

CHAPTER 8

Meeting the Challenge of Asia's Changing Security Environment: China's Response to the New Threats

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2010 was a chilly year for Chinese foreign and defense policy makers. At the beginning of the year China was still coping with the fallouts of US arms sales to Taiwan in November 2009. The suspension of bilateral military ties worsened Sino-US relations that underlined the visible changes in Asian security landscape in the following year. In 2010 two armed clashes in Korea: the Cheonan Incident and the DPRK's artillery shelling of Yeonpyeong Island, brought the Peninsula to the brink of war. China was caught in the crossfire, and was forced to take sides to prop up crisis-ridden Pyongyang, all the time under huge pressure from the US, Japan and South Korea. In July Secretary Clinton announced the US position on the disputes in the South China Sea (SCS) in ARF forums. Beijing saw it as an unfriendly act to internationalize the problem against it. Then, the fishing boat event in the Daoyu/Sankaku Islands in September triggered a free fall in Sino-Japanese relations with long-lasting implications. When the year ended, Beijing found itself an odd state in Northeast Asia. Although Beijing immediately launched a winter diplomatic offensive to reorient the unfolding course, it may take years for it to heal the mood of mistrust as a result of the above events.

This paper argues that security consequences of the events in 2010 will be far more profound than the immediate action-reaction tussle of the players involved. To Beijing these simply confirmed its new threat perception in the process of rise. Generally speaking, among other things, the following three challenges are probably the most serious ones for Beijing to handle in the short to medium term: 1) an emerging trend of coalition building by the US and its allies and friends in the region to hedge against China's rise; 2) prospects of being dragged into simultaneous two-front armed conflicts; and 3) the worsening confrontation in the Korean Peninsula. These multiple external threats have squeezed the PRC's freedom of action. In response one can anticipate Beijing to re-energize "smiling diplomacy", especially to non-US allies, to combat the perceived trend of "encirclement-making". It may resume double-digit growth in defense spending sooner, accelerate military

transformation through war preparations,¹ and use economic leverage for diplomacy more vigorously.

Challenge Number One: Coordinated Efforts against China's Rise

Beijing has long seen the initiative by the US and its allies to forge an Asian mini-NATO vis-à-vis China as a primary challenge. In recent years this endeavor has become more systematic.² The quicker China rises, the more other powers will attempt to make collective defense arrangements to hedge this rise. In international relations theory, the rise and fall of major powers is about leadership and dominance, which often takes the form of zero-sum rivalry. The existing dominant powers use all kind of means to inhibit the rise of new powers. Their hostile response is inevitable, as history proves many times before.³ As history repeats itself now, China's anxiety is derived from the fact that it is still in a vulnerable transition: it is on the rise, but has not yet risen to the level where its power becomes less challengeable. Strategically, Washington, should it feel necessary, could undermine China's rise through many means.⁴ Encouraging Taiwan's *de jure* independence could be one, but coalition building is a lot more cost-effective.

*An anti-China C-shaped arch in the making*⁵

The prospects of a collective response against China's rise have always existed in an invisible form. Such a call was heard at the initial stage of China's rise, e.g., by Gerald Segal, in the early 1990s.⁶ The West has so far found this option too expensive. Today any rational thinking would lead to a conclusion that it is already too late for

¹ "America encircles China from two fronts through manufacturing hostility over the SCS dispute" (美国在南海制造对华敌意从两条边界围堵中国), 环球时报 (Global Times), 27 July 2010.

² Wang Yusheng (王岬生), "美国组建"亚洲北约"也挡不住中国崛起" (US push for Asian NATO cannot stop China's rise), 解放日报 (Jiefang Daily), 11 August 2010.

³ For a realist interpretation of this inevitable rivalry for dominance, see, for instance, Kenneth Waltz, *Theory of International Politics*, Mass: Addison Wesley Publishing Company, 1985.

⁴ When secretary of State Rice was asked about her opinion on China's rise during her Asian trip in March 2005, she said that the US would welcome the rise, but have the means to deal with it if it threatens US interests. She was not specific as to what these means were.

⁵ Colonel Dai Xu (戴旭) from the PLAAF raised an influential notion of America constructing a C-Shape arch against China. See his book *C-型包围* (C-shape arch against China), Shanghai: 文汇出版社 (Wenhui Chubanshe), 2010.

⁶ See his chapter, "Thinking Strategically about China", in David Goodman & Gerry Segal (eds.) *China Rising: Interdependence and Nationalism*, Routledge, 1997; and Gideon Rachman, "Containing China", *Washington Quarterly*, Vol. 19, Winter 1996, pp. 1291-40.

anyone to take this option. The world's economic interdependence with China has so deepened that any unilateral rupture can hurt the initiator substantially. Yet in Chinese eyes, hedging through collective means has never lost its attraction as a concept or even as a strategic guidance in Washington.⁷ China's accelerated rise not only sharpens the Sino-US clash of key interests in Asia, but also reveals the urgency for the US to seek formal or informal alignment to protect its dominance in world affairs.⁸ It starts from the ideational front, and is concretely reflected in awarding the 2010 Nobel peace prize to Liu Xiaopo, a move widely seen in Beijing as part of the West's promotion of an organized dissident movement against the PRC government.⁹ Indeed, democratic liberalism has been a powerful weapon in the clash of civilizations in general and against China's value systems in particular.¹⁰ One regional initiative in this regard is the call to establish a democratic arch in Asia with an obvious target in the background. For instance, in the summit between Japanese PM Abe and his Indian counterpart in 2007, one topic was how to foster a multilateral regional structure based on the idea of democracy vis-à-vis authoritarianism.¹¹

Initially, coalition-building may take the form of coordination on specific issues, including a united front approach on the value of *Reminbi*; or on a carbon tax against Chinese exports; or on creation of a multilateral mechanism to govern the SCS dispute against Chinese efforts to de-internationalize it; or on creation of a new collective platform against the DPRK which may marginalize the Six-Party Talks (SPT). Much depends on how China and the US manage their structural conflict of interests amid their need for cooperation. If confrontational events happen in a concentrated and continuing manner, like those since late 2009, it will cause irreparable damage in bilateral ties with lasting negative regional effects.

⁷ Yongnian Zheng, (郑永年), "Responding to Asian Mini NATO rationally" (理性回应亚洲版“北约”), 23 March 2007.

⁸ One example is France Godeman's call for a united western approach against China. See his report for the European Council for Foreign Relations in May 2010.

⁹ 43.6% of respondents agreed that this year's peace prize to Liu was to put pressure on China to accept the Western political system, while 31.5% said it was an attempt to permeate Western values into China. The Global Poll Center, *The Global Times*, 6 October 2010.

¹⁰ John Ikenberry, "The Rise of China and the Future of the West: Can the Liberal System Survive?" *Foreign Affairs*, January / February 2008.

¹¹ Praful Bidwai, "Abe's Visit Underlines New Strategic Alliance", *Intra Press Service*, New Delhi, 24 August 2007.

The security events in Asia in 2010 may have lifted the US-led coordination endeavor vis-à-vis China to that of coalition-building, which is no longer just a theoretical concept but a gradual practice.¹² It starts from the effort to broaden US-led bilateral alliances into multilateral ones. This has been in pursuit for some time, but at a slow pace. Now the pace accelerates. The trilateral security dialogue between Washington, Tokyo and Canberra has been quietly upgraded from basically annual 2+2 ministerial talks to more specific three-way defense interaction, such as intelligence sharing, deployment of military facilities, and institutionalized frameworks for cooperation from regular exchanges of top brass to more frequent joint war exercises.¹³

The trilateral meeting in Washington in December 2010 of foreign ministers of America, Japan and South Korea consolidated trilateral security cooperation in the Cheonan aftermath. The Yeongpyeong shelling provided new catalysts for the three states to erect a new framework against a common threat, such as regular trilateral security dialogues.¹⁴ The D.C. meeting was only a small step to connect two separate US-centred bilateral alliance ties, but some embryonic form of military coordination has been pursued and urged by the US.¹⁵ Although the open target of this collective defense gesture is North Korea, not China, Beijing senses that the DPRK is only for immediate concern and is used as a cover for ultimate joint defense cooperation against itself.¹⁶ It is early to state a trilateral bloc will materialize, since Tokyo is cautious to get militarily involved in such a constructive effort due to constitutional limitations, and Seoul is still constrained by a population with a collective memory

¹² Emma Chanlett-Avery and Bruce, Vaughn, *Emerging Trends in the Security Architecture in Asia: Bilateral and Multilateral Ties Among the United States, Japan, Australia, and India*, CRS Report for Congress, January 2008.

¹³ For instance, in 2010 US-Australia 2+2 meeting, secretary Bates announced that although the number of forward bases remained unchanged in the region, US military presence would be enlarged, through arranging more military facilities, joint exercises and formal personnel exchanges. *The Australian*, 11 November 2010.

¹⁴ *Washington Post* reveals officials of the State Department as saying that the US is seeking a new definition of US-ROK-Japan relations in the way of more coordination against China. *Washington Post*, 6 December 2010.

¹⁵ The commander of the US Pacific Command played a crucial role in getting the ROK and Japan together in arranging three-way naval drills, as a way for greater military cooperation.

¹⁶ "US-ROK war games challenge Chinese psychological bottom line", (美韩军演 挑战中国心理防线), 中评社, Hong Kong, 1 December 2010.

of history.¹⁷ Yet if tension in the Korean Peninsula deteriorates, or the anxiety over China's rise prevails, the emerging trilateralism could become more structured.¹⁸

In addition to the bilateral alliances and the emerging triangular security forums mentioned above, a few bilateral defense networks are being promoted or in the process of being designed. The Japan-Australia security pact of 2008 is being strengthened, with the mutual concern of a third party. Japan and India are discussing how to construct closer defense ties in their newly established strategic partnership, again propelled by the worry of China's rise.¹⁹ In fact these two bilateral developments could be plugged into the emerging trilateral security arrangements, especially the Washington-Tokyo-Canberra axis, which is flexible, open-ended and accommodating to the requests of the like-minded. India is a candidate to join such a collective arrangement.²⁰

In Southeast Asia, US-ASEAN security cooperation has been renewed with a US "return in Asia". With China as a catalyst, this cooperation is embedded in institution-building, such as the US-ASEAN Summit and US entry into the East Asia Summit. China's wariness about this recharged US-ASEAN interaction is that it is premised on the concept of soliciting US balancing against China.²¹ It is specifically driven by US support of ASEAN Spratly claimants. "If we read between the lines of Clinton's ARF speech, it implies that the US contests and will potentially seek to block China's SCS claim - the realization of its claim".²² The SCS dispute remained relatively quiet until 2009, when the disputants upped the ante by demarcating their maritime boundaries to follow a UN request. When they matched the sovereignty statement

¹⁷ Cabinet general secretary Yoshito Sengoku expressed serious caution on joining a US-ROK naval exercise, and the ROK ministry of foreign affairs criticized the remarks by Prime Minister Naoto Kan to dispatch the Japanese air force to South Korea to withdraw Japanese nationals in case of crisis. These events happened when the commander of the US Pacific Command pushed for more formal defense ties between the three countries. *The Chosunilbo*, 13 December 2010.

¹⁸ Defense ministers of Japan and South Korea discussed the signing of a bilateral military cooperation agreement that allows more combat logistical support and intelligence sharing in Seoul on 10 January 2011. If such a military accord is reached, it is unprecedented. *The Chosunilbo*, 11 January 2011.

¹⁹ Emma Chanlett-Avery and Bruce, p. 10.

²⁰ *Asian Wall Street Journal*, 23 March 2000.

²¹ This has been expressed most vocally by Singapore and Vietnam leaders.

²² Professor Dan Lych's remark in a USC US-China Institute Documentary *The South China Sea: Troubled Waters*, 14 September 2010.

with concrete activities in the disputed areas, the necessary space of ambiguity for keeping the status quo was eroded, triggering a new round in an action-reaction spiral of opposing claims. This provided a perfect opportunity for the US to step in and take sides, as a way to practice Nye's advocacy of "constraining China's rise through regional countries".²³

As the largest power in the dispute, China naturally attracts most media attention. In March 2010, when China called on the US to respect its core national interest in the SCS, it really meant US spy ships gathering intelligence information near the PLA strategic naval base in Hainan.²⁴ When US media reported this call, it said China included the Spratlys as its "core national interest".²⁵ By shifting the meaning of "core national interest" from Hainan to the Spratlys, good conditions were created for US intervention in the SCS dispute. Beijing sees this as a distortion. There has been no official confirmation of the Spratlys as a core national interest.²⁶ The leaking of information was suspicious and the media misreport aroused concerns, as the term "core national interest" legitimizes use of force. Yet for Beijing this was much ado about nothing: it has no operational plan to capture any more islets in the Spratlys.²⁷

US involvement in the SCS dispute is viewed as driving a wedge into Sino-ASEAN relations.²⁸ The Spratly dispute is the soft underbelly in China's ASEAN diplomacy, as it generates worry about China's irredentist intent. In international relations theory, employment of fear is a convenient way to place two sides against each other by a third party. In fact no case of China disrupting free navigation has been reported in the Spratly area. The US insistence on freedom of navigation is deliberately confused with the issue between the Hainan area of the SCS, and the Spratly area of the SCS. Yet this ambiguity of location resulted in a show of Chinese assertiveness. It sends a

²³ Joseph Nye, "The Future of American Power: Dominance and Decline in Perspective", *Foreign Affairs*, Vol. 89, No. 6, 2010, pp. 2-13.

²⁴ Oral sources in Beijing, June 2010.

²⁵ *New York Times*, April 2010; and *Washington Post*, June 2010.

²⁶ Major general (Ret.) Wang Haiyun (王海运, former PLA attaché to Russia) wrote that some academics used "core national interests in the SCS", but this was not Beijing's formal position. *Dongfangwang* (东方网), 13 October 2010.

²⁷ The PLA's plan to achieve section control in the Spratlys was scaled down to only point control in the late 1980s. Pan Shiyong, *现代战略思考* (Thinking on contemporary strategy), Beijing: Shijiezhishi chubanshe, 1993, p. 265.

²⁸ Tai Hongpeng (泰鹏鸿), "Chinese scholar called for clarifying the SCS issue" (中国学者吁理清并归类南海问题), *Huanqishibao* (环球时报), 28 September 2010.

signal that the US safeguards the sea-lane-of-communications (SLOCs) in the SCS, but Beijing is likely to obstruct it there. To Beijing, the ultimate intent of US intervention is to forge a geo-strategic arch by networking ASEAN SCS disputants. This would enhance their confidence in facing up to China, and thus deepen their defense dependence on the US vis-à-vis China. In the meantime, US naval access to their ports is made easier. Such a “one stone killing several birds” constitutes a smart US diplomatic move.²⁹

China's counter-measures against the coalition-building

Although some regional countries appreciate a need to have America balance China, they are highly reluctant to be drawn into a crossfire between the two giants. This is especially true when their economic dependence on China's market is deepening. Likewise, coalition-building also imposes a dilemma on the US. As some US scholars argue, if US support to one of China's opponents emboldens it to antagonize Beijing and the latter responds harshly, what choices would Washington have? Backing up its friend may risk a war with China, which certainly does not serve US strategic interests, but by opting against strong support to its friend, the US may “risk the collapse of the whole structure designed to hedge or constrain the rise of China”.³⁰ Some tension between Asian states and China is beneficial to America, but only when it is manageable. As China rises, it will be increasingly more expensive for the tension to be utilized and managed according to US preference.

Hence Beijing's defense analysts do not anticipate quick emergence of a structured bloc of powers against China.³¹ A confrontational bipolar regional order hurts Asian states more than it does China.³² It marginalizes ASEAN's centrality in regional security-making, reduces US leadership whose effectiveness depends on China's

²⁹ *Global Times*, 26 July 2010, p. 14.

³⁰ John Garver and Feiling Wang, “China's Anti-Encirclement Struggle”, *Asian Security*, Vol. 6, No. 3, 2010, p. 258.

³¹ Vice foreign minister Cui Tiankai expressed his belief in the second Blue Hall Forum that no country was able to build an encirclement against China in Asia. 14 January 2011. Also Wang Yusheng (王岬生), “美日亚洲北约构想难觅知音”, (Willing participants hard to find for the US and Japan to construct an Asian NATO), ifeng.com, 3 November 2010.

³² For instance, among six scenarios in predicting the future regional security order, the worst for South Korea would be a Sino-US bipolar confrontation. Paper by Chaesung Chun, “Changing regional order and South Korea's East Asian Policy”, to the conference *Northeast Asian Security Challenge*, Shanghai, 19 January 2011.

cooperation, and sets back the trend of Asian economic integration. Yet some kind of bipolarity (not necessarily a Cold War type) may surface with the eventual change in the regional security order when the US intensifies alignment against a peer rival, and the latter responds by mobilizing support from its friends. Therefore, as Beijing's regional influence continues to rise, the logic of the US attempting a collective security architecture vis-à-vis China will become more and more visible.

Beijing has worked hard to offset the impact of the negative security events since 2009, and especially to counter US realignment efforts with its own. These take the form of proactive internal balancing and catered external balancing. The former is about maximising the country's economic and military power to substantially increase the cost of any collective initiatives against Chinese vital interests. The latter is meant to use both hard and soft power to convince regional states that efforts to isolate China would only backlash against their own interests. Here economic leverage and "smiling diplomacy" would be more emphasized than threat of force.³³

One key measure of Beijing's pro-active internal balancing against the perceived US pursuit of an Asian security architecture is to accelerate war preparations.³⁴ A specific sign of this is the likely resumption of double-digit growth in defense spending from 2011.³⁵ The arms program will be more catered to deal with US forward deployment in the region, to enable the PLA to conduct asymmetrical and anti-access warfare. The ultimate goal is to reduce America's absolute military superiority against China to one that is relative, especially in the West Pacific where the PLA could amass relatively superior force against US naval hostility in a limited geographical space, within a limited time and for a limited purpose.³⁶ This is a policy of defensive offence

³³ This is clearly laid out in State Counsellor Dai Binguo's long article, entitled *Adhere to Peaceful Development*, on the website of the Chinese Foreign Ministry in December 2010.

³⁴ "国防部长梁光烈接见记者" (Defense Minister Liang Guanglie's news conference), *解放军报* (The PLA Daily), 26 December 2010.

³⁵ The growth rate for China's military spending in 2010 was 7.8%, the only year with a single-digit growth rate since 1989. This could be due to the relatively low economic growth rate that year and the ease of tension across the Taiwan Strait. The events in 2010 have changed the basic conditions for the PLA's strategic calculus for budget planning.

³⁶ Although US defense spending is several times China's and US military power is way superior to China's, much of it is more or less irrelevant to the specific armed engagements with China such as Taiwan. Dan Blumenthal, "Sino-US Competition and US Security: How Do We Assess the Military Balance", *NBR Analysis*, December 2010.

and differs from that of challenging the US head-on. Yet this alone would require the PLA to substantially enhance its combat capabilities, e.g., from obtaining minimum but reliable MAD nuclear deterrence (i.e., 180 SLBM warheads), to possessing effective anti-access weaponry (i.e., anti-ship ballistic missiles against US carrier groups).³⁷

China's catered external balancing can be analyzed as the following. First, it has to adopt a 'right overarch' diplomatic and defense strategy to meet the mounting collective pressure against its rise. This is a profound challenge to Beijing because the pressure originates from US worry of losing its world dominance,³⁸ and thus connotes a zero-sum reaction. As China rises, the pressure will only continue to mount. Therefore, a right strategy for Beijing to maintain workable relations with Washington is not a policy choice but a strategic imperative. Looking back, all China's external problems in 2010, such as Vietnam's lobby for US involvement in the SCS dispute,³⁹ bore relevance to the troubled Sino-US ties since 2009. A sound US policy is of paramount importance to Beijing.

US analysts saw the 2009 suspension of Sino-US defense contacts as evidence of China behaving as a game changer in Sino-US relations.⁴⁰ This perception has its logic but is not accurate, as Beijing's long-term non-confrontational US policy remains intact, defined as "not to challenge US global leadership but remain firm on issues of Chinese core national interests".⁴¹ Yet the problem is: if Beijing has not changed its principal policy line vis-à-vis America, why has the perception of China as a game changer prevailed? In 2010, Beijing reviewed its approach in managing

³⁷ On anti-ship ballistic missiles, see Andrew Erickson and David D. Yang, "Using the Land to Control the Sea? Chinese Analysts Consider the Anti-Ship Ballistic Missile," *Naval War College Review*, September 2009.

³⁸ This is vividly reflected by Obama's pledge that the US would not become world's number two in his *State of Union Address*, 27 January 2010.

³⁹ 何志工 安小平 (He Zhigong & An Xiaoping), "南海争端中的美国因素及影响" (US factor and influence in the SCS dispute), *当代亚太* (Journal of contemporary Asia-Pacific studies), No. 1, 2010, p. 141.

⁴⁰ Elizabeth Economy, "The Game Changer: Coping with China's Foreign Policy Revolution", *Foreign Affairs*, Vol. 89, No. 6, 2010, pp. 142-153.

⁴¹ This has been stressed by Chinese diplomats repeatedly since 2009. The most authoritative figure to state it is Dai Bingguo's article *Adhere to Peaceful Development*. In the article he said that rhetoric that China could surpass the US is simply a myth.

Sino-US strategic differences in general and US arms sales to Taiwan in particular.⁴² A view emerged that suspending military ties each time there is a US arms sale to Taiwan is not sustainable. Beijing has to strike a fine balance between its expressed opposition to the sales and a pressing need to prevent the bilateral ties from being irreparably damaged. This is a strategic issue because if Washington identifies Beijing as a game changer, Beijing would be seen as a revisionist power. The next logical step for Washington to take is to mobilize support from its allies and friends to deal with Beijing collectively, often through creating security problems for Beijing, such as taking sides in China's dispute with its neighbors, or war games at China's doorstep. The impact is profound. President Hu Jintao's message in his state visit to America in January 2011 was exactly that Beijing's US policy had not changed. Although it is easily said than done, currently Beijing has no better counter-measure to absorb the impact of US coalition building against China than accepting unipolarity.

China's second countermeasure is to pursue economic leverage to influence regional international politics. Beijing has long adopted economic diplomacy to achieve strategic gains but as Chinese economic power rises, it is using it more aggressively. Today China is the largest trading partner of all major powers in Asia and beyond. It contributed 50% to world economic growth in 2009, according to Wen Jiabao.⁴³ In the same year China's contribution to South Korea's growth exceeded 50%. Without the China factor, the growth of Japan and Australia would have been in the negative territory in 2009.⁴⁴ Now the regional economic interdependence has deepened to the point where it allows Beijing to drive a wedge between the region's economic interests and security interests against US intervention.⁴⁵ The strategic impact of this dependence on Chinese market is several-fold.

⁴² Zhao Qunsheng's speech during the conference *Elites and Governance in China*, National Chengchi University, Taipei, 5-6 November 2010.

⁴³ Wen's speech to the 6th China-EU Summit, *Xinhua News Agency*, 7 October 2010.

⁴⁴ This is the KIET report on 22 November 2010. It states that the ROK's GDP (the first half of 2009) was 504 trillion Won, 20 trillion larger than the same period of 2008. The breakdown of this 20 trillion reveals that 52% of the increased sum was achieved through increased export to China. South Korea's growth dependence on China is also expressed by the fact that its overall export growth in the first six months was 3.5%, but that to China was 17.2%. *The Chosunilbo*, 23 November 2010.

⁴⁵ On this off-balanced triangular relationship, see Hugh White, "Power Shift: Australia's Future between Washington and Beijing", *Quarterly Essay*, No. 39, 2010.

First, the logic of economic interdependence mitigates against materialization of a true Asian NATO hostile to China. It is a common policy choice of the regional countries that they bandwagon on the booming Chinese economy but simultaneously welcome America's balancing role against China in the security realm.⁴⁶ So far China has tolerated this phenomenon, as seldom has this "double balancing strategy" encroached upon what Beijing regards as "core national interests". But this strategy will be hard tested when it touches on issues such as Taiwan, Dalai or excessive support to US pressure on China.⁴⁷ Secondly, Asian economic dependence on China for growth will further increase as time passes with profound security implications on US leadership in the region. By 2023, when China's GDP size reaches near parity with that of the US, the former will have more available capital for overseas investment than America due to its high savings rate; and have larger capacity in absorbing global export due to its population (domestic market). By then, Asians will have to balance their ties with the two giants more carefully, a prospect that may not be in favor of Washington. Thirdly, unless the US is able to address this asymmetrical economic dependence, there is a limit in its coalition-building in the security area. Efforts to undermine Chinese economic power will not only hurt China, but the US and its friends as well.

After all, apart from territorial disputes, the perceived China threat is neither imminent nor specific to most Asian countries where the linkage between economic growth and the legitimacy to rule through elections is tight and direct. Since their diplomatic guidance is pragmatism, considerations of bandwagoning often outweigh those of hedging, unless Beijing behaves too assertively in regional affairs.⁴⁸ Concrete examples support this argument. Australian former foreign minister Downer made it known in August 2004 that it was not a given that Canberra would automatically

⁴⁶ See the articles by ASEAN authors in Jun Tsunekawa (ed.), *The Rise of China: Responses from Southeast Asia and Japan, NIDS Joint Research Series No. 4*, Tokyo, 2009, especially the article by See Seng Tan.

⁴⁷ For instance, ASEAN states expressed reluctance to have America involved in the SCS disputes after Beijing's surprisingly strong reaction. Berry Wain, "ASEAN Caught in a Tight Spot", *The Strait Times*, 16 September 2010. Another example is a Filipino foreign minister's statement that it would oppose US involvement in the SCS dispute.

⁴⁸ Despite rhetorical support on US hedging strategy vis-à-vis China, most regional states are very careful in formulating real policy toward China. On this pragmatism, Michael Wesley and Allan Gyngell, *Making Australian Foreign Policy*, Cambridge University Press 2007.

follow an ANZUS requirement to support the US in a Taiwan war.⁴⁹ More recently, South Korea has officially been silent on Chinese “neutrality” on the Cheonan and Yeonpyeong Incidents, despite its anger voiced in private. This is influenced by the fact that its exports, about \$52 billion, to China is larger than that to the US and Japan combined. Clearly Beijing has a long-term strategic vision of promoting realignment in regional politics through economic leverage, as it becomes the primary engine for regional growth in the near future.

Beijing’s third counter measure is thus related to the second: re-set of a constructive course with the region, in way of restoring “smiling diplomacy”. China has recently experienced the backlash of its handling of disputes with its neighbors, which is a contributing factor in America’s effective coalescing efforts since 2009. Beijing’s winter diplomacy sent China’s top nine leaders (members of the Politburo Standing Committee) overseas one after another up to the end year. Wen’s softy-softy tone in India in December 2010 was an interesting example. He brought orders of about \$20 billion to India, a figure doubling Obama’s in his Indian trip a month earlier; set a positive tone on India’s eagerness to join the UN Security Council; and reiterated China’s de-linkage of its Indian and Pakistani policy.⁵⁰ All sounds well but it is hard to measure Wen’s success, given India’s lingering mistrust with China. However, Beijing is aiming at a long-term goal, not at an immediate outcome.

This is especially true of its renewed diplomatic offensive vis-à-vis ASEAN, whose cooperation with China through seeing the latter as an opportunity has paid well in economic terms in the last decade.⁵¹ Yet the new round of the Spratly dispute and the resultant US intervention threaten to reverse the trend, if Beijing made wrong moves on the issue. China dispatched senior leaders to visit Southeast Asia to explain about the alleged Chinese “core national interests”; conducted a series of joint military drills with ASEAN states and offered arms to a number of them at discounted prices, such as missiles to Indonesia, army equipment to Philippines and J-10s to Thailand;⁵²

⁴⁹ Quoted from Rod Lyon and William Tow, “The Future of the US-Australian Security Relationship” in *Asian Security*, Vol. 1, No.1, 2005, P. 47.

⁵⁰ *China Daily*, 18 December 2010. Wen said “The world is big enough to accommodate the growth of India and China”. *International Business Times*, 16 December 2010.

⁵¹ Joshua Kurlantzick, *Charming Offensive: How China’s Soft Power Is Transforming the World*, New York: Yale University Press, 2007, pp. 129-132.

⁵² *The Chosunilbo*, 20 December 2010.

and provided new economic benefits to ASEAN through the early harvest program in the CAFTA. In fact if China does not make occupation moves in the Spratlys, Sino-ASEAN ties will not suffer a major setback. This is no problem for Beijing that has given up the idea of recovering the Islands through force since the early 1990s.⁵³ The rest of the trouble, such as the arrest of fishermen or patrols in the disputed area, are mainly tactical by nature, and part of the status quo game that most disputants play. Since the SCS dispute is a low diplomatic priority to Beijing, and no other parties hope to escalate tension either, it is reasonable to believe that the disputes are manageable by maintaining the status quo. This is acceptable to Beijing.⁵⁴

Strategic Challenge Number Two: Avoiding Simultaneous Multiple Armed Conflicts

Section One describes how China is facing multiple threats all around its periphery. Some of them are matters of war and peace. The key policy question for a country in a kind of “encirclement” is to identify the most prominent and urgent challenge as the priority for making countermeasures. Militarily, this for Beijing is how to avoid being dragged into a two-front battlefield simultaneously. Despite the fact that China has the largest armed force and second largest defense budget in the world, it is still way beyond its resources and defense capability to deal with two wars at the same time. More specifically, multiple military pressures on China fall into two categories: those from oceanic directions, i.e., a Taiwan scenario, maritime territorial disputes, and SLOC safety; and those from continental directions, i.e., land border disputes (India), US military presence in Central Asia, North Korea's provocations, and terrorist activities in Xinjiang.⁵⁵ The biggest challenge to Beijing is how to formulate a right defense strategy to avoid being drawn into multiple armed confrontations.

⁵³ China signed the ASEAN Treaty of Friendship in 2002 means that it gave up using force as a way to settle disputes with ASEAN. There were debates in Beijing whether to sign it because entering the treaty would mean losing an effective method to recover the lost islands in the SCS. Eventually China went ahead with the signing. Oral sources from Beijing, July 2006.

⁵⁴ On China's SCS strategy, see You Ji, “China's Response to the Deadly Triangle: Arms Race, Territorial Disputes and Energy Security”, *CLAWS Journal*, Summer 2010.

⁵⁵ Lieutenant-general Wang Wenrong, *The guideline for the PLA's third modernization*, Beijing the PLA Publishing House, 2005, p. 82.

Defensive posture and the 1.5 war scenario

Generally speaking, PLA response to multiple military threats can be summarized as the following. The first is to adopt an overall defensive posture. Secondly, preparation against oceanic threats is prioritized over land border threats, with the Taiwan scenario on top of the list. Thirdly, in the oceanic direction, the threat from the East China Sea (ECS, mainly Taiwan) will probably be taken better care of than that from the SCS; and the SCS threat will probably be in turn more prominent than that of the SLOCs.⁵⁶ Overall, war prevention is the guidance against threats from whichever direction.⁵⁷

China's overall defensive posture is derived from a strategic necessity inherent in its military inferiority vis-à-vis the US, and the aggregated strength of its adversaries around its land and maritime borders. Even when China makes an assertive move, driven by its concern over its core national interests, most of the time it is done following Sun Tze's stratagem of using an offensive means for a defensive purpose (以攻为守).⁵⁸ Until recently, the PLA had focused on Taiwan, and at the same time tried to contain maritime threats from elsewhere and continental crisis. The preparation for naval warfare is very different from land warfare along China's borders. Militarily, this is the chief reason for the PLA to avoid fighting two different kinds of warfare simultaneously. Even maritime operations in the Taiwan Strait and in the SCS differ remarkably, and the PLA should not be drawn into the two simultaneously.⁵⁹ Economically, China can afford to concentrate only on one war at a time. Thus the two factors – the defensive posture and avoidance of two simultaneous

⁵⁶ ECS Disputes cause more big power interaction, especially direct US involvement, while SCS disputes have been basically under control with disputants agreeing to some stabilizing measures. China faces no immediate SLOC threat due to US protection of global waterways.

⁵⁷ Accelerating war preparations and prevention of war are two major items in China's defense policy of the 21st Century. 张啸天 (Zhang Xiaotian), "国家利益的发展与军事战略发展" (On expansion of national interests and the resultant expansion of military strategy), *中国军事科学* (Chinese military science), No. 3, 2010, pp. 1-7.

⁵⁸ The best example is the Sino-Indian War of 1962. The PLA retreated behind the original line of control after the victory. In the SCS, the PLA could have occupied a few more islands in the 1980s but after a presence was obtained, it just halted the actions. Here, presence is the key. Without it China would be marginalized in the settlement, but too much presence through use of force is too expensive diplomatically. Beijing accepts the current size of presence and so a balance is arrived at. You Ji, "The Spratlys: A Test Case for China's Defense and Foreign Policy", *Contemporary Southeast Asia*, Vol. 16, No. 4, March 1995.

⁵⁹ He Fudong, "灵活应变掌握军事斗争的主动权" (Flexible response to control the war initiative), *The Journal of PLA National Defense University*, No. 11, 1994, p. 1.

wars - are intimately related. Without being in a defensive posture, the chances for the PLA to be forced into a two-theatre confrontation would increase significantly.

This necessity dictates the PLA's force deployment, weapons programs and overall level of readiness, which are reflected by a 1.5 war scenario that the PLA has contemplated as a strategic guidance for war preparations: i.e., accumulating superior capabilities in the principal strategic direction (the direction where war is most likely to erupt), while at the same time retaining enough capability in areas of lesser strategic significance against any encroachment into China's claimed territories (the direction where potential armed conflicts exist but not on a scale of a major war).⁶⁰ In practical terms, this means that the PLA should be geared up for a major maritime war, while prepared for a land border clash against another regional power, which takes advantage of China's preoccupation with an oceanic enemy. This 1.5 war scenario is a worst case scenario, assuming that a Taiwan war might trigger a "chain reaction by China's hostile land neighbors."

The defense posture along the coastal flank

The PLA's posture along the coastal flank (the Taiwan direction) seems to be offensively oriented, given its forward missile bases, catered air force, naval and army deployment, and above all, the Anti-Secession Law (ASL) that legally abides the PLA to take action in specific situations. Yet the strategic objective is defensively set to service Beijing's Taiwan policy in general that prioritizes the status quo, and its military policy toward Taiwan in particular that is reactive by nature (maintaining peace through threat of war).⁶¹ Thus Beijing will use force only when Taiwan declares independence, under huge popular pressure. This is linked to the survival of the regime.⁶² Before the change of regime in Taipei in 2008, military coercion was Beijing's only choice of deterrence to prevent the situation from sliding into the final showdown. Therefore, the PLA has to take a routinely aggressive approach against Taiwan's independence moves, a typical *Sun Tze*'s stratagem of taking an offensive stance for a real defensive purpose. Put another way, it is about showing hard power

⁶⁰ Liu Yongxin, "连锁反应背景下边境防御战役指导" (Guidance for defensive campaigns in the border regions against the background of armed conflicts elsewhere), *军事学术* (Military Art), No. 3, 2003, p. 39.

⁶¹ You Ji, "The Anti-Secession Law and the Risk of War in the Taiwan Strait", *Contemporary Security Policy*, Vol. 27, No. 2, August 2006.

⁶² Michael Swine, "Tough Love for Taiwan", *Foreign Affairs*, Vol. 83, No. 2, 2004.

to create conditions for not using it. Military pressure against Taiwan, while a key component of its Taiwan policy, has been subjugated to Beijing's overall domestic and international calculus, e.g., promoting domestic development and maintaining workable Sino-US relations.

The PLA's defensive posture here can be specifically seen from the following points. First, since the PLA aborted the invasion after the Korean War erupted in June 1950, Beijing has not formulated any operational plan to capture Taiwan. Secondly, a detailed study of PLA deployment in the Nanjing and Guangzhou Military Regions reveals that the force level of about five army groups and the number of warships and aircraft are far from adequate to launch any large scale amphibious assault against the island of Taiwan. In fact, the two Military Regions have sustained several cuts in manpower in the last decade. Thirdly, the PLA has not acquired sufficient ships to mount any meaningful amphibious operations across the Strait, despite the fact that, as the world's largest shipbuilder, it is well within China's production capacity to produce the required landing ships.⁶³

China's defensive posture for a Taiwan war can be seen also from the operational angle: the aim of war is designed more to paralyse the C⁴ISR systems and key military assets than eliminate troops, mainly in the form of precision strikes and IW operations.⁶⁴ The combat mode of non-engagement entails limited direct personnel contact. After all, a Taiwan war is more of a war of politics for preventing Taiwan's *de jure* independence than a D-Day type of amphibious campaign for reunification. IW can minimize casualties but generate huge political pressure on pro-independence forces in the Island. This also has diplomatic significance. War of mass destruction will more likely stimulate US intervention and international outcry. Hence the PLA's likely mode of engagement in the Taiwan Strait is converged with its war preparations and political goals: forcing Taipei to forego declared independence, rather than a war of reunification on the ground.

⁶³ Various studies reveal that the maximum level with which the PLA can mobilize its amphibious troops for the first wave of assault is no more than 100,000 men, far from enough to have any successive landing operations. See for instance, Dennis Blasko, "PLA Amphibious Capabilities: Structured for Deterrence", *China Brief*, Jamestown Foundation, Vol. 2010, Issue 17, August 19 2010.

⁶⁴ Yang Jinshan, "The form of joint campaigns in future warfare", *The Journal of PLA National Defense University*, No. 1, 2004, p. 31.

The defense posture along the land borders

A safe land border is crucial to secure the coastal regions. To this end, Beijing has implemented the Grand Northwest Development Strategy and Grand Northeast Development Strategy, as a way to assure political stability, economic growth and ethnic tranquility in north China. The two grand strategies are the foundation for effective land border defense, as militarily they enhance the defense infrastructure and capabilities in the remote provinces to deal with security uncertainties. A safe north China then can broaden the defense depth for the eastern flank.

The comparison of order of battle can best reveal the PLA's defensive posture in Western China. Along the Sino-Indian borders, the PLA is at least 1:3 inferior in manpower to the Indian army. In the Tibetan section of the Sino-Indian borders, only two PLA lightly equipped mobile brigades are deployed to enhance a small number of border defense regimes.⁶⁵ India's air force enjoys clear superiority against its PLA counterparts that can hardly provide sufficient close-in air support in an armed clash.⁶⁶ Apart from the factors of manpower and equipment, the geography is advantageous to India for a sizeable land warfare: the PLA's logistical supply line is very long, and hard to sustain under harsh weather conditions and poor transportation networks.⁶⁷

There are only two group armies in the entire Northwest region (larger than Central and Western Europe combined) where, they have to cope with pressure from volatile domestic politics and US military presence in Central Asia. This is similar in the vast southwest region. Only two group armies are deployed there, not only for the defense of the long Sino-Indian borders, but also for the precarious Sino-Burma and Sino-Vietnam borders. Under the circumstances, a defensive defense posture is the only

⁶⁵ This is in sharp contrast with 10 mountainous divisions India deploys along Sino-Indian borders. Vivek Raghuvnshi of *the Defense News*, 11 October 2010, quoted in *Huanqiuwang* (环球网), 14 October 2010. In 2010, India increased manpower by 50,000 to the border forces. *Wall Street Journal*, 24 June 2010.

⁶⁶ *Huanqiu Shibao* (环球时报), 10 October 2006, p. 6.

⁶⁷ According to an experiment, a PLA field unit launched an attack on a mountain pass within a range of 2 km. It took hours for the units to move to the point of final assault. In the last 150m, the soldiers had two breaks before the charge. By then most of them were physically exhausted, and a number of them had collapsed. Chen Ligong, *Study of defensive united land warfare in cold plateau areas along border lines in response to a chain of wars*, (连锁反应背景下山地边境防御作战研究), Beijing: the National Defense University Press, 2005, p. 41.

choice to compensate limited material and human resources along land borders and to allow enough strength to be deployed along the coast. In combat terms, this means that the PLA can establish force superiority only in selected areas and within a limited timeframe to deter any invasion or encroachment. To do this, it will resort to stand-off warfare, employing precision munitions to paralyse the enemy's offensive campaigns and to cut off its reinforcement. This defensive warfare is designed to blunt the enemy's initial attack and to withhold key positions in order to gain time for China's reinforcement to arrive.⁶⁸ Then Beijing would be in a better position either to initiate a counter-attack or to deescalate armed conflict through political means. In short, PLA operations against a continental threat are tailored to be responsive, not pre-emptive. It is a retaliation-oriented (后发制人) strategy: launching limited counter-strikes for political and diplomatic end-gains rather than for an out-and-out battlefield victory.⁶⁹

Strategic Challenge Number Three: A Second Korean War on the Brink

The Korean crisis in 2010 may have arguably replaced Taiwan as China's top war concern. Hardly had the Cheonan dust subsided, the Yeonpyeong shelling on 23 November again re-ignited inter-Korea armed clashes. The US-ROK military drills in the Yellow Sea not only escalated Pyongyang's agitation, but also unnerved Beijing that saw US aircraft carriers in the Chinese EEZ for military purposes as a grave threat to its national security. Both Koreas have put their armed forces under top-level alert. Dai Bingguo's prompt visit to Seoul on 27 November, just three days after China postponed the scheduled foreign minister meeting in Seoul in protest against US carriers in the Yellow Sea, revealed Beijing's assessment of the explosive situation in Korea: this was no time to place "diplomatic face" above efforts of war aversion. Hu Jintao used unusual words such as "very fragile and on the brink of getting out of control" to characterize the tension in his telephone conversation with Obama in December.⁷⁰ Beijing's Korean policy is under its biggest test in the post-

⁶⁸ Liu Yongxin, "联锁反应背景下边境防御战役指导" (Guidance for counter-attack campaigns in the border regions), *Military Art*, No. 3, 2003, p. 39.

⁶⁹ Xia Fuguo, "边境地区防御作战中实施非接触作战应贯彻以防为主有限反击的思想" (Defense as the principle and limited counter-attack as the supplement in the non-engagement warfare for land border defense), *The Journal of PLA NDU*, No. 5, 2003, p. 42.

⁷⁰ *Xinhua News Agency*, 6 December 2010.

Cold War era.

The North Korea dilemma

China's DPRK dilemma is two-fold. The first is how to maintain the status quo in the Peninsula through helping the North's survival, something against China's own strategic interests from time to time. The second is how to cope with the enhanced US-ROC alliance since the Cheonan Incident, which has helped the US military to close in on China. China and North Korea are bound by a relationship full of structural conflicts of interests. Kim Jong-Ji's anti-Chinese feelings can be traced to the early 1970s when Mao refused to support Kim Il-sung's succession plan.⁷¹ Pyongyang viewed Sino-ROK diplomatic ties as an act of betrayal. It regards the Six-Party Talk (denuclearization) as Beijing siding with the US against a traditional ally. In the North-South Summit in October 2007, Kim proposed to exclude China from the Korean peace construction effort.⁷² Beijing, on the other hand, was deeply hurt by Pyongyang's nuclear endeavor. First, it undermined China's status quo-centred Peninsula policy, defined as the North remaining nuclear-free and the US refraining from launching regime-change preemptive strikes. Secondly, the DPRK's nuclear program greatly weakens Beijing's persuasion on Washington not to use excessive military threats and economic sanctions against Pyongyang. Thirdly, Beijing has to apply more economic pressure to ensure Kim's compliance. This makes it harder for China to maintain normal ties with the DPRK. Finally, the North's intransigence sank the SPT, a symbol of China's contribution to regional security; and a likely multilateral mechanism for the region.⁷³

China's DPRK policy is in flux. It faces a hard choice of whether to see Pyongyang still as a useful buffer or more as a liability.⁷⁴ Its reluctance to punish North Korea's provocations suggests that the "buffer zone" mentality is still prevalent. Yet the unprecedented condemnation of the North's nuclear test is a clear warning: "not to

⁷¹ You Ji, "China and North Korea: A Fragile Relationship of Strategic Convenience", *Journal of Contemporary China*, Vol. 10, No. 28, 2001.

⁷² China strongly opposed this suggestion. Foreign ministry spokesman Qin Gang said in his briefing on 9 October 2007 that as a key party to the Armistice Treaty of 1953, China was a legitimate party to the ultimate peace-making process.

⁷³ Zhang Lianggui, "Coping with a Nuclear North Korea", *China Security*, Autumn, 2006, pp. 2-18.

⁷⁴ You Ji, "Understanding China's North Korea Policy", *China Brief*, Vol. 4, Issue 5, 2004.

take our kindness for granted".⁷⁵ Beijing will continue its accommodation-based DPRK policy against unwanted risks rooted in a prompt change. Yet North Korea as a liability has become a clear fact for China. It causes constant trouble to China's interaction with other major powers, especially with the US. Although the stress on the status quo is to stay, the DPRK will be treated as a bargaining chip in China's great chess-board games. The nuclear issue has forced some convergence of the two policy options (buffer and liability), symbolized by Sino-US cooperation over the nuclear standoff, in China's support of UN Resolutions and its increased pressure to bring the DPRK back to the SPT, while preventing it from an early collapse.⁷⁶

The North's nuclear pursuit and the Yeonyeong shelling highlighted the DPRK itself as sources of threat to China, and added a negative military dimension in Beijing-Pyongyang interaction. For instance, if the nuclear standoff cannot be resolved peacefully, the possibility of US surgical strikes against the North's nuclear facilities increases progressively. One of the North's three uranium enrichment facilities is located only 20 km from Sino-DPRK border. Any such attack would adversely implicate China, e.g., the possible release of nuclear pollutants.⁷⁷ DPRK soldiers often cross the 800 km long border line illegally to capture run-away North Koreans and clash with PLA guards. They follow a "shoot to kill" policy against ordinary Chinese and Korean border traders.⁷⁸ The military clash worsens Sino-DPRK diplomatic tension, as bilateral political relations fray further.

Beijing's rationality in propping up North Korea

Beijing's biggest dilemma is to prop up a regime it does not like at all. It is caught in the crossfire between the two Koreas and is a victim of Pyongyang's recent

⁷⁵ See special report entitled "Brazen North Korea", *中国新闻周刊* (Chinese News Weekly), No. 296, 16 October 2007.

⁷⁶ See, for instance Samuel S. Kim, "China's New Role in the Nuclear Confrontation", *Asian Perspective*, Vol. 28, No. 4, 2004.

⁷⁷ Hu Side & others, *Nuclear capabilities of the region around China*, Beijing: Yuanzhineng chubanshe, 2006, p. 37.

⁷⁸ For instance, it is reported in South Korea that Li Liang, a soldier from the 16th GA, was killed by DPRK soldiers on 16 October 2005. *World Forum Net*. Accessed on 1 November 2006. In June 2010, three Chinese traders were killed by DPRK soldiers. Under Beijing's tremendous pressure, Pyongyang made an open apology. "North Korea apologizes for Chinese deaths", *Financial Times*, 11 June 2010. On 14 December 2010, seven North Koreans were killed in Chinese territories by North Korean soldiers when they crossed the Yalu River from Yanggang. *Huanqiuwang* (环球网), accessed on 11 January 2011.

provocations but has to swallow the bitter fruit. Despite Lee Myung-bak's personal plea for Beijing to take a fair stance on the Yeonyeong incident, Beijing has been muted on the shelling, although Chinese security experts criticized Pyongyang for civilian casualties.⁷⁹ China simply called both sides to be calm and de-escalate the tension, a non-differentiated assessment on responsibilities of the skirmish, which is not acceptable to Seoul. In fact, the Cheonan and Yeonyeong events substantially narrowed Chinese choices in interacting with both Koreas. Pyongyang strongly resists Beijing's interference. The ROK brought the US navy to the Yellow Sea, which exerted a profound military and domestic impact on Chinese strategic thinking.⁸⁰ The carrier group's combat zone of the exercise is only 170 kilometers away from Chinese territories. Its 1,000 km strike distance brings Beijing well under a direct attack, and its J-STARSs not only monitored North Korea's troop movements but also China's.

The question then is why Beijing has taken a "neutral stance" to the clash, which amounts to rendering support to the DPRK. Chinese analysts do not see the North's provocations the way depicted in the West. To many Chinese, Russians and South Koreans, the North's part in the Cheonan Incident was not proven beyond reasonable doubt.⁸¹ Even though Beijing saw the logic in its involvement, the sinking was not an isolated act but one in a series of active-reactive retaliations in disputed waters. And the Yeonyeong shelling was Pyongyang's response to repeated war games at its door-step. It was pathetically out of proportion, but happened in context.⁸²

However, the above rationale is not the key to understanding Beijing's "neutrality". The key is its genuine concern over the DPRK's survival. China's immediate logic of security interests in Korea would have pitted it against the North's adventurism. Put another way, Beijing clearly knows that its "neutrality" is a bad choice but under the circumstances other choices may be worse, if these contribute to Pyongyang's

⁷⁹ Shen Dingli, "Ending the Tension", www.china.org, November 27, 2010.

⁸⁰ General Ma Xiaotian, deputy chief of general staff, voiced the PLA view on the drills several times with wording such as "China is firmly opposed to such exercises at the country's door-step. "It would be an act happening at the wrong time and in the wrong place.

⁸¹ It is interesting to note even some Japanese analysts saw Seoul's accusation based on scant evidence. See for instance, Tanaka Sakai, "The Japanese-China Conflict: the Senkaku/Diaoyutai Islands Clash", *Global Research*, 6 October 2010.

⁸² Shen Dingli, November 27, 2010.

collapse. China, as true with other regional states, is not ready to cope with the fall-out of a major crisis in the Peninsula. The DPRK is at its most precarious period of time: domestically, the failed financial reform in 2010 deepened its economic crisis. The on-going succession may trigger fragmentation of the political system, as Kim Jong-il's divide-and-rule mechanism causes an inevitable elite power struggle. Externally, Pyongyang faces mounting security pressure, as Washington and Seoul start to contemplate military options to solve the DPRK challenge. For instance, both Seoul and Washington have now concluded that denuclearizing North Korea is possible only through regime change, not negotiations. Preserving the DPRK from collapse serves Beijing's overall security needs. If Washington promotes encirclement against China, North Korea could be used to counter-balance the effort. Neutrality is thus a means to an end, not the end in itself. Although the price thus paid is very high, it is still the lesser of the two evils.

The enhanced US-ROK military alliance in 2010 indirectly posed a security challenge to Beijing's vital interests on two fronts: the mounting prospects of war in the Peninsula; and as an integral part of the US-led hedging measures against China's rise. Washington and Seoul used to share China's strategic objectives in the Peninsula: aversion of war. Toward the late 1990s, the US had come to a conclusion that the military option was a non-option in dealing with Pyongyang.⁸³ This understanding underlined America's entry into the SPT in 2003. Yet Lee Myung-bak has his own ideas on the North, and he has pursued a pressure-oriented DPRK policy through terminating the "Sun-shine policy". Now military pressure has been again considered to be useful to break the deadlock, and is being translated into practical policies.⁸⁴ For instance, the endless military drills can entrap Pyongyang to take silly actions that can justify the military option as a solution. Lee's Liberation Day Address on 15 August sanctioned a new unification model beyond "crisis management", which means comprehensive preparation for sudden collapse of the DPRK now. For this, he proposed serious study of a reunification tax to get financially ready for the absorption

⁸³ Former DoD secretary William Perry's speech to the specialist workshop *Military Alliance in the Post-Cold War Era* in Tokyo, 2-6 December 1998. I and other participants asked him this question on the military option, as he had just fulfilled Clinton's request to review US defense policy toward the Peninsula.

⁸⁴ Tim Beal, "Korean Brinkmanship, American Provocation, and the Road to War: the Manufacturing of a Crisis", *The Asia-Pacific Journal: Japan Focus*, Vol. 8, Issue 51, No. 1, December 2010.

of the North, with a sum of \$US 2.14 trillion in three decades.⁸⁵ Militarily, this year's Ulchi Freedom Guardian Joint US-ROK Exercise was not only the largest in scale, but with a specific mission goal of dealing with an all-out North-South war.⁸⁶ The exploration of bringing down Pyongyang through military tension is at odds with the long-time Beijing-Washington-Seoul joint effort to avoid war in the Peninsula.

Beijing has long worried that forward US military presence in the Sino-Korean border areas would open a new battle direction against China should a coastal war erupt in the Taiwan direction.⁸⁷ This time, the US not only has dispatched an aircraft carrier but also nuclear submarines to China's proximity. Chinese analysts saw this as intimidation of the PLA, although rhetorically directed against Pyongyang. And the act was so out of proportion that it may hurt Beijing's willingness to cooperate with the US in reining in North Korea.⁸⁸ Logically, the war exercises could be interpreted as providing an answer to the question of whether a military option against the DPRK is now seen as a potential option. In a way, the PLA would regard it as repetition of the US sending aircraft carriers to the Taiwan Strait in 1996, an event that only stimulated the PLA to accelerate military build-up as a response to the new development.

The PLA has been called to better prepare for any worst case scenarios in the worsening North-South confrontation: small or large-scale armed clashes with possible use of nuclear weapons, the North's regime collapse due to the failed succession, waves of refugees, and escalation of nuclear crisis.⁸⁹ The heightened tension in the Peninsula has led to new counter-measures by the PLA, including an unprecedented number of live fire joint military exercises in the Yellow Sea; the strengthening of the 16th Group Army with anti-nuclear and chemical warfare units; planned imposition of the border no-entry zone in case of need; and troop reinforcement in Northeast China. Yet what is not in the plan is any pre-emptive

⁸⁵ "Lee Lays Out 3-Stage Master Plan for Reunification", *The Chosun Ilbo*, 16 August 2010.

⁸⁶ "Sudden Reunification "would cost \$2.1 Trillion", *The Chosun Ilbo*, 16 August 2010.

⁸⁷ Shen Dingli: "North Korea's Strategic Significance to China", *China Security*, Autumn 2006, pp. 19-34.

⁸⁸ "中國明確反對美韓黃海軍演" (China firmly opposed US-ROK naval drills in the Yellow Sea), *大公報 (To Kung Pao)*, 2 July 2010.

⁸⁹ "The signals conveyed by PLA leaders" (军委领导战区调研传递重要信息), *Wen Huibao* (文汇报), 29 June 2010.

action, as the action guidance is mainly responsive.

Conclusion

China faces multiple external security challenges. In 2010, these challenges took a sharp turn toward escalation, due partly to US resumption of Asian leadership and its own response to a number of tense events in the region. Beijing feels a good deal of uneasiness with the enhanced hedging efforts between the US and its allies/friends vis-à-vis China. Their coordinated initiatives have become the No. 1 security challenge to China. It is too early to predict that the US-centric coalition-building would result in a kind of encirclement against China, but as China rises continuously it is logical that Washington would resort to more such coalescing initiatives. In response, China would do its own coalition-building. The result may be an early emergence of a new bipolar order in the region within the global structure of US unipolarity. Under Western dominance of world affairs this regional bipolarity may not take the form of a Cold War, is not necessarily symmetrical and confrontational all the time, and is amid deepening economic interdependence between countries across the two or more security camps. Whatever the nature of this bipolarity, it is not what Beijing hopes to see happen, but it has to deal with the consequences. Enhancing military power and using economic leverage will be China's basic strategic answer.

Generally speaking, this choice dictates the PLA to avoid being dragged into a simultaneous two-front armed confrontation. China has been in such a danger since 1949, but the end of the Cold War temporarily reduced its intensity. Paradoxically, its phenomenal rise and the recent unfortunate events have actually exposed renewed prospects of China being drawn into a two-front confrontation. This has driven the PLA's war preparations. Firstly, the PLA's overall defense posture has been set as defensively oriented, both as a result of facing US superiority and being in an inferior position vis-à-vis the aggregated military strength of its potential foes around China's maritime and land borders. Yet this defensive posture does not mean that the PLA is overtly passive in national defense. It has developed limited but increasing power projection capabilities for offensive operations, and as time passes these capabilities will only grow. Secondly, China's defense policy has clear priority rankings that reflect its perceived urgency of external threats. The priority list dictates the PLA's concrete force deployment, weapons programs, service structure, and budgetary

allocations. The Taiwan challenge has been the focus in the country's war preparations, but the change of regime in Taipei in May 2008 opened the way for the PLA to rebalance its posture following the changing regional security landscape: the rising intensity of threats from land borders and other maritime directions. Specifically this may mean that the passively defensive posture in north, northwest and southwest China needs to be adjusted with strengthened force levels.⁹⁰

This is especially true of the crisis situation in the Korean Peninsula where the North's nuclear programs, its provocations in 2010 and US-ROK reconsideration of war as an option to remove the DPRK as the ultimate source of trouble have brought real prospects of war to Chinese borders. Although Beijing does not believe that war is imminent, its prospect would only loom larger, as the irresolvable crisis in Pyongyang points to a path of inevitable collapse. The consequences are dire to the Chinese. The PLA is preparing for the worst scenario. Yet the PLA's overall defensive posture will not be changed easily.

Certainly, the external threats China faces now are more than the three explored by this paper. However, these are the most urgent ones and the PLA adopts catered counter-measures. The outcome is a major military build-up in the country under a catch-up strategy vis-à-vis the US. The regional security order will change significantly as the upward spiral of conflicts produces a "flying geese" shaped arms race, with China as a principal driver.

⁹⁰ For instance, this led to the enhancement of 52 and 53 brigades in Tibet and 4 independent divisions and armed police units in Xingjiang. After Burma shelled inside the Chinese border on 8 August 2009, killing and wounding a dozen Chinese, Liang Guanglie, defense minister, told a high level meeting in Kunming that Southwest China was a key strategic direction, and the task for war preparations was very heavy. *PLA Daily*, 29 August 2009.

