Modernizing US defense cooperation in East Asia to peacefully manage strategic competition

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Introduction

Since China’s reform and opening up began in 1979, the US had hoped and expected that, by welcoming China into the liberal international order and assisting its modernization, China would evolve a more liberal domestic order starting with the economy and over time grow to accept the US-sponsored liberal international order. China has adopted market-oriented reform measures to the point where there is no denying that it has a market-based economy, and its developmental success has raised China to near parity with the US, all achieved through cooperation with other members of the liberal trading system.

Nevertheless, China self-consciously maintains "socialism with Chinese characteristics," i.e., a one-party state that uses pervasive economic, political, and social controls in a market-based economy to develop national wealth and power. Moreover, China has become increasingly nationalistic, assertive, and culturally inward looking as it has re-emerged as a great power in the international system. There has been an embrace of Chinese history and tradition as interpreted by the Chinese Communist Party (CCP), which above all is concerned to maintain the current one-party dictatorship. A nostalgia for China's unrivalled greatness as a civilization has gripped China under Xi Jinping's "Chinese Dream" agenda, which seeks "a great rejuvenation of the Chinese nation." This populist, nationalist neo-traditionalism has led to a rejection of Western liberal models of domestic and international political order. Under political liberalism, the primacy and equality of individual rights are protected under the rule of law, which means that all have an equal right to participate in making law, all agree to abide by law, and no one, including the government, is above the law.

But in the minds of China’s leaders, what is more important than individual rights protected by the rule of law is the right of the "people’s democratic dictatorship" under the Communist Party to preserve itself, and the need to rectify perceived historical injustices inflicted on China during the "century of humiliation" prior to 1949. It is this domestic political background that helps to explain China’s desire to revise the regional order in Asia. The stage is now set for an extended period of strategic competition as China seeks to impose its own neo-traditional vision of hegemonic order in Asia, while the US seeks to defend the liberal internationalist status quo.
China's Grand Strategy

Grand strategy refers to a nation's long-term agenda to advance its interests in a competitive international system. It has certain qualities that set it apart from the idea of foreign policy or the agendas of individual national leaders. Grand strategy takes account of a nation's geo-political situation, economic endowments, political institutions, social conditions, cultural identity, and developmental needs to arrive at principles of behavior that build up national strengths while ameliorating or eliminating the nation's glaring weaknesses and vulnerabilities. Because the requirements for formulating and executing grand strategy are difficult to fulfill, not every nation can be said to have one.

This conception necessarily exists at a high level of abstraction and its vision extends well beyond a nation's current boundaries in both space and time. Grand strategy is not limited to foreign policy or military policy in the concrete sense, i.e., it is not merely the effective allocation of scarce resources to achieve competing ends in current circumstances. Instead, it provides a strategic philosophy and direction as a basis for coordinating diplomacy, intelligence, military policy, economic policy, domestic politics, and cultural engagement with the world. Grand strategy sets long term priorities and goals across a nation's policy spectrum based on an assessment of fundamental national capabilities, deficiencies, and opportunities within the wider world.

Grand strategy is also an enduring concept that enjoys generational consensus agreement among the nation's political elite. For this reason, changes of national leadership do not change the fundamental strategic aspirations or direction of a country. However, the injunctions of grand strategy remain abstract and general enough that the political elite may disagree sharply over day-to-day decision-making.

Deng Xiaoping sets China's new grand strategy

Since the birth of Chinese national consciousness conventionally dated from the May Fourth Movement of 1919, which protested the transfer of German concessions in Shandong to Japan at the Versailles Peace Conference, the Han Chinese have sought to survive and regain the position they enjoyed as China's preeminent culture in premodern times. The Chinese Communist Party (CCP) created the modern state of China and set about trying to regain a position among the leading nations of the world. After the failure of the Great Leap Forward approach to industrialization, a part of the Party leadership started talking about the Four Modernizations (agriculture, industry, technology, and military modernization) in the early 1960s before the start of the Cultural Revolution. Then the Cultural Revolution intervened to set back systematic industrialization efforts. After the Cultural Revolution it was left to Deng Xiaoping to pick up the pieces and deliver the promise of the Four Modernizations. He set China on this path by introducing a pragmatic set of reform principles that met two necessary conditions. One was that China had to remain under the one-party dictatorship of the CCP. The other was that the people had to see quick progress toward modern lifestyles. The strategy would be to join the US-led international economic order at least
provisionally to gain the technology, capital, and export markets that had so benefited China’s East Asian capitalist neighbors.

Deng called for the cautious marketization of agriculture and industry, and actively sought foreign trade, investment, technology, and education to increase productivity. To gain the cooperation and assistance of the US, Japan, and the East Asian miracle economies in China’s modernization, Deng needed to abandon Maoism (but not the "people’s democratic dictatorship") and downplay any ideological differences or historical grievances that divided the CCP from the liberal capitalist West. Deng was betting that by drawing on the knowledge and resources of the West to modernize China while “hiding intentions and biding time” (taoguang yanghui) [韬光养晦], China would catch up and regain a leading role in the world. The CCP could then turn China into the kind of modern powerful nation that it envisioned.

Deng put China on the path toward the Four Modernizations by letting the dynamism of global capitalism reshape China’s economy without ever allowing the CCP to lose political control of the situation. The CCP came close on June 4, 1989 when popular demands for government accountability and human rights were viciously suppressed. After this event the CCP gave up any thought of systemic political liberalization. But it pressed on with economic liberalization, which raised living standards and on balance satisfied the people, at least until recently. Economic liberalization also allowed foreign investors into China to make money, keeping western governments happy and hopeful that, over time political liberalization would become inevitable. Deng Xiaoping judged that China had a period of "strategic opportunity" i.e., he anticipated a long period of global peace and development after the cold war that would permit China to catch up with the West, so long as China kept a low profile and rode the tide of history. The success of Deng’s overall program turned his vision into China’s grand strategy, China’s next two leaders, Jiang Zemin and Hu Jintao, did not question it, and focused on implementing it correctly, and the record of China’s rise shows they did so successfully.
China turns assertive

In retrospect it seems clear that this grand strategy reached an inflection point or new stage during the 2008-2009 Wall Street mortgage-backed securities crisis. By then China could claim to have achieved Deng’s modernization goals. It had already surpassed Japan’s GDP in purchasing power and the financial crisis not only meant that China would surpass US GDP in purchasing power in the foreseeable future, but it also seemed to portend the end of the US-sponsored international order built upon US predominance in monetary, financial, and military affairs.

China’s relatively closed financial system backed by massive foreign exchange reserves was insulated from the Wall Street bank crisis that staggered the US economy. China successfully used monetary stimulus to maintain a high rate of growth while the US, Japan, and other advanced economies stagnated or suffered recession. China expected robust annual growth in the 7-9 percent range for years to come. This meant that if China merely kept its military spending growth proportional to GDP growth it could easily achieve strategic predominance in Asia, and abundant financing for overseas expansion of economic influence would be available.

In contrast, the US incurred massive new public debt that in future would force it to cut government programs, including military spending, in order to prop up Wall Street banks. Resulting fiscal burdens could be expected to increase domestic distributional conflict and force the US to withdraw from expensive overseas wars and commitments. Commenting on the situation, Professor Wu Xinbo of Fudan University suggested that, "the global financial turmoil formally put an end to the unipolar post-Cold War era, in which the U.S. power preponderance, its alleged universal politico-economic model of development (often referred to as the Washington Consensus), and its overwhelming international influence had been a defining feature." i

In view of the Wall Street crisis, the Euro-crisis of 2010-12, and Japan’s continuing stagnation, China saw itself quickly rising to a new position of preeminence in the international power hierarchy. This not only gave China new opportunities to revise the regional and international order to suit its interests. It also gave China a new identity as Asia’s predominant power. How should China behave in its new role as a great power?

There ensued a hot academic debate inside China regarding the need for a new strategic vision to replace tao guang yang hui after China had completed its Four Modernizations agenda and needed to set a new long term goal or purpose for itself. ii Several different views emerged, and among them were Xenophobes, realists, and leftists who wanted to focus on the US as a major security threat to China; others advocated sticking with tao guang yang hui; still others advocated China aiming to replace the US as the predominant power in the world in terms of hard and/or soft power; and moderate internationalists such as Wang Jisi advocated expanding China’s standing within the existing framework of international relations to promote its fundamental interest in advancing domestic social well-being. iii

It is difficult to know exactly what policy makers were thinking at this juncture. No doubt there were differences of opinion colored by interests and cultures of the institutions to which individuals belonged. It is also difficult to know how decisions are
arrived at. Foreign policy has become open to a wider range of influences with the pluralization of interests affecting political decision-making in China. Aside from the Politburo and the foreign affairs related bureaucracies in the Party and the State, various groups in the PLA, state owned enterprises, the mass media, politicized internet users, and intellectuals had begun to influence policy making. One supposes that key segments of China’s leadership saw the crisis as a strategic opportunity for China to score great gains internationally while the US struggled with shrinking budgets and mounting domestic problems.

Chinese strategists called this advantageous turn of events a "new situation marked by major changes in the security environment, in the national interests, and in the balance of power..." This "new situation" meant that,

"China’s national defense policy, which is defensive in nature, must continue to develop in keeping with the requirement of the times through adding new contents, establishing a new line of thinking, and taking new measures. Deeply analyzing the changes and development of the defensive national defense policy and the new challenges it faces is of great significance to correctly guiding the building and use of the national defense forces and further enriching and improving the military strategic guideline in the new period."iv

Reviving dormant territorial disputes

The most obvious new element in Chinese foreign policy behavior was its revival of dormant territorial disputes with South China Sea coastal states affected by China’s 9 dash line claim, and with Japan over the Senkaku or Diaoyu islets. Chinese authorities beginning in 2009 began arresting scores of Vietnamese fishermen, and intrusions of Chinese fishing vessels into ROK and Japanese EEZs increased in size and frequency.

<table>
<thead>
<tr>
<th>China’s view of the 9-dash line</th>
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<tr>
<td>Historical memory convinces China that everything inside the 9 dash line belonged exclusively to China well before UNCLOS came into being</td>
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<tr>
<td>Defense of China’s sovereignty &amp; territorial integrity is a non-negotiable &quot;core interest&quot;</td>
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<tr>
<td>Importance of Hainan bases requires China to &quot;secure&quot; the SCS—keep US and allied navies out</td>
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<tr>
<td>These &quot;facts&quot; of history and national interest outweigh international law and the sovereign rights of other East Sea coastal states</td>
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<td>China as a great power has a right to remake regional order</td>
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<td>This explains why:</td>
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<tr>
<td>– China refuses to resort to international tribunals to reconcile conflicting claims according to UNCLOS</td>
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<tr>
<td>– China uses domestic law to impose a revised maritime order in SE Asia</td>
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<tr>
<td>– China uses physical coercion to exert exclusive control in the SCS</td>
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In addition, the USNS Impeccable incident in May 2009 and China's objection to US-ROK joint naval exercises in the Yellow Sea in March 2010 indicated that China sought to enforce new rules governing foreign naval vessels operating in its claimed maritime jurisdictions. China asserted that foreign naval vessels needed Chinese permission to operate in its EEZ, despite the fact that the UNCLOS stipulates that the EEZ exists only to give coastal states enumerated economic rights but for other purposes the EEZ remains the high seas.

This new assertiveness led to a September 2010 incident in which a Chinese fishing vessel rammed a Japanese coast guard cutter, as well as a December 2010 incident in which a Chinese fishing vessel capsized after attempting to ram a South Korean coast guard ship in the Yellow Sea. By the spring of 2011 the Philippines was protesting intrusions of Chinese fishing and naval vessels into its EEZ, as well as Chinese construction on Amy Douglas Bank in the Spratly Islands located 125 nm from Palawan. Vietnam subsequently protested Chinese interference with a Vietnamese ocean survey vessel. In calling China's new assertiveness a "foreign policy revolution," Elizabeth C. Economy wrote, "As their economic might expands, they [the Chinese] want not only to assume a greater stake in international organizations but also to remake the rules of the game."v

The sovereign rights that China claimed in its Exclusive Economic Zone (EEZ) depart from UNCLOS principles in important ways. China's claimed rights are defined by Chinese domestic legislation and regulations crafted to secure China's national interest. This leads to the addition, modification, or excision of specific UNCLOS provisions that conflict with China's own interests on a case-by-case basis.

**Problematic aspects of China's 9-dash line claim**

- Based on ancient historical records, not modern documents or current facts that pre-date the beginning of disputes
- Ancient China did not claim or exercise modern sovereign control
- Other countries have different historical records/memories
- Ignores the legal rights of other coastal states
- Unexplained basis in UNCLOS principles
  - Maritime jurisdiction is normally accorded to nearest coastal state
  - Uninhabitable islands do not generate EEZs
  - No boundary coordinates given
  - Unclear object of claim
    - Ownership of islands, waters, or both inside the line?

If the SCS coastal states can be persuaded to give up their own rights and recognize China's sovereignty claim, a firm basis either for legal challenges to China's claimed rights or for the intervention of external stakeholders will be eliminated. This would permit China to nationalize the South China Sea and give it control over the vital
crossroad of East Asia. Conversely, failure to win consent would prevent China from gaining the status and respect it seeks as Asia's undisputed leader presiding over a peaceful and stable regional order of Chinese design.

The PLA's offshore defense strategy

The PLA has been implementing an offshore defense concept that calls for China to achieve strategic dominance in the seas surrounding China. To achieve this end, the PLA has been developing “Area Access and Area Denial” (A2/AD) strike capabilities in five dimensions of warfare: naval (including submarine), air (including ballistic missiles), ground amphibious, cyber, and space. The idea is to make China’s near seas a lethal environment for enemy navies in the event of conflict.

In 1985 the PLAN made the “offshore defense concept” its long term strategic vision. Admiral Liu Huaqing, PLA Navy Commander from 1982-1988, provided this vision. He called for control of the seas within the first island chain by 2010 and the second island chain a decade later. The exclusive control of maritime space in wartime is achieved using the PLA's updated concept of “active defense” (jiji fangyu). Active defense under conditions of high tech war calls for pre-emptive destruction of all enemy threats within reach when armed conflict begins.

The original impetus for offshore defense was the desire to deter US intervention in case China needed to resort to force to take over Taiwan. As Chinese dependence on imported food and energy grew to critical levels, under Hu Jintao the historic missions of the PLA widened to include non-traditional security and the security of vital international sea-lanes and access to resources.

Xinhua published a background report on offshore defense naval strategy to commemorate the 60th anniversary of PLAN in 2009. It said:

In order to defend China’s territory and sovereignty, and secure its maritime rights and interests, the navy decided to set its defense range as the Yellow Sea, the East China Sea, and the South China Sea. This range covered the maritime territory that should be governed by China, according to the UN Convention on the Law of the Sea, as well as the islands in the South China Sea, which have been its territory since ancient times...

It [PLAN] seeks to promote the capability of capturing and maintaining the command of the sea and air in the main directions of operation in the offshore area...

In the future, the struggle for command of the sea will emerge in multi-dimensional battlefields, including the land, the sea, the air, the outer space, the cyber space, and so forth.

Since 2009, strategists such as PLA Navy Senior Colonel Liang Fang have written treatises on ways to control waters inside the second island chain (neigu 内固) launch outward thrusts (waituo 外拓) beyond this perimeter. Some Western analysts suggested that China’s ultimate aim is to develop a blue water navy with carrier-based global power projection by 2050. Chinese strategists have been moving beyond...
offshore defense toward a more expansive "distant sea defense" concept that calls for appropriate operational capacities anywhere they might be required. This eliminates a geographical limit to Chinese maritime interests, which are now becoming global in scope.

One implication of offshore defense with A2/AD is that, if China attacked a militarily inferior US ally, neutralized US bases and forces as far as the second island chain, and denied US forces re-entry to the region, it will have totally defeated US regional defense and deterrence strategy with one quick stroke. Given China’s presumed nuclear deterrent, the US would not want to escalate to the continentally based strategic nuclear level. If all US theater based and non-nuclear options had been pre-emptively neutralized, the US would have to accept defeat and withdraw from the Western Pacific. By inexorably advancing its A2/AD and nuclear deterrent capabilities to make this kind of scenario plausible, China might believe that a declining US could be persuaded that it is futile to deny China strategic primacy in East Asia, leading the US to concede Chinese regional hegemony and withdraw its alliances and military forces from East Asia.

This offshore defense strategy with A2/AD promises to give China the ability to deal swift crippling military and economic blows to its maritime neighbors. In other words, this strategy means Chinese security comes at the expense of the security of its neighbors, creating a classic security dilemma. On top of this, there is the zero-sum nature of territorial conflict between China and its maritime neighbors, which China has inflamed by pressing its claims in unilateral, coercive, and illegal fashion against weaker neighbors. Finally, because South Korea, Japan, and the Philippines have US security guarantees, when China threatens their sovereignty they draw closer to the US. Security dilemmas, territorial conflict, and alliance factors inevitably drive China’s near neighbors and the US into closer relations to defend their shared interests against a commonly perceived Chinese threat.

**Advancing offshore defense: new peacetime operations**

Offshore defense and A2/AD indicates how China seizes maritime control in wartime, but what about peacetime? Can China seize disputed maritime territories in peacetime and enforce new norms without triggering war? China’s use of fishing vessels and civilian patrol vessels came to figure prominently in China’s maritime control strategy. These civilian vessels were being used in peacetime to establish territorial claims and enforce new rules that extended into the military realm. The use of Chinese civilian vessels to monitor and obstruct the sonar information-gathering mission of the USNS Impeccable in 2009 is a case in point.

Thus, in the two years leading up to the strategic rebalancing China used fishing vessels, civilian research vessels, and civilian government patrol vessels to develop coercive non-military peacetime tactics of expansion. The idea was in effect to "nationalize" territories that were disputed with other states or were beyond any recognized exclusive national jurisdiction. China used the presence of civilian vessels to practice claimed sovereign maritime rights and to obstruct the operations of non-Chinese civilian and naval vessels until they withdrew from Chinese claimed areas.
This became a new paramilitary element in China’s offshore defense strategy. That is, a civilian paramilitary vanguard advances under the protection of PLAN into a disputed maritime territory claimed by China. Neighbors are forced out of the territory and pressed to concede Chinese claims or face the prospect of military conflict with China. Chinese superiority in civilian and military sea power meant that China could use this operational strategy against smaller neighbors to secure control over waters inside the first island chain without triggering a military conflict. This kind of conflict has a psychological warfare effect that conditions others to respect China’s demands and teaches them that resistance is futile.

**The US “strategic rebalancing toward Asia”**

Since the time of the Open Door Notes (1899-1900), the US has sought expanding trade in East Asia and the benefits of a forward deployed military, i.e., guaranteed commercial access to Asia and a US security perimeter on the other side of the Pacific Ocean. The role of US diplomacy has been to support US trade and security interests, as well as to propagate the norms and values of a liberal international order, i.e., free trade, the sovereign equality of states, the rule of law, multilateral cooperation, democracy, and human rights.

Viewed in historical perspective, the US tenaciously overcame three historic challenges to this Open Door policy vision. The first was the resistance of European powers seeking colonies in China (overcome with the signing of the Washington Treaties in 1922). The second was Japanese empire building (ended by defeat in 1945). The third was the challenge of Soviet communism (weakened by China's turn toward the West in 1978, followed by the Soviet Union's peaceful capitulation in 1989). The end of the cold war permitted the Open Door vision to become the basis of region-wide order.

After the cold war the US could have declared victory, closed overseas military bases in Asia, and brought troops home. But it was unknown whether the CCP would ultimately support the status quo liberal international order or rise to challenge it. It seemed significant that, after a US withdrawal from Philippine bases in 1991, China created a law on maritime territory that mandated forceful protection of its nine-dash line claim. At the same time, China began developing missile and naval capabilities to persuade Taiwan to submit to Beijing’s rule, and also began urging the US and Asian neighbors to "give up cold war thinking," which alluded to the need to end any and all cold-war era military alliances.

The Clinton Administration worked out a long-term framework for US policy toward Asia. The Pentagon’s 1995 East Asia strategy report (the so-called Nye Report) set the post-Cold War course for US strategic policy in the region up to 2011. The US would maintain its troop deployments in East Asia at Cold War levels in case of a North Korean contingency, to hedge against the rise of a hostile China, and generally to maintain influence in the region. On the economic side, the US pushed bilateral engagement with China as well as a trans-Pacific vision of regionalism in the form of APEC.

In its beginning days the George W. Bush Administration saw China as a strategic rival and North Korea as a rogue state. However, Bush did not abandon the Clinton approach so much as slightly tip the balance from engagement toward hedging vis-à-vis
a rising China.\textsuperscript{\textit{xviii}} This meant re-emphasizing the US-Japan alliance, Taiwan arms sales, and cutting weapons and dual use technology exports to China, while continuing trade and investment in China. But after 9/11, the war on terrorism made China into a potential partner in dealing with North Korean WMD proliferation and Islamic terrorism. However, the US still hedged its bets vis-à-vis China by strengthening its alliances with Japan and Australia, and by exploring the possibility of strategic cooperation with India.

Today, a new historic challenge presents itself in the form of newly risen China. As the greatest Asian power today, China aspires to reconfigure the surrounding region’s security, economic, and political relations to suit Beijing’s new sense of identity, values, and interests. China believes it is entitled to a China-centered region in a bipolar or multipolar world. The task for US rebalancing strategy is to maintain the Open Door vision in the face of this challenge.

\textbf{Genesis of the strategic rebalancing}

When Secretary of State Hillary Clinton attended the 2010 ASEAN Regional Forum and said that freedom of navigation in the South China Sea was a "national interest" of the US, and that the US would be willing to mediate disputes between China and other South China Sea claimants to prevent conflict, China reacted with outrage. This Chinese reaction suggested that such US concerns were improper, if not illegitimate. China no longer respected the traditional US role of guaranteeing peace, stability and the freedom of navigation in the region—all of which had been done in a way that in no way hindered China’s successful rise. Yet this traditional US role now offended China’s new ambitions and sense of self. It seemed as if China expected the US and the rest of Asia to respect its authority in the South China Sea to determine territorial jurisdictions and maritime rights based on the 9 dash line claim of historical ownership. That is, China wanted superior national rights in areas that are in dispute with other states and/or have traditionally been treated as international or common jurisdictions, and it would not accept the US as a legitimate arbiter or participant in this issue.

At the same time, it did not appear that China was interested in turning its back on the US. On the contrary, it appeared that China wanted to maintain cooperative relations with the US based on a recognition of China’s newly claimed rights and prerogatives even as it denied US Navy access to international waters near China and bullied US allies and other Asian neighbors. In other words, China wanted the US to accommodate its new demands and ambitions.

Sensing the rise of a revisionist agenda in China and the need to ensure US access to the growing markets in the Indo-Pacific region, Hillary Clinton with the support of State Department Assistant Secretary for East Asia Kurt Campbell shifted the Obama administration’s attention toward Asia.\textsuperscript{\textit{xix}} The US wanted to cautiously warn China that the US would defend its position in Asia, reassure China that the US still wanted cooperative engagement with China, and take precautionary actions in case China gave an adversarial response.

In speeches and articles published in 2011, Clinton outlined a six-point East Asian agenda: 1) reaffirm and deepen existing alliances; 2) widen and deepen defense
cooperation with other countries; 3) push regional trade liberalization through the Trans-Pacific Partnership; 4) engage and deepen cooperation with China and other emerging powers such as India and Indonesia; 5) support ASEAN-centered multilateral forums; and 6) advocate democracy and human rights.xx

**Air-Sea Battle and Offshore Control**

The Pentagon judged that, to deal China’s offshore defense with A2/AD required a force posture and operational capacity it called Air-Sea Battle.xxx The idea alluded to in the Defense Strategic Guidance issued in January 2012 is to reduce the vulnerability of US forces by dispersing them within and around the East Asian littoral region. This dispersal of forces and access to a greater number of small operating bases raises the costs, risks, and technical difficulty of mounting a successful first strike against US forces.xxxi In addition, ASB envisions early strikes against Chinese C4ISR as well as against missile bases and other A2/AD weapons platforms. The aim is to blind and degrade Chinese A2/AD forces through integrated joint operations to permit US reinforcements to access the region.xxxii

Critics of this anti-A2/AD battle concept led by Col. Thomas Hammes call for an alternative strategy called offshore control.xxxiv This rejects massive and early strikes against bases inside China as being too likely to escalate to nuclear war. Instead, it calls for strategic containment of Chinese forces inside the first island chain, interdiction of China’s economic lifelines, and a localized war of attrition below the nuclear threshold. The aim is to secure Chinese agreement to end hostilities through economic strangulation. However, allowing China to remain in control of the first island chain for any length of time and ending conflict with an armistice has risks. It could fatally damage US credibility as an alliance partner, and ending a war with a truce without one side suffering a clear military defeat (as happened in WW I) could produce an unstable peace. In the event of actual conflict, both ASB and Offshore Control operations will likely be used.

**Soft rather than hard balancing against China**

The strategic rebalancing to Asia at this stage intended to deepen US diplomatic, economic, and strategic presence and influence in Asia. It reflected a soft balancing strategy. Soft balancing in its original sense described non-cooperative or circumventing actions taken by a smaller power unwilling to incur a great power’s hostility by directly denying or resisting that power’s unwelcome demands.xxxv Soft balancing as used here includes non-cooperation or circumvention (rather than military threats or economic sanctions) in response to demands made by another actor. Soft balancing is an appropriate non-threatening response when one state wishes to maintain overall cooperative relations with another state while not fully complying with that other state’s demands.

The US did not seek to isolate and weaken China as if it were an adversary. Indeed, the US made it clear that it sought to deepen economic and military cooperation with China, and it welcomed China’s continuing development. This is the part meant to engage and
reassure China. US efforts to entrench itself further in the region do not target any particular nation, but they signal that the US will not yield its position in the region. This US move would not be any kind of balancing move at all if China still accepted the regional status quo, which has been based on legally defined open and free trade access guaranteed by a US strategic presence. If China accepted this regional order, there would be no cause for Chinese upset. But if China were unhappy with this order and desired something radically different, it would respond to US rebalancing with great discontent. Indeed, China reacted in just this way. China was unhappy precisely because strategic rebalancing means the US will act to defend its presence in Asia, as well as the status quo liberal regional and international order.

If rebalancing fails, the US will be pushed out of the region and China will reorganize it according to its own values and interests. If rebalancing is successful, China will decide that the effort needed to overcome US resistance and replace the existing order with what it dreams of is not worth the effort, and that the status quo order can be adapted to meet its needs and interests. That is, a reformist rather than a revisionist stance toward regional order would serve China’s interests better.

The US wanted to use non-confrontational, non-coercive means to steer China toward a reformist, rather than a revisionist stance. This is not to say that hard deterrence and defense are absent from US strategy. These are essential elements in the US alliances upon which US presence in Asia is based. However, maintaining existing alliances while seeking to deepen cooperation with China cannot be construed as being offensive or aggressive in nature. At most, it can be viewed as a refusal to comply with a demand to give China a free hand in re-ordering the region’s security, political, and economic relations. Where the US can do better to steer China in the desired direction is to signal a willingness to engage China (and others) in reforming the present order so that key stakeholders feel their interests and concerns are being respected. What such an order would look like is something that should be occupying think tank researchers in the US and China more than it has been to date.

**China confirms its revisionist agenda**

The strategic rebalancing as originally rolled out in late 2011 did not deter China so much as provoke it. China’s aggressiveness and determination in registering a negative response to rebalancing took the US by surprise. China mounted concerted campaigns from the spring through the fall of 2012 to seize Scarborough Shoal from the Philippines and the Senkaku Islands from Japan. China used vigorous divide and conquer diplomacy to neutralize ASEAN opposition to Chinese expansionism in the South China Sea. The failure of the 2012 AMM to issue a final statement in the summer of 2012 because Cambodia objected to any mention of China’s actions in the South China Sea has to be counted as a success for Chinese diplomacy. Moreover, in September 2012 when US Defense Secretary Leon Panetta arrived in Beijing to explain the US strategic rebalancing, the war scare over the Senkaku/Diaoyu Islands reached a fever pitch.

If China’s ratcheting up of tensions was not timed to coincide with Panetta’s visit, it nevertheless leads to certain observations. One is that, playing host to a US Defense
Secretary would not prevent Beijing from threatening the most important US ally in Asia. Beijing thus demonstrated that US strategic rebalancing would not discourage China from asserting itself as Asia's dominant power. Another lesson is that, what permitted Japan to successfully defend the islands and prevent a repeat of Scarborough Shoal were robust civilian coast guard capabilities combined with a public US pledge to back its ally if China started a military conflict over the Senkakus. That is, power to defend against civilian coercive force, and hard military deterrence are necessary elements in dealing with Chinese revisionism.

According to Yan Xuetong, strategic rebalancing proved to Beijing that the US aimed to stop China from becoming the dominant power in Asia, which of course was Beijing's legitimate ambition. Thus, there could not be any Sino-US cooperation based on trust. Nevertheless, Yan stated that even without mutual trust, "Chinese realists have confidence that selfish interests, such as the desire to avoid military clashes between two nuclear powers, will encourage U.S.-China cooperation." As proof, he points out that "the disputes between China and Japan over the Diaoyu/Senkaku Islands have had almost no impact on China-U.S. relations."

**Peacetime advances in offshore defense after rebalancing**

In the successful campaign to seize Scarborough Shoal (March-June 2012), and in the Senkaku campaign (August 2013-present), China sent swarms of civilian vessels (its fishing fleet, civilian coast guard, fishery patrol boats, and monitoring vessels) to intrude into, occupy, and establish administrative control over disputed territory. The superior numbers and capabilities of Chinese civilian ships have been able to overwhelm the civilian agencies of neighboring states (except Japan). China tries to consolidate a controlling presence after winning each local skirmish. The proximity of Chinese military forces to "defend Chinese sovereignty and territory" is enough to deter weaker neighbors from resorting to their navies to resist Chinese civilian occupation. Were neighbors to resist with military force, they could be labeled a military aggressor. This could cost them international sympathy and support, and justify Chinese military "retaliation." China's South China Sea neighbors have been powerless to resist this civilian paramilitary aggression.

Lessons were learned from these operations and to better coordinate and control civilian fleets, in March 2013 China consolidated several official agencies responsible for different types of civilian vessels under the State Oceanic Administration, with the China Coast Guard given clearer responsibility for security and law enforcement functions. To overcome resistance to civilian forces (e.g., by Japan around the Senkakus), China is now building Coast Guard patrol ships of up to 10,000 tons displacement equipped with water cannon powerful enough to damage other vessels.

China also moved to dominate the airspace above its claimed maritime territories. In November 2013 China declared an Air Defense Identification Zone (ADIZ) that included the airspace over the Senkaku Islands. Other countries' that have created ADIZs require that only inbound air traffic make control tower contact from international airspace far offshore. China requires even planes transiting international airspace bound for other
countries to get PLA air traffic controllers’ permission to enter the ADIZ, or be subject to military interception. This violates the right to freely transit international airspace, not to mention Japan’s claimed sovereign territorial air space over the Senkakus.

In another novel development, China began constructing whole new artificial islands on strategically located reefs and submerged features in the South China Sea. These are much more than the small outposts China had previously constructed, and presumably will be used to expand and consolidate China’s control of sea and airspace inside the first island chain. And in May 2014, China sent the giant oil-drilling rig HS-981 to waters near the disputed Paracel Islands and began drilling on the continental shelf of Vietnam. Scores of Chinese civilian vessels and a PLAN frigate were deployed to protect the rig from Vietnamese civilian vessels seeking to obstruct its introduction and operation in disputed waters. Thus, China’s response to the US rebalancing was to increase the scope and scale of its efforts to revise the maritime order and expand the reach of its control inside the first island chain.

The construction of artificial islands

- Article 5 of the China-ASEAN Declaration of Conduct in the South China Sea states that the parties will: “undertake to exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability including, among others, refraining from action of inhabiting on the presently uninhabited islands, reefs, shoals, cays, and other features

- UNCLOS Article 60, sec. 8 states that: Artificial islands, installations and structures do not possess the status of islands. They have no territorial sea of their own, and their presence does not affect the delimitation of the territorial sea, the exclusive economic zone or the continental shelf.

Connecting the dots in the South China Sea

Today, with the start of operational deployment of Jin class nuclear ballistic missile submarines based in Hainan, Chinese strategists want to exclude foreign anti-submarine patrol activity in the South China Sea. This may help to explain the construction of strategically located artificial islands to provide military platforms useable for an ADIZ. It should be noted that the choice of Hainan as a ballistic missile submarine base is a poor one because it is in a semi-enclosed sea with few exits facing several foreign coastal states. Moreover, the South China Sea is a busy crossroad of global maritime traffic that has long been treated as the high seas. This makes it legally difficult to create a secure maritime bastion for Chinese nuclear missile submarines, but it does not keep China from trying.

China relies on civilian coercion because it wants the South China Sea coastal states to give up legal claims to territory inside China’s 9-dash line without being the first to resort to military force.
China defines its jurisdictional rights in domestic legislation and leadership decisions crafted to secure China’s national interest. Chinese law follows UNCLOS principles except where Chinese interests require addition, modification, or excision of specific UNCLOS provisions. Accordingly, the sovereign rights that China claims in its maritime jurisdictions depart from UNCLOS principles in important ways.

The 9 dash line claim is a case in point. China asserts “indisputable sovereignty” over the islands and waters inside the line, but it does not provide map coordinates, nor does it explain precisely the jurisdictional rights inside the line that it claims. That is because the claim is not based on modern international law, in which coastal land generates national maritime jurisdictions.

China’s claim is based on ancient historical documents that are retrospectively interpreted to “prove” China owned the sea in ancient times. But modern notions of territorial statehood, sovereign rights, and legal governance did not exist in the premodern era; and ancient Chinese court documents cannot be imported into the present moment as international law.

Nevertheless, China expects its neighboring South China Sea coastal states to set aside their own respective legal rights and claims established by UNCLOS where they conflict with China’s historical 9 dash line claim. If China’s rival claimants can be persuaded to give up their rights and claims, a firm basis either for legal challenges to China’s claimed rights or for the intervention of external stakeholders would be eliminated. This would turn the vital maritime crossroad of East Asia into a Chinese owned lake. In effect, this would establish China’s strategic primacy in the region and secure the sea bastion for its nuclear ballistic missile submarines that it seeks. Conversely, failure to win recognition of the 9 dash line claim would keep disputes and the threat of external intervention alive, endanger its submarine nuclear deterrent, and prevent China from gaining the status and respect it seeks as Asia’s undisputed leader. Thus, for China the stakes might seem high.
China cannot rely on general international law or UNCLOS to gain international recognition of its 9-dash line claim because in many disputed areas an impartial legal tribunal will find that China’s argument is less persuasive than those of rival coastal state claimants. Therefore, impartial adjudication will likely broadcast to the international community authoritative findings that delegitimize the overall 9-dash line claim and greatly reduce China’s legal entitlement to maritime jurisdictions.

Nor can China afford the cost and risk of initiating the overt use of military force to force other SCS coastal states to give up their legal rights to maritime jurisdictions and economic resources established under UNCLOS. The material cost to China of defeating the naval forces of rival claimants is easily affordable for China. But the cost to its reputation would be enormous after all of China’s talk about "peaceful rise" and "peaceful development."

With respect to risk, if target states fail to capitulate after losing naval battles and withdrawing their forces, a long, drawn out low-level maritime conflict could ensue. This would deny China its aim of establishing stable control of the SCS based on recognition by other SCS coastal states. This risk is very real because nationalism remains a powerful force in post-colonial Southeast Asia, and no government facing an aroused public will want to capitulate in the face of foreign military attack. And small target states facing Chinese armed aggression will attract international sympathy and military assistance. To force their capitulation, China could try a naval blockade, or even land war, but these steps would be politically very costly to China’s reputation and have unpredictable military consequences.

Another risk is that the US could be drawn into a local military conflict with China, for example via its security treaty with the Philippines. In this case, PLAN could be forced to withdraw quickly or suffer humiliating defeats. Backing away from a fight or losing a fight would jeopardize regime stability in China and deny China its political objective in
the South China Sea. Escalating from the theater to the strategic level would not improve China’s expected gains. Therefore, China relies on coercive diplomacy to deliberately create crises and a controlled risk of military conflict. \( \text{xxx} \) Hence, China uses civilian ships backed by the PLAN to advance its territorial control in rather brazen fashion. The aim is not to create a pretext for war, but to call attention to Chinese determination and military advantages in order to discourage resistance and demoralize opponents. This serves China’s desire to gain control over disputed territory without actually fighting a military conflict. From a coercive diplomacy perspective, "crisis management" is not about open and fluent communication to quickly de-escalate a confrontation between two parties. It is about the creation and manipulation of confrontation to win political concessions.

China’s coercive diplomacy must also be tailored to circumstances in which economic diplomacy must feature more carrots than sticks. The reason is that China seeks to deepen economic interdependence with Southeast Asia in order to make the latter more dependent on Chinese goodwill. Therefore, if economic sanctions are used, they will be used selectively and sparingly, more for psychological effect than anything else. So not only can China not afford to be a military aggressor, it also cannot afford harsh punishing economic sanctions against neighbors if it wants to entice them into deeper economic relations. Therefore, China must mainly rely upon diplomatically presented demands backed by coercive civilian force (with military force in the background) to change the status quo in its favor.

Thanks to carefully prepared Chinese public diplomacy everyone believes that China has built a formidable military that will win in battle. And Chinese public diplomacy also has instructed the world on China’s historical right to own the South China Sea. Hence, the psychological precondition for successful coercive diplomacy exists: the targets believe they cannot fight and win a naval conflict with China. And by now everyone also knows the Chinese demand: recognize the 9-dash line claim for historical reasons. The story of the 9-dash line gives the targets a face-saving explanation for ceding their rights under international law: they can concede that China’s historical claim has merit without raising the matter of their own sovereign legal rights granted under contemporary international law.

The complicating factor for China is that the target states are unwilling to concede their sovereign rights and recognize the priority of China’s 9-dash line claim when merely presented with a diplomatic demand. So China must devise a way to seize exclusive physical control over the disputed territory—without the direct use of military force.

The solution to this problem is to use civilian actors visibly backed by military force to gradually, but forcefully, establish exclusive physical control and exercise China’s claimed sovereign rights within the disputed areas of the 9-dash line claim. This strategy works well for China because its civilian assets to achieve these goals (fishing vessels, research vessels, construction enterprises, and drilling rigs accompanied by the "white ships" of China’s Fisheries Administration and the China Coast Guard) are far bigger than the counterpart civilian capabilities of rival claimants. With time, China hopes to complete its paramilitary conquest of the SCS, and rival claimants will be faced with a fait accompli.
China's coercive diplomacy does not trigger US interventions

China’s incrementally advancing maritime control by Chinese civilian agencies and enterprises operating under Chinese domestic legal and administrative mandates could be stopped by military force. But this puts the onus of escalation on the targets of Chinese aggression. Absent US intervention (which would be unlikely), this will create a military conflict that only China can win. Therefore, target states are deterred from using military force to defend their sovereignty against advancing Chinese civilian forces. So presently, they must endure the piecemeal seizure of disputed territory by unilateral Chinese action.

This strategy minimizes the risk of US military intervention. The SCS conflict between China and other SCS claimants is deceptively portrayed as a battle for ownership of islands that generate the maritime jurisdictions in question. Direct US interests are unengaged in disputes over these "bunches of rocks." Moreover, China’s current use of coercive force remains in the realm of civilian activity, and so it does not trigger US treaty obligations to defend the Philippines against military aggression, nor does the civilian maritime conflict technically transgress the US interest in maintaining regional peace and stability.

What the US can do to help its allies and other cooperation partners defend themselves is to build capacities to resist Chinese pressure to capitulate. If small Chinese neighbors lack defensive power to defeat Chinese aggression, they can at least be helped to develop knowledge, information, communications, and physical capacities that would prevent China from consolidating secure control over disputed areas.

Explaining China's revisionism

According to Professor Yan Xuetong of Qinghua University, the debate inside China between those who advocated "keeping a low profile" (KLP) and those who called for a more strategically assertive posture of "striving for achievement" (SFA) came to a head after the 2008 financial crisis and was only resolved by Xi Jinping. According to Yan,

"This debate has lasted for years before Chinese President Xi Jinping delivered a speech at the foreign affairs conference of the Chinese Communist Party on October 24 2013. In this speech, Xi formally presented the strategy of fenfayouwei (striving for achievement...), signaling a transformation of China's foreign strategy from the KLP to the SFA."xxxi

By raising the level of tension and confrontation with the US, its allies, and neighbors such as Vietnam and the Philippines, China has confirmed its intention to unilaterally create a "new normal" in the region based on recognized Chinese dominance in Asia. As the 9 dash line claim shows, to achieve this goal, China circumvents contemporary international legal norms embodied in UNCLOS and substitutes a Chinese interpretation of its historical rights based on premodern precedents (e.g., pre-modern Chinese dynastic court documents). On this normative basis China seeks to restore a territorial and normative order that existed before the arrival of Western imperialism. What can explain this radical shift in Chinese ambition and behavior?
Chinese nationalism

Nationalism has been the most powerful political current in Chinese politics since the May 4th Movement of 1919. Frustrated nationalism inspired the founders of the CCP, allowed the CCP to prevail over the KMT in the Chinese civil war, and guided China onto a path of strategic and political autonomy after it founded the PRC in 1949. Nationalism would not allow the CCP to follow the leadership of the Soviet Union, nor will it today allow the CCP to accept less than Chinese primacy in Asia and at least strategic equality with the US. Chinese nationalism also requires that historic injustices done to the Chinese people must be rectified, which creates the territorial revanchism and the fetishism over "correct" historical understanding that has come to define Chinese foreign relations today. It affects the South China Sea situation because an opinion survey done on the Global Times' website in 2011 showed that only 13.6 percent of respondents saw negotiations to be the most reasonable way to resolve disputes, while 82.9 percent suggested military action.

China assumes a new international identity and role

China's change of attitude and behavior toward the US and its Asian neighbors also reflects a new position in the balance of power and an associated change in self-understanding as an international actor. China now sees itself as a great power entitled to a new level of respect and deference. Whereas, up to the financial crisis China retained the meek self-understanding that Deng Xiaoping created at the beginning of the reform and opening up era, after the financial crisis China saw the West laid low while China had replaced Japan as the number two economy in the world and was soon to overtake the US. China had finally "graduated" to predominant status in Asia and peer status with the US. To match this new status, China had to behave accordingly, i.e., cast aside meekness and act assertively under the influence of cultural scripts rooted in historical memory to re-establish its primacy and centrality in Asia.

Xi Jinping's revision of China's grand strategy

One cannot overlook the leadership factor, since China's change has coincided with a leadership change in China. Under Xi Jinping, China is taking high posture stands and is seeking to change major aspects of the international order. For example, in asking for "a new type of great power relationship" with the US, Xi is seeking recognition of great power parity with the US. And in asking the US to "respect China's interests" in Asia and stop "meddling" with China's efforts to challenge the sovereignty of US allies and revise the navigational rules that govern the high seas in East Asia, Xi is seeking to change the configuration of global power and influence in China's favor. In this sense, he departs from Deng Xiaoping's injunctions.

However, at the same time, Xi seeks to win US understanding and continue a cooperative relationship with the US by pledging to avoid challenging important US interests outside of Asia. He clearly wishes to avoid a direct military confrontation with the US. In this sense, he continues to follow Deng's injunctions to bide time and build up strength.
The key to understanding the direction of China's grand strategy today is to look at the future its leaders envision. Xi Jinping has developed five basic concepts that relate to China's external relations.

The first is the "rejuvenation of the Chinese nation" (中华民族伟大复兴). This references recovery from the so-called "century of humiliation" (百年耻辱) that spans China's defeat in the Opium War (1840-42), the collapse of the Qing Dynasty, republican and communist revolutions, warlordism, the Second Sino-Japanese War, civil war, and finally the establishment of the People's Republic of China in 1949. The CCP fuels nationalism and seeks popular legitimacy by cultivating a sense of national victimhood. The CCP promises to wipe out this national humiliation by achieving great power status and rectifying past historical injustices.

The second concept is the "Chinese Dream" (中国梦), which lays out a path to the future rejuvenation of the Chinese nation. According to Xi Jinping, this means a moderately prosperous society by 2020, and "a modern socialist country that is prosperous, strong, democratic, culturally advanced and harmonious" by 2049. From that point, China will re-emerge as a globally pre-eminent power surrounded by an international order to China's liking. The Chinese Dream also involves a selective return to traditional Confucian ethics and values to strengthen Chinese national identity and social cohesion.

The third concept is the "new type of great power relationship" (新大国关系). China's rise has created a bipolar order, and conflict between China as a rising power and the US as a declining power is only to be expected. Because the prospect of war between the two to settle their differences is unthinkable, Xi Jinping has proposed that China and the US should give their bilateral relationship the highest priority and promote cooperation based on "mutual respect." What this means to China is that, the US should respect the priority of China's interest (as Asia's great power) to manage the Asian region in suitable fashion. China's interests also require the US to remove military forces that threaten China. So US alliances in East Asia should "give up cold war thinking" and demilitarize so that no third party feels threatened by them. If the US refuses to respect China's interests in this matter, the US is accused of trying to "contain" China or "prevent" its rise.

The fourth concept is the "community of common destiny" (命运共同体). This idea was worked out at a Central Committee work forum on diplomacy toward the Asian region in October 2013 that was attended by the entire Politburo. The assumption was that China's economic and military predominance in Asia was virtually assured, and so the question was how to turn China's power resources into effective governance of the region.

The overall strategy is to tie China's neighbors to the China Dream (hence "common destiny"). That is, the idea is to deepen ties of economic interdependence between China and surrounding countries to make their economic prosperity dependent on China's continuing growth. This is done by means of new economic infrastructure connections, new China-created international development finance mechanisms, trade, private investment, monetary cooperation, tourism, and cultural exchange. It is not oriented toward open multilateral free trade because China's investment in "public goods" intends to maximize specific benefits to China with little concern to advance
economic relations between China’s neighbors and other developed cores of the global economy such as the US, Japan, and the EU. Programs to operationalize this concept feature the construction of economic corridors that radiate out from Chinese border provinces such as the “New Silk Road” and the “Maritime Silk Road” initiatives.

Because of the vast difference in economic scale between China and its neighbors, deepening economic interdependence will make many neighbors critically dependent on access to the Chinese economy, giving China great political leverage, which can then be used to extract political and security cooperation to achieve China’s desire for regional predominance. China’s superior wealth, power, and geographical position mean that it need not compromise its core interests.

China’s relations in the Asian regional community will be managed bilaterally in hub-and-spoke fashion according to the principle of "reciprocity." That is, cooperation with China will be rewarded, and non-cooperation will be punished in carefully calibrated bilateral fashion. The PLA will manage regional security, and to overcome obstacles it will have to "prepare to win local wars" to discipline unruly neighbors, though China hopes to be able to attain its core interests without war. The relevance of international law in any specific circumstance will depend on China’s national interests.

Finally, the fifth concept is the New Security Concept that Xi Jinping introduced at the Conference on Interaction and Confidence Building Measures in Asia (CICA) summit in May 2014. CICA is a security forum focused on Asian security created at the initiative of Kazakhstan, and it lacks US membership. The New Security Concept says that Asian countries should manage Asian security, and that security rests on a foundation of national development rather than on traditional alliances and national military power. The New Security Concept could work if no states used superior military force to coerce other states, and if nationalism and the hatred of foreigners were replaced by a new consciousness of unity among humanity. However, these propositions are unrealistic today. The practical effect of the New Security Concept implemented under current circumstances would be to leave China with no rival for leadership in Asia, and development in cooperation with China would displace traditional notions of security that identify contradictions between China and its neighbors.

Together, these five concepts point to a China-centric regional order that is very different from the kind of liberal international order the US has created. This regional agenda does not directly challenge US global interests all at once. But it is a revisionist agenda because it challenges the current US position in the Asia-Pacific as the guarantor of stability, open commerce, and international legal norms with the expectation—indeed, the demand—that the US cede its current predominance to China out of respect for China’s new status in the world, and in order to maintain peaceful, cooperative relations with China.

Implications for the US

China’s peacetime expansionist strategy has made the US a bystander in this ongoing drama. For example, the US failed to protest China’s take over of Scarborough Shoal even though the Philippines is a treaty ally. Conceptually, the problem is that China is using an asymmetrical strategy of civilian aggression to undermine and displace a US
regional security architecture designed to deter and defeat large-scale military aggression in the region. The Chinese strategy operates below the response threshold of US military security strategy, and smaller neighbors are powerless to resist.

Nevertheless, vital US interests are implicated in two ways. One is that China has been creating the potential for local armed conflict with US treaty allies, which could lead to a direct US-China military conflict. The other way US interests are engaged is that China’s effort to impose new rules governing US military vessels entering the South China Sea could greatly hinder US global security strategy. Unrestricted access to the high seas for US military vessels is critically important to the abiding US interest in guaranteeing freedom of navigation. Moreover, sea-lanes traversing the South China Sea connect the economies of the Asia-Pacific to those of South Asia, the Middle East, and Africa. The ability to patrol is fundamental to the security of US treaty allies that lie offshore of China, i.e., the ROK, Japan, and the Philippines.

**A new normal in maritime Asia?**

- China’s maritime neighbors are denied rights to exclusively use offshore marine and seabed resources due to unlawful physical coercion?
- Foreign naval vessels lose right to freely operate in the high seas inside the first island chain?
- Disputants lose right to resort to UNCLOS to settle maritime disputes? (cf. China’s refusal to answer Philippines’ suit filed in January 2013, and warnings to others not to file international lawsuits)?
- Foreign civilian and military aircraft lose right to transit international airspace above Chinese claimed waters? (November 2013 East China Sea ADIZ)

As the US adjusts rebalancing strategy to address its shortcomings, four areas should receive more thought and attention. First, the US can help build the capacity of states that wish to defend their sovereign rights and defeat China’s coercive diplomacy. Joint training, military sales and equipment, information sharing and technology transfer, and provision of access to US forces are things to consider. Second, the US can do more to hedge and balance against China’s rise. It can do things to demonstrate that Chinese actions that harm US interests will have consequences. Third, the US can emphasize that the rule of law and the provision of security and freedom of the seas are public goods that benefit everyone equally, including China. This highlights the difference between US and Chinese conceptions of regional order and helps to clarify what is at stake in this contest. Finally, the US can encourage mini-lateral (e.g., Southeast Asian states with South China Sea maritime claims) or comprehensive multilateral cooperation (e.g., ASEAN) that supports the above-mentioned aims.

Minxin Pei suggests that, "as China continues to grow stronger, it will seek either to modify the existing order or, if such an endeavor proves too risky or too costly, to construct a parallel order more to its liking. Such an order would not necessarily stand in direct conflict with the U.S.-led order, in the way the Soviet bloc did, but it would have its own rules, exclude the West, and allow China to play a dominant role." xxxiii
If we compare the liberal internationalist status quo with the regional order to which China seems to aspire, we come up with something like the following.

In the security dimension, the regional status quo features US maritime predominance based not only on naval military forces, but also on its alliances and defense cooperation partnerships. This predominance is used to maintain stability and unrestricted transit in air and sea-lanes as a public good enjoyed by all navies and commercial shipping. US grand strategy rests on free access to the global commons, and in the maritime arena this means freedom of the seas for all law-abiding states. ASEAN-sponsored security forums and CBMs mesh with this purpose. They support stability and open trade, and operate according to international legal norms.

In contrast, the China-centered regional security order in prospect features PLA maritime predominance in which Chinese naval power is dedicated to zero-sum control of the maritime commons, with selective denial of access to further Chinese national interests. This implies the end of US alliances and bases that support a robust US military presence. China will want new China-sponsored security forums that will normalize this maritime order and prioritize China’s national interests over international law.

In the economic dimension, the liberal internationalist regional order features multilateral trade and investment regimes that integrate the region into a global free trade system. The guiding norms feature pro-free market and multilateral non-discrimination policies by governments underwritten by legally binding treaties. The US dollar provides the key international currency, and western financial markets and institutions provide the main source of finance.

In contrast, the China-centered regional economic order in prospect may continue to rely on WTO norms but at the margin will be managed bilaterally. China will provide region-specific collective goods (e.g., leadership in trade expansion through infrastructure connectivity financed by new Chinese-led international development finance institutions) and will treat partners according to specific reciprocity. Policies and practices consistent with China’s state-guided capitalism will become normalized regionally, and the Chinese RMB and China’s financial markets and institutions will provide the main source of finance.

In the normative dimension, the values promoted by the liberal internationalist US feature a commitment to universal human rights and democratically accountable government. Procedurally, the rule of law guarantees rights and limits the power of government not only in the domestic sphere, but also in relations between equally sovereign states, where international legal conventions and institutions voluntarily agreed by states normally govern their behavior.

In contrast, rather than universal rights and the rule of law, priority will be given to the protection of China’s core interests. The normative dimension of a China-centered region will be provided by Beijing’s powerful ideological apparatus policing regional discourse concerning all things relating to China. The region will be expected to value as China does the rejuvenation of the Chinese nation, the restoration of a China-centered status hierarchy in Asia, and the authoritarian values and institutions that constitute the culture of the CCP.
As the contest between Chinese revisionism and the US liberal internationalism becomes clearer, their differences will come into focus and may be expected to influence perceptions of strategic interest among all concerned parties.

Is there enough space to accommodate two great powers?

The answer to this question is yes, but the path to this goal is not straight. It is possible that rivals competing in the same arena may have to live together despite their wishes and best efforts.

Up to now the US and China have peacefully and productively coexisted in East Asia based on China’s acceptance of the liberal international order. But today it appears that these two great powers are moving toward confrontation. The US may be faulted for not doing enough to accommodate China’s legitimate aspirations for more status and political weight in the international community. The US has expected China to peacefully evolve a more liberal and law-governed political system that could accept the prevailing liberal international order in Asia. Failing that, the US believed China could still accept the status quo as serving China’s basic interests.

The US seems to have miscalculated, because things have not worked out as the US had hoped. A hyper-nationalistic, culturally inward-looking, and politically anti-liberal China openly seeks leadership over Asia. It wants to replace, rather than partner with, the US in managing the region. And so the US today faces a choice: defer to China’s regional ambitions or defend US commitments and interests in the status quo. To defend its position the US will have to contemplate harder balancing against Chinese revisionism. To succeed, the US will need partners in Asia.

China may be faulted for following outmoded 19th century thinking about great power status, the utility of conventional military power, the importance of territorial expansion, and the need for an exclusive sphere of influence to gain wealth and physical security. This mind set is out of step with a 21st century world that is becoming a globally integrated human community that needs answers to new problems of sustainability and human survival. China needs to be persuaded that its strategy is anachronistic and self-defeating, and that its core interests do not require territorial expansion, but rather closer association with prevailing global norms and institutions so that China can truly finish its modernization project.

What is lacking in China’s thinking about a "new kind of great power relationship" is an appreciation of the interests and values of the "lesser" powers in Asia. It is unrealistic to think that China’s neighbors can be treated as objects to be traded between great powers, or that they would be indifferent to the manner in which the region is governed. Every great power in history that has created an international order has had to win the cooperation and compliance of other members of international society. Today, third countries will play an indispensable role in choosing which way the region will go. Neither China nor the US has the power to impose its will on the other, much less on the entire region. This gives third countries consequential agency, i.e., "a vote" in determining their future. In particular, as Japan sheds the Constitutional restrictions that have prevented it from affecting international security, it may play a more active role in shaping the future. Though it will not send its troops to fight wars abroad, it has
the potential to affect the regional security environment through arms sales, technology transfer, information sharing, cooperation in non-traditional security, and ODA-financed capacity building.

The role of ASEAN

ASEAN members agree that UNCLOS principles should be the legitimate basis of maritime delimitations. They also desire a peaceful cooperative resolution of maritime disputes with China. One can point to the arduous efforts that produced the 2002 DOC, the 2012 Six Point Principles, the 2014 ASEAN FMM standalone statement on the South China Sea, and the start of ASEAN-sponsored COC talks with China.

The problem is that China is willing to talk, but is not willing to trade away its "core interests" for reasons already stated. Moreover, ASEAN is internally divided on the South China Sea conflict. Members without a stake in the 9-dash line conflict and who are heavily dependent on trade with China do not want to incur Chinese anger for backing ASEAN members that request their support against Chinese efforts to secure the 9-dash line delimitation. Accordingly, the Philippines was denied ASEAN support when it appealed to UNCLOS after it exhausted all other avenues of peaceful negotiation to resolve disputed claims with China. And if Vietnam follows suit and appeals to UNCLOS dispute resolution mechanisms, the outcome may be the same.

One may conclude that ASEAN is not able to give effective help to members that seek to defend their sovereignty in the South China Sea. In fact, by continuing COC talks even as China continues to use unlawful coercive means to dispossess ASEAN claimant states of their sovereign rights, ASEAN may become an enabler of Chinese strategy. To be more helpful ASEAN could issue a declaration of principle—not directed at any particular country—that says its members will never recognize the alienation of members’ sovereign territorial rights through the use of coercive means that violate contemporary international legal conventions and norms. Whether or not this is possible, because ASEAN is vulnerable to China’s divide-and-rule tactics, ASEAN South China Sea claimant states may need to consider ad hoc cooperation—in addition to what they do within the ASEAN framework.

Shaping the region’s future

As already mentioned, the US no longer has the capacity to shape the region according to its will (even if it retains a military advantage over China). But neither does China have this capacity, and it may never achieve it given the fact that the US is deeply entrenched in the region (due to the cooperation of allies and friends that appreciate the benefits of the status quo). Moreover, China is surrounded by major powers such as Japan, India, and Russia, which have uneasy relations with China and they do not wish China to enjoy unrestrained predominance in Asia.

Nor is it likely that the US and China will deliberately resort to war over the question of regional order. They will seek to keep their competition peaceful. China will be tempted to use its superior military force in short local wars to force smaller neighbors to
capitulate to Chinese demands, but for reasons already stated, such action would likely prove detrimental to its interests.

Therefore, China may be expected to persist in its civilian-led, military backed coercive tactics to slowly consolidate exclusive control over claimed maritime jurisdictions. The aim is to establish Chinese predominance through "peaceful" means, force the world to acknowledge a new reality, and create a China-centric regional order.

The US is likely to draw lines of disagreement more clearly, dig itself deeper into the region (with the cooperation of allies and friends), respond more often in tit-for-tat fashion to Chinese efforts to uproot US interests and influence in the region, and help China’s neighbors defend their sovereignty by building up their capacities to resist Chinese pressure to abandon the status quo liberal order and join a China-centered order.

In the end, neither the US nor China can impose its will on the other, and if they fail to find some common ground their differences will be too great to reconcile. There is a whole spectrum of possible outcomes before us, ranging from open great power rivalry, in which case the region may become polarized, to agreement on the normative basis of regional order, which will permit stability and peaceful cooperation. The choices of the nations caught in between the US and China will play a large role in determining the regional outcome. These countries will think about the kind of regional order they want, decide with whom they will cooperate, and work out their manner of cooperation. What they do will tip the balance of great power competition and determine the region’s future.

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xx Hillary Clinton, “America’s Pacific Century,” *Foreign Policy* 189, November 1, 2011.


xxvii Yan Xuetong, *ibid*, p.4.


xxxiii Minxin Pei, "How China and America See Each Other—And Why They Are On a Collision Course," *Foreign Affairs* 143 (March/April 2014), p. 147.

