phase between the first and the third, which focuses on harmonising shared regional interests with Beijing. This progressive modification allowed Kuala Lumpur to gradually become confident in its relationship with Beijing, demonstrating the hard work that both countries needed to undertake to become comfortable with each other. It demonstrates not only Mahathir's considered approach and long-term outlook towards China, but also Malaysia's overall cautious approach when dealing with China. Malaysia desired to work with China, but put the rising power to the test and required it to consistently demonstrate reliability. This challenges convenient explanations, such as Malaysia's restraint towards China being a result of economic cooperation. In fact, as illustrated throughout this chapter, the economic cooperation between Beijing and Kuala Lumpur should be seen as an outcome of the success of maintaining tacit understandings. In the earlier years, Malaysia needed to exercise *forbearance*, tolerating economic losses before the relationship started becoming profitable.

Furthermore, one key mechanism unpacked by exploring the Malaysia-China case is the role of strategic calculation. The relationship between tacit understandings and strategic calculation was dynamic. The losses stemming from Western protectionism during the 1980s crisis prompted Mahathir to consider negotiating tacit understandings with China. This required altering his linear strategic calculation, which had perceived China as a threat. Hence, in the first instance, the adjustment in strategic calculation initiated the negotiation of tacit understandings. The repeated utilisation of the two tacit understandings led Malaysia to evolve its strategic calculation of China, characterised by developing a more comprehensive approach to understanding Beijing's threat and extracting benefits from its growing power. As noted above, as Malaysia recognised the significance of its relationship with China to its regime's

position, it evolved its strategic calculation to assess redlines within the broader context of the relationship, prioritising the need to allow greater flexibility in exercising restraint. This fundamentally departed from the primarily utilitarian outlook of the initial phase of the tacit understandings. Reaching this stage set Kuala Lumpur's tacit understandings further apart from other countries in the region; despite the deepening relationship between Beijing and Jakarta, the latter had never seen the relationship as something luminous or special, but confined to the realm of transactional pragmatism.

The findings of this chapter will be contrasted with those of the next chapter, which will explore the maintenance of the tacit understanding in the Philippines-China case.

**Chapter 7: Inertia, abandonment, and reinstatement: How the  
Philippines and China maintained their tacit understanding  
(1995-2022)**

Word count: 10,480 (14,034 including footnotes)

**Table 7.1 Chapter 7 map**

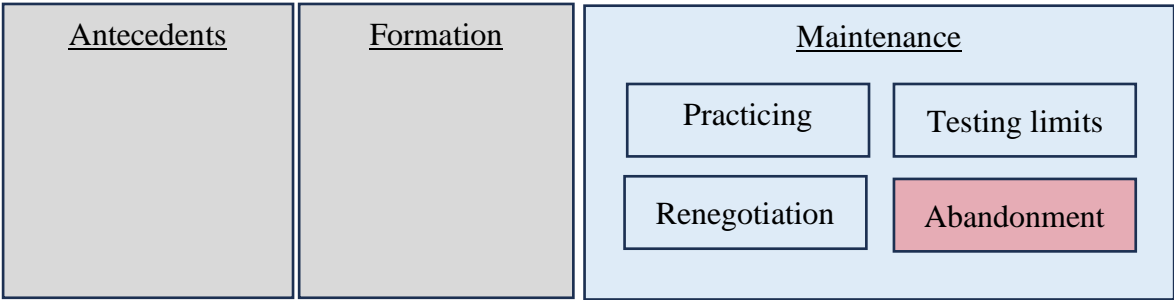
| <p>Purpose: This chapter argues that the persistence of the Philippines’ restraint practices towards Beijing results from the inability of both parties to modify their tacit understanding. I use the term ‘inertia’ to describe their resistance to change, despite attempts by administrations from Fidel Ramos to Rodrigo Duterte to renegotiate or abandon the tacit understanding. This contrasts with the Malaysia-China case in Chapter 6, where modifications to their tacit understandings contributed to their durability. While both cases followed different paths, they reached the same outcome of persistent restraint towards China. This finding supports the tacit understanding hypothesis, demonstrating its applicability in the Philippines-China case, even in politically volatile contexts, and highlights the diverse paths to maintaining tacit understandings across different circumstances.</p> |   |
|--|---|
| Section  | Content highlight   |
| 1: Introduction  | <p>Previewing how the chapter follows the structure of the Tacit Understanding Framework, with a focus on the maintenance stage. Previewing the overall goal of the chapter, which centred around the usefulness of unpacking the Philippines-China relations as the ‘hard case’ of my thesis.</p>  |
| 2: Brief overview: The tacit understanding (‘dispute preservation’)  | <p>As this chapter aims to demonstrate the impact of inertia, abandonment, and reinstatement of the tacit understanding on prior restraint, the Philippines-China tacit understanding’s content must first be clarified. I refer to this tacit understanding as ‘dispute preservation,’ a term not used in the Philippines but points to the idea that the Philippines-China tacit understanding aimed to ensure that the disputes were managed rather than resolved.</p> <p>A baseline: Beijing and Manila actively managed the South China Sea disputes instead of resolving them.</p> <p>Three redlines: 1. Engaging in limited resistance to cement claims and regime legitimacy. 2. Instructing domestic actors not to inhibit the other side's attempts to conduct economic activities in the disputed area. 3. Discouraging domestic actors that seek to engage third parties or pursue international arbitration.</p>   |
| 3: Inertia: Comparing the maintenance of tacit understanding during the Estrada (1998-2001) and Arroyo (2001-2010) administrations   | <p>The second section demonstrates inertia by comparing the failure of the Joseph Estrada and Gloria M. Arroyo administrations’ attempts to renegotiate the tacit understanding with China—introducing the US role to mediate the conflict in the case of the former and seeking greater cooperation with China in the case of the latter. In both instances, the renegotiation efforts failed due to a combination of factors, primarily domestic opposition, regional pressure, and Washington’s unwillingness to explicitly guarantee Manila’s security against China in the South China Sea. The failure of renegotiation compelled Manila and Beijing to revert to their initial positions. Through this comparison, I can show what adhering to the tacit understanding looks like, especially how both countries engaged in a form of restraint that I label as ‘limited resistance.’ Limited resistance is a measured hostile action a state takes to protect its claims and position while being careful not to humiliate the other state.</p> |

|   |  |
|---|--|
| <p>4:<br/>Abandonment:<br/>The struggle to maintain tacit understanding during Aquino</p> | <p>This section first discusses the Philippines President Benigno Aquino’s early attempts to maintain the tacit understanding (2011-2013). It then examines the eventual abandonment of the tacit understanding (2013-2016) and how, during this period, the prior practices of restraint disappeared. The disappearance of these practices of restraint and the subsequent strained relations following the abandonment indicate that the practice was contingent on adherence to the tacit understanding.</p>  |
| <p>5:<br/>Reinstatement of the prior tacit understanding under Duterte</p>                | <p>This section examines the reinstatement of the prior tacit understanding with China during Rodrigo Duterte’s administration (2016-22). This reinstatement demonstrates that maintaining the tacit understanding was viewed as a practical way to promote restraint, which was crucial for stability in the conflict-ridden relationship between Manila and Beijing. This section demonstrates that the reinstatement of the previous tacit understanding restored the prior practice of restraint.</p>  |
| <p>6: Conclusion</p>  | <p>While modifications in tacit understandings in the Malaysia-China case shaped variations in restraint practices over time, inertia or the inability to modify the tacit understanding of dispute preservation in the Philippines-China case has contributed to a condition where restraint practices negotiated in 1995 became an equilibrium position. Regardless of the different pathways to maintaining tacit understandings in the respective cases, both cases arrived at a similar outcome of the persistence of restraint exercised towards China. This chapter’s finding thus helps bolster the validity of the tacit understanding hypothesis, not just demonstrating that it is replicable in the Philippines-China case, in scenarios considered ‘hard’ or unlikely due to recurrent intense domestic political rivalries. It also, in tandem with the previous chapter, shows the diversity of paths to maintaining tacit understanding in differing circumstances, which bolster the potential applicability of the tacit understanding hypothesis.</p> |

**Introduction**

The Tacit Understanding Framework outlines the development of tacit understandings in three stages: antecedents, formation, and maintenance, as depicted in Figure 7.1 below.<sup>642</sup> Similar to the previous chapter, this one also focuses on the maintenance stage (light blue box).

Figure 7.1 Stages of tacit understanding development applied in Chapter 7



While the prior chapter examined the Malaysia-China case, this one explores the Philippines-China case, which is considered the ‘hard case’ of this thesis.<sup>643</sup> The hard case suggests that a tacit understanding is unlikely to facilitate restraint in the Philippines-China case, given that it is commonly accepted that changes in domestic politics in the Philippines have led to different approaches to China and the South China Sea. Therefore, domestic political variables, such as leader personalities, might better explain why Manila exercised restraint towards China at particular junctures.<sup>644</sup>

Studying a hard case is valuable for refining a hypothesis because, if I can demonstrate that the tacit understanding hypothesis remains essential in explaining the persistence of restraint in this context, it would indicate the robustness of the hypothesis. The tacit understanding hypothesis suggests that maritime Southeast Asian states have each

<sup>642</sup> For further elaboration, please see the ‘[Stages of tacit understandings development](#)’ section.  
<sup>643</sup> See further justification and explanation on case selection in Chapter 1, The ‘[Tacit Understanding Framework and case selection](#)’ section.  
<sup>644</sup> For example, see Phuong Ly Nguyen and Sow Keat Tok, "Domestic imperative of the Philippines’ South China Sea policy: personality-driven policymaking and constant shifts between China and the United States," *The Pacific Review* (2024); Baviera, "The domestic mediations of China’s influence in the Philippines."

negotiated tacit understandings with China: namely, not to resolve but instead to shelve disputes and disagreements over their competing territorial claims in the South China Sea. Based on findings in Chapter 4, this hypothesis is further refined into a more specific proposition that ‘specific practices of restraint were contingent on the adherence to specific tacit understandings. Therefore, if any alterations or adjustments were made to the initial tacit understandings that were agreed upon by both parties, these changes impacted how restraint was practised.’ (I refer to this as the second proposition).<sup>645</sup>

This chapter shows that the second proposition holds true in the Philippines-China case. The Philippines-China tacit understanding’s content—and the exercises of restraint it facilitated—is discussed at length in the section titled ‘[Brief overview](#).’ Leaders in the Philippines, starting with Fidel Ramos in 1995, continued to rely on a tacit understanding called ‘dispute preservation’ to manage their disputes and facilitate restraint towards China in the South China Sea (1995-2022), except for a brief period during the Benigno Aquino III administration (2013-16). During this abandonment period, Manila and Beijing no longer upheld the prior practices of restraint.<sup>646</sup> When the tacit understanding was reinstated in 2016, both Manila and Beijing continued their pre-existing practices of restraint, suggesting that tacit understanding was indispensable for mutual restraint between the Philippines and China. My 2023 fieldwork findings suggest that the renegotiation efforts also existed during the Ferdinand Marcos Jr. administration, but because of its recentness, I exclude his administration (June 2022 – present) from this chapter’s analysis.

This chapter further demonstrates that the persistence of practices of restraint is a byproduct of the inability of Manila and Beijing to modify the content of their tacit

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<sup>645</sup> This proposition refines the tacit understanding hypothesis by offering a more precise causal mechanism that leads to the expected outcome. For further explanation, see the ‘[Chapter preview](#)’ section of Chapter 1 and the [conclusion](#) of Chapter 4.

<sup>646</sup> Abandonment is a stage when a state reneges on pre-existing baselines or crosses the redlines. See the ‘[Maintenance](#)’ section of Chapter 2.

understanding. I use the term ‘inertia’ to describe their tendency to resist changes in their tacit understanding, despite attempts to renegotiate or abandon tacit understanding by administrations after Fidel Ramos, from Joseph Estrada to Rodrigo Duterte.<sup>647</sup> These renegotiation efforts sought to adjust the content of the tacit understanding towards opposing extremes: improved cooperation or increased hostility across various junctures (further identified in the ‘Chapter organisation’ section below). The inertia was produced by the consistent perception from both Manila and Beijing that the initial tacit understanding was the least bad option for managing their disputes, given Manila’s polarised domestic political landscape. Because of this inertia, Manila and Beijing continued to adhere to practices of restraint in their initial form, as detailed in the next section.

The inertia also satisfies the co-occurrence I have shorthanded as ‘Changes.’ Co-occurrence refers to the fact of two or more things occurring together or simultaneously. As explained in Chapter 2, under the section titled ‘[Notes on verification](#)’, we can confirm or falsify the presence of tacit understandings by observing the associated actions expected to occur if such understandings exist. In this case, the absence of changes in tacit understandings led to the continuity of practices of restraint. This finding contrasts with the results of the previous Malaysia-China case in Chapter 6, where modifications to their tacit understandings underpinned their durability. From a comparative perspective, demonstrating how different circumstances in the Malaysia-China and the Philippines-China cases led to the same outcome of maintaining tacit understanding also further enhances the tacit understanding hypothesis’ explanatory power.

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<sup>647</sup> As discussed in [Chapter 5](#), Ramos negotiated a tacit understanding with China in 1995.

## Chapter organisation

This chapter is organised chronologically to capture the challenges faced by successive administrations in the Philippines following Ramos' departure from office, covering the tenures of Joseph Estrada (1998-2001), Gloria Arroyo (2001-2010), Benigno Aquino III (2010-2016), and Rodrigo Duterte (2016-2022).

As this chapter aims to demonstrate the impact of inertia, abandonment, and reinstatement of the tacit understanding on prior restraint, the Philippines-China tacit understanding's content must first be clarified. This content is gained from my survey of various interactions between Beijing and Manila in the South China Sea from 1995 to 2022, which is unpacked throughout this chapter's analysis. This chapter provides this distillation as an early benchmark before demonstrating how various efforts to renegotiate or abandon the tacit understanding were short-lived, resulting in the persistence of practices of restraint.

The second section demonstrates inertia by comparing the failure of the Estrada and Arroyo administrations' attempts to renegotiate the tacit understanding with China—introducing the US role to mediate the conflict in the case of the former and seeking greater cooperation with China in the case of the latter. In both instances, the renegotiation efforts failed due to a combination of factors, primarily domestic opposition, regional pressure, and Washington's unwillingness to explicitly guarantee Manila's security against China in the South China Sea. The failure of renegotiation compelled Manila and Beijing to revert to their initial positions. Through this comparison, I can show what adhering to the tacit understanding looks like, especially how both countries engaged in a form of restraint that I label as '[limited resistance](#).' Limited resistance is a measured hostile action a state takes to protect its claims and position, while being careful not to humiliate the other state.<sup>648</sup> The existence of domestic

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<sup>648</sup> This is part of the [interlocking pattern of restraint](#) as noted in Chapter 1.

factions in the Estrada and Arroyo administrations resisting changes to the tacit understanding satisfies a co-occurrence I have shorthanded as ‘[disciplining](#).’ This co-occurrence suggests that actions taken to discipline those who might breach these understandings help confirm their existence.

To further validate how tacit understandings specifically influence restraint, the third section unpacks the period where Manila decided to abandon the tacit understanding from 2013 to 2016, when it initiated arbitration proceedings under the UNCLOS framework to challenge the legal basis of Beijing’s historical claims in the South China Sea. It examines the factors that led to Aquino abandoning the tacit understanding in 2013. Overall, this section demonstrates how the prior practice of restraint was no longer upheld following the abandonment of the tacit understanding. During this period of abandonment, the prior practices of restraint were discarded, leading to a period of increased hostility. This section also offers further evidence of the existence of the prior tacit understanding by briefly examining Beijing’s statements that referenced it as a way to discourage Manila from launching the South China Sea arbitration. Beijing’s protest satisfies a co-occurrence I have shorthanded as ‘[protest](#).’ This co-occurrence suggests that the existence of a tacit understanding is confirmed if one side invokes prior tacit understandings when the other side acts in a way that contradicts those understandings.

The fourth section unpacks the reinstatement of the prior tacit understanding following Duterte’s assuming office as the president in 2016. It observes how this reinstatement restored the formerly abandoned practices of restraint, where both sides continued to engage in limited resistance while deepening their economic cooperation, further reinforcing the distinctive impact of the tacit understanding on both countries’ restrained behaviour in the South China Sea. By demonstrating how the abandonment of the tacit understanding resulted in the disappearance of prior practices of restraint, and its reinstatement led to their reappearance, it further validates the integral role of the tacit understanding in shaping the Philippines’

behaviour towards China in the South China Sea. It also reinforces the co-occurrence that I shorthanded as '[changes](#).' Previously, I showed that the absence of changes in tacit understandings led to the continuity of restraint; here, I show the reappearance of prior practices of restraint when the tacit understanding is reinstated.

Overall, the findings of this chapter further problematise the current state of knowledge, which tends to assume that the Philippines' approach in the South China Sea changed throughout administrations.<sup>649</sup> It brings more accuracy by demonstrating that oscillations existed throughout administrations because each leader attempted to revise the tacit understanding's content. However, their efforts largely failed, thus promoting overall constancy in the Philippines' approach towards China. This constancy includes leaders' judgments that maintaining the tacit understanding in its original form was the least bad option, leading to the persistence of the Philippines' restraint towards China in the South China Sea. It aligns with the co-occurrence I have shorthanded as '[constancy](#).'<sup>650</sup> If Southeast Asian states persist with the same approach to China, even when new, anti-China leaders take office, it suggests that these leaders recognise the value of upholding established tacit understandings.

### **Brief overview: The tacit understanding ('dispute preservation')**

As noted in the '[What are tacit understandings?](#)' section in Chapter 2, tacit understandings are underlying bilateral consensuses negotiated between actors for various reasons. In Chapter 5, I find that in 1995, the Philippines and China negotiated a tacit understanding, acknowledging that their bilateral interests were broader than the disputes in the South China Sea; and that, therefore, these should be managed to allow other interests, ranging from bilateral economic and regional security cooperation, to flourish. I refer to this tacit

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<sup>649</sup> See footnote 65.

<sup>650</sup> See Chapter 2 section titled '[Notes on verification](#).'

understanding as ‘dispute preservation,’ a term not used in the Philippines, but one which points to the idea that the Philippines-China tacit understanding aimed to ensure that the disputes were managed rather than resolved.

From this chapter’s empirical discussion, I uncover the following baseline and redlines in the Philippines-China tacit understanding.<sup>651</sup> As its baseline, Beijing and Manila actively managed the South China Sea disputes instead of resolving them. This broad principle fostered an exercise of restraint where both insulated their economic and diplomatic relationship from the occasional flare-ups of dispute. In the Philippines, a common expression used by the elites to denote this baseline is that the relationship with China is bigger or broader than the South China Sea.<sup>652</sup>

Furthermore, I uncovered three redlines: First, utilising ‘kinetic’ force at sea. The PN and Coast Guard (PCG) use the term ‘kinetic’ to denote the destructive use of force by the CCG against the Philippines government’s assets in order to undermine law enforcement efforts in the disputed area.<sup>653</sup> This term distinguishes hostile actions that do not cause permanent damage to the equipment, such as shooting water cannons or laser pointing, as non-kinetic; hence, they are tacitly regarded as falling below the threshold. This redline allowed them to exercise limited resistance or a form of restraint where both Manila and Beijing could challenge the other side through physical altercations within the specified limits. When non-kinetic actions occurred, the Philippines might have protested against China, but it would not have attracted escalatory military reprisal. The Philippines’ response would remain reliant on PCG as civilian law enforcement instead of the military. This redline does not cover the permanent damage

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<sup>651</sup> As explained in Chapter 2, tacit understandings contain [baselines](#)—the nonnegotiable principles that need to be respected by both parties—and [redlines](#), the imaginary limits of acceptable behaviour in a given context.

<sup>652</sup> For example, in July 2022, Marcos Jr. noted, ‘One of the ways I’ve consistently suggested is that we have our relationship not only on one dimension, not just all about the West Philippine Sea.’ Variations of this expression have been articulated by previous presidents. As cited in Camille Elemia, “Marcos seeks to normalize ties with Beijing amid South China Sea tensions,” *Benar News*, 5 July 2022, <https://www.benarnews.org/english/news/philippine/normalize-ties-07052022124737.html>.

<sup>653</sup> These terms were used by two PN officers, a PCG officer, and several Philippine scholars who work in security in the South China Sea. My fieldwork in the Philippines took place in November-December 2023.

caused to assets owned by civilians, such as fishing vessels. These incidents, where either side has damaged and sunk fishing vessels, have episodically occurred without causing a rupture in diplomatic relations.

Second, preventing the other side from accessing, exploring, and exploiting resources in the disputed area. This redline encouraged both parties to restrain domestic factions from hindering the other side's economic activities (e.g., fishing or oil exploitation) in the disputed area. In the Philippines, this is often referred to as 'non-exclusivity.'<sup>654</sup> This term suggests an implied arrangement in which either Beijing or Manila permits the other to conduct economic activities in the disputed area without inhibition.

Third, involving external parties in conflict resolution and enforcement of one party's claim. This redline is specifically intended for the Philippines to not engage the United States or pursue legal arbitration.<sup>655</sup> This redline encourages the Philippines' elites, especially the foreign minister or the president, to discourage other domestic factions from seeking external parties to arbitrate the dispute, especially the United States.

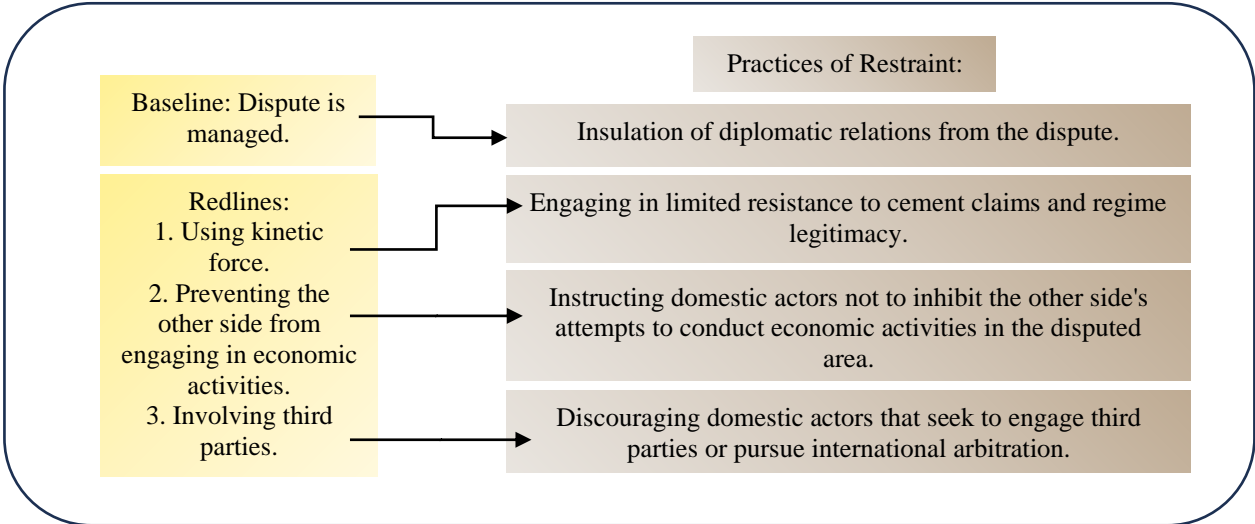
Figure 7.2 below summarises the content of the tacit understanding and the restraint it facilitated.

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<sup>654</sup> For instance, President Rodrigo Duterte used this term on various occasions. As quoted in Pia Ranada, "Duterte says he can't ban Chinese from fishing in PH waters," *Rappler*, 27 June 2019, <https://www.rappler.com/nation/234008-duterte-says-cannot-ban-chinese-from-fishing-philippine-waters/>.

<sup>655</sup> As explained in [Chapter 3](#), even though Beijing generally preferred a bilateral approach to managing the dispute, it allowed limited intervention from Southeast Asian states to give recommendations, particularly on cooperative endeavours in the disputed area. However, Beijing tended to insist that Southeast Asian states seek its consent before doing so.

Figure 7.2 Dispute preservation as a tacit understanding and the restraint it facilitated



**Inertia: Comparing the maintenance of tacit understanding during the Estrada (1998-2001) and Arroyo (2001-2010) administrations**

The comparison between Estrada and Arroyo reveals the persistence of domestic opposition to change, which resulted in maintaining the tacit understanding in its original condition.

***Maintaining tacit understanding: Joseph Estrada***

This section outlines the existence of a domestic faction, led by Philippine Foreign Minister Domingo Siazon, resisting proposed changes to the tacit understanding during Estrada’s administration. This resistance satisfies a co-occurrence I have shorthanded as ‘[disciplining](#).’ This co-occurrence suggests that actions taken to discipline those who might breach these understandings help confirm their existence.

Following Beijing’s development of military infrastructure in Mischief Reef in late 1998 and early 1999, the defence establishment, led by Defense Minister Orlando Mercado, urged the United States to expand the scope of their alliance treaty, the 1951 Mutual Defense

Treaty (MDT).<sup>656</sup> The defence faction in Manila viewed involving the US as a means to create a more level playing field amidst the asymmetry of power between Manila and Beijing. At that time, Washington's reaction aligned with its longstanding stance that the MDT did not extend to cover the South China Sea, given that the alliance was established before the Philippines made its claims to the region in the 1970s.<sup>657</sup> In lieu of providing a direct commitment to defend Manila's interests in the South China Sea, US Secretary of Defense William Cohen proposed to 'play the role of an honest broker' by facilitating discussions among claimants.<sup>658</sup> The Chinese ambassador to Manila, Guan Dengming, called Defense Minister Mercado to remind him that third-party involvement should be avoided. Mercado countered Guan's assertion by stating, 'we know we cannot resolve this issue by ourselves; it should be in consonance with our neighbors and allies.'<sup>659</sup> Chinese Foreign Ministry spokesman Sun Yuxi further underscored the third redline: 'involvement by any external forces is undesirable and will only further complicate the situation.'<sup>660</sup>

Besides the defence establishment's appeal for United States participation, other domestic actors in the Philippines also called for the involvement of external parties in arbitrating the disputes. Senator Miriam Defensor-Santiago suggested the intervention of UN Secretary General Kofi Annan's good offices, citing the UN's neutrality.<sup>661</sup> Santiago pointed

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<sup>656</sup> Article IV of the MDT obligates the US to take action in the event of an armed invasion against the Philippines, while Article V specifies that it encompasses 'island territories under its jurisdiction in the Pacific Ocean, its armed forces, public vessels or aircraft in the Pacific.' As quoted in Leotes Marie T. Lugo, "Mutual Defense Treaty covers Spratlys dispute - Erap.," *Business World* (Manila), 12 January 1999.

<sup>657</sup> For an overview of the US lack of commitment to guarantee Philippine security in the South China Sea, see Renato Cruz De Castro, "Abstract of crisis in Philippine-US security relations: From an alliance to a security partnership?," *The Pacific Review* 35, no. 3 (2022).

<sup>658</sup> Philippine Defense Secretary Mercado's statement, as cited in "U.S. ready to broker meeting on Spratlys - Manila," *Reuters News* (Manila), 12 January 1999.

<sup>659</sup> As cited in "Philippines FM cautions against US involvement in Spratlys dispute (RECASTS)," *Agence France-Presse* (Manila), 13 January 1999.

<sup>660</sup> The source of this news was Xinhua news agency domestic service, Beijing, in Chinese 15 January 1999. For an English translation, see "China claims 'indisputable sovereignty' over Spratly Islands," *BBC Monitoring* (Manila), 15 January 1999.

<sup>661</sup> Santiago invoked the 1992 Manila Declaration that singled out good offices as the preferred means for peaceful dispute resolution. As quoted in "Spratlys row fast tracks AFP upgrade," *Manila standard* (Manila), 22 January 1999.

out that Beijing's claims in the South China Sea were already implied by the symbolic markings of the nine-dash line, effectively asserting China's sovereignty over the entire area. Executing this suggestion would have not only violated the third redline but also abandoned the tacit understanding altogether, as the tacit understanding's baseline was to manage and preserve rather than resolve the South China Sea disputes.

Other domestic factions in the Philippines discouraged the two proposals—thus, by implication, opting to maintain the tacit understanding in its initial condition. For instance, the Philippine Foreign Minister Domingo Siazon warned that increased intervention by Washington could escalate the South China Sea disputes into 'a nuclear conflict.'<sup>662</sup> Siazon stressed that Washington was solely interested in participating in the ASEAN Regional Forum (ARF), rather than hosting mediation events.<sup>663</sup> Additionally, other South China Sea disputants discouraged the Philippines from engaging the United States, particularly Malaysia, which, as discussed in Chapters 5 and 6, had already negotiated tacit understandings with China.<sup>664</sup> Vietnam similarly emphasised that the dispute should be resolved peacefully through bilateral negotiations and discussions among directly involved parties.<sup>665</sup> These criticisms served as regional pressure to persuade Manila to adhere to its tacit understanding.

The objections raised by domestic advocates for restraint, regional pressure from other disputants, and Washington's unwillingness to explicitly guarantee Manila's security set the stage for the Philippine National Security Council meeting on 21 January 1999. This council serves as the highest advisory body on security matters to the President, and it was attended by former President Fidel Ramos, members of the Cabinet, and military and police officials, as well as congressional leaders.<sup>666</sup> Ramos, who then held a senior advisory position at the

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<sup>662</sup> As quoted in "Philippines FM cautions against US involvement in Spratlys dispute (RECASTS)."

<sup>663</sup> As quoted in "Siazon denies U.S. offer to broker talks on Spratlys," *Asian Political News* (Manila), 18 January 1999.

<sup>664</sup> See "Mahathir wants U.S. to stay out of Spratlys row."

<sup>665</sup> As quoted in "Vietnam says any Spratlys talks for claimants only," *Reuters* (Hanoi), 14 January 1999.

<sup>666</sup> As quoted in "Estrada calls first security council meeting," *Asian Political News* (Manila), 25 January 1999.

National Security Council, suggested that the Philippines should continue its restrained approach when dealing with China.<sup>667</sup> Ramos' recommendation implies that the Philippines should uphold the tacit understanding with China in its original form, given his direct involvement in negotiating this understanding during his presidency.<sup>668</sup> Aligning with Ramos, the dominant view in the council was in favour of exercising restraint and maintaining the prior tacit understanding.<sup>669</sup> Following the meeting, a communique was issued reaffirming Manila's intention to continue 'bilateral diplomatic actions with China' and engage in multilateral diplomatic initiatives through international groupings such as the ARF and other international forums.<sup>670</sup>

In light of the council's recommendation and considering regional pressure, Estrada emphasised that 'the Americans should not intervene' in mediating the disputes, despite the MDT with the United States. He also specified that this only pertained to direct invasions of the country, and not to territorial disputes like the South China Sea involving multiple claimant countries.<sup>671</sup> Additionally, Estrada emphasised the need to exhaust existing diplomatic channels before resorting to involving the United Nations or allowing intervention by the United States.<sup>672</sup> This illustrates inertia, whereby Estrada aligned himself with domestic factions that favoured maintaining the prior tacit understanding with China.

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<sup>667</sup> *Ibid.*

<sup>668</sup> As quoted in "RP may opt for China isolation over Spratlys," *Manila Standard*, 24 January 1999.

<sup>669</sup> I deduced this claim from various news media reports covering the meeting. Generally, Mercado's argument garnered support from several officials, including Representative Roilo Golez, Dulce Arguelles, Joem Macaspac, Rene Custodio, and Rey Requejo, all of whom urged Estrada to pursue an expanded US military presence to offset China's influence. However, other council members generally concurred with National Security Adviser and NSC Director-General Alexander Aguirre, who suggested that attention should be directed towards addressing the insurgency in Mindanao, located south of the Philippines, rather than focusing on the South China Sea. As quoted in "Spratlys row fasttracks AFP upgrade"; Leotes Marie T Lugo, "NSC goes for diplomatic solution to Spratlys claim," *Business World*, 22 January 1999.

<sup>670</sup> As cited in "RP may opt for China isolation over Spratlys."

<sup>671</sup> As quoted in "Philippines' Estrada asks U.S. to avoid Spratlys dispute"; "Philippines will have to handle Spratlys without US help: Estrada," *Agence France-Presse* (Manila), 13 February 1999.

<sup>672</sup> As quoted in "RP may opt for China isolation over Spratlys."

Estrada's decision was not an act of submission but rather a confirmation of commitment to the tacit understanding, as both Manila and Beijing continued to engage in limited resistance, challenging each other within certain limits in the South China Sea across operational, legal, and multilateral domains. For example, on 23 May 1999, the PN sank two Chinese fishing vessels trespassing into the disputed area, eliciting strong protests from Beijing.<sup>673</sup> Despite the protest, this incident was not deemed a violation of the tacit understanding because it resulted in no fatalities, did not involve actions against the Chinese military, and was perceived as part of the Philippines' law enforcement activities. As reported by *Xinhua News*, incidents involving Chinese fishing boats being intercepted by the PN had occurred regularly, including in 1998, when 51 fishermen were detained, and none of these had resulted in a rupture in the bilateral diplomatic tie.<sup>674</sup> The ongoing hostilities at sea did not impede the advancement of the two countries' relationship. On 15 November 2000, the foreign ministers of both countries signed a joint statement titled the Framework of Bilateral Cooperation in the Twenty-First Century, in which they declared: 'They reaffirm their adherence to the 1995 joint statement between the two countries on the South China Sea and agree not to take actions that might complicate or escalate the situation.'<sup>675</sup> As discussed in Chapter 5, the 1995 joint statement implied the tacit understanding of dispute preservation.

### ***Maintaining tacit understanding: Gloria M Arroyo***

This section further demonstrates the presence of opposing forces counteracting attempts to alter the tacit understanding. Arroyo's efforts to make the understanding more

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<sup>673</sup> As noted in Renato Cruz De Castro, "The Philippines confronts China in the South China Sea: Power politics vs. liberalism-legalism," *Asian Perspective* 39, no. 1 (2015): 83.

<sup>674</sup> This article was reshared to the Philippines' website by the Chinese Embassy. See "Xinhua insight: True Story behind Huangyan Island dispute in South China Sea," *Xinhua News* (Beijing), 25 May 2012, [http://ph.china-embassy.gov.cn/eng/xwfb/201205/t20120529\\_1180400.htm](http://ph.china-embassy.gov.cn/eng/xwfb/201205/t20120529_1180400.htm).

<sup>675</sup> See "Joint statement between China and the Philippines on the framework of bilateral cooperation in the twenty-first century." *News release*, 2000, [https://www.fmprc.gov.cn/mfa\\_eng/wjdt\\_665385/2649\\_665393/t15785.shtml](https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t15785.shtml).

cooperative were thwarted by opposition, while hawkish factions' attempts to breach the understanding were neutralised by Arroyo. Beyond demonstrating that opposing domestic factions were equally poised, this counteraction satisfies a co-occurrence I have shorthanded as '[disciplining](#).' This co-occurrence suggests that actions taken to discipline those who might breach these understandings help confirm their existence.

Following the presidential transition from Estrada to Arroyo, Manila became more amenable to improving relations with Beijing. Beijing and Manila negotiated a cooperative undertaking to jointly explore and exploit energy resources in the contested region, especially via the Joint Maritime Seismic Undertaking (JMSU).<sup>676</sup> JMSU, had it been implemented to the end, had the potential to shift the tacit understanding baseline, which aimed to prevent the dispute from escalating into a more cooperative understanding. Manila and Beijing aimed to shift the prior understanding into the realm of joint exploitation in the disputed area. The initial tacit understanding only tolerated the other side's unilateral exploitation of natural resources in the disputed area surrounding the features they occupied. Furthermore, agreeing to JMSU was also aimed at enhancing broader economic cooperation. This renegotiation attempt failed, however, due to domestic opposition.

Beijing viewed JMSU as delivering two key benefits. First, it would provide an opportunity for concretising cooperative endeavour as a way to manage disputes in the South China Sea.<sup>677</sup> Second, engaging in joint cooperation in the disputed area would signify an implicit acknowledgment of China's status as a party involved in the dispute.<sup>678</sup> With these

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<sup>676</sup> Rommel C Banlaoi, *Philippines-China security relations: Current issues and emerging concerns* (Manila: Yuchengco Center, De La Salle University Manila, 2012), 30-35.

<sup>677</sup> Beijing had long advocated for cooperation in the disputed area in various multilateral forums in Southeast Asia, known in Beijing as the concepts of 'joint development' (共同开发) or 'cooperative development' (合作开发). See Shuxian Luo, "From "Joint Development" to "Independent Development"," *Contemporary Southeast Asia* 45, no. 3 (2023): 467.

<sup>678</sup> In a Wikileaks cable, an unnamed Chinese Embassy source explained to the Embassy of Hanoi Political Officer that, 'Joining us is an admission that we have the right to be there.' This statement suggests a deliberate tactic where Beijing was using cooperative endeavours to lend credence to its claim. As noted in Embassy Hanoi, "Vietnam and China: Coming around warily," Wikileaks Cable: 05HANOI1143\_a, dated 17 March 2005,

benefits in mind, Beijing persuaded Manila to agree to JMSU, which was signed on 14 March 2005. Following JMSU, Beijing increased its economic activities in the Philippines through infrastructure development.<sup>679</sup> These developments highlighted the convergence of economic and security considerations for Arroyo, motivating her to enhance cooperation with Beijing. To offset potential coercion from Beijing, Arroyo had required China to include Vietnam in the JMSU.<sup>680</sup> So after securing Manila's agreement, Beijing exerted pressure on Hanoi to participate.<sup>681</sup> The three countries conducted an initial survey to locate hydrocarbon deposits within a 143,000 square kilometre area of the South China Sea.<sup>682</sup>

Upon conclusion of the first phase, the parties were prepared to advance to phase two—joint exploitation. This phase would have signified a major transformation of the tacit understanding. However, despite the enthusiasm of Chinese and Vietnamese counterparts to proceed to phase two as planned in July, Philippine authorities temporarily postponed authorisation because of domestic pressure on Arroyo. Critics accused Arroyo of engaging in a quid pro quo arrangement with China, which they argued compromised Philippine security interests in exchange for personal economic benefits.<sup>683</sup> A series of domestic investigations, notably the \$329 million contract for a national broadband network signed by a Philippine Cabinet Secretary and China's state-owned ZTE Corporation in April 2007, triggered

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[https://wikileaks.jcvignoli.com/cable\\_05HANOI1143?hl=Vietnam%20and%20China:%20Coming%20Around%20Warily](https://wikileaks.jcvignoli.com/cable_05HANOI1143?hl=Vietnam%20and%20China:%20Coming%20Around%20Warily).

<sup>679</sup> For explanation on Chinese investment during Arroyo, see Alvin Camba, "Sinews of politics: State grid corporation, investment coalitions, and embeddedness in the Philippines," *Energy Strategy Reviews* 35 (2021).

<sup>680</sup> Embassy Hanoi, "Vietnam and China: Coming around warily," Wikileaks Cable: 05HANOI1143\_a, dated 17 May 2005, [https://wikileaks.org/plusd/cables/05HANOI1143\\_a.html](https://wikileaks.org/plusd/cables/05HANOI1143_a.html); Truong-Minh Vu, "The Logic of Strategic Restraint and Prospects for Joint Development in the South China Sea," in *Unresolved Border, Land and Maritime Disputes in Southeast Asia* (Leiden, Netherlands: Brill, 2017).

<sup>681</sup> However, unlike Manila, Hanoi was hesitant, as the Vietnamese Navy thought that such cooperation could bolster Chinese 'control' over the Spratlys. As noted in Embassy Hanoi, "Vietnam and China: Coming around warily," Wikileaks Cable: 05HANOI1143\_a, dated 17 May 2005, [https://wikileaks.org/plusd/cables/05HANOI1143\\_a.html](https://wikileaks.org/plusd/cables/05HANOI1143_a.html)

<sup>682</sup> As noted in Embassy Manila, "Joint seismic survey in South China Sea makes progress," Wikileaks Cable: 06MANILA4848\_a, dated 30 October 2006, [https://www.wikileaks.org/plusd/cables/06MANILA4848\\_a.html](https://www.wikileaks.org/plusd/cables/06MANILA4848_a.html).

<sup>683</sup> Camba, "Sinews of politics: State grid corporation, investment coalitions, and embeddedness in the Philippines," 3-4.

allegations of corruption that garnered extensive media attention in the Philippines.<sup>684</sup> The domestic opposition compelled Arroyo to reassess Manila's relationship with Beijing, including letting JMSU lapse when its term expired on 30 June 2007.<sup>685</sup> As a result, Manila reverted back to the initial position.

As both countries reverted back to their initial tacit understanding, Manila re-embraced the prior restraint of limited resistance—or measured hostility—against Beijing. For example, Arroyo lobbied the Philippines Congress to exclude the Spratlys and Scarborough Shoal from the Philippines' 'archipelagic baselines,' a straight baseline that encircles an archipelago in its entirety, in the new baselines law known as Republic Act No. 9522.<sup>686</sup> One of the House Bills proposed by Foreign Affairs Committee Chair Rep. Antonio Cuenco in December 2007 suggested the inclusion of the Spratlys and Scarborough Shoal within the Philippines' archipelagic baselines.<sup>687</sup> This inclusion would have given a greater mandate for the PN to deter Chinese fishing and Coast Guard incursions into the disputed area.<sup>688</sup> This potentially violated the first redline of using kinetic force and effectively added political pressure on the administration to resolve the dispute with China.

Arroyo advocated a compromise position by designating the Spratlys and Scarborough Shoal as a 'regime of islands,' defined as a collection of a naturally formed area of land, surrounded by water, which is above water at high tide.<sup>689</sup> Former Undersecretary of Foreign Affairs of the Philippines, Rudolfo Severino, described Arroyo's action as 'constructive ambiguity' because even though it strengthened Manila's claim, additional steps were required to effectively enforce the regime of islands, such as clarifying the status of features in the

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<sup>684</sup> Embassy Manila, "Controversy over Spratly Islands territorial dispute continues to simmer."

<sup>685</sup> As noted in Embassy Manila, "Controversy over Spratly Islands territorial dispute continues to simmer," Wikileaks Cable: 08MANILA1838\_a, dated 1 August 2008, [https://wikileaks.org/plusd/cables/08MANILA1838\\_a.html](https://wikileaks.org/plusd/cables/08MANILA1838_a.html).

<sup>686</sup> *Ibid.*

<sup>687</sup> *Ibid.*

<sup>688</sup> *Ibid.*

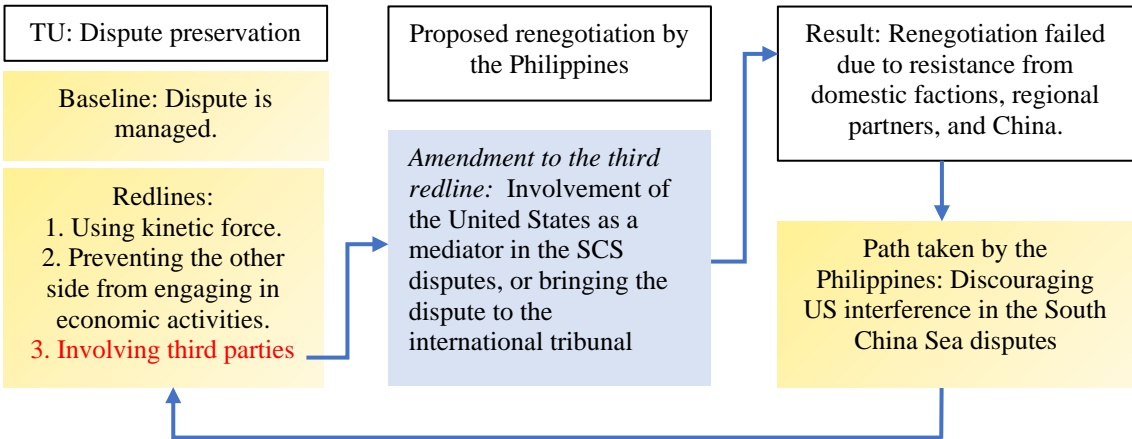
<sup>689</sup> Embassy Manila, "Philippine compromise on Spratly draws PRC ire," Wikileaks Cable: 09MANILA428\_a, dated 2009 February 26, [https://wikileaks.org/plusd/cables/09MANILA428\\_a.html](https://wikileaks.org/plusd/cables/09MANILA428_a.html).

disputed area.<sup>690</sup> This example suggests Arroyo’s continued efforts to persuade domestic constituents to maintain the tacit understanding in its original form, which essentially preserved the disputes instead of resolving them.

**Brief comparison**

Comparing the Estrada and Arroyo administrations, the delicate balance of tension between different domestic factions became the source of inertia for the prior tacit understanding, facilitating the continuation of pre-existing practices of restraint. During Estrada’s period, the efforts of hawkish factions to shift redlines to include a greater third-party presence were thwarted by advocates for restraint, including the foreign ministry and the National Security Council. As summarised in Figure 7.3 below, in 1999, the defence establishment within Manila attempted to renegotiate the third redline, either by including the United States as a mediator or by bringing the disputes to the tribunal. However, the attempt failed, thus keeping the tacit understanding in its initial position.

Figure 7.3 Failed renegotiation of the tacit understanding during Estrada period

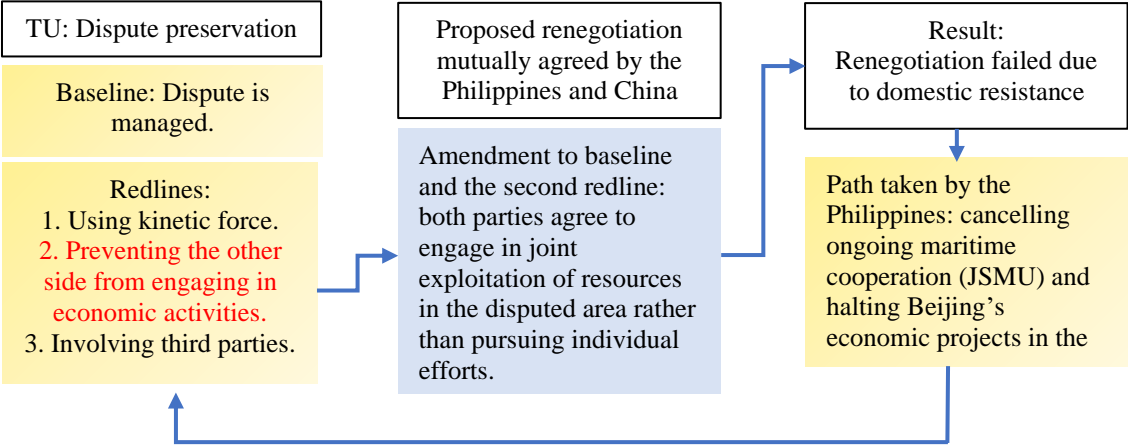


During Arroyo’s period, her efforts to enable cooperation in the disputed area in the South China Sea as a tool to improve relations with Beijing were criticised by the opposition

<sup>690</sup> Severino, *Where in the world is the Philippines?: Debating its national territory*, 37.

as a symbol of kowtowing to Beijing, forcing her to cancel JMSU and broader economic cooperation. It is summarised in Figure 7.4 below.

Figure 7.4 Failed renegotiation of the tacit understanding during Arroyo period



In both cases, the balance between factions within the Philippines acted as a self-centring force, pressuring ruling regimes to maintain the tacit understanding with China in its original form.

**Abandonment: The struggle to maintain the tacit understanding during Aquino**

This section first discusses Aquino’s early attempts to maintain the tacit understanding (2011-2013). It then examines the eventual abandonment of the tacit understanding (2013-2016) and how, during this period, the prior practices of restraint disappeared. The disappearance of these practices of restraint, and the subsequent strained relations following the abandonment indicate that the practices were contingent on adherence to the tacit understanding. As this finding links the disappearance of restraint with the abandonment of tacit understandings, it reinforces the co-occurrence I shorthand as ‘[changes](#).’ This section also discusses how, from 2013 to 2016, Beijing often cited the prior tacit understanding to argue

against involving a third party, providing evidence of the understanding's existence. As previously noted, Beijing's citation satisfies a co-occurrence I have shorthanded as '[protest](#).'

### *Aquino's failed effort to renegotiate the tacit understanding*

Like Arroyo, in the early years of his presidency, Aquino attempted to propose a cooperative endeavour with China in the disputed area, a proposal referred to as the Zone of Peace, Freedom, Friendship, and Cooperation (ZoPFFC).<sup>691</sup> As a precondition, however, he insisted that Beijing and Manila engage in discussions to delineate disputed and non-disputed areas, a process known as 'enclaving,' before considering joint development exclusively for clearly disputed areas.<sup>692</sup> Aquino intended for ZoPFFC not to resolve but to preserve the dispute while endorsing joint exploitation of natural resources in contested areas, thus honouring the baseline of the tacit understanding. By implication, this proposal aimed to transform the tacit understanding baseline into a more cooperative understanding, facilitating cooperation. As outlined in point 9 of the draft document '10 ways to ZoPFFC,' circulated by the Philippine government among ASEAN members and China, enclaving aimed to operationalise 'the shelving of territorial disputes.'<sup>693</sup> In his statement regarding ZoPFFC's guiding principle, Aquino noted, 'What is ours is ours, and with what is disputed, we can work towards joint cooperation.'<sup>694</sup>

China and ASEAN members were reluctant to support ZOPFFC.<sup>695</sup> Beijing feared that this process would involve elements of arbitration and internationalisation of the dispute to

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<sup>691</sup> Albert F. del Rosario, "'On West Philippine sea' (Delivered at the ASEAN Foreign Ministers' Meeting in Bali, Indonesia)." *News release*, 15 November 2011, <http://www.gov.ph/2011/11/15/the-secretary-of-foreign-affairs-on-the-west-philippine-sea-november-15-2011/>.

<sup>692</sup> Morales, "Into China's rough seas: Troubled maritime institutions in the West Philippine Sea—implications for Philippine national security," 43.

<sup>693</sup> *Ibid.*, 42; Aileen Baviera, "Some thoughts on joint development in the South China Sea" (paper presented at the 4th Conference on sea lanes of communication, Taipei, 2012), 9.

<sup>694</sup> Baviera, "Some thoughts on joint development in the South China Sea," 9.

<sup>695</sup> As cited in *ibid.*

guide the segregation process, thus potentially departing from the third redline.<sup>696</sup> When Manila hosted an ASEAN maritime legal expert meeting in September 2011 to present ZoPFFC, two ASEAN member states, Laos and Cambodia, did not attend. Additionally, Malaysia criticised the proposal due to concerns about its potential impact on their bilateral dispute over Sabah, North Borneo. When Manila sought support for ZoPFFC at the ASEAN summit in November 2011, Jakarta (the host) was not receptive because its primary concern was to conclude the regional code of conduct.<sup>697</sup> Given the lack of support, Aquino decided not to pursue the proposal further. In this instance, the inertia was produced by a lack of consent from Beijing, and of support from regional partners.

### *Abandoning the tacit understanding*

Escalating tension in the aftermath of the 2012 Scarborough Shoal standoff spurred domestic debates, which questioned the adequacy of the administration's approach against China in the South China Sea. Scarborough Shoal, a ring-shaped coral reef encompassing several rocks enclosing a lagoon, lies well within the Philippines' 200-nautical-mile EEZ. Following reports of illegal Chinese fishing activities at the shoal on 8 April 2012, the PN deployed an offshore patrol vessel, the BR *Gregorio del Pilar*, operating nearby. The PN sought to display a more assertive presence in safeguarding Scarborough Shoal, inadvertently exacerbating the situation. The PN's actions at Scarborough Shoal were driven by a desire to exhibit a firmer stance, in reaction to Beijing's escalating assertiveness following the issuance of its nine-dash line map in 2009.<sup>698</sup> As early as the last quarter of 2010, the Philippines Department of Foreign Affairs began observing an increase in Chinese naval presence and

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<sup>696</sup> Aileen Baviera, "The South China Sea disputes: Is the Aquino way the 'ASEAN way'?", *RSIS Commentary*, 5 January 2012, <https://dr.ntu.edu.sg/bitstream/10356/79762/1/RSIS0042012.pdf>.

<sup>697</sup> *Ibid.*

<sup>698</sup> In 2009, Beijing submitted a map to the UN asserting 'indisputable sovereignty over the islands in the South China Sea.' This discussion corresponds with the one in [Chapter 4](#).

activities in the Spratlys, monitoring approximately six major intrusions by Chinese vessels into waters claimed by the Philippines.<sup>699</sup> As a result, the PN considered their intervention in law enforcement against Chinese illegal fishing necessary and justified, especially given the limited capacity of PCG.

According to my interviews with two retired PN officers, PN's effort to avoid escalating tension by crossing a redline was evidenced by their prior consultation with legal counsel.<sup>700</sup> PN officers were advised that as long as the endeavour fell under the banner of Freedom of Navigation, it would assert a firmer stance without escalating tensions.<sup>701</sup> Beijing's reaction implied that it viewed PN's presence as hostile, and responded forcefully by dispatching the PLA-N to impose a temporary blockade of the reef and prohibit fisherfolks from fishing in and around the reef.

To alleviate tensions in the area, Aquino issued a directive emphasising the importance of demilitarisation and re-deploying the PCG to the frontline, indicating a more restrained approach.<sup>702</sup> The PCG, unlike the PN, is a civilian law enforcement agency; thus, their presence was regarded as de-escalatory. Soon after this directive was issued, the PN and Chinese Maritime Surveillance were promptly withdrawn. Despite the effort to diffuse the tension from both sides, Aquino faced domestic pressures for a stronger stance against China. On 27 April 2012, a senate meeting convened by the Chairperson of the Committee of Foreign Affairs,

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<sup>699</sup> In a diplomatic protest sent to the Chinese Embassy in Manila, the Department of Foreign Affairs argued that any new construction in the vicinity of the uninhabited Amy Douglas Bank is a clear violation of the 2002 ASEAN-China Declaration on the Conduct of Parties in the South China Sea. In response, the Chinese Foreign Ministry sternly told the Philippines to stop 'harming China's sovereignty and maritime rights and interests, which leads to unilateral actions that can expand and complicate [sic] South China Sea dispute.' Renato Cruz De Castro, "The 12 July 2016 Permanent Court of Arbitration's (PCA) award: The Philippines' lawfare versus China's realpolitik in the South China Sea dispute," *International Journal of China Studies* 8, no. 3 (2017): 352-53.

<sup>700</sup> This information was obtained from my interview with a high-ranking PN officer in Manila on 29 November 2023. He was serving in a commanding position during the 2012 Scarborough Shoal Standoff. His statement was corroborated by a prior interview with another retired high-ranking officer on 23 November 2023. Both requested anonymity.

<sup>701</sup> A PCG officer remarked that there was unease within policy circles regarding the presence of PN in the shoal, indicating a differing view. See Morales, "Into China's rough seas: Troubled maritime institutions in the West Philippine Sea—implications for Philippine national security," 47.

<sup>702</sup> *Ibid.*, 44.

Senator Loren Legarda and Senate President Juan Ponce Enrile resulted in a decision to pursue international arbitration as a way to level the playing field.<sup>703</sup> However, pursuing arbitration violated the tacit understanding that aimed at preserving, instead of resolving, the dispute.

While bringing the disputes to international court had been considered in the past from the Ramos to Arroyo presidencies, it gained momentum only during Aquino's presidency.<sup>704</sup> According to an interview with a scholar in Manila, Aquino's foreign minister, Albert Del Rosario, was more inclined to side with the hawkish and legalist factions because of his background as a foreign minister who had not risen through the ranks of the Foreign Ministry.<sup>705</sup> The perception that Manila must pursue arbitration was also bolstered by the domestic opinion of the inadequacy of the United States' support in explicitly guaranteeing the Philippines' security in the South China Sea.<sup>706</sup> In the aftermath of the Scarborough Shoal standoff between the Philippines and China in April 2012, Aquino again pressed for a security guarantee when he met with President Barack Obama in the Oval Office on 8 June 2012; however, Obama refrained from offering a clear assurance that it would intervene in defence of Manila during a crisis.<sup>707</sup>

On 22 January 2013, the Philippine Department of Foreign Affairs issued a diplomatic note to the Embassy of the People's Republic of China in the Philippines, indicating that the Philippines had filed a Notification and Statement of Claim to commence compulsory

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<sup>703</sup> "Enrile: Submitting the case to the Int'l Court, an indication that we believe in the legality of our own claim." *News release*, 24 April 2012, [https://legacy.senate.gov.ph/press\\_release/2012/0424\\_enrile1.asp](https://legacy.senate.gov.ph/press_release/2012/0424_enrile1.asp).

<sup>704</sup> For example, Domingo Siazon during Ramos' and Estrada's presidencies and Roberto Romulo during Arroyo's were very concerned about regional support. Unlike his predecessors, Del Rosario, who was previously a businessman, was more amenable to the persuasion of legal scholars and intellectuals, such as Supreme Court Justice Antonio Carpio, who deliberated on the case in 2009.

<sup>705</sup> Interview with a scholar working in the law of the sea field in Manila, 28 November 2023. His public statement also corroborated this. For example, Philippine Foreign Secretary Albert Del Rosario argued that 'International law is the great equalizer among states.' As quoted in Girlie Linao, "Rising tensions in South China Sea risk confrontation," *Deutsche Presse-Agentur*, 3 January 2016.

<sup>706</sup> This sentiment emerged in numerous interviews with scholars in the Philippines and at a roundtable at the Institute for Maritime Affairs and Law of the Sea in Manila on 28 November 2023. Participants noted that the lack of support during the Scarborough Shoal standoff was often seen as a critical juncture marking the U.S.'s lack of reliability.

<sup>707</sup> De Castro, "The Duterte administration's foreign policy: Unravelling the Aquino administration's balancing agenda on an emergent China," 23.

arbitration proceedings under Article 287 and Annex VII of the UNCLOS.<sup>708</sup> On 19 February 2013, the Chinese Government noted that it rejected the legality of the process, and refused to engage in the arbitration process unilaterally initiated by the Philippines.<sup>709</sup> At this point, the tacit understanding was no longer considered by the Philippines to be in effect. Although the arbitral had no jurisdiction to decide on sovereignty and boundaries, Manila primarily aimed to resolve the disputes by arguing that China had no legal standing. Manila sought to challenge the legal basis and legitimacy of China's claim by asking the arbitral to evaluate whether China's historical claim was consistent with UNCLOS.<sup>710</sup> The tribunal invalidated Beijing's historical claim, and Beijing could no longer confidently argue that its historical claim was consistent with UNCLOS.<sup>711</sup>

### ***Beijing made the tacit understanding public***

In an attempt to undermine the necessity of the tribunal, Chinese officials released a series of open letters and statements accusing the Philippines of violating pre-existing 'mutual understandings' by initiating legal proceedings.<sup>712</sup> With this assertion, Beijing aimed to showcase its longstanding commitment to restraint as a consequence of adhering to the pre-existing tacit understanding. It sought to suggest that bilateral approaches had

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<sup>708</sup> De Castro, "The 12 July 2016 Permanent Court of Arbitration's (PCA) award: The Philippines' lawfare versus China's realpolitik in the South China Sea dispute," 355.

<sup>709</sup> "Statement of the Ministry of Foreign Affairs of the People's Republic of China on the award of 12 July 2016 of the arbitral tribunal in the South China Sea arbitration established at the request of the Republic of the Philippines." *News release*, 2016, [https://www.fmprc.gov.cn/eng/wjdt\\_665385/2649\\_665393/201607/t20160712\\_679470.html#:~:text=On%207%20December%202014%2C%20the,of%20arbitration%20breaches%20the%20agreement.](https://www.fmprc.gov.cn/eng/wjdt_665385/2649_665393/201607/t20160712_679470.html#:~:text=On%207%20December%202014%2C%20the,of%20arbitration%20breaches%20the%20agreement.)

<sup>710</sup> Florian Dupuy and Pierre-Marie Dupuy, "A legal analysis of China's historic rights claim in the South China Sea," *American Journal of International Law* 107, no. 1 (2013); *The Asia maritime transparency initiative podcast*, podcast audio, Arbitration outcomes with Paul Reichler, Philippines' lead counsel, Part 22016, <https://soundcloud.com/csis-57169780/sets/the-asia-maritime-transparency.>

<sup>711</sup> For the full result, see PCA, "The South China Sea Arbitration (The Republic of the Philippines V. The People's Republic of China)." *News release*, 12 July 2016. "Press conference by Chinese Embassy on Philippines' submission of a memorial to the arbitral tribunal on disputes of the South China Sea with China." *News release*, 1 April 2014, [http://ph.china-embassy.gov.cn/eng/xwfb/201404/t20140401\\_1180513.htm](http://ph.china-embassy.gov.cn/eng/xwfb/201404/t20140401_1180513.htm). Hua Zhang, "China's Position on the Territorial Disputes in the South China Sea between China and the Philippines." *News release*, 3 April 2014, <http://ph.china-embassy.org/eng/xwfb/t1143881.htm>.

been effective thus far, and that involving a third party violated one of the redlines in their longstanding tacit understanding.

One of the most comprehensive explanations of the tacit understanding can be found in a position paper issued by the Ministry of Foreign Affairs of the People's Republic of China (FMPRC) issued on 7 December 2014. In the second point of the paper, there is a clear reference to the tacit understanding: 'There has been a long-standing agreement between China and the Philippines' that the South China Sea dispute should be managed through friendly consultations and negotiations.<sup>713</sup> Even though the position paper indicated the desire from both sides to settle the disputes, this point was never executed, thus implying the consistency of dispute preservation as a *modus vivendi* to manage tension. The position paper then went on to detail every reaffirmation from the signing of 1995 up to the Aquino period in 2011.

When the arbitral award was announced on 12 July 2016, Beijing also made another reference to the prior tacit understanding, but this time to reclaim the moral high ground, suggesting that Manila had 'violate[d] the bilateral agreement reached between China and the Philippines, and repeatedly reaffirmed over the years.'<sup>714</sup> This frequent invocation serves as additional evidence suggesting the existence of the prior tacit understanding that aimed at preserving their disputes, as it fulfils a co-occurrence I have shorthanded as '[protest](#).'

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<sup>713</sup> "Position paper of the Government of the People's Republic of China on the matter of jurisdiction in the South China Sea arbitration initiated by the Republic of the Philippines." *News release*, 7 December 2014, [http://english.www.gov.cn/archive/press\\_briefing/2014/12/07/content\\_281475020441708.htm](http://english.www.gov.cn/archive/press_briefing/2014/12/07/content_281475020441708.htm).

<sup>714</sup> "Statement of the Ministry of Foreign Affairs of the People's Republic of China on the award of 12 July 2016 of the arbitral tribunal in the South China Sea arbitration established at the request of the Republic of the Philippines."

***Unrestrained actions: Relationship after the abandonment of tacit understanding (2013-16)***

Following the abandonment of the tacit understanding, the relationship between Manila and Beijing took a downturn.<sup>715</sup> A survey of this period sheds light on the impact of the abandonment of the tacit understanding on the disappearance of both countries' practices of restraint, as evidenced by a series of conflicts summarised in Figure 7.5. As noted in the red box, both countries started to engage in assertive action, unlike their previous behaviour.

Figure 7.5 The abandonment of prior practices of restraint

| Practices of restraint facilitated by TU (dispute preservation)   | Behaviour following the abandonment of TU   |
|---|---|
| Insulation of diplomatic relations from the dispute.  | Manila: Proceeding with the tribunal, rallying international support to the arbitration, and engaging Beijing in conflict at sea. |
| Engaging in limited resistance to cement claims and regime legitimacy.  |   |
| Instructing domestic actors not to inhibit the other side's attempts to conduct economic activities in the disputed area. | Beijing: Blockade of access to fishing and economic activities by the Philippines in the SCS; targeted economic sanctions.        |
| Discouraging domestic actors that seek to engage third parties or pursue international arbitration.                       |   |

For Manila's part, involving third parties, which was a violation of the third redline, was the primary action that marked the abandonment of the tacit understanding. Moreover, during Aquino's administration, almost all major projects initiated during Arroyo's term were cancelled.<sup>716</sup> Aquino also refused to renew visas for engineers from the State Grid Corporation

<sup>715</sup> As noted by various scholars, such as De Castro, "The Duterte administration's foreign policy: Unravelling the Aquino administration's balancing agenda on an emergent China"; Baviera, "The domestic mediations of China's influence in the Philippines."

<sup>716</sup> However, there were no specific policies implemented to restrict or target Chinese investments during this period of tension. Alvin Camba and Janica Magat, "How do investors respond to territorial disputes? Evidence from the South China Sea and implications on Philippines economic strategy," *The Singapore Economic Review* 66, no. 01 (2021).

of China.<sup>717</sup> These economic sanctions violated the initial baseline where both parties aimed to keep diplomatic relations insulated from the ongoing tensions in the South China Sea. In addition to project cancellations, Manila also proactively launched a diplomatic campaign against China via regional and international forums. For example, on 23 April 2015, Philippine President Aquino called on ASEAN leaders to issue a collective statement condemning China's reclamation activities in the disputed waters.<sup>718</sup> Protesting Manila's actions, Chinese Foreign Ministry Spokesperson Hong Lei accused Manila of driving a wedge and damaging 'the friendly relationship of cooperation between China and ASEAN.'<sup>719</sup> Although criticising each other does not necessarily violate the tacit understanding, internationalising the disputes to expose each other's actions undermines the essence of the tacit understanding, which was aimed at shelving the dispute for coexistence.

Manila also deepened its relationship with the United States, offering more military bases as an added form of deterrence against China. Notably, Manila and Washington signed the Enhanced Defense Cooperation Agreement (EDCA), which allowed Washington greater access to Philippine territory but also attracted domestic resistance due to potential violations of several provisions of the Philippines 1987 Constitution.<sup>720</sup> EDCA permits the United States to rotate its troops, aircraft, and vessels through at least eight bases in the Philippines, including two on Palawan Island and in Subic Bay. Deepening its relationship with the United States did not necessarily violate the prior tacit understanding, but engaging the United States to deter China went against the third redline (involving third parties). These bases granted American

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<sup>717</sup> As cited in Alecia Quah, "State-owned Chinese firms in Philippines face increased state contract cancellation risks in one-year outlook over maritime dispute," *IHS Global Insight Daily Analysis*, 27 February 2015.

<sup>718</sup> As cited in Praveen Menon and Manuel Mogato, "Host Malaysia avoids Chinese ire over disputed sea at ASEAN summit," *Reuters*, 23 April 2015.

<sup>719</sup> As cited in Jauhn Etienne Villaruel, "Manila move for ASEAN row support downplayed," *Business World*, 22 April 2015.

<sup>720</sup> As reported in "Philippines, U.S. reiterate South China Sea row must be settled through international arbitration, says Palace official," *Philippines News Agency*, 22 January 2015.

forces swift access to the Spratly archipelago in the southern part of the South China Sea, where Beijing was engaged in island reclamation and airstrip construction.<sup>721</sup>

Following the abandonment of the tacit understanding, Beijing also took several actions that indicated its own departure from prior restraint, including targeted economic sanctions against Manila; prohibitions on access and economic activities in the disputed area; and power projection activities such as island building and test flights. Beijing selectively imposed sanctions against Manila, such as cutting government-to-government financing of infrastructure projects to the Philippines.<sup>722</sup> These sanctions violated the initial baseline where both parties aimed to keep diplomatic relations insulated from the ongoing tensions in the South China Sea. Beijing also imposed restrictions in the disputed area, ranging from fishing prohibitions to law enforcement activities in certain areas, particularly around Scarborough Shoal, which went against the second redline. For example, CCG Vessel 3412 rammed three Philippine-flagged fishing vessels—F/V OG *Barbie*, F/V *Ocean Glory 2*, and F/V *Ana Marie*—because they were trying to fish in Scarborough Shoal.<sup>723</sup> Chinese Foreign Ministry spokesman Hong Lei noted that the ramming was justified as the fishermen refused to comply with the CCG's demands and reiterated that China considered the area its sovereign territory, encouraging Manila 'to enhance supervision' of its fishermen.<sup>724</sup> The blockade suggested a departure from prior restraint

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<sup>721</sup> Raul Dancel, "Philippine court okays US use of military bases," *Straits Times*, 13 January 2016.

<sup>722</sup> Fang Wang, "South China Sea territorial disputes and Sino-Philippine trade," *Economic and Political Studies* 3, no. 2 (2015); Camba, "Sinews of politics: State grid corporation, investment coalitions, and embeddedness in the Philippines."

<sup>723</sup> As reported in the "PHL files protest against China for harassment of Filipino fishermen and poaching in Bajo de Masinloc," *Manila Bulletin*, 6 February 2015.

<sup>724</sup> As cited in Trefor Moss, "Philippines accuses China of ramming fishing boats," *Dow Jones Institutional News*, 5 February 2015; Hui hui Wang, "China rejects Philippine protest over ship ramming," *Xinhua News Agency*, 5 February 2015.

behaviour that allowed each party to exploit resources from the disputed areas, a practice that continued throughout the period of abandonment.<sup>725</sup>

The prohibition of access was worsened by Beijing's assertive actions to bolster its power projection, such as island building and test flights. As observed by many scholars, in 2014, China intensified its efforts in island building in the disputed area, particularly those claimed by the Philippines, developing several military facilities and two runways capable of serving a wide range of military aircraft. Beijing had built garrisons in the South China Sea before, but not on this scale.<sup>726</sup> Although developing garrisons was not necessarily considered a violation of any of the redlines, this unprecedented scale increased Manila's security dilemma because of Beijing's ability to project power.<sup>727</sup> In this instance, the runways allowed Beijing's fighter aircraft to intercept foreign aircraft it detected operating there, and enabled Beijing to enforce blockades against those it deemed objectionable. In addition, although Beijing had yet to effectively enforce an Air Defense Identification Zone in the entire South China Sea, it prohibited Philippine military planes from accessing certain areas during this period.<sup>728</sup>

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<sup>725</sup> For example, on 21 April CCG used water cannons to drive away a group of Philippine fishermen at Scarborough Shoal, damaging some of their wooden boats. On 4 March 2016, the blockade went beyond Scarborough Shoal and included Jackson Atoll, where seven CCG towed away and prevented Philippine fishermen from accessing the disputed areas. As reported in "Philippines accuses China of turning water cannon on its fishing boats," *Reuters* (Manila), 21 April 2015. "China sent several ships to a disputed atoll in the South China Sea," *Burnie Advocate*, 4 March 2016.

<sup>726</sup> Andrew S. Erickson, "America's security role in the South China Sea," *Naval War College Review* 69, no. 1 (1 January 2016) Jeremy Page and Julian E. Barnes, "China expands island construction in disputed South China Sea," *Dow Jones Institutional News*, 19 February 2015.

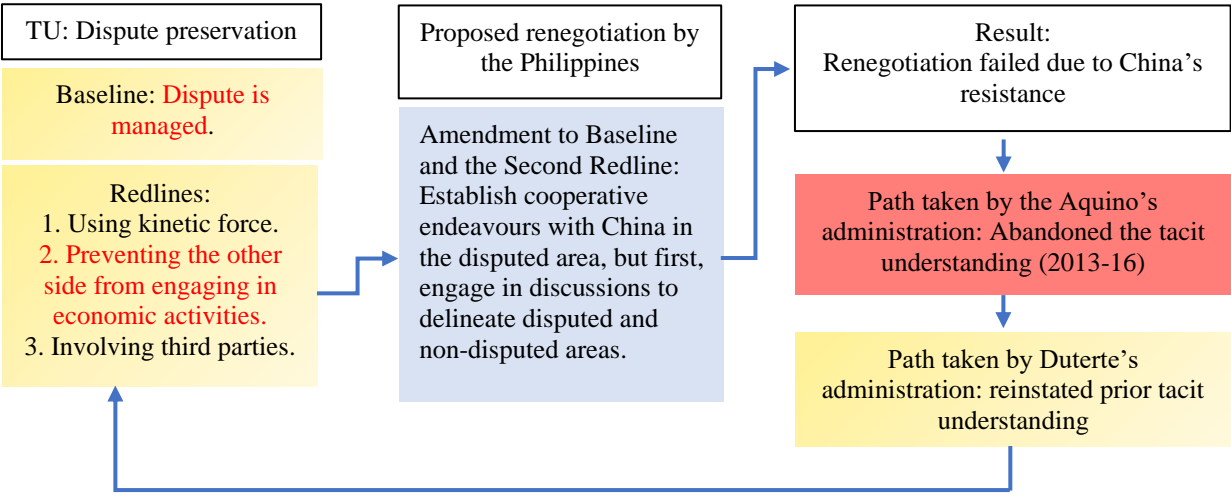
<sup>727</sup> As reported in "China extends reclamation project in South China Sea," *Tempo*, 22 January 2015.

<sup>728</sup> Based on an interview with senior military officers in Manila. Also, see Jaime Laude, "Chinese Navy Now Imposing Security Zone over Spratlys," *The Philippine Star*, 1 January 2016.

**Reinstatement of the prior tacit understanding under Duterte**

This section examines the reinstatement of the prior tacit understanding with China during Rodrigo Duterte’s administration (2016-22). This reinstatement is illustrated in Figure 7.6 below.

Figure 7.6 Abandonment of the tacit understanding during the Aquino period and its reinstatement during the Duterte administration.



This reinstatement demonstrates that maintaining the tacit understanding was viewed as a practical way to promote restraint, which was crucial for stability in the conflict-ridden relationship between Manila and Beijing. This section demonstrates that the reinstatement of the previous tacit understanding restored the prior practice of restraint, as summarised in Figure 7.1. The reappearance of restraint practices upon the reinstatement of the tacit understanding satisfies the co-occurrence I have shorthanded as ‘[changes](#).’

Duterte’s outspoken nature also helps this section to satisfy various co-occurrences that offer a strong case for the reinstatement of the tacit understanding of dispute preservation.

### *Reinstating prior tacit understanding*

This section observes that the reinstatement process repeats the stages of the development of tacit understandings.<sup>729</sup>

#### *Antecedents*

Duterte's presidency created an opportunity (a triggering factor) for both the Philippines and China to reinstate the prior tacit understanding. Duterte aimed to strengthen economic ties with China and pursue a more independent foreign policy, while Beijing also sought to improve relations with the Philippines and dissuade it from referencing the South China Sea ruling. Duterte and Xi Jinping opted for a tacit understanding because it was convenient, given the heightened anti-China sentiments and polarised domestic politics in the Philippines.

Duterte, who assumed office on 30 June 2016, had centred his presidential campaign predominantly on domestic matters such as law enforcement and economic development in the Southern Philippines, his place of origin.<sup>730</sup> These priorities influenced his inclination towards a more pragmatic approach when dealing with China. Throughout his campaign, he expressed a readiness to engage in bilateral negotiations aimed at limited cooperation in the disputed area—on the condition that China refrained from coercing Manila into acknowledging its sovereignty over the South China Sea features and offered economic incentives.<sup>731</sup> Moreover, Washington's unwillingness to take more decisive actions in defending the Philippines from Chinese aggression in the Scarborough Shoal standoff in 2012 left a bitter impression in the

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<sup>729</sup> The Tacit Understanding Framework [outlines](#) the development of tacit understandings in three stages: antecedents, formation, and maintenance.

<sup>730</sup> Aileen Baviera, "President Duterte's foreign policy challenges," *Contemporary Southeast Asia* 38, no. 2 (2016): 204-05.

<sup>731</sup> As quoted in Alexis Romero, "Duterte tells Obama he is open to bilateral talks with China," *Philippine Star* (Manila), 18 May 2016, <https://www.philstar.com/headlines/2016/05/18/1584655/duterte-tells-obama-he-open-bilateral-talks-china>.

minds of Manila's elite.<sup>732</sup> Duterte was hesitant to rely solely on the United States, preferring instead to pursue a more independent foreign policy.<sup>733</sup>

Duterte's preference for bilateral negotiations opened the door for China to propose talks aimed at reinstating the tacit understanding. Aware of the opportunity, both parties engaged in mutual signalling of sincerity.<sup>734</sup> China's decision to stop harassing Philippine fishermen near Scarborough Shoal was a 'goodwill gesture' towards the new administration, fulfilling Duterte's request.<sup>735</sup> Therefore, Beijing's show of restraint can be interpreted as a political move, signalling its sincerity and willingness to engage in negotiations to re-establish a tacit understanding.<sup>736</sup>

In response, heeding the advice of former President Fidel Ramos, who first negotiated the tacit understanding with China and whom Duterte appointed as the country's special envoy to China, Duterte expressed his willingness to temporarily set aside the PCA ruling without any preconditions.<sup>737</sup> For example, as Duterte noted before the ASEAN summit in Laos in September 2016, the 12 July PCA ruling was purely a bilateral issue between the Philippines and China, not a matter for ASEAN, echoing China's position on this matter.<sup>738</sup> On 13 September 2016, Duterte also announced the termination of Philippine-US joint patrols in the South China Sea, suggesting that the PN should restrict its patrols to the country's territorial

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<sup>732</sup> As Duterte noted, 'If America cared, it would have sent its aircraft carriers and missile frigates the moment China started reclaiming land in contested territory, but no such thing happened.' As quoted in Germelina Lacorte, "Duterte says America will never die for PH," *Inquirer.net* (Manila), 2 August 2015, <https://globalnation.inquirer.net/126835/duterte-to-military-attaches-ph-not-out-for-war-china-should-just-let-us-fish-in-seas#ixzz8ToKGoPOx>.

<sup>733</sup> Baviera, "President Duterte's foreign policy challenges," 205.

<sup>734</sup> As noted in [Chapter 2](#), to signal honest intentions, leaders often perform a unilateral symbolic action to convey the message that they are ready to negotiate, or known as 'signalling sincerity.'

<sup>735</sup> Baviera, "President Duterte's foreign policy challenges," 205.

<sup>736</sup> Associated Press, "Philippines to 'set aside' South China Sea tribunal ruling to avoid imposing on Beijing," *The Guardian*, 17 December 2016, <https://www.theguardian.com/world/2016/dec/17/philippines-to-set-aside-south-china-sea-tribunal-ruling-to-avoid-imposing-on-beijing>.

<sup>737</sup> *Ibid.*

<sup>738</sup> De Castro, "The Duterte administration's foreign policy: Unravelling the Aquino administration's balancing agenda on an emergent China."

waters to avoid provoking other countries, notably China.<sup>739</sup> Duterte's demonstration of restraint satisfied Beijing's requirement for reinstating the prior tacit understanding.<sup>740</sup> To demonstrate its readiness to negotiate, on 7 October 2016, Beijing lifted the ban on importing bananas from the Philippines, a sanction imposed in response to Aquino's actions in initiating the tribunal.<sup>741</sup> The mutual signalling served as the backdrop of the re-formation of the prior tacit understanding.

### *Formation*

The tacit understanding was reestablished during Duterte's meeting with Xi Jinping in Beijing on 20 October 2016. Details of the understanding were revealed much later when Duterte disclosed them in a public forum on 27 June 2019, partially in an attempt to reassure his constituents that he was managing China's assertiveness well.<sup>742</sup> He also recounted this meeting in a media statement in May 2024. As Duterte explained, 'Aside from the fact of having a handshake with President Xi Jinping, the only thing I remember was that status quo, that's the word. There would be no contact, no movement, no armed patrols there, as is where is, so there won't be any confrontation.'<sup>743</sup> I argue that this was a reinstatement of prior tacit understanding instead of negotiation of a new one, as the baseline of the tacit understanding was dispute preservation, which accepted the disputes as a regular aspect of the relationship.<sup>744</sup>

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<sup>739</sup> "Rodrigo Duterte to end joint US and Philippine military drills," *The Guardian*, 29 September 2016, <https://www.theguardian.com/world/2016/sep/29/rodrigo-duterte-to-end-joint-us-and-philippine-military-drills>.

<sup>740</sup> "China offers Philippines talks if South China Sea court ignored - China daily," *Reuters* (Shanghai), 4 July 2016, <https://www.reuters.com/article/southchinasea-china-philippines-idUSL4N19Q130/>.

<sup>741</sup> Lermie Shayne Garcia, "The Philippine president's rhetoric on Japan-China rivalry and independent foreign policy," *Journal of Nusantara Studies* 3, no. 2 (2018): 6.

<sup>742</sup> As quoted in Ranada, "Duterte says he can't ban Chinese from fishing in PH waters."

<sup>743</sup> This explanation was offered because the debate on the nature of the tacit understanding resurfaced during Marcos Jr's administration in May 2024. See "China publicises what it says is a deal with the Philippines to access South China Sea Islands," *ABC* (Manila), 4 May 2024, <https://www.abc.net.au/news/2024-05-04/china-publicises-south-china-sea-agreement-with-philippines/103804180>.

<sup>744</sup> This observation was confirmed by a scholar such as Renato de Cruz, who noted that 'Clearly, the Duterte administration is committed to establishing an understanding with China, despite the presence of Chinese Navy and Coast Guard vessels in sensitive areas of the South China Sea, such as Scarborough Shoal and Mischief Reef, and despite the PCA ruling in favour of the Philippines against China.' De Castro, "The Duterte

This statement implied that the deal Duterte reached did not try to either surrender sovereignty to China or settle the disputes with China, but preserved the disputes at an acceptable level so that both parties could continue to prioritise on broader economic cooperation, which was the same as the prior tacit understanding.

Recently, Beijing also further revealed the existence of this tacit understanding, or what it recognised as ‘the gentleman’s agreement,’ as a way to criticise Duterte’s successor, Marcos Jr.’s, unwillingness to adhere to it.<sup>745</sup> Explaining Beijing’s preference to pursue the ‘gentleman’s agreement,’ a *Global Times* editorial underscores its flexibility relative to ‘formal treaties,’ allowing Beijing and Manila to ‘quickly coordinate positions and actions and deal with emergencies.’<sup>746</sup> The *Global Times* is a daily tabloid newspaper under the auspices of the Chinese Communist Party’s flagship newspaper, the *People’s Daily*. It should, therefore, be seen as a reliable source of the Chinese government’s position. The editorial also explained that the agreement should be seen as a ‘consensus and “understanding”,’ aimed at ‘restricting military activities in sensitive areas and promoting mutual understanding in humanitarian and material exchanges.’<sup>747</sup>

Furthermore, from this information, I can deduce several points discussed during the between-state negotiation of the tacit understanding.

First, Duterte’s primary concern during the negotiation was restoring the second redline, which put in place a practice of restraint whereby both parties instructed domestic actors not to inhibit the other side’s attempts to conduct economic activities in the disputed area. Duterte recounted his conversation with Xi, expressing concerns about the livelihood of Philippine

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administration's foreign policy: Unravelling the Aquino administration's balancing agenda on an emergent China."

<sup>745</sup> Chinese Foreign Ministry Spokesperson's Remarks on the Current Situation at Ren'ai Jiao." *News release*, 4 May 2024, [http://au.china-embassy.gov.cn/eng/fyrth/202404/t20240413\\_11281324.htm](http://au.china-embassy.gov.cn/eng/fyrth/202404/t20240413_11281324.htm).

<sup>746</sup> "Unwise for Manila to tear up the 'gentleman's agreement': Global times editorial," *Global Times* (Beijing), 29 April 2024, <https://www.globaltimes.cn/page/202404/1311487.shtml>.

<sup>747</sup> *Ibid.*

fishermen: ‘So what about my fishermen? They’ll go hungry. Can you not just reconsider for humanitarian reasons?’ Xi responded, ‘Okay, slowly.’<sup>748</sup> Duterte further elaborated that the reinstatement of prior tacit understanding was ‘a mutual agreement.’<sup>749</sup> Subsequently, following the meeting, Duterte noted that Philippine fishermen had been permitted to resume access to the area.<sup>750</sup> In exchange, Beijing anticipated that Duterte would accept its fishing activities in the contested area and handle the dispute bilaterally.<sup>751</sup>

Second, Duterte adhered to the principle of dispute preservation, which essentially restored the prior tacit understanding. As he recounted his discussion with Xi, Duterte came to the conclusion that ‘[the Philippines] cannot drive [Chinese vessels] away because they have insisted it’s theirs.’<sup>752</sup> This statement constituted acceptance that dispute is a regular part of their relationship. It also encouraged Duterte to prioritise a broader aspect of the relationship, particularly economic cooperation. Duterte sought to leverage China’s Belt and Road Initiative to fund his Build, Build, Build Program, which required an estimated expenditure of more than \$180 billion for infrastructure development.<sup>753</sup> During Duterte’s meeting with Xi, the Philippines and China signed 24 memoranda of understanding worth \$15 billion and the Philippines secured \$9 billion in loans.<sup>754</sup> Addressing the nexus of economic and security interests of the tacit understanding, Foreign Secretary Perfecto Yasay emphasised that the relationship between China and the Philippines extended beyond the maritime dispute,

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<sup>748</sup> As quoted in Ranada, "Duterte says he can't ban Chinese from fishing in PH waters."

<sup>749</sup> *Ibid.*

<sup>750</sup> See the next section titled '[Restraint: Instructing domestic actors not to inhibit the other side's attempts to conduct economic activities in the disputed area.](#)'

<sup>751</sup> *Ibid.*

<sup>752</sup> As quoted in Ranada, "Duterte says he can't ban Chinese from fishing in PH waters."

<sup>753</sup> Dennis Trinidad, "Strategic foreign aid competition: Japanese and Chinese assistance in the Philippine infrastructure sector," *Asian Affairs: An American Review* 46, no. 4 (2019): 102.

<sup>754</sup> Very little of the \$24 billion actually manifested. See Alvin Camba, "Derailing development: China's railway projects and financing coalitions in Indonesia, Malaysia, and the Philippines," *Boston: Global Development Policy Center* (2020).

encompassing areas such as investment, trade, and tourism, which could serve as a platform for discussions on maritime issues.<sup>755</sup>

As discussed in the next section, the tacit understanding also restored practices of restraint similar to those of the previously abandoned tacit understanding.

### ***Maintenance***

Observably, the reinstatement of prior tacit understanding restored the prior practices of restraint, as noted in Figure 7.1 above.

#### *Restoring prior restraint: Insulation of diplomatic relations from the dispute*

Similar to the prior version, the aim of the reinstated tacit understanding was to preserve instead of resolve disputes, which required Manila to downplay the outcome of the PCA ruling. As the PCA ruling nullified Beijing's historical claims in the South China Sea, downplaying it was a sign of respect that allowed both parties' conflicting positions to coexist. Duterte's moderation of Manila's rhetoric towards Beijing was apparent in his frequent public remarks diminishing the importance of the South China Sea tribunal ruling and his push for an autonomous foreign policy agenda, notably through military disengagement from the US.<sup>756</sup> During the 30th ASEAN Summit on 29 April 2017, while serving as the ASEAN chair, Duterte dissuaded other ASEAN leaders from including terms like 'militarization' in the joint statement.<sup>757</sup> This received praise from the Chinese foreign ministry. The following month, Duterte attended the opening ceremony in Beijing of China's Belt and Road Initiative. In a

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<sup>755</sup> Jose Katigbak, "Philippines eyes talks with China sans preconditions," *The Philippine Star* (Manila), 18 September 2016, <https://www.philstar.com/headlines/2016/09/18/1624973/philippines-eyes-talks-china-sans-preconditions>.

<sup>756</sup> Paterno R. Esmaguél II, "Yasay flip-flops on seeking ASEAN support for Hague ruling," *Rappler* (Manila), 27 July 2016, <https://rappler.com/nation/141109-philippines-yasay-asean-support-hague-ruling-china/>.

<sup>757</sup> As quoted in "Duterte drops mention of South China Sea in ASEAN statement," *Voice of America*, 30 April 2017, <https://www.voanews.com/a/duterte-south-china-sea-asean-statement/3831645.html>.

speech delivered during the inauguration of the Metro Manila Crisis Monitoring and Management Centre in Makati on 4 April 2017, Duterte reiterated the merit of his decision to strengthen Manila-Beijing relations, asserting that the Philippines economy had improved as a result.<sup>758</sup>

The reinstatement of tacit understanding restored an exercise of restraint where Manila and Beijing insulated ongoing disputes at sea while fostering deeper economic cooperation. For example, the Washington-based Asia Maritime Transparency Initiative released surveillance photos in December 2016, revealing Beijing's installation of what appeared to be close-in weapons systems on seven artificial islands it had constructed in the disputed sea. Even though this could be seen as Beijing's assertiveness, President Duterte viewed this as below redlines, and reaffirmed his position to set aside the arbitral ruling.<sup>759</sup> Further marking confidence that Beijing would reciprocate Manila's restraint, Duterte explained that both countries had already committed to establishing a hotline between the PCG and CCG and a Joint Coast Guard Committee, which aimed to enable both countries to exploit resources and maintain a presence while minimising the potential for escalation.<sup>760</sup> My conversation with a senior PCG officer in Manila revealed that the two countries had established a hotline and conducted officer exchanges, but these activities were suspended after Ferdinand Marcos Jr. succeeded Duterte.<sup>761</sup> In addition, Duterte's presidency witnessed an increase in Chinese foreign direct investment compared to the prior administration.<sup>762</sup> The increase in investments from Chinese state-owned enterprises during Duterte's tenure suggested a correlation between increased state-driven

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<sup>758</sup> Garcia, "The Philippine president's rhetoric on Japan-China rivalry and independent foreign policy," 11.

<sup>759</sup> Evelyn Macaira, "Rody ready to set aside ruling on sea dispute," *The Philippine Star*, 18 December 2016, <https://www.philstar.com/headlines/2016/12/18/1654564/rody-ready-set-aside-ruling-sea-dispute>.

<sup>760</sup> *Ibid.*

<sup>761</sup> My interview with a high ranking PCG officer in Manila, 21 November 2023.

<sup>762</sup> Camba and Magat, "How do investors respond to territorial disputes? Evidence from the South China Sea and implications on Philippines economic strategy."

investment and the tacit understanding, as the Chinese government was more confident in encouraging Chinese firms to invest in the Philippines.<sup>763</sup>

The existence of the dual development of continued skirmishes at sea and increasing economic cooperation satisfies a co-occurrence I have shorthanded as ‘[compartmentalising](#).’ This validates the existence of a tacit understanding, as it demonstrates how such understandings enable the compartmentalisation of economic cooperation and assertive actions in the South China Sea.

*Restoring prior restraint: Engaging in limited resistance to cement claims and regime legitimacy.*

The tacit understanding was not simply a transactional exchange whereby Duterte was swayed by Chinese funds. It established a nuanced dynamic: both countries engaged in limited resistance. For instance, in the disputed area near Thitu Island, a rock located in the Spratly Islands and occupied and administered by the Philippines, China maintained a nearly constant presence of maritime militia for more than 450 days in response to Philippine efforts to upgrade the island’s infrastructure. However, according to some China foreign policy observers, Beijing aimed to avoid direct confrontation, opting for measured military actions to maintain its claims in the South China Sea.<sup>764</sup> These measured actions suggest the restoration of prior practice as a result of the adherence of the first redline, where both can engage in limited resistance without fear of escalation and reprisal.

On 20 March 2017, Duterte further implied his adherence on prior tacit understanding, when he suggested that Chinese vessels were permitted to transit or ‘come and dock’ as long as they refrained from physically intimidating PCG during patrols in the Philippines’ maritime

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<sup>763</sup> *Ibid.*, 16.

<sup>764</sup> "The long patrol: Staredown at Thitu Island enters its sixteenth month," *Asia Maritime Transparency Initiative*, 5 March 2020, <https://amti.csis.org/the-long-patrol-staredown-at-thitu-island-enters-its-sixteenth-month/>; Zhang, "Cautious bully: Reputation, resolve, and Beijing's use of coercion in the South China Sea."

jurisdiction.<sup>765</sup> In this case, Duterte reaffirmed the restraint produced by adhering to the first redline, allowing for incursions as long as a kinetic force was not employed. As previously explained, for the PCG and PN, the distinction between kinetic and non-kinetic actions was crucial. Non-kinetic measures, such as the use of laser and water cannons, were seen as tolerable under the tacit understanding, whereas the use of kinetic or destructive force, such as shooting and ramming was viewed as crossing the redline.

The distinction between kinetic and non-kinetic action confirms the existence of tacit understanding, as it satisfies a co-occurrence I have shorthanded as ‘[awareness](#).’ This co-occurrence suggests that awareness of when, where, and how to engage in disputes demonstrates the effectiveness of the tacit understanding.

*Restraint: Instructing domestic actors not to inhibit the other side's attempts to conduct economic activities in the disputed area*

Both parties also increased their tolerance of the other side’s economic activities in the disputed area. For example, as a demonstration of compliance with the tacit understanding, Beijing allowed Philippine fishermen access to the Scarborough Shoal following the 20 October 2016 meeting between Xi and Duterte in Beijing.<sup>766</sup> Beijing also did not stop Manila’s unilateral energy exploration and exploitation efforts in the disputed waters. Beyond that, Manila under Duterte also increased its tolerance of the influx of Beijing’s maritime militias as part of Beijing’s attempts to strengthen its claim. For example, in December 2018, the Armed Forces of the Philippines reported the presence of approximately 275 Chinese fishing vessels near the

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<sup>765</sup> As cited in Christina Mendez, "No one can stop China on Panatag – Duterte," *The Philippine Star* (Manila), 20 March 2017, <https://philstar.com/headlines/2017/03/20/1680662/no-one-can-stop-china-panatag-duterte>. Duterte also repeated this statement in Ranada, "Duterte says he can't ban Chinese from fishing in PH waters."

<sup>766</sup> De Castro, "The Duterte administration's foreign policy: Unravelling the Aquino administration's balancing agenda on an emergent China." However, according to some of my interviewees, there were instances when the CCG reinstated the blockade, restricting access to the shoal when a bilateral tension flared up. Interviews with scholars in Manila, November 2023.

Philippine-occupied Thitu Island and adjacent sandbars, following Philippine military efforts to repair the island's runway.<sup>767</sup> Despite these tensions, both nations continued their economic cooperation, indicating their acknowledgement of the dispute as an inherent aspect of their relationship.

*Restraint: Discouraging domestic actors that seek to engage third parties or pursue international arbitration.*

Given Duterte's relatively close ties with Beijing, divisions arose within Duterte's administration: Duterte advocated for maintaining the tacit understanding, while others began reconsidering their commitment to it. For instance, on 9 June 2019, a collision occurred when a Chinese fishing vessel rammed into the wooden Philippine fishing boat, F/B *Gim Vir I*, while it was anchored at the Reed Bank, leaving 22 Philippine fishermen stranded at sea.<sup>768</sup> Following this incident, on 12 June, Secretary of National Defence Delfin Lorenzana condemned the Chinese for their irresponsible and hostile act of abandoning Philippine fishermen, calling for a formal investigation. Subsequently, on 14 June, the Department of Foreign Affairs lodged a formal diplomatic protest.<sup>769</sup> In contrast, on 18 June, amidst heated domestic debate, Duterte attempted to minimise the event, describing it as 'a little maritime accident' and emphasising the existence of tacit rules governing various scenarios, including military confrontations and incidents involving fishing boats.<sup>770</sup> This discord between Duterte and his top officials underscored the underlying tension surrounding the adherence to the tacit understanding, a tension that persisted throughout his administration. On 18 May 2021, Duterte issued a gag

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<sup>767</sup> "Still under pressure: Manila versus the militia," *Asian maritime transparency brief*, 16 April 2019.

<sup>768</sup> Renato Cruz De Castro, "Incident at Reed Bank: A Crisis in the Philippines' China Policy," *AMTI Update*, 20 June 2020, <https://amti.csis.org/incident-at-reed-bank-a-crisis-in-the-philippines-china-policy/>.

<sup>769</sup> Renato Cruz De Castro, "The Philippines' responses to Chinese gray zone operations triggered by the 2021 passage of China's new coast guard law and the Whitsun Reef standoff," *Asian Affairs: An American Review* 49, no. 4 (2022): 204-05.

<sup>770</sup> As cited in Alexis Romero, "Duterte on sinking: It was a little maritime accident" *The Philippine Star*, 18 June 2019, <https://www.philstar.com/headlines/2019/06/18/1927498/duterte-sinking-it-was-little-maritime-accident>

order, instructing his key ministers not to comment on matters related to China and the South China Sea dispute.<sup>771</sup> This directive suggested his protective oversight aimed at maintaining the tacit understanding with China, even in the face of domestic opposition.

The gag order further confirms the existence of the tacit understanding, as it satisfies a co-occurrence I have shorthanded as '[disciplining](#).' This co-occurrence suggests that actions taken to discipline those who might breach these understandings help to confirm their existence.

## **Conclusion**

This chapter demonstrates that maintaining dispute preservation as a tacit understanding allowed Manila and Beijing to assert themselves within defined limits without risking outright escalation. Throughout this chapter, I confirm the existence of the tacit understanding by demonstrating how the case satisfies various co-occurrences. One key co-occurrence is 'disciplining,' which suggests that actions taken to discipline potential violators help affirm the understanding's existence. This chapter shows that disciplining occurs not only against those wishing to breach the tacit understanding but also against those seeking to modify it. As of February 2025, despite the United States being more explicit in ensuring the security of the Philippines in the South China Sea, doubts among Manila's defence planners about Washington's credibility persisted. Hence, they have continued to rely on the tacit understanding. Interviews with the Philippine Navy and PCG indicated that the Philippines did not wish to become embroiled in ongoing great power rivalries and did not want to depend on Washington to confront Beijing at sea. Their desire was limited to US capacity building and psychological deterrence, with the US as a backup option in case of contingencies, which they

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<sup>771</sup> As cited in Neil Jerome Morales, "Philippines' Duterte issues gag order over South China Sea," *Reuters* 2021, [https://www.reuters.com/world/asia-pacific/philippines-duterte-issues-gag-order-cabinet-over-south-china-sea-spat-2021-05-17/#:~:text=MANILA%2C%20May%2017%20\(Reuters\),the%20situation%20there%20in%20public.](https://www.reuters.com/world/asia-pacific/philippines-duterte-issues-gag-order-cabinet-over-south-china-sea-spat-2021-05-17/#:~:text=MANILA%2C%20May%2017%20(Reuters),the%20situation%20there%20in%20public.)

believed would level the playing field against China. This finding reinforces the tacit understanding hypothesis, showing its applicability even in ‘hard’ cases like the Philippines, where domestic political rivalries are intense.

Furthermore, this chapter finds that inertia in modifying the tacit understanding of dispute preservation in the Philippines-China case has solidified the restraint practices negotiated in 1995 as an equilibrium position. Alongside the previous chapter, this finding highlights diverse pathways to maintaining tacit understandings under different conditions and reinforces a causal link between tacit understanding and restraint. Chapter 6 demonstrated this causal link by showing how modifications influenced evolving restraint practices. Here, the disappearance and reappearance of restraint corresponded with the abandonment and reinstatement of tacit understanding.<sup>772</sup> Despite differing pathways, both cases ultimately resulted in the persistence of restraint toward China.

From Estrada to Duterte, tacit understanding of dispute preservation had experienced inertia, due not to a lack of attempts to change, but rather a delicate balance of tensions that counteracted each other’s efforts. The contest between domestic factions—such as between the president and their ministers—created inertia, acting as a self-centring force that undermined each president’s attempts to renegotiate the tacit understanding between extremes of hostility and cooperation. As discussed above, each leader did bring with them specific agendas that sought to change the direction of the relationship with China, and by implication sought to renegotiate the tacit understanding to either a more cooperative or more hostile position. Hostility entailed a more forceful stance in seeking resolution of the disputes and enforcing claims: involving third parties, internationalising the disputes, and using kinetic force when necessary. Cooperation, on the other hand, entailed jointly exploiting resources in the disputed

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<sup>772</sup> This finding refines the tacit understanding hypothesis by offering a more precise causal mechanism that leads to the expected outcome. For further explanation, see the ‘Chapter preview’ section of Chapter 1 and the conclusion of Chapter 4.

area and aligning economic and security priorities. However, transitioning to either extreme proved nearly impossible.

Attempts towards cooperation, such as those during Arroyo and Duterte's administrations, faced domestic opposition. Conversely, moves towards hostility, as seen in the terms of Estrada and Aquino, encountered resistance both domestically and regionally. Consequently, unlike the progressively evolving tacit understandings between Malaysia and China, the Manila-China tacit understanding remained largely unchanged from its initial version due to the inability to shift towards either hostility or cooperation. In fact, changes impeded the stability of their relationship. Regardless, by relying on the tacit understanding, Manila and Beijing were able to maintain their relationship—not a peaceful one, but one that prevented an outbreak of war in the maritime domain. As a result, the relationships were unable to deepen in a meaningful way but rather remained stable—or, more precisely, in a state of stasis.

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## **Chapter 8: Conclusion**

Word count: 7,187 (9,117 including footnotes)

**Table 8.1 Chapter 8 map**

| <p>Purpose: This chapter discusses the validity of the tacit understanding hypothesis and examines the specific impact of tacit understandings on restraint in each case. It also offers additional theoretical and empirical insights drawn from the thesis discussion.</p> |   |
|--|---|
| Section  | Content highlight   |
| 1: Introduction  | Remind readers of the purpose and framework of this thesis.   |
| 2: How tacit understandings address the puzzle of the persistence of Southeast Asian states' restraint towards China   | <p>This thesis identifies and corroborates a total of six tacit understandings: three between Indonesia and China, two between Malaysia and China, and one between the Philippines and China. The diverse circumstances under which these tacit understandings were established and upheld in each context support the validity of my hypothesis.</p> <p><i>First hypothesis refinement:</i> It highlights the goal-oriented nature of establishing tacit understandings, which refines the tacit understanding hypothesis by emphasising the purposive motives behind their establishment.</p> <p>The durability of tacit understandings in facilitating restraint: This thesis also finds that tacit understandings were highly durable in all cases, as demonstrated in Chapters 4, 6, and 7. This durability was the result of Southeast Asian leaders, or influential factions within these countries, maintaining these tacit understandings to manage South China Sea disputes with China. At various points, these influential factions had to manage domestic opposition carefully in order to maintain the tacit understandings their countries had established with China.</p> <p><i>Second hypothesis refinement:</i> It highlights the specificity of the impact of tacit understandings on Southeast Asian states' restraint towards China.</p> <p><i>Examining the variation in the dependent variable—'persistence' of restraint:</i> I suggest that 'persistence' here refers to a 'stickiness' that resists elimination despite challenges, rather than consistent or continuous restrained behaviour. Variations in the persistence of restraint can be seen across the three dyads I studied: (1) Inertia—where both states resisted changes to their tacit understanding, maintaining consistent restraint; (2) Evolution—where restraint persists but evolves as tacit understandings shift in response to changing circumstances; and (3) Swift transition—where restraint practices quickly shift from one set of practices to another, with only a brief gap between them.</p> |
| 3: Tacit understandings: Broader theoretical significance  | <p><i>First,</i> materialist theories typically prioritise self-reliance and national interests, often assuming that states prefer to act independently, without external authority. In contrast, this thesis argues that Southeast Asian states, while seeking self-help and prioritising their most pressing interests, were not focused on territorial maximisation in the South China Sea. Instead, their primary concerns were regime stability and the preservation of strategic autonomy. These factors drove them to negotiate tacit understandings for restraint with China. Importantly, this self-help</p>   |

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|   | <p>strategy was not simply a reaction to threats; it aimed at reshaping regional rules and interaction patterns.</p> <p><i>Second</i>, while liberal internationalist theories emphasise institutions as the basis for restraining states through formal rules, this thesis shows that Southeast Asian states, despite power asymmetries and weak enforcement mechanisms, used tacit understandings to foster restraint. By exploring restraint through tacit understandings, the thesis highlights a relational dynamic, where a rising power must demonstrate its willingness to meet conditions set by smaller states, both individually and collectively.</p> <p><i>Third</i>, the thesis demonstrates that a rising power can be constrained without formal mechanisms or great power involvement. To maintain social acceptance, Beijing actively signals benign intentions and diversifies its tools to engage local partners, ensuring its integration into regional processes.</p> |
| <p>4: Broader insights into the survival strategies of Southeast Asian states during times of acute uncertainty</p> | <p><i>First</i>, this section highlights that conflict in the South China Sea and bilateral cooperation are not opposing practices but integral to negotiating, maintaining, and renegotiating tacit understandings and redlines amidst shifting dynamics.</p> <p><i>Second</i>, it re-examines the economic drivers of Southeast Asian states' restraint towards China, showing how economic cooperation both motivates and results from tacit understandings.</p> <p><i>Finally</i>, the thesis offers a new way of interpreting the history of contestation in the South China Sea after the Cold War. Instead of viewing disputes in isolation, it presents them as part of broader efforts in relationship management and the negotiation of bilateral and regional practices.</p>   |

## Introduction

This thesis aims to explain the persistence of restraint between Southeast Asian states and China after the Cold War, particularly in the context of disputes in the South China Sea. I propose that, early in the post-Cold War period, Southeast Asian states negotiated tacit understandings with China—not to resolve but rather to shelve disputes and disagreements over their competing territorial claims in the South China Sea. These tacit understandings included baselines—non-negotiable principles that both parties must respect—and redlines, which are the imaginary limits of acceptable behaviour in a given context. To validate this hypothesis, I developed an original, maximalist assessment tool called the Tacit Understanding Framework. This framework is maximalist because it comprises two components:

- 1) The [analytical framework](#) that divides the development of tacit understandings into three stages: ‘antecedents’ (circumstances shaping the urgency of establishing tacit understandings); ‘formation’ (the negotiation of these understandings); and ‘maintenance’ (the application of tacit understandings to facilitate restraint and the renegotiation of prior tacit understandings as relationships evolve). Each of these is further divided into substages. This framework enables a comparative analysis of three dyads: Indonesia-China, Malaysia-China, and the Philippines-China.
- 2) The [verification method](#) that confirms or falsifies the existence of tacit understandings on restraint by observing eight types of co-occurrences.<sup>773</sup> Co-occurrences are associated actions expected to occur if tacit understandings indeed exist. One example of these co-occurrences is the disciplinary actions taken by Southeast Asian state officials against those who might violate agreed redlines with China, the observation of which might help confirm the existence of tacit understandings. Conversely, if the top

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<sup>773</sup> I further expand on the eight co-occurrences in Chapter 2, under the section titled Notes on verification, specifically in [Table 2.2 Eight co-occurrences](#) of actions, to confirm and falsify the existence of tacit understandings.

leadership does not resist hawkish factions attempting to involve a third party in arbitrating the South China Sea disputes with China, it may falsify the existence of prior tacit understandings.

The Tacit Understanding Framework allows for the precise identification of why, when, where, how, and by whom tacit understandings were negotiated. It also demonstrates how these understandings facilitate restraint. Additionally, the framework helps to unpack why and how actors maintain these understandings, and what happens when they are abandoned. The verification method further enables this study to discern when the effects of tacit understandings were present—and when they were not.

This conclusion first discusses how the Tacit Understanding Framework explains Southeast Asian states' persistent restraint towards China in the South China Sea, particularly by validating and refining the aforementioned hypothesis. Second, it explores how my findings in each chapter further illuminate theoretical understandings of the mutually constitutive nature of power and legitimacy. Third, this chapter discusses the broader empirical insights offered by my thesis, particularly on how Southeast Asian states navigate strategic uncertainty amid critical junctures, such as changes in the regional order.

### **How tacit understandings address the puzzle of the persistence of Southeast Asian states' restraint towards China**

This thesis explains the persistence of restraint by demonstrating how each of the three Southeast Asian states—Indonesia, Malaysia, and the Philippines—negotiated and maintained tacit understandings with China throughout the post-Cold War period. The diverse circumstances under which these tacit understandings were established and upheld in each context support the validity of my hypothesis. Beyond that, this thesis offers two hypothesis refinements by further explaining (1) why tacit understandings for restraint were necessary for

Southeast Asian states and China; and (2) how these tacit understandings were established to address specific needs and to institute particular exercises of restraint. This section discusses these two refinements and explores how my findings contribute to a better understanding of the dependent variable—the persistence of restraint.

*First hypothesis refinement: Goal-oriented purposes of establishing tacit understandings for restraint*

This thesis finds that Indonesia, Malaysia, and the Philippines each established tacit understandings with China in the early 1990s, which helped to de-emphasise disputes in the South China Sea. It identifies and corroborates a total of six tacit understandings: three between Indonesia and China, two between Malaysia and China, and one between the Philippines and China.<sup>774</sup> Chapters 3 and 5 focus on the antecedents and formation stages, unpacking the specific reasons why each of these states negotiated tacit understandings with China. A common feature across these cases is that each Southeast Asian state generally negotiated these understandings with China as a method of self-help.<sup>775</sup> In response to the acute uncertainty caused by the regional order transition at the end of the Cold War, Indonesia, Malaysia, and the Philippines each diversified their foreign relations and reevaluated their regional approaches, including how they interacted with China as a potential regional power.

Each of these three states shared common interests with China. For example, Malaysia and China's interests converged in building a pan-Asian regional financial architecture in the early post-Cold War period. Similarly, Indonesia and China's interests aligned in bolstering ASEAN's relevance in maintaining regional stability under the US hegemonic order. In the early 1990s, the Philippines was also interested in reducing its security dependence on the

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<sup>774</sup> For a brief overview of these tacit understandings, refer to Chapter 2, in the section titled "[Thesis plan: Employing the framework in empirical chapters.](#)"

<sup>775</sup> In the next [section](#), I further discuss how this contributes to the refinement of the theory on states' behaviour under uncertainty.

United States, thus supporting China's regional integration within ASEAN processes. Despite these shared interests, restraint was imperative to manage the risk of escalation caused by irreconcilable territorial disputes and resultant threat perceptions. China also harboured suspicions towards each of these states. Chapters 3 and 5 demonstrate how each dyad resorted to negotiating tacit understandings to establish restraint and work towards shared interests. These chapters also detail the variety of processes involved in forming tacit understandings within each dyad and the differing characteristics of the understandings produced due to varying goals.

The goal-oriented purposes of establishing tacit understandings refines the tacit understanding hypothesis by emphasising the utilitarian motives behind their establishment. I refer to this refinement as the first proposition.

First proposition: Southeast Asian states formed tacit understandings with China as a convenient way to establish exercises of restraint, allowing actors to achieve broader goals without first needing to resolve disagreements and disputes. Therefore, the restraint exercises negotiated by parties during the formation of tacit understandings were calibrated to achieve specific objectives, enabling them to prioritise or deprioritise competing interests.

This thesis's ability to demonstrate that Indonesia, Malaysia, and the Philippines each established tacit understandings with China under different sets of goals underscores the strength and robustness of the tacit understanding hypothesis. It shows how the independent variable—tacit understandings—extends beyond specific conditions and varies across contexts. This strengthens the credibility of the hypothesis and enables the development of general principles applicable in various scenarios.

*The durability of tacit understandings in facilitating restraint*

This thesis also finds that tacit understandings were highly durable in all cases, as demonstrated in Chapters 4, 6, and 7. This durability was the result of Southeast Asian leaders, or influential factions within these countries, maintaining these tacit understandings to manage South China Sea disputes with China. At various points, these influential factions had to manage domestic opposition carefully in order to maintain the tacit understandings their countries had established with China. The two most durable tacit understandings were those adhered to by Malaysia and China, as discussed in Chapters 5 and 6, termed ‘supporting mutual interests’ (TU-MY-1) and ‘maintaining divergence’ (TU-MY-2).<sup>776</sup> Furthermore, the two tacit understandings were, in fact, absorbed as standard practices that altered the functioning of state institutions in Malaysia. Chapter 6 highlights how the institutionalisation of TU-MY-1, marked by the increasing separation of economic and security institutions after 1998, prioritised economic interests with China over security concerns. This shift made it easier for Malaysia to exercise restraint toward China. Therefore, not only were tacit understandings durable and impactful on the behaviour of both smaller states and a rising power; the longstanding adherence to them also had a habituating effect in terms of creating rituals and shaping domestic institutions.

The durability of these tacit understandings was ensured by the ability of Malaysia and China to modify their content, enabling officials from both countries to adapt to changing circumstances that required different forms of restraint in the South China Sea. While scholars might expect Malaysia to harden its stance in response to China’s increasing incursions into its EEZ since 2012, Chapter 6 shows that Malaysia instead managed the security dilemma by

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<sup>776</sup> In TU-MY-1, Malaysia and China recognised each other’s significance and aimed to support one another in the region when their interests aligned. In TU-MY-2, the two countries tacitly agreed to set aside their disagreements over the South China Sea disputes, maintaining this approach to focus on more pressing priorities—particularly in advancing regional economic cooperation. For a more thorough unpacking, see Chapter 6.

adjusting its tacit understanding, maintaining divergence (TU-MY-2).<sup>777</sup> Kuala Lumpur did so by evolving TU-MY-2 redlines, distinguishing tactical redlines (focused on operational concerns) from relational redlines (considering assertiveness within the broader bilateral relationship). This approach allowed Malaysia to tolerate China's assertiveness within limits—specifically, ensuring that oil exploitation activities remained undisrupted.

In the other two cases, the Philippines-China and Indonesia-China, the established tacit understandings experienced brief periods of abandonment. In the Philippines-China case, as discussed in Chapter 7, a tacit understanding called 'dispute preservation' (TU-PH-1) was abandoned when Manila initiated external arbitration between 2013 and 2016 to challenge China's historical claims in the South China Sea.<sup>778</sup> However, this understanding was reinstated when President Rodrigo Duterte met Xi Jinping in 2016. The durability of the tacit understanding in the Philippines-China dyad stemmed from the equal strength of competing domestic factions within the Philippines. Unable to reach agreement on a better alternative, the impasse forced successive leaders to keep the original form of the tacit understanding intact.

In the Indonesia-China case, as discussed in Chapter 4, intense domestic debate within Indonesia between March and June 2016 led to the abandonment of a tacit understanding with China called 'maintaining divergence' (TU-ID-1). This tacit understanding had been adhered to since 1997, and was abandoned by Jakarta and Beijing as it was no longer sufficient to cope with changing domestic and regional dynamics, including the rise of China and democratisation of Indonesia's foreign policy. Initially, pundits anticipated a tougher stance from Jakarta against China, citing its nationalistic maritime interests and actions such as renaming the sea,

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<sup>777</sup> In the early 1990s, scholars predicted that Malaysia would bolster its defence to deter China's assertiveness in the South China Sea, but this expectation proved incorrect. A similar prediction emerged after 2012, with scholars arguing that CCG incursions signalled China's disregard for its special relationship with Malaysia. However, Malaysia countered this view by reaffirming the importance of its ties with China. For example, see Bentley, "Malaysia's "special relationship" with China and the South China Sea: Not so special anymore."

<sup>778</sup> In TU-PH-1, Manila and Beijing recognise that their bilateral interests extended beyond the South China Sea disputes and, therefore, should be managed in a way that would allow other interests—such as bilateral economic and regional security cooperation—to flourish. For a more detailed explanation, see Chapter 7.

confronting China, and redrawing its national map. However, within months, Jakarta and Beijing established a new understanding that I termed ‘sharing usage’ (TU-ID-3).<sup>779</sup> Jakarta and Beijing tacitly agreed to prevent disputes from disrupting economic ties. Consequently, Jakarta tolerated Chinese Coast Guard (CCG) patrols in the contested area, provided they did not interfere with its economic activities. In the Indonesia-China dyad, the primary reason for the prolonged maintenance and swift replacement of the abandoned tacit understanding was the ongoing perception that tacit understandings were a practical and convenient tool for managing tensions in the South China Sea. These understandings allowed the two countries to continue cooperating in various sectors without needing to resolve their disputes.

***Second hypothesis refinement: How tacit understandings shape Southeast Asian states’ restraint toward China***

Chapters 4, 6, and 7 also reveal a key finding: that there is a causal link between the durability of these tacit understandings and the continued restraint of Southeast Asian states towards China. This finding refines the initial hypothesis, constituting what I refer to as the second proposition.

Second proposition: Specific exercises of restraint were contingent upon the adherence to particular tacit understandings. Therefore, if any alterations or adjustments were made to the initial tacit understandings that were agreed upon by both parties, these changes impacted how restraint was practised.

As a result of this finding, I can make the following four claims:

- 1) As Southeast Asian states adjusted their tacit understandings with China, their exercise of restraint towards China was correspondingly adjusted.

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<sup>779</sup> In TU-ID-1, what was tacitly agreed between Jakarta and Beijing was that the disagreements existed, but should not obstruct their shared regional interests. For a deeper analysis, see Chapters 3 and 4.

- 2) When Southeast Asian states abandoned their tacit understandings with China, their previous exercises of restraint towards China were also discarded. A period of uncontrolled contest was likely to ensue.
- 3) Upon restoring abandoned tacit understandings, Southeast Asian states reinstated their previous modes of restraint toward China.
- 4) After establishing new tacit understandings with China to replace earlier ones, Southeast Asian states implemented updated exercises of restraint.

### ***Examining the variation in the dependent variable—‘persistence’ of restraint***

The second proposition argues that different tacit understandings lead to different modes of restraint, implying that the dependent variable—persistence of restraint—also varies. The notion of variation in persistence may seem contradictory—persistence implies continuity, while variation suggests change. However, in this context, persistence does not imply a fixed, static, and continuous practice; rather, it indicates modes of restraint that endure, either due to the failure to find a better alternative, or successful adaptation to shifting domestic and regional conditions.<sup>780</sup> Furthermore, demonstrating this functional variation is crucial for two interrelated reasons. First, it helps establish the causal link between tacit understandings and restraint, as noted earlier. Second, it explains why variations in patterns of restraint—despite

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<sup>780</sup> To maintain coherence in analysing restraint, some scholars suggest measuring its intensity and strength across cases and over time. However, I argue that it is more productive to identify clear indicators of restraint rather than quantify it. This thesis proposes three indicators: strategic calculation, limits, and underlying signals (restraint as a nonverbal diplomatic cue). These provide a structured framework to identify, describe, and analyse restraint’s objectives. In contrast, categorising restraint along a spectrum would require ranking it—an approach that overlooks contextual differences. For example, while Malaysia appears more restrained toward China than the Philippines, or Duterte (2016–22) more than Estrada (1998–2001), such comparisons are misleading. Malaysia used restraint to enhance its regional position, whereas the Philippines balanced assertiveness with limited resistance. Their goals in exercising restraint were not the same, making a direct, one-to-one comparison inaccurate. Duterte’s restraint aimed to facilitate cooperation with China, while Estrada’s was shaped by domestic pressure to uphold tacit understandings. These cases are not directly comparable, and ranking them by intensity risks oversimplifying the analysis. Instead, this thesis examines how restraint varies across cases by analysing the signals each state seeks to convey in its restrained practices toward China. This approach respects case-specific nuances while generating broader theoretical insights into rising power legitimation, as explored in the next section. The discussion on indicators of restraint and the signals behind smaller states’ restrained practices can be found in the ‘[Components of Restraint](#)’ section in Chapter 1.

brief interruptions and changes over time—withstanding disruption enough to be considered ‘persistent.’ I identify three variations across the three dyads I have studied—inertia, evolution, and swift transition—illustrated in Figure 8.1 below.

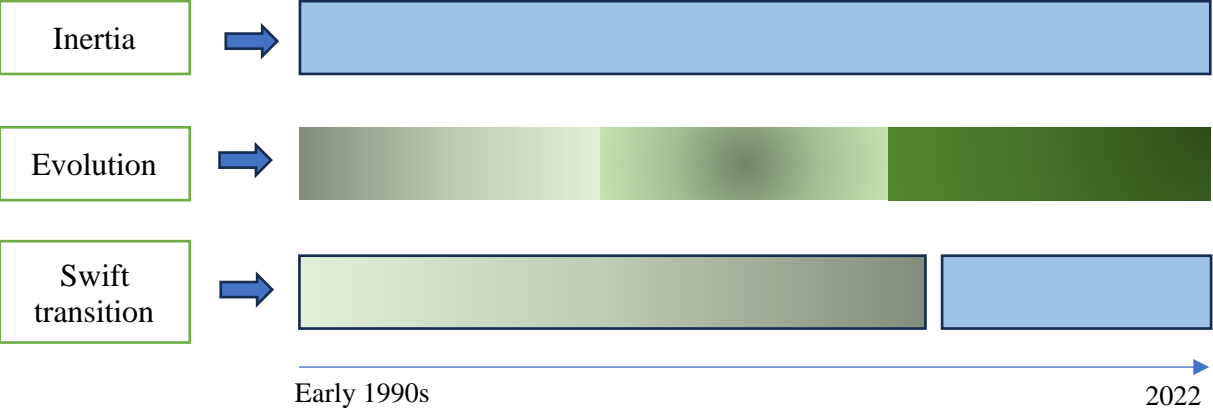


Figure 8.1 The variation of persistence of restraint

The first variation in the persistence of restraint is ‘inertia,’ which arises from Southeast Asian states’ tendency to resist changes in their tacit understandings, thereby maintaining constant exercises of restraint. As illustrated in Figure 8.1 above, the exercises of restraint remained relatively unchanged (represented by the long blue box without gradients) during the period in which both parties adhered to the tacit understanding (TU-PH-1). This variation is best represented by the Philippines-China case, primarily discussed in Chapter 7. Since the tacit understanding remained unchanged, the exercise of restraint was similarly maintained, enabling both countries to contest each other in the South China Sea within set limits and preventing escalation. As a result, the initial tacit understanding between the Philippines and China emerged as a sort of dynamic equilibrium position, representing a delicate balance between competing interests and pressures in domestic political context. Chapter 7 also shows that inertia should not be seen as a lack of dynamism in the overall relationship. There were many

oscillations in the Philippines' foreign policy approaches towards China, as the administrations following the departure of Fidel Ramos in 1995, from Joseph Estrada to Rodrigo Duterte, attempted to renegotiate or abandon the tacit understanding, swinging between extremes of hostility and cooperation. However, inertia occurred because domestic factions were so evenly balanced that none could fully disregard or alter the tacit understanding of dispute preservation, leaving them with the initial form as the least undesirable option.

The second variation, which I refer to as 'evolution,' occurs when exercises of restraint gradually shift as the content of tacit understandings is modified to adapt to changing circumstances. As illustrated by the progressively darker shades of green in Figure 8.1 above, practices of restraint evolve and are reinforced over time. As shown in the Malaysia-China case in Chapter 6, Malaysia's two tacit understandings with China—supporting mutual interests (TU-MY-1) and maintaining divergence (TU-MY-2)—underwent three significant evolutions to cope with changes in the regional environment at critical junctures: in 1992, as the region transitioned into the post-Cold War period; in 1997-98, during the Asian Financial Crisis; and in 2009, amid intensifying legal debates triggered by the submission of continental shelf demarcations to the UN Commission on the Limits of the Continental Shelf.<sup>781</sup> These evolving tacit understandings enabled Malaysia and China to adapt their practices of restraint and maintain an appearance of stability, despite systemic pressures. The evolution of restraint in this case involved not only slight reinforcement of prior practices, but also the introduction of new exercises of restraint. Therefore, in this case, the persistence of restraint encompasses both Malaysia's continued commitment to previous practices of restraint towards China, and its willingness to adapt these practices to cope with changing circumstances.

The third variation was a 'swift transition' from one set of restraint practices to another. As illustrated in Figure 8.1 above, the practices of restraint generally continue over time, with

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<sup>781</sup> For further context on the significance of the CLCS debate, see Thao, "South China Sea: New battle of the diplomatic notes among claimants in 2019–2021."

only a relatively small gap between them. However, prior practices of restraint (represented by the green box) are replaced by new exercises of restraint (represented by the blue box). This suggests that while components of restraint remain observable, the specific methods or approaches used to exercise restraint undergo a transition in response to the replacement of tacit understandings, with changes so swift they are barely perceptible.<sup>782</sup> In the Indonesia-China case, the persistence of restraint was underpinned by a transition of tacit understandings—from maintaining divergence (TU-ID-1) to sharing usage (TU-ID-3) in 2016. In this context, Indonesia continued to choose restraint facilitated by a tacit understanding when dealing with China, and thus, it can be characterised as persistence.

However, although Indonesia maintained restraint towards China in the South China Sea, these practices differed from the previous ones because the tacit understandings and the goals behind them had changed. Exercises of restraint under TU-ID-1 sought to divert attention from disagreements to prevent disputes from arising between Indonesia and China in the South China Sea. In contrast, TU-ID-3 exercises of restraint reflected the acceptance that disputes had already erupted, so the main goal was no longer to avoid attention but to prevent tensions from escalating. Despite the dramatic changes in how restraint was practiced between TU-ID-1 and TU-ID-3, the transition was quick, making the changes imperceptible at first glance and contributing to the impression of persistence.

The examination of the variation of the dependent variable above highlights how the persistence of restraint is dynamic.

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<sup>782</sup> As noted in Chapter 1, in a section titled ‘Components of restraint’, I posit three key observable indicators for identifying when restraint is being exercised: (1) strategic calculation; (2) limits; and (3) underlying signals (restraint as a nonverbal diplomatic cue).

## Tacit understandings: Broader theoretical significance

This thesis contributes to the theoretical understanding of a rising power's legitimation strategy by emphasising the mutually constitutive relationship between power and legitimacy. In a mutually constitutive power and legitimacy paradigm, the path to power entails the following: to be powerful, one must be legitimate; to be legitimate, one must be legitimised. Within this paradigm, material capability alone is an insufficient ingredient for power.<sup>783</sup> As Ian Clark explained, 'Legitimacy constrains power, but also enables it; power suffuses legitimacy, but does not empty it of normative content.'<sup>784</sup> Therefore, overcoming resistance from other actors becomes a critical pathway to dominance for a power-aspiring actor.<sup>785</sup> This research agenda on power and legitimacy in international relations becomes even more pertinent with the resurgence of China and the decline of the US hegemonic order.<sup>786</sup> For China to contest the 'social structure' of the US hegemonic order, as Evelyn Goh elaborated, Beijing must gain 'legitimate authority.'<sup>787</sup> This legitimacy rests not simply on China demonstrating brute force capability, but on gradually eroding the US's 'constituencies' and convincing them that China could establish an equally legitimate structure of power relations.

Yet the growing body of literature on power and legitimacy, the current scholarship remains one-sided, primarily focusing on the restraint of great powers.<sup>788</sup> However, a rising power does not gain legitimacy on its own—it must gain acceptance and sometimes quell

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<sup>783</sup> Reus-Smit noted the difficulty of identifying whose perception mattered as 'global actors generally have several, cross-cutting constituencies (domestic, regional, international, or transnational), greatly complicating the task of legitimation.' But the foundational point remains: a power-aspiring actor must maintain perception of legitimacy within constituencies that matter. Christian Reus-Smit, "Power, legitimacy, and order," *The Chinese Journal of International Politics* 7, no. 3 (2014), 346-47.

<sup>784</sup> Clark, *Legitimacy in international society*, 11.

<sup>785</sup> As Max Weber explained, power (*Macht*) is 'the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance, regardless of the basis on which this probability rests.' Max Weber, *The theory of social and economic organization* (Oxford: Oxford University Press, 1947), 152. The importance of overcoming resistance for a rising power is further elaborated in Jack M Barbalet, "Power and resistance," *British Journal of Sociology* (1985), 532.

<sup>786</sup> Khong, "Power as prestige in world politics," 119-20.

<sup>787</sup> Goh, "Contesting hegemonic order: China in East Asia," 621-22.

<sup>788</sup> This process-oriented exploration between power-aspiring actors and smaller states represents the forefront of Hegemony literature. For an overview of Hegemony literature, see Ikenberry and Nexon, "Hegemony studies 3.0: The dynamics of hegemonic orders."

dissent from other regional powers in this process. Smaller states, particularly those with regional influence, take an active role in shaping these interactions. As my thesis demonstrates, they proactively engage with the rising power, leveraging its desire for status to maximise their own interests in exchange for supporting its ascent. This process gives smaller states—particularly those with regional influence—greater agency in shaping social interactions. A rising power must engage with key partners by listening to them, selectively accommodating or resisting their demands, and maintaining acceptance through a combination of cooperation and coercion. This finding provides an opportunity to make three theoretical interventions to the broader IR literature. First, smaller states may establish tacit understandings with a rising power as a form of self-help. Second, in these negotiations, they can set conditions rather than passively accept dominance. Third, they can constrain a rising power without formal agreements or great-power involvement.

### *Tacit understandings as self-help*

Materialist theories typically prioritise self-reliance and national interests, often assuming that states prefer to operate independently of supranational authority.<sup>789</sup> This supranational authority would constrain their behaviour through rules and institutions, including ‘shared understandings that constrain and prescribe political actors’ interactions with one another.’<sup>790</sup> In contrast to this conventional expectation, this thesis demonstrates that it was the Southeast Asian states’ need for self-help and prioritisation of their most pressing interests—not territorial maximisation in the South China Sea, but rather regime stability and the preservation of strategic autonomy—that led them to negotiate tacit understandings for restraint with China. Negotiating these tacit understandings serves as a form of self-help,

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<sup>789</sup> This is mainly put forward by realist and neorealist scholars, which suggest that states operate to maximise self-interests under anarchy. See footnote 15.

<sup>790</sup> *Encyclopedia Britannica*, 15th ed., s.v. Institution.

establishing a kind of higher authority derived from a voluntary ‘social contract’ between states.<sup>791</sup> Tacit understandings act as ‘institutions’, from which parties derive their understandings about the rules of the game.

Therefore, the first theoretical intervention that this thesis offers is that states may proactively bind themselves via tacit understandings with a rising power as a form of self-help. But this self-help is not merely a manoeuvre against a threat; it often has a broader aim of helping to reshape regional rules and interactions, expanding the options available to smaller states. Rather than being confined by pre-existing power structures, this approach allows them greater flexibility in navigating regional affairs. For example, the Malaysia-China dyad illustrates how establishing two tacit understandings (TU-MY-1 and TU-MY-2) formed a key part of Malaysia’s self-help strategy in the face of Western protectionism during the 1980s. It was not because Malaysia viewed the United States as a threat, but because Kuala Lumpur was dissatisfied with how little it could influence the rules of the game.<sup>792</sup> In such circumstances, regional powers like Kuala Lumpur may strike a deal with a rising power to leverage their capacity to challenge the status quo. Support from the rising power for the regional power’s initiative could amplify their impact, potentially reshaping existing patterns of interaction and rules of engagement.

Unlike the focus of traditional hegemony literature, which often centres on the revisionist actions of a single rising power, this thesis presents a more nuanced finding: that dissatisfied regional actors may actively urge a rising power to step up and collaborate, so that together they can shape the rules of the game in ways that are more favourable to them. The

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<sup>791</sup> The concept of the social contract is often referred to by English School scholars as a framework for creating and sustaining an international society, balancing power politics with normative order. Barry Buzan, *From international to world society?: English school theory and the social structure of globalisation*, vol. 95, Cambridge Studies in International Relations (Cambridge: Cambridge University Press, 2004), 33.

<sup>792</sup> This aligns with Khong’s observation that Southeast Asian states do not tend to balance against the US, but instead adopt mechanisms to preserve their autonomy. See Khong, "Making bricks without straw in the Asia Pacific?"

Malaysia-China dyad provides some of the most notable instances where China, as the rising power, was on the receiving end of Malaysia's persuasion and initiatives. Instead of China as a rising power deliberately trying to recruit Malaysia as a regional partner, Malaysian leader Mahathir, from 1985 on, often proactively sought Beijing's assumption of a larger role proportional to its future potential, mainly by supporting regional initiatives proposed by Malaysia.<sup>793</sup> By amplifying Malaysia's voice through Beijing's support of its initiatives, this partnership could advance Beijing's regional interest in minimising Western influence within the regional financial architecture.<sup>794</sup> Tangible outcomes of Malaysia-China cooperation include the establishment of ASEAN Plus Three in 1998 and the East Asia Forum in 2005, both of which provided a more East Asia-focused economic structure that aligned with the desires of both China and Malaysia.<sup>795</sup> Thus, integrating China and supporting its rise was a way for Malaysia as a smaller state to extend its regional influence and help shape wider regional interactions. Tacit understandings allowed this collaborative dynamic to unfold despite ongoing disputes in the South China Sea and underlying anti-China sentiments in Malaysia. Malaysia and China did not need to resolve every tension before beginning to work together, but instead could gradually transform their relationship.

### *Setting conditions in negotiations*

Contrary to the argument made by many pundits that Southeast Asian states' restraint suggests loss of agency—or that they had been 'bought' by China—this thesis demonstrates

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<sup>793</sup> For example, Chapter 5 discussed how Prime Minister Mahathir, through various speeches during his 1985 visit to Beijing, convinced his Chinese counterpart of the importance of Beijing assuming a larger role in the Southeast Asian regional compact. As further discussed in Chapter 6, tacit understandings allowed Kuala Lumpur and Beijing to cooperate during the early post-Cold War period in diversifying the regional financial order through a series of initiatives, despite lingering distrust between them.

<sup>794</sup> Amy King also uses the term 'amplifying' in the context of US-China relations to describe how a rising power supports a dominant power's initiatives when their interests converge. See Amy King, "Power, shared ideas and order transition: China, the United States, and the creation of the Bretton Woods order," *European Journal of International Relations* 28, no. 4 (2022)

<sup>795</sup> See Chapter 6.

that their restraint towards China was contingent upon China satisfying conditions set by the smaller states. This underscores both their agency and their continued desire to preserve strategic autonomy. Chapter 3 discussed how Beijing needed to proactively empower domestic factions in Indonesia that favoured political negotiation over military options, as Beijing sought to enlist Indonesia as a local partner to vouch for its benign intentions, which came under scrutiny following Beijing's occupation of Mischief Reef in 1994.<sup>796</sup> Chapter 3 also discussed how Indonesia, a smaller state but *primus inter pares* in the region, agreed to collaborate with Beijing provided that certain conditions were met.<sup>797</sup> Therefore, the second theoretical intervention to broader IR literature that this thesis offers is that smaller states can establish conditionalities with a rising power, rather than merely being dominated by it. Beijing's willingness to engage in negotiations with smaller powers, and collaborate with key regional states, aligns with findings by other scholars.<sup>798</sup>

The ability of smaller states to negotiate conditionalities with a rising power is afforded by the rising power's desire to be legitimised and accepted. As shown in this thesis, Southeast Asian states leveraged Beijing's desire for social acceptance to negotiate terms for restraint and conditionalities to secure greater gains. For China, adhering to conditions set by influential

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<sup>796</sup> This entailed Beijing backing down from claiming the Natuna Islands, allowing Jakarta's representatives to assert their claims. This tactic also assisted the domestic factions in Jakarta who supported the tacit understanding to persuade others to adhere to it.

<sup>797</sup> As conveyed by Foreign Minister Ali Alatas to his Chinese counterpart Qian Qichen, these conditions included active participation in various formal and informal overlapping mechanisms established by Southeast Asian states; a clear commitment to the United Nations Convention on the Law of the Sea (UNCLOS) as a guiding principle in approaching the South China Sea dispute; and, most importantly, the explicit acknowledgment of Jakarta's sovereignty over the Natuna Islands. (While Beijing continued to claim overlapping maritime jurisdiction in the Natuna EEZ, it withdrew its claim to the islands.) Notably, a change in Beijing's behaviour was observed during the second meeting of the ASEAN Regional Forum (ARF) in August 1995, where it demonstrated a greater willingness to discuss the South China Sea dispute in a multilateral forum. Leifer, *The ASEAN Regional Forum*, 302. Many scholars have noted the importance of ASEAN principles in the ARF to allay China's fear of encirclement by the US, see *ibid.*, 41; Segal, "East Asia and the 'constraintment' of China," 128–29; Foot, "China in the ASEAN regional forum: Organizational processes and domestic modes of thought," 428.

<sup>798</sup> Miller, for example, noted Beijing's willingness to negotiate terms with India over its border disputes, even though it was in a more powerful position. Manjari Chatterjee Miller, "Re-collecting empire: 'Victimhood' and the 1962 Sino-Indian war," *Asian Security* 5, no. 3 (2009). Other scholars in the Balance of Relationship literature also suggest that China negotiates with smaller powers due to its desire to maintain relationships. Chih-yu Shih et al., *China and international theory: The balance of relationships*, ed. Arlene B. Tickner, David Blaney, and Inanna Hamati-Ataya, *Worlding Beyond the West*, (Abingdon: Routledge, 2019).

regional states like Indonesia was crucial for fostering interactions that strengthened cooperative domestic factions within the partner country. Once empowered, these factions proposed conditions to Beijing as part of negotiating mutually acceptable terms. These terms established the foundation for mutual exchanges, shaping the social contract that governed power relations.

In Southeast Asia, such terms often aligned with tacit understandings that defined baselines and limits for acceptable behaviour. By agreeing to these tacit understandings, the rising power and its aligned factions within the partner state worked to suppress domestic and regional opposition. This approach allowed China to offer concessions and, with the partner's support, counter regional resistance that sought to limit its social acceptance and rise. Such an observation shifts theories of power and legitimacy into a relational context, where a rising power must work diligently to show smaller powers that it can, or is at least willing to, meet the conditions set by the smaller power's supportive domestic constituencies. The aim is to empower these constituencies to influence their country's regional stance in favour of Beijing.

### *Constraining a rising power without formal agreements*

Liberal internationalist theories emphasise formal regional and international institutions with established procedures as the foundation for restraining states. These institutions fulfil this role by creating formalised rules and norms. This thesis challenges this assumption by demonstrating that, despite asymmetry of material power and lack of enforcement mechanisms, Southeast Asian states were confident enough in their understanding of their position with China to facilitate practices of restraint through negotiating tacit understandings. Their confidence stemmed from recognising their ability to restrain Beijing's behaviour by exploiting its desire for status—i.e., social acceptance from the Southeast Asian collective—and to recruit local partners.

Southeast Asian confidence was also a result of Beijing's ability to consistently signal sincerity and make concessions; empower willing factions in each Southeast Asian state; and employ coercive tactics while fulfilling the conditions that each Southeast Asian state posed. Therefore, this thesis aligns with the recent wave of scholarly arguments suggesting that rising powers can be restrained by states perceived as less powerful in conventional terms.<sup>799</sup> However, this thesis makes an even bolder claim by demonstrating that neither institutional procedures nor great power intervention is necessary; smaller states can negotiate highly durable terms for restraint with a rising power, without the need for formalising them. Therefore, the third theoretical intervention that this thesis makes is that a rising power can be constrained without formal procedures or the involvement of great powers.

This thesis shows that, from Beijing's side, the primary motivation to continue its adherence to tacit understandings and exercise restraint vis-à-vis Southeast Asian states has been to maintain social acceptance and expand status in the region.<sup>800</sup> Beijing's overall strategy to legitimise its power in the region involved enlisting some local partners, and dissuading others from forming collective opposition to its interests by partially meeting their conditions.

To maintain social acceptance, Beijing conspicuously demonstrates its benign intentions to ensure that others are committed to its integration into regional processes.<sup>801</sup> Furthermore, Beijing's exercise of restraint serves as an anticipatory measure to counteract the imperative for other states to initiate collective efforts against it, or align with Western attempts to balance its power. This approach involves listening to the pressures coming from Southeast Asian nations and collaborating with other influential but smaller states in the region to validate

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<sup>799</sup> Mukherjee, *Ascending order: Rising powers and the politics of status in international institutions*.

<sup>800</sup> This point aligns with the finding of Goh and Mukherjee. See Goh, "Contesting hegemonic order: China in East Asia"; Goh, *The struggle for order: Hegemony, hierarchy, and transition in post-Cold War East Asia*; Mukherjee, *Ascending order: Rising powers and the politics of status in international institutions*.

<sup>801</sup> This aligns with Goh's findings in her edited volume. Goh, *Rising China's influence in developing Asia*.

its benign intentions.<sup>802</sup> This finding also corroborates David Kang's argument that China was more belligerent and aggressive when it was weak, as well as the conclusions drawn by other IR scholars such as Goh, Mukherjee, and Huang, that China was more restrained when powerful because there was more at stake, especially its status and legitimacy as it contested the United States.<sup>803</sup> With this social acceptance, regional partners would resist pressures from other regional states and external powers to exclude or curb Beijing's rise.

This desire to maintain social acceptance also explains the diversification of tools employed by a rising power to recruit local partners. In Chapter 1, I described this as interlocking patterns of restraint.<sup>804</sup> Coercion is a tool employed by a rising power to compel other states to respect its interests and support its growth.<sup>805</sup> However, Beijing exercises coercion within limits and balances its coercion with the exercise of restraint as a proactive strategy to signal benign intentions.<sup>806</sup> This suggests that a rising power employs a mixture of coercion and restraint to gain legitimacy and acceptance among other states. By demonstrating restraint, it signals that its intentions are not purely aggressive, helping to maintain trust and support its efforts to build strong relationships with key regional partners.

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<sup>802</sup> As discussed in Chapter 3, Beijing's negotiation of bilateral agreements for restraint with Manila following its occupation of Mischief Reef in 1994 resulted from the pressure exerted by key Southeast Asian states, notably Indonesia, Malaysia, and Singapore. Ignoring this pressure could have jeopardised Beijing's 'good neighbour policy' and encouraged Southeast Asian states to align with Western powers to contain China, especially in light of deteriorating cross-Strait relations in 1995.

<sup>803</sup> Kang, "Getting Asia wrong: The need for new analytical frameworks"; Goh, "Contesting hegemonic order: China in East Asia"; Huang, *Power and restraint in China's rise*; Mukherjee, *Ascending order: Rising powers and the politics of status in international institutions*.

<sup>804</sup> See Chapter 1, section titled 'The puzzle: Four interlocking patterns of Southeast Asian states' restraint towards China'.

<sup>805</sup> Chapter 4 discussed how Beijing coerced Manila into complying with its tacit understanding. Even so, China needed to consider other ASEAN members because they expected a certain degree of restraint in Beijing's confrontation with Manila in the South China Sea. Beijing was thus pressured to engage in tacit understanding negotiations across various domains, including secret bilateral negotiations, confrontations at sea, and public exchanges, in order to reach a point where Manila could accept that the dispute was only one aspect of their relationship. Restraint here signalled, both to Manila and the rest of the region, that Beijing was a responsible aspiring power.

<sup>806</sup> In Chapter 1, coercion within limits is described as 'limited resistance.' Limited resistance is a measured assertive action a state takes to protect its claims and position while being careful not to humiliate the other state.

For an aspiring power like Beijing, at least since 2012, the goal of combining these tools seems to be achieving an equilibrium where Southeast Asian states accept Beijing's assertiveness as part of the relationship package they must embrace. This acceptance was also negotiated within the agreed redlines of their tacit understandings, thereby preserving the smaller states' autonomy and regime security. Within this equilibrium, Beijing expects Southeast Asian states to understand that its assertiveness—exercised within limits—should be perceived as a performance; they are not necessarily meant to harm Southeast Asian states' *core* interests but rather to bolster Beijing's regional status by showcasing its capacity for coercion and reinforcing its domestic regime legitimacy. This is achieved by allowing it to embrace a nationalistic narrative of greater ownership in the South China Sea. Furthermore, Beijing actively signals its recognition of the partner state's significance as a key tool for maintaining their acceptance and support for its rise.<sup>807</sup> Signalling recognition involves not only exercising restraint, but also bolstering Southeast Asian states' regime legitimacy and addressing their needs.

### **Tacit understandings: Broader insights into the survival strategies of Southeast Asian states during times of acute uncertainty**

This thesis concludes its examination by proposing three empirical insights gained from how Southeast Asian states calibrated their strategic logic when facing acute uncertainty as a

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<sup>807</sup> For instance, as detailed in Chapter 6, Beijing consistently demonstrated restraint when dealing with Kuala Lumpur's assertive actions, underscoring its acknowledgement of Kuala Lumpur's strategic value. Kuala Lumpur therefore capitalised on its utility for Beijing's regional aspirations by dissuading Beijing from retaliating against Malaysia's occupied features in the South China Sea. In return, Kuala Lumpur proposed working with Beijing on regional initiatives in which the two countries had a shared interest, such as discouraging the United States from intervening in the South China Sea dispute. Further, Beijing was invited to many regional meetings, and proposals were made for China to be involved in various regional economic cooperation projects. This observation aligns with scholars' arguments about the 'balance of relationships', highlighting Beijing's differential treatment of various countries based on its perception of the importance of the relationship. As Chih-Yu Shih and Chiung-Chiu Huang noted, Beijing's approach to bilateral relations "relies on reciprocal tolerance and self-restraint...implying inconsistency in...facing different countries at different times." Shih et al., *China and international theory: The balance of relationships*.

result of systemic change. These insights also offer a new way of interpreting the history of contestation in the South China Sea after the Cold War. Instead of viewing disputes in isolation, it presents them as part of broader efforts in relationship management and the negotiation of bilateral and regional practices.

*Making sense of the South China Sea disputes: Contestation and hostility as integral to the relationship*

Pundits often portray skirmishes in the South China Sea as catastrophic events. However, Southeast Asian decision-makers typically perceive low intensity skirmishes with China—ranging from CCG incursions, survey and monitoring to (in the Philippines-China case) laser targeting and water canon use—as expected, manageable, performative, and sometimes even regularised occurrences. It is part of what most Southeast Asian officials would, in various ways, describe as living with China as a staying power—one that brings both disadvantages to be managed and opportunities to be seized. Indeed, the Philippines-China case suggests that, despite their war of words throughout key junctures and Beijing's increased assertiveness in the post-Cold War period, both states continued to quarrel *within limits*. These limits discouraged Manila from calling for the US to intervene or militarise Manila's approach to dealing with Beijing. Similarly, in the cases of Indonesia-China and Malaysia-China, each country merely shadowed each other's activities in the disputed area, resembling a choreographed dance. These examples, demonstrating a level of anticipation and tolerance of hostility, suggest that contestation and assertive actions are often not intended to inflict genuine harm. These insights reshape our understanding of low-intensity contestation and clarify when to sound the alarm regarding developments in the South China Sea.

First, the tacit understanding hypothesis treats conflict in the South China Sea and bilateral cooperation not as opposing ends of the spectrum, but rather as part of the larger

process of negotiating tacit understandings, maintaining them, and renegotiating redlines to cope with changing dynamics in relationships. Southeast Asian states must allow China to assert its power as a status marker, while China must permit them to resist its influence. Contesting China helps Southeast Asian states protect their claims, uphold regime legitimacy, and assert agency, just as China's assertiveness reinforces its own legitimacy and regional power. When these functions are disrupted, disputes risk becoming zero-sum, heightening escalation.

Second, across the three cases, leaders often deliberately violated tacit understandings—not to abandon them altogether, but to test boundaries, establish new precedents, and introduce new interpretations. In Kuala Lumpur's case, for instance, the occupation of new features in 1991 and the development of features in 1999 served as probes to gauge Beijing's commitment to their tacit understandings. These actions highlight how a failure to respond to such violations could be interpreted as acceptance of a newly imposed understanding by one party. Alternatively, it might indicate disapproval while choosing to manage the issue discreetly. Within this perspective, measured hostility should be expected as a corollary of tacit understandings. While this does not eliminate the risk of escalation due to miscalculation, it also does not imply imminent crisis—it simply reflects how countries in the region actively seek opportunities to advance their interests vis-à-vis China, and vice versa.

Third, tacit understandings were not instruments to discourage smaller states from contesting a rising power but rather offered them defined limits for resistance, insulating the relationships from uncontrolled hostility. In the case of Malaysia and China—an advanced relationship—Kuala Lumpur also accepted Beijing's hostility as something to be expected. As a result, it was ready to delineate operational and relational redlines, where skirmishes at sea were evaluated in tandem with broader interests in the relationship. Therefore, the relationship became more stable because, as long as both countries recognised each other's importance,

violations of operational redlines, such as military incursions, could be tolerated and resolved behind the scenes.

The three points above suggest, when reading news about CCG incursions, one should not immediately be alarmed; in fact, such actions are an integral part of relationship management. Instead of interpreting every skirmish as a breakdown of tacit understanding, a more insightful approach is to examine whether Southeast Asian states impose limits on their assertiveness and what they signal through restraint.<sup>808</sup> This perspective moves beyond media expectations of an imminent war—persistent since the 1990s—toward a more nuanced understanding of the relational dynamics.

*Understanding the role of economic factors behind Southeast Asian states' restraint towards China*

Furthermore, this thesis demonstrates that for some Southeast Asian states economic cooperation with China became a motivating factor to negotiate a tacit understanding for restraint, as well as part of the outcome of the tacit understanding. However, this engagement does not indicate a simple causal relationship where Beijing bought Southeast Asian states with its money, nor a neoliberal logic where greater economic interdependence fostered restraint. In the Malaysia-China case, as discussed in Chapters 5 and 6, close economic cooperation was a long-term benefit of confidence produced by long adherence to two tacit understandings with China. However, up to the late 1990s, Prime Minister Mahathir needed to convince domestic constituents to bear the economic loss endured by Malaysia because of competition in manufacturing with China and continued trade deficits with Beijing. In the Indonesia-China case, economic cooperation played a minimal role in either country's rationale for negotiating tacit understandings for restraint in 1995. Regardless, economic cooperation was a factor when

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<sup>808</sup> As noted in Chapter 1, smaller states' [restraint](#) towards a rising power serves to convey specific signals.

both countries quickly replaced the tacit understanding abandoned in 2016 with a new one. In the Philippines-China case, tacit understandings have acted as an insulator that separates physical clashes at sea from increasing economic cooperation. As a result, each country could continue to challenge the other even as economic cooperation ebbed and flowed, giving the appearance that there was no connection between economic cooperation and geographical conflicts.

Throughout this thesis, I observe a non-linear connection between these factors. Southeast Asian states assess economic gains and losses—including trade and investment with China—within the broader context of their regime’s approach to domestic legitimacy and regional strategy, both in the short and long term.<sup>809</sup> In Malaysia-China relations, Malaysia’s push to diversify and reduce Western dependence led it to endure initial losses while transforming its economic ties with China into a profitable relationship. Profitability was a key objective, but the broader goal was strategic autonomy. In Indonesia’s case, economic factors played a greater role in the 2017 tacit understanding with China (*sharing usage*—TU-ID-3) than in the earlier one (*maintaining divergence*—TU-ID-1), as economic considerations were central to Joko Widodo’s domestic strategy. The extent to which economic benefits from China mattered depended on each regime’s domestic and regional approach, shaping how economic gains were prioritised.

China and Southeast Asian states actively negotiate while navigating a hierarchy of interests, distinguishing between core and peripheral concerns. Economic benefits are weighed against broader regime priorities, including security, foreign policy, and domestic stability. This makes redlines and baselines within tacit understandings crucial. As long as Southeast Asian states secure core interests—such as oil exploitation and Chinese investment—they tolerate Beijing’s limited assertiveness, provided it challenges only secondary interests, like being seen

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<sup>809</sup> This is inspired by Amy King’s work on the economic-security nexus, which also seeks to shift from the conventional, systemic-level view of economic interdependence to a more domestic-level analysis.

to be standing up to CCG presence in their EEZ, while respecting core concerns of autonomy and sovereignty. Likewise, Beijing has tolerated Southeast Asian states' challenges to its nine-dash line and their sovereignty assertions over features they already control, but has rejected their attempts to internationalise disputes or pursue legal actions that would put China on the defensive.

*Avoiding myopia: why the South China Sea disputes are intertwined with broader interests*

My findings challenge the idea that it is possible to adequately narrate the story of the South China Sea in the post-Cold War period without considering the more detailed negotiation of bilateral interests and regional practices. The empirical findings clearly show that the leaders of Southeast Asian states and China always considered, discussed, and negotiated the South China Sea disputes in tandem with other priorities, ranging from bilateral economic cooperation to regional collaboration. Due to the initially antagonistic nature of the relationship and unresolved disputes in the South China Sea, restraint became crucial; without it, distrust and quarrelling would have rendered collaboration impossible. By extension, Southeast Asian states' assessment of risks in the South China Sea became intertwined with their continual evaluation of positions and strategic choices, shaped by the evolving geopolitical landscape of the region.

As smaller players, Southeast Asian states could not afford to evaluate the South China Sea dispute in isolation. Given this, they needed to take into account various factors, ranging from their regime legitimacy and regionalism to great power rivalry. The common theme across the three cases explored in the thesis—Indonesia, Malaysia, and the Philippines—was that Southeast Asian states wanted to have their cake and eat it too. They wanted to secure their claims in the South China Sea, but also wanted to empower China as a responsible ASEAN

dialogue partner and secure economic benefits from its rise. Similarly, as a power-aspiring actor, Beijing could not afford to antagonise Southeast Asian states as a collective. China needed the cooperation of its neighbours to legitimise its power and support its growth. At the same time, it also needed to be able to inflict brute force on others to secure its interests and demonstrate power. These conflicting goals motivated both sides in each of the three cases to avoid approaching the South China Sea disputes in isolation. This led them to establish and maintain tacit understandings, establishing boundaries that enabled them to shelve their disagreements in the South China Sea and proceed with enough confidence towards coexistence and collaboration on other bilateral and regional goals.

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### Field notes

My fieldwork combines in-person and online interviews with 80 Southeast Asian state officials, including mid-ranking and director-level officials, as well as some retirees from security agencies such as foreign and defence ministries and navies. This fieldwork was conducted in Indonesia, Malaysia, and the Philippines. Additionally, I conducted in-person conversations with scholars and retired policymakers in Singapore, as well as an online discussion with a New Zealand-based scholar. These conversations were mainly with individuals who had been involved in the Council for Security Cooperation in the Asia Pacific (CSCAP) or had previously interacted with key policymakers, such as former Indonesian Foreign Minister Ali Alatas. The interviews followed a semi-structured format, targeting key elites who could offer specific perspectives on how certain events unfolded.

I also organised multiple roundtables across the three countries, involving a range of policymakers and scholars. These roundtables were semi-structured, with themes and topics pre-specified to align with my thesis format. However, the discussions evolved naturally based on participant contributions.

While not every discussion was cited directly in the thesis, they informed my writing. Given the sensitive nature of my thesis, which examines the South China Sea disputes and foreign and defence policy with China, and in light of evolving circumstances, I have chosen to anonymise my interviewees even when they have provided explicit written or verbal consent. The following summarises my fieldwork, key interviewees, and roundtable activities that helped shape my argument.

## *Indonesia*

I began conducting online interviews regarding Indonesia in October 2021. Then, from February to June 2022, I carried out in-person fieldwork in Jakarta, organising a series of interviews, roundtables, and discussions with key stakeholders across four agencies:

1. Indonesian Ministry of Foreign Affairs (KEMLU) – Particularly with officials from three key divisions concerned with China affairs and the South China Sea: the Legal Treaty Directorate, Asia and Pacific, and ASEAN. I also interviewed a KEMLU official stationed in the Coordinating Ministry of Maritime Affairs and Investment as the Deputy Director of Sovereignty;
2. Indonesian Ministry of Defence – Specifically from the Defence Strategy Directorate;
3. Indonesian Maritime Security Agency (Bakamla); and
4. Indonesian Navy – Particularly those who served as commanders at the regional command (Lanal Ranai, Natuna Region) and Western Indonesia (Koarmabar), as well as officials from the Centre for Maritime Information (Pusinfomar) and the Naval Hydro-Oceanographic Centre (Pushidrosal).

This fieldwork, during which I interviewed and interacted with approximately 40 officials, forms the basis of my analysis of Indonesia's maritime security policies. Since most of my interviewees are mid-to-high-level officials who, at the time of this thesis' completion, are still actively serving in their positions, many have requested to remain anonymous.

Of all the interviews with government and security officials in Jakarta, several interviews stand out, and I directly cited in my thesis, which include:

- Interview with the Director of Defence Strategy, Indonesian Ministry of Defence – 16 March 2022;

- Interview with the Director of Legal Treaties, KEMLU – 19 October 2021;
- Interview with an expert (colonel level) at Pushidrosal, Indonesian Navy – 26 January 2022;
- Interview with a colonel, former commander of the Ranai Naval Base, Natuna, Riau Archipelago – 23 January 2022; and
- Interview with the former Director of Cooperation, Indonesian Maritime Security Agency (Bakamla) – 28 March 2022.

I also interviewed and interacted with Indonesian scholars, mainly from the International Relations Department of the University of Indonesia and CSIS Jakarta. Two key interviews include:

- Interview with Dr. Rizal Sukma, Indonesian scholar at CSIS Jakarta and former Indonesian Ambassador to the UK – 26 July 2021; and
- Interview with Dewi Fortuna Anwar, senior researcher at the Indonesian Institute of Sciences and former Deputy Secretary for Political Affairs to the Vice President of Indonesia – 14 March 2022.

I also organised three related roundtables that helped me form and refine my ideas, including:

- Roundtable at the International Relations Department, University of Indonesia, Depok – 17 February 2017. This roundtable brought together 10 representatives from various maritime security agencies, including the Deputy Director of Sovereignty from the Coordinating Ministry of Maritime Affairs;

- Roundtable at the Faculty of Law, Centre for Sustainable Ocean Policy (CSOP), University of Indonesia, Depok – 9 September 2024. This roundtable involved 8 scholars working in maritime policy; and
- Roundtable at CSIS Jakarta – 18 September 2024. This roundtable involved 25 participants, including Directors-General and Directors from the Ministry of Defence, Ministry of Foreign Affairs, the Indonesian Navy, Bakamla, and leading scholars. The discussion focused on Indonesia’s maritime strategy.

### *Malaysia*

From July to December 2022, I conducted fieldwork in Malaysia, interviewing 40 officials and experts across various sectors. These included mid-to-high-ranking officials from the Ministry of Defence, the Prime Minister’s Department, the Ministry of Foreign Affairs, the Royal Malaysian Navy, and government-affiliated think tanks such as the Maritime Institute of Malaysia (MIMA). Additionally, I interviewed scholars from four major Malaysian universities: the National University of Malaysia (UKM), the University of Malaya (UM), the National Defence University of Malaysia (UPNM), and the Universiti Malaysia Sabah (UMS).

In Malaysia, key insights and data were mostly gained during three roundtables. Due to the similarities in insights and views across stakeholders—defence, the Prime Minister’s Department, naval officers, and security analysts—regarding the best way to deal with China’s assertiveness, the roundtables allowed me to ascertain points of divergence and consensus. I participated in and co-organised three roundtables across Malaysia:

1. Roundtable in Bangi (Organised by Institute of Malaysian and International Studies, UKM) – 18 October 2022.
  - The roundtable comprised ten participants, including: Three key directors from the Ministry of Defence, officials from the Prime Minister’s Department (Economic Affairs Division), and scholars specialising in regional security

2. Roundtable in Kuala Lumpur (Organised by the Australian High Commission in Malaysia) – 8 November 2022.
  - The roundtable comprised five Royal Malaysian Navy officers. I was invited as part of the ANU Malaysia Institute Maritime Exchange Programme. The discussion was followed by an informal lunch, where I engaged with key officials. I later organised follow-up interviews, during which one official provided me with an official Malaysian Navy publication, *Battling the Waves*, which contains valuable insights into Malaysia’s maritime security doctrine.
3. Roundtable in Sabah (Organised by University of Malaysia, Sabah, at my request) – 31 October 2022.
  - This roundtable comprised ten Malaysian scholars leading a research project on the South China Sea, with participants having diverse expertise, ranging from legal frameworks to defence analysis.

These discussions provided a broader institutional perspective on Malaysia’s evolving maritime strategy and its approach to regional security challenges. In addition to these roundtables, I also engaged in interviews with various scholars. While I do not cite all of them directly in my thesis, discussions with them informed my views. Three scholars whose views were directly cited in this thesis are:

- BA Hamzah, a retired high-ranking military officer, provided insights into Mahathir’s directive and its impact on Malaysian security policy (Interview, Kuala Lumpur, 12 October 2022);
- JN Mak, a leading expert on Malaysia’s security policy, discussed shifts in Malaysia’s defence strategy (Interview, 17 October 2022); and
- A Malaysian scholar at the National Defence University (UPNM) explained how Malaysia’s perception of US commitment in the region is still shaped by historical

experiences, particularly the US withdrawal from Vietnam and non-intervention in Cambodia (Interview, Kuala Lumpur, 20 October 2022).

From these scholarly interviews, I was able to further understand internal debates on Malaysia's approach to China and broader strategic concerns.

### ***The Philippines***

In November 2023, I conducted two weeks of fieldwork in the Philippines, interviewing five officials and fifteen Filipino scholars, both online and in person, specialising in maritime security and legal affairs from the University of the Philippines, Ateneo University, and the University of De La Salle. The interviews that I directly cited include a high-ranking Philippine Coast Guard (PCG) officer (Manila, 21 November 2023), and two former commanders in the Philippine Navy (Manila, 23 and 25 November 2023). I also organised a Roundtable at the Institute for Maritime Affairs and Law of the Sea (IMLOS), Manila – 28 November 2023. This session brought together legal scholars and maritime security experts to discuss Philippine maritime strategy and legal responses to Chinese actions in the South China Sea. These engagements provided critical insights into the operational constraints faced by the Philippine Coast Guard and Navy, as well as the legal and strategic debates shaping the country's maritime policy.

### **Notes on Documents**

I surveyed all South China Sea-related readings in WikiLeaks and Factiva from the early 1990s to 2024. These sources inform my understanding of the behind-the-scenes dynamics of events unfolding in the South China Sea. WikiLeaks documents are more complete between 2005 and 2009. The documents I directly cited include:

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