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# SHIFTING DYNAMICS

Next Generation Assessments on Asian Security

EDITED BY SHARON STIRLING

G|M|F

The German Marshall Fund  
of the United States

STRENGTHENING TRANSATLANTIC COOPERATION



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The Young Strategists Forum aims to develop a new generation of strategic thinkers in the United States, Europe, and Asia through a combination of seminars, simulations, and study tours. The project is led by Transatlantic Fellow Joshua Walker and Senior Program Officer Sharon Stirling with Non-Resident Senior Fellow Aaron Friedberg serving as faculty. The first Young Strategists Forum was convened in Japan in 2012 and is held annually with the support of the Sasakawa Peace Foundation. This initiative is part of GMF's Asia Program, which addresses the implications of Asia's rise for the West through a combination of convening, writing, strategic grants, study tours, fellowships, and partnerships with other institutions.

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On the cover: The Arleigh Burke-class guided-missile destroyer USS Halsey (DDG 97), right, and the Ticonderoga-class guided-missile cruiser USS Antietam (CG 54), participate in a maneuvering exercise. Halsey is on patrol in the U.S. 7th Fleet area of operations supporting security and stability in the Indo-Asia-Pacific region. © U.S. Navy photo by Mass Communication Specialists 3<sup>rd</sup> Class Bradley J. Gee/Released

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# 1 Introduction

Sharon Stirling

In 2012 when The German Marshall Fund of the United States (GMF) hosted the first Young Strategists Forum simulation, the exercise included a hypothetical, and, at the time, seemingly far-fetched scenario involving a standoff in the South China Sea. In 2016, however, elements of this scenario have become reality. The past five years have witnessed a remarkable rise and consolidation of power by President Xi Jinping. Despite China's abated double-digit growth, military spending has not fallen correspondingly, but rather has contributed to China's growing aggression in the East and South China Seas. Elsewhere in Northeast Asia, Japan has undergone a resurgence under the leadership of Prime Minister Shinzo Abe. The robust diplomatic campaigns and overseas trips by Abe, as well as the effective chairmanship of key multilateral institutions (e.g. the G7), have raised that country's global profile. Japan has also deepened its alliance with the United States in the last five years, namely through the establishment of a national security secretariat and a reinterpretation of the Japanese constitution to allow for collective self-defense. Additionally, 2015 witnessed a thaw in relations between South Korea (ROK) and Japan, two key U.S. allies, including pledges to deepen defense cooperation between Washington, Seoul, and Tokyo. This was a particularly welcome development in light of an increasingly belligerent North Korea (DPRK) that continues to pursue nuclear and ballistic missile capabilities. The DPRK's posturing has increased prospects for deployment of a Theater High-Altitude Area Defense (THAAD) system to the ROK. While still controversial and strongly contested by China, the current security environment on the Korean peninsula seems to necessitate the presence of such a deterrent.

Southeast Asia has also witnessed profound change in recent years. In December 2015, free and fair elections in Myanmar secured political

power for Aung Sung Su Kyi's National League for Democracy Party, providing cautious optimism that this country that had been under oppressive military rule for half a century would continue down the path of democratization. In neighboring Thailand, however, a democratic government has been replaced by military rule. In the defense arena, China's assertiveness in the South China Sea, land reclamation on contested islands, and construction of military structures on reclaimed maritime features has fueled considerable anxiety among other claimant states with inferior military capabilities. One such country, the Philippines, continues to deepen defense ties with its historical ally, the United States, agreeing to host five U.S. military bases on the island nation;<sup>1</sup> it is strengthening ties to Japan as well. In February 2016, the Philippines became the first Southeast Asian nation to sign an agreement with Japan for the transfer of defense equipment and technology,<sup>2</sup> establishing a framework for the supply of equipment, joint military training, and research and development.<sup>3</sup> During a visit to Hanoi in May 2016, U.S. President Barack Obama announced a lifting of the U.S. arms embargo on Vietnam, thereby removing one of the last vestiges of the Vietnam War. The timing of this decision, many argue, reflects the United States' strategy to counter Chinese aggression in the South China Sea.

These are merely a handful of the total changes to the political and security dimensions of the Asia-Pacific in the last five years. It is with such a dynamic security environment in mind that GMF (with the support of the Sasakawa Peace Foundation) continues to place great importance

*China's assertiveness in the South China Sea...and construction of military structures on reclaimed maritime features has fueled considerable anxiety among other claimant states with inferior military capabilities.*

<sup>1</sup> <http://www.militarytimes.com/story/military/2016/03/21/us-plans-use-five-new-bases-philippines/82072138/>

<sup>2</sup> Japan has existing agreements with the United States, Britain, Australia, and India.

<sup>3</sup> <http://thediplomat.com/2016/03/japan-and-philippines-sign-defense-agreement-amid-growing-tensions-in-south-china-sea/>

*The authors analyze Beijing's perceptions of the U.S. alliance network in the Asia Pacific, the degree to which the United States influences its allies' behavior, and ultimately the question of whether Washington would willingly risk nuclear war in order to uphold its alliance commitments.*

on the development of the next generation of national security and defense experts. While there is surely no shortage of trained security experts and analysts in Washington, Tokyo, Brussels, and elsewhere, those able to see beyond just a handful of issue areas and weave together national ways, ends, and means will be critical in an age of constrained resources and mounting international challenges. Fostering this next generation of strategic thinkers is therefore the primary aim of the Young Strategists Forum (YSF).

YSF convenes in Tokyo on an annual basis, selecting candidates from a highly competitively pool of several hundred applicants. Once selected, 17 participants travel to Tokyo to attend a four-day program consisting of a seminar on international relations theory and strategic competition; a 36-hour grand strategy simulation exercise; meetings with policymakers, senior journalists, and government officials; and a visit to the U.S. naval base in Yokosuka.

This year, participants were asked to prepare concept notes outlining a key area for research and study regarding security issues in the Asia Pacific. Concepts were revised following the conclusion of the program and resubmitted for selection by the group. Collectively, this year's four selected YSF papers reflect on the existing security environment, addressing pressing questions and issues facing policymakers in Washington, Tokyo, Brussels, Jakarta, Manila, and elsewhere.

The first paper, "Alliances, Extended Deterrence, and Managing Escalations in East Asia," examines the complexities of the U.S. nuclear security umbrella and its role in shaping both an ally's national security posture and assumptions surrounding conflict escalation. Perhaps most notably, the authors analyze Beijing's perceptions of the U.S. alliance network in the Asia Pacific, the degree to which the United States influences

its allies' behavior, and ultimately the question of whether Washington would willingly risk nuclear war in order to uphold its alliance commitments.

No examination of today's most pressing security challenges would be complete without an analysis of rising tensions in the South China Sea. The co-authors of the second paper, "The Quest for an Effective Regional Mechanism in the South China Sea," one hailing from Japan and the other from the Philippines, offer a unique joint perspective and surprisingly optimistic vision for the design of a regional mechanism to mitigate tensions between regional claimant states. Rather than focusing on dueling historical narratives (covered extensively by others), the authors offer suggestions both for bolstering the role of the Association of Southeast Asian Nations (ASEAN) in such disputes, and also for adopting of an alternative multilateral framework to reduce adversarial behavior and ensure freedom of navigation in the contested waters.

The third paper, "Hedging against Strategic Rift," addresses the prevailing skepticism concerning Europe's ability to play an active role in Asian defense and security issues. Given the immediate, monumental challenges within Europe and along its borders, many question whether Europe currently has sufficient political will and resources to assume such a role, particularly since one of the only two European nations with a meaningful defense presence in the region is on its way out of the EU. At this year's Shangri-La Dialogue in Singapore, U.K. Secretary of Defense Michael Fallon announced the construction of two aircraft carriers that "will be ready in the 2020s to sail these seas to contribute to regional security here and to be ready to help in humanitarian and disaster relief."<sup>4</sup> Many Asian countries still regard Europe's

<sup>4</sup> <https://www.iiss.org/en/events/shangri-la%20dialogue/archive/shangri-la-dialogue-2016-4a4b/plenary3-b139/fallon-d5a3>.

interest in the region as purely economic. Thus, the U.K.'s ability to deliver on this promise is imperative to regional perceptions of Europe's credible interest in regional security and defense. There is also the matter of the EU arms embargo on China, which the U.K. strongly backed. Will the U.K.'s absence in Brussels create an opportunity for the remaining member states to lift the embargo?<sup>5</sup> While it is far too early to tell how such events will unfold, there will be much to watch for in the coming year with regards to Europe's role in the Asia Pacific. Without a doubt, however, robust transatlantic cooperation will remain vital. The authors suggest that a greater understanding between the United States and Europe regarding their mutual strategic interests in Asia is required. They make a case for boosting cooperation in non-traditional security areas and present concrete suggestions for increasing Europe's hard security profile in the Asia Pacific.

The final piece in the collection examines the role of middle powers in conditioning geopolitical dynamics. The author argues for countries such as Japan, Australia, South Korea, and Indonesia to take a more active role in shaping an inevitably new and forthcoming international and regional order, exploring the following questions: Just how do these middle powers successfully wield their comparatively limited resources effectively? What tools can they utilize independently and collectively to exert their influence? Currently, observers across the globe have a tendency to analyze the dynamics of the Asia Pacific through the lens of U.S.-China competition or focus exclusively on China as the dominant regional actor and economic driver. However, the influence of middle powers should not be ignored; it is incumbent on these smaller, yet robust, countries to seek an active and constructive role in shaping the future regional order.

<sup>5</sup> <https://next.ft.com/content/219af680-41c6-11e6-b22f-79eb4891c97d>.

We are currently witnesses to historic change throughout Asia. The rise of China and resultant great power dynamics have the potential to reshape the regional order in a multitude of ways. Arguably, perceptions of strength continue to derive from military strength and strategic posture. In their analysis and policy recommendations, this year's Young Strategists tackled complex and important questions: Are there differences of opinion regarding how to respond to the threats of today, even among allies? What are these differences and what can be done to address them in a constructive and meaningful way? Is there a perception of diminished U.S. resolve and power? And if so, what should be done about it? What are the limits of U.S. power? Alliances remain an important strategic asset with the ability to augment U.S. power, so how does the United States best utilize alliance frameworks?

There are two additional, and powerful, factors bearing upon Asia's regional shifts. The first is the other giant of Asia. Observers of the security dynamics in Asia increasingly point to India as a potential balancer of China. Over the past two years, Prime Minister Narendra Modi has worked to strengthen ties, not only with the United States, but also with Japan and like-minded countries in Asia. As the world's largest democracy and now fastest growing major economy, India's engagement in the regional order will be crucial. One surprising wild card this year has been domestic politics in the United States. To say that the two presidential candidates have vastly different views on U.S. power projection and alliance building would be a huge understatement. How things shake out when voters go to the polls in November will undoubtedly have a profound impact on the future of U.S. presence in the Asia-Pacific and U.S. foreign policy on a global scale.

There is no way to predict how security dynamics in the Asia Pacific will evolve in the forthcoming

*The influence of middle powers should not be ignored; it is incumbent on these smaller, yet robust, countries to seek an active and constructive role in shaping the future regional order.*

years. One can hope, however, that allies and like-minded countries will continue to promote and uphold the rules-based international order and regional architecture that has contributed to peace and economic prosperity since the end of World War II.

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## 2

# Alliances, Extended Deterrence, and Managing Escalation in East Asia

Fiona S. Cunningham and Rupal N. Mehta

## Introduction

**A**re U.S. alliances in the Asia Pacific the foundation of regional stability, or perilous arrangements with the potential to spark conflict between China and the United States over issues that hardly warrant a great power war? The United States' regional alliance system in Asia, which does not include China and often places that country as an adversary of U.S. allies, is a key issue in the emerging great power competition between China and the United States. China's military modernization and regional territorial disputes are among the main concerns of Washington's Asian allies and partners: Japan, the Philippines, and Taiwan. Tokyo and Manila enjoy formal U.S. security guarantees, while Taiwan is the recipient of an informal guarantee.<sup>1</sup> Do China, U.S. allies and partners, and the United States believe such an alliance system will prevent future conflicts, or provide a level of escalation control if they do occur? Or do they see alliances as creating an opportunity to achieve their interests, gambling that the risk of a major regional war will restrain others, and weaken regional stability? Or, to some, are alliance commitments seen as sufficiently flexible, to be dispensed with if a major regional war appears likely?

<sup>1</sup> The United States does not have an alliance with Taiwan, but is legally obligated under the 1979 Taiwan Relations Act to assist Taiwan to maintain its defensive capability. The United States and Taiwan had a formal alliance until 1979, when the United States switched diplomatic recognition from Taipei to Beijing. See "U.S. Relations with Taiwan," Fact Sheet, Department of State, February 12, 2015 <http://www.state.gov/r/pa/ei/bgn/35855.htm>. Analysts have described the U.S. policy towards Taipei and Beijing since the mid-1990s as one of dual deterrence, in which the United States has threatened to intervene if the People's Republic of China unilaterally uses force to achieve reunification, but has warned Taipei that U.S. intervention would be in doubt if it provoked a conflict: Richard C. Bush, *Uncharted Strait: The Future of U.S.-Taiwan Relations* (Washington, D.C.: Brookings Institution Press, 2012), 19. We include Taiwan in the "allies and partners" constituting the formal and informal U.S. alliance system in East Asia because of this unofficial U.S. security commitment. However, there is no explicit extended nuclear deterrence guarantee included in the U.S. security commitment to Taiwan.

Disputes between smaller regional powers protected under the United States' security umbrella and China have intensified in recent years and will likely continue to do so. Understanding and managing differing perceptions of the role of alliances in these disputes is therefore important in preventing regional conflict. Alliances create risks. They complicate existing disputes in ways that could lead to major power war in East Asia, and reduce the level of control the United States and China have over a crisis. They can do so in three ways: 1) the security of allies is a U.S. interest, and allies' disputes with their regional adversaries, including East Asia's territorial disputes, could involve the United States if they become crises or conflicts; 2) the alliances produce inequalities among the allies with formal security guarantees and with those either unprotected by security guarantees or less protected by informal security guarantees; and 3) because of alliances, red lines for U.S. military involvement are more likely to be established, which allies and adversaries alike may seek to test. This complication is particularly clear for nuclear alliances. Manipulating and controlling risks of nuclear escalation are two means by which nuclear-armed states can pursue conflicting interests. But alliances allow allies under a nuclear umbrella to manipulate these risks as well, testing their nuclear patron's red lines.

As a result, extended nuclear deterrence guarantees provided in the alliance framework make nuclear weapons much more salient in U.S.-China relations than they otherwise would be for two great powers with relatively limited conflicts of interest, at least in comparison to the Cold War, and a vast body of water separating their homelands.<sup>2</sup> To complicate matters, smaller allies have more leverage within these alliances because they can make credible

<sup>2</sup> Charles L. Glaser and Steve Fetter, "Should the United States Reject MAD? Damage Limitation and U.S. Nuclear Strategy toward China," *International Security* Vol. 41, No. 1 (Summer 2016) Forthcoming.

*Extended nuclear deterrence guarantees provided in the alliance framework make nuclear weapons much more salient in U.S.-China relations than they otherwise would be for two great powers with relatively limited conflicts of interest... and a vast body of water separating their homelands.*



*Skilled statecraft is required to avoid the kind of misperceptions that could turn alliances into a destabilizing influence on regional security.*

threats to acquire their own nuclear weapons. These guarantees may also embolden allies in a crisis or conflict with China, in the belief that the United States would defend them if the conflict escalates, or even provide incentives to escalate a conflict to induce U.S. intervention.<sup>3</sup> Even worse, if China misperceives U.S. allies as instruments of U.S. power, rather than as independent actors pursuing their own agendas, it could plan or act on mistaken assumptions about U.S. and allied behavior in a crisis. This risk of misperception is greater where extended nuclear deterrence guarantees are present, because the stark inequality within those alliances may create the illusion that the nuclear-armed state has control over its ally.

On the other hand, the stabilizing influence of alliances on regional security promises huge benefits. Ideally, the U.S. nuclear umbrella both deters adversaries from attacking its allies and partners and also removes allies' and partners' incentives to acquire their own nuclear weapons. This also aligns with China's interests. Preventing Japan, South Korea, and Taiwan from acquiring their own independent nuclear capabilities is in China's interests, although at the cost of reducing China's ability to coerce smaller states in the region. In addition, alliance mechanisms allow the United States to influence those smaller states' behavior, reducing the likelihood that they might use force to pursue their interests in disputes with China, instead encouraging diplomatic solutions. Nevertheless, skilled statecraft is required to avoid the kind of misperceptions that could turn alliances into a destabilizing influence on regional security.

<sup>3</sup>Rupal N. Mehta and Neil Narang. "The Unforeseen Consequences of Extended Deterrence: Moral Hazard in a Nuclear Protégé." Revise and Resubmit, *Journal of Conflict Resolution*, June 2016.

## **Perceptions of Extended Deterrence**

Strategists in China, Japan, and the United States recognize that alliances may be both stabilizing and destabilizing to regional security. There are, however, differences in the dominant views of how alliance dynamics will affect crises and conflicts in each country.

### **United States**

The U.S. commitment, as the senior ally or patron state, to defend and reassure its allies has been the cornerstone of U.S. nuclear policy since the United States first deployed nuclear weapons in the early years of the Cold War. The creation of U.S. security guarantees to its East Asian allies, including Japan, South Korea, and Taiwan,<sup>4</sup> and to its European allies through NATO during the early Cold War prompted policymakers and analysts to identify two key perspectives about the value (and costs) of extended nuclear deterrence. The first articulates the perspective that these types of agreements and alliances pose a higher risk of entrapping the United States in unnecessarily costly engagements that may actually increase the prospect of conventional conflict. Additionally, this carries the risk of unlikely but plausible escalation to nuclear conflict, if the United States is called upon to defend an ally. Allies may want to deliberately involve the United States in disputes and disagreements so as to intensify conflicts and gain a bargaining advantage.

Indeed, in noting that the "U.S. extended deterrence commitments to Japan and South Korea are the ultimate promise," analysts caution that "if U.S. extended deterrence commitments work as intended, the confidence they provide to friends is just as important as the caution they should induce

<sup>4</sup>The United States and Taiwan had a formal alliance from 1954-1979.

in would-be adversaries, like North Korea.”<sup>5</sup> This added “confidence” has been especially apparent over the last several decades, as South Korea has directed its military assertiveness toward a variety of targets in the region under the protection of the U.S. nuclear umbrella (e.g. North Korea, China, and even Japan). For example, South Korea’s territorial dispute with Japan over the Dokdo/Takeshima Islands has, for the better half of the 20<sup>th</sup> century, stalled any hope for a détente between the two countries.<sup>6</sup> Both countries may be less willing to compromise in this dispute because they see their claims as ultimately underwritten by U.S. security guarantees. On the other hand, both states are constrained from pursuing riskier behavior for fear that this may upset their relationship with the United States. Predictably, the issue has increasingly begun to involve the United States as an inadvertent and unwilling participant in the territorial conflict between two of its allies. This dynamic may be even more salient in disputes and crises with adversaries such as China, whose actions in the Asia Pacific, including in the South China Sea, are seen by the United States and its allies to be aggressive, provoking U.S. involvement to defend its own and allied interests.<sup>7</sup>

The second perspective suggests that extended nuclear deterrence agreements actually have significant benefits in producing stability and encouraging moderation for all parties. These agreements can deter potentially revisionist states, or satisfy them by helping to resolve disputes

before they escalate to a full-blown crisis. Nuclear assurances allow allies and partners to resist an adversary’s efforts at intimidation while also agreeing not to develop their own nuclear deterrent capability. Once extended, the nuclear umbrella may also protect those states from conventional attack. Adversaries may fear that conventional exchanges might cross the so-called “conventional-nuclear firebreak” and escalate into nuclear exchanges, given significant U.S. conventional deployments in the region. For example, both Japan and the South Korea are examples of junior allies seeking and receiving renewed assurances from the United States against possible North Korean nuclear and conventional threats, and from Chinese conventional threats. Additionally, in the case of East Asia, the assurances offered to both South Korea and Japan under the U.S. nuclear umbrella also prevents nuclear and conventional competition between the two allies, despite their historic rivalry. By emphasizing that the United States is unwilling to choose between two allies in the region, both are encouraged to use more diplomatic means of managing and settling disputes (or avoiding them in the first place). In this sense, extended nuclear deterrence serves not only as a security guarantee but also as a peace-inducing institution in the region and as a symbolic reassurance that the United States will not abandon its allies.

Lastly, it is also worth noting that while U.S. extended deterrence policy is aimed at the protection of allies abroad, these agreements also provide a useful avenue for the United States to maintain a strategically vital power-projection position and pursue its own interests in regions where nuclear weapons do not play a significant role. Extended deterrence arrangements, more so than other alliance arrangements, require the demonstration of U.S. commitment to an ally’s defense below the nuclear threshold through conventional ground, air, and naval

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<sup>5</sup> Van Jackson. “Raindrops Keep Falling on my Umbrella.” *Foreign Policy*. May 18, 2015.

<sup>6</sup> Ankit Panda. The ICJ and the Dokdo/Takeshima Dispute. *The Diplomat*. May 2, 2014. <http://thediplomat.com/2014/05/no-the-us-wont-back-south-korea-against-japan-on-dokdo/>. Berkshire J. Miller. “The ICJ and the Dokdo/Takeshima Dispute.” *The Diplomat*. May 13, 2014.

<sup>7</sup> Andrea Shalal, “U.S. Warns China on Militarization of South China Sea,” *Reuters*, March 2, 2016, <http://www.reuters.com/article/southchinasea-usa-carter-idUSKCN0W404R>.

*China has labeled the U.S. alliance system in East Asia a relic of the Cold War, unsuitable for the highly integrated, prosperous, and largely peaceful nature of international relations in contemporary East Asia.*

power projection. Through extended deterrence agreements, therefore, the United States is able to engage politically, economically, and militarily in areas it would otherwise have more limited access to. Increased access and engagement across the globe eases the burden on the United States of managing its interests throughout the international community, as allies offer military support, including their territory, for U.S. efforts to maintain the status quo.

#### **China**

China is one of the main concerns of U.S. alliances in the region, given its territorial disputes with treaty allies Japan and the Philippines, and enduring dispute over the status of Taiwan, paired with an increasingly capable Chinese military. China has labeled the U.S. alliance system in East Asia a relic of the Cold War, unsuitable for the highly integrated, prosperous, and largely peaceful nature of international relations in contemporary East Asia.<sup>8</sup> As the East Asian region has become more competitive in recent years, however, Chinese experts and officials increasingly claim that U.S. alliances contribute to regional instability. A common view among Chinese experts is that, whether it is weak or strong, the United States uses its allies to pursue its own interests in the East Asian region.<sup>9</sup> Allies are therefore viewed as having limited influence on U.S. policymaking, including U.S. nuclear strategy. There are, however, some Chinese experts who also see benefits for China's security from U.S. alliances, such as the restraining effect on Japanese proliferation, although they

worry that the United States is not restraining other aspects of Japanese behavior.<sup>10</sup>

Chinese responses to U.S. efforts to jointly develop and deploy missile defense capabilities in the region illustrate this perception. Some Chinese experts believe that the United States is using missile defense to bind its East Asian allies into a more networked alliance structure.<sup>11</sup> That structure would reduce their flexibility to opt out of future conflicts in which the United States might call on them to support it and other allies in the region. Further, Chinese officials and experts believe that the United States is using North Korea as an excuse to build up missile defense infrastructure in the region, which could be used to target Chinese conventional and nuclear capabilities in the future.<sup>12</sup>

In general, Chinese analysts assume a high level of U.S. influence over the actions of its allies and partners in their disputes with China. Chinese analysts do not appear worried that U.S. allies and partners, including Japan, could create or escalate conflicts to induce either U.S. intervention or restrain China, in order to gain an advantage

<sup>8</sup> "Foreign Ministry Spokesperson Hua Chunying's Regular Press Conference on April 9, 2015," Ministry of Foreign Affairs of the People's Republic of China, April 9, 2015, [http://www.fmprc.gov.cn/mfa\\_eng/xwfw\\_665399/s2510\\_665401/t1253488.shtml](http://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/t1253488.shtml).

<sup>9</sup> Fiona S. Cunningham and M. Taylor Fravel, "Assuring Assured Retaliation: China's Nuclear Strategy and U.S.-China Strategic Stability," *International Security* vol. 40, no. 2 (Fall 2015), 7-50: 35.

<sup>10</sup> Liu Chong, "He Wuqi Yu Changgui Junshi Chongtu de Guanxi [The Relationship between Nuclear Weapons and Conventional Conflict]," in Lijie Zhongguo He Siwei [Understanding Chinese Nuclear Thinking], ed. Li Bin and Zhao Tong (Beijing: Shehui Kexue Wenxian Chubanshe, 2015), 121-3; Michael Glosny, Christopher Twomey, AND Ryan Jacobs, "U.S. China Strategic Dialogue Phase VIII Report," (Naval Postgraduate School, August 2014) 6.

<sup>11</sup> Christopher P. Twomey and Michael S. Chase, "Chinese Attitudes Toward Missile Defense," in Catherine McArdle Kelleher and Peter Dombrowski, *Regional Missile Defense from a Global Perspective* (Stanford University Press, 2015), 197-217: 204.

<sup>12</sup> Cunningham and Fravel, "Assuring Assured Retaliation," 17; Elbridge Colby and Wu Riqiang, "Seeking Strategic Stability for U.S.-China Relations in the Nuclear Domain," in *U.S.-China Relations in Strategic Domains*, ed. Travis Tanner and Dong Wang (Washington, D.C.: National Bureau of Asian Research, 2016), 39; Jane Perlez, "For China, a Missile Defense System in South Korea Spells a Failed Courtship," *The New York Times*, July 8, 2016.

in territorial disputes.<sup>13</sup> In the Chinese view, such actions would have to be supported, at least tacitly, by Washington. There is some variation in how Chinese analysts view the independence of different U.S. allies' actions. For example, there is notably more concern about the U.S. ability to restrain Japan than Taiwan, South Korea, or the Philippines.<sup>14</sup>

If an ally did, however, initiate a crisis or conflict that brought the United States into a confrontation with China, without prior U.S. approval, Chinese experts appear to assume that the United States will either abandon its allies or assert control over them if that confrontation involves a risk of nuclear escalation, depending on which better serves U.S. interests. If the conflict involves a risk of nuclear confrontation between China and the United States, recent research indicates that Chinese experts would expect the conflict to remain low-level, conventional, tightly controlled, and not to escalate to the nuclear level.<sup>15</sup> These expectations imply that Chinese strategists envision that the United States will prioritize avoiding a nuclear confrontation with China over completely defending its allies' interests in the conflict. Even in the case of Taiwan, which some Chinese strategists had worried could lead to nuclear confrontation in the early 2000s, experts now believe the situation has been moderated such

that nuclear escalation would be very unlikely.<sup>16</sup> But there is not a clear consensus among Chinese experts on what nuclear risks the United States might take in a conflict involving an ally. Some Chinese analysts are concerned that the United States would be willing to risk nuclear escalation for its allies to preserve the credibility of its global alliance commitments, the cornerstone of its global strategy, even if the conflict at hand does not directly threaten its major interests.<sup>17</sup>

#### **Japan**

Japanese leaders see their alliance with the United States as the foundation of their security, to which the extended nuclear deterrence guarantee is essential. Given the post-World War II political and constitutional restraints on Japan's ability to defend itself, the U.S. alliance plays a unique role in its national security, providing a source of stability and cooperation among states through East Asia. Some in Japan share the concern that it may be exploited by its senior alliance partner to further Washington's own interests, or that they could be abandoned in the event of a conflict. However, measures have been taken to prevent these possibilities from occurring.

Japanese leaders have used a mix of threats and concessions to reduce the risk of abandonment. Since the 1950s, Japanese leaders have stated that their country could acquire nuclear weapons in accordance with its constitution, and since then have developed an extensive nuclear fuel cycle that would allow it to produce rudimentary nuclear

*These expectations imply that Chinese strategists envision that the United States will prioritize avoiding a nuclear confrontation with China over completely defending its allies' interests in the conflict.*

<sup>13</sup> Ralph Cossa, Brad Glosserman, and David Santoro, "Progress Continues, but Disagreements Remain: The Seventh China-U.S. Strategic Dialogue on Strategic Nuclear Dynamics and The Inaugural China-U.S. Dialogue on Space Security," CSIS Pacific Forum Issues & Insights, Vol. 13, No. 6 (January 2013), 12.

<sup>14</sup> See, for example, Lora Saalman, "China & the U.S. Nuclear Posture Review" (Washington, DC: Carnegie Endowment for International Peace, February 2011), 21; "Commentary: U.S. cold-war mentality not solution to South China Sea issue," Xinhua News Agency, July 9, 2016, [http://news.xinhuanet.com/english/2016-07/09/c\\_135500532.htm](http://news.xinhuanet.com/english/2016-07/09/c_135500532.htm).

<sup>15</sup> Cunningham and Fravel, "Assuring Assured Retaliation," 35–6. See also Cossa, Glosserman, and Santoro, "Progress Continues, but Disagreements Remain," 12.

<sup>16</sup> Cunningham and Fravel, "Assuring Assured Retaliation," 35–6; Michael Glosny, Christopher Twomey, and Ryan Jacobs, "U.S. China Strategic Dialogue Phase VII Report," (Naval Postgraduate School, May 2013) 17–8.

<sup>17</sup> See, for example, Liu Chong, "He Wuqi Yu Changgui Junshi Chongtu de Guanxi [The Relationship between Nuclear Weapons and Conventional Conflict]," 120.

Arguably, the situation in the East China Sea is now more stable than in the South China Sea... The strength of the U.S.-Japan alliance and clarity of the U.S. commitment to defend Japanese interests in the East China Sea may be one reason for this difference.

capabilities quite quickly.<sup>18</sup> Japan's nuclear latency is well-known in both the United States and China.<sup>19</sup> Its nuclear breakout would be viewed in both countries as damaging regional stability, giving both China and the United States a reason to support credible U.S. extended deterrence guarantees to Japan. Japan has also taken steps to improve its ability to contribute to the U.S. alliance, with strong U.S. encouragement. Japan has increased its defense spending in recent years. Prime Minister Shinzo Abe has taken domestic political risks to reform national security laws in part to facilitate greater defense cooperation with the United States, including reforming arms export restrictions and reinterpreting the constitution to permit for collective self-defense.<sup>20</sup> Lastly, Japan has also pursued greater defense interoperability with the United States. This trend is particularly notable in the research and development and deployment of missile defense, which makes Japan an automatic participant in any regional contingency in which the United States faces an adversary with tactical or theater missile capabilities.

The alliance has had both an emboldening and restraining effect on Japanese actions in its territorial dispute with China in the East China Sea. On one hand, the central Japanese government may not have nationalized the Senkaku/Diaoyu Islands in 2012, or challenged Chinese administrative naval and air patrols without the secure knowledge that the United States would protect it if China responded, or if some accident between the two

<sup>18</sup> Richard J. Samuels and James L. Schoff, "Japan's Nuclear Hedge: Beyond 'Allergy' and 'Breakout,'" in *Strategic Asia 2013-4: Asia in the Second Nuclear Age*, Ashley J. Tellis, Abraham Denmark, and Travis Tanner (Washington, DC: National Bureau of Asian Research, 2013), 239.

<sup>19</sup> Liu, "The Relationship between Nuclear Weapons and Conventional Conflict," 121-3; Rupal N. Mehta and Rachel E. Whitlark, "The Benefits and Burdens of Nuclear Latency." *Revised and Resubmitted at International Studies Quarterly*.

<sup>20</sup> Adam P. Liff, "Japan's Defense Policy: Abe the Evolutionary," *The Washington Quarterly* 38, no. 2 (Summer 2015): 79-99.

countries escalated to a conventional military conflict. For this reason, some Chinese analysts argue that the U.S. alliance has emboldened Japan.<sup>21</sup> However, U.S. Secretary of State Hillary Clinton's statement in 2010 that the islands fell within the scope of the U.S.-Japan Alliance gives the United States some influence over Japanese actions in the dispute, and the United States has repeatedly called for restraint from both sides.<sup>22</sup> The frequency of Chinese patrols proximate to the islands has decreased since 2012,<sup>23</sup> although in June 2016 the PLA Navy sent a warship within the contiguous waters of the disputed islands for the first time.<sup>24</sup> Arguably, the situation in the East China Sea is now more stable than in the South China Sea, where collisions between maritime vessels of smaller claimants and Chinese vessels are much more frequent. The strength of the U.S.-Japan alliance and clarity of the U.S. commitment to defend Japanese interests in the East China Sea may be one reason for this difference.<sup>25</sup>

### Escalation Risks

These varying perceptions regarding the role of alliances affect the different assessments in Beijing, Tokyo, and Washington of the likelihood of conflict

<sup>21</sup> Wu Xinbo, "America Should Step Back from the East China Sea Dispute," *The New York Times*, April 23, 2014, <http://www.nytimes.com/2014/04/24/opinion/america-should-step-back-from-the-east-china-sea-dispute.html>.

<sup>22</sup> Andrew Quinn, "Clinton Urges Cool Heads in China-Japan Island Dispute," *Reuters*, September 27, 2012, <http://www.reuters.com/article/us-china-japan-usa-idUSBRE88Q1NF20120927>.

<sup>23</sup> "Trends in Chinese Government and Other Vessels in the Waters Surrounding the Senkaku Islands, and Japan's Response," *Ministry of Foreign Affairs of Japan*, [http://www.mofa.go.jp/region/page23e\\_000021.html](http://www.mofa.go.jp/region/page23e_000021.html).

<sup>24</sup> Minnie Chan, "Japan protests as China's PLA Navy sails near disputed Diaoyu Islands in East China Sea," *South China Morning Post*, June 9, 2016, <http://www.scmp.com/news/china/diplomacy-defence/article/1970375/japan-protests-chinas-pla-navy-sails-near-disputed>.

<sup>25</sup> See for example, Matteo Dian, *The Evolution of the U.S.-Japan Alliance: The Eagle and the Chrysanthemum* (Oxford: Chandos Publishing, 2014), 191.



and escalation control. While smaller allies may feel constrained from taking steps that could enhance their own bargaining position vis-à-vis China or North Korea because those steps would increase the risk of U.S. involvement in conflict, they could just as easily be emboldened to make demands precisely because of potential U.S. involvement and the threat of escalation into a large-scale war. Given this risk, it is necessary to better understand how these actors, the United States, allies like Japan, and potential adversaries such as China, view escalation risks and how to manage them.

For example, the United States and Japan may see U.S. support for Japanese territorial claims, specifically the U.S. commitment to defend Japan's administrative control over the Senkaku/Diaoyu Islands in the face of Chinese claims in the East China Sea, as necessary to ensure the security of its ally. China, on the other hand, may view these actions as provocative and aggressive. Similarly, bilateral and multilateral military exercises between the Japanese Maritime Self-Defense Forces and the United States' 7<sup>th</sup> Fleet are conducted by the two militaries to ensure cohesive and effective action in the event of a crisis, and to demonstrate U.S. resolve and commitment to its allies throughout the region. However, many in China view these as threats to Chinese territorial and maritime sovereignty, and a signal of hostility towards China.<sup>26</sup>

The possibilities for escalation in the broader context of East Asian disputes are troubling, numerous and diverse. Tension, already heightened by accidents or miscalculations, may be exacerbated by other issues of contention. For example, tensions between the United States and China regarding the Sino-Japanese territorial dispute may be exacerbated by the separate role of the United States in supporting both Taiwan and South Korea

in their own, independent disputes with China and North Korea respectively. Actions taken in one area may have a striking impact on conflict dynamics elsewhere and may make the use of force, the potential for escalation from conventional to nuclear weapons, and the geographical expansion of the conflict to involve other U.S. allies more likely. Aside from clashes stemming from U.S. military operations within China's exclusive economic zone (EEZ), another possible U.S.-China contingency in the South China Sea could occur if either China or an ally of the United States such as the Philippines took steps to pursue their claims over natural gas deposits or other natural resources more forcefully. To maintain free trade, safe, and secure sea lines of communication, freedom of navigation, and general stability in the region, the United States may be inclined to demonstrate its resolve and assure its allies throughout the region by responding with armed naval escorts that could risk a U.S.-China confrontation. What is seen by the United States as necessary to assure and defend its broader network of allies in the region may be seen by Chinese leaders as damaging their sovereignty and core strategic interests.

Finally, if Chinese expectations that the United States will not risk nuclear escalation to defend its allies turn out to be wrong, nuclear escalation could result. If Beijing expects the United States will control or abandon its allies if they entrap it in a conflict, but the United States instead remains in such a conflict, China may interpret this as revealing that Washington harbors hostile intentions toward China. Chinese leaders may simply not believe that the United States would maintain its alliance commitments in a conflict initiated by smaller ally, one that the United States has no vital interest in, simply in order to preserve its alliance credibility. Thus viewing such a conflict as evidence that the United States is aggressive and uncompromising, Chinese leaders could react in

*What is seen by the United States as necessary to assure and defend its broader network of allies in the region may be seen by Chinese leaders as damaging their sovereignty and core strategic interests.*

<sup>26</sup> Jie Shan, "China Hopes U.S.-Led Naval Exercise Will Not Harm the Interests of 'Third Parties,'" *Global Times*, March 4, 2016, <http://www.globaltimes.cn/content/971844.shtml>.



*Quietly emphasizing the contributions alliances make to U.S. security could alter any Chinese expectations that the United States would abandon its allies if their conflict with China does not involve U.S. vital interests.*

an uncompromising way themselves, believing that this is the only way to deter further U.S. hostility, which would then be viewed by Washington as revealing more aggressive intentions in Beijing.<sup>27</sup>

### **Policy Recommendations**

How can the United States, its regional allies, and China manage these escalation risks? Further research and dialogue among all parties is necessary to prevent any misunderstanding resulting from Chinese views that U.S. regional alliances are tools of U.S. power, and unlikely to increase the risk of nuclear escalation. In addition, the United States and its allies could take steps to improve their resolve and capabilities that indicate their defensive intentions, which would help to manage the escalation risks identified above.

First, further, rigorous research is needed into how China views U.S. alliances in the region, especially those with extended nuclear deterrence guarantees, and how they would influence a U.S.-China contingency. It is necessary to probe differences in individual alliances, given the hub-and-spokes model of alliances in East Asia and China's different relationships with each individual U.S. ally or partner. Future U.S.-China dialogues could examine how Chinese analysts and U.S. analysts assess the entrapment risks the United States faces, the value it places in its alliances, and how those values may need to be balanced against the risk of nuclear escalation. Such dialogues would elicit the diversity of views within China on the credibility of U.S. extended deterrence in East Asia, any systematic differences with U.S. assessments, and the sources of those differences.

Second, the United States and its allies should engage in consistent official signaling to China of

the value and influence of allies and their interests to the United States. Even if the United States and its allies cannot signal the value the United States places on individual alliances and allies' interests to China, there is some awareness in China of U.S. beliefs that an alliance system contributes to the United States' global power position and prevents nuclear proliferation. Quietly emphasizing the contributions alliances make to U.S. security could alter any Chinese expectations that the United States would abandon its allies if their conflict with China does not involve U.S. vital interests. Linking the interests of smaller allies in their disputes with China to larger issues such as freedom of navigation also increases the likelihood that China will view U.S. support for smaller allies in a clash with China as within the U.S. global interest and therefore worth it to Washington to risk a conflict with China to defend, even if it means running the risk of nuclear escalation.

Third, the United States and its allies and partners should reduce their reliance on the ultimate guarantee of the nuclear umbrella in deterring China. China's expectation that the United States would not be willing to risk nuclear escalation with China to defend its allies' interests in their territorial disputes with China is reasonable. The United States and its regional allies and partners therefore need more low-level and independent, and mid-level and interoperable, conventional deterrence options for responding to Chinese actions they perceive as hostile. Lower-level, conventional options would remove junior partners' incentive to quickly escalate a conflict to a level at which nuclear threats become imaginable. Junior partners could also then take on more responsibility for their own defense at lower levels of conflict intensity, controlling the geographic expansion of the conflict to involve other regional allies and partners. This geographical expansion of the conflict would inevitably occur once the United

<sup>27</sup> Avery Goldstein, "First Things First: The Pressing Danger of Crisis Instability in U.S.-China Relations," *International Security* vol. 37, no. 4 (Spring 2013): 49–89; 60–62.

States entered a conflict and used the full suite of conventional forces and intelligence, surveillance, and reconnaissance assets it has deployed in different allied countries in the region.

China is rightly concerned about U.S. efforts to improve its conventional capabilities to counter growth in China's conventional military power in the region, and is likely to view any further efforts as threatening and destabilizing. But, insofar as these capabilities make U.S. assurances to defend its allies more credible to China this may prove better for regional stability than Beijing finding itself surprised by an unexpected threat of nuclear escalation. Efforts to improve U.S. and allied conventional options in the region should not threaten the effectiveness of Chinese nuclear capabilities, which are structured for nuclear retaliation only. Any U.S. and allied capabilities developments should aim to more effectively utilize existing conventional options to offer more credible assurances of the U.S. commitment to allies and partners, in light of their increasing demands. The increased risk of nuclear escalation could make the use of nuclear capabilities less credible to Beijing, if it expects a high level of U.S. restraint where nuclear weapons are concerned.

These issues are even more important when considering how central the question of extended

deterrence agreements with South Korea and Japan, and the United States' relationship with China, have been in the current political climate in the United States in the lead-up to the 2016 elections. Political rhetoric that encourages the United States to withdraw or retrench from alliances while also suggesting indigenous nuclear proliferation heightens these risks and makes the management of differing perceptions that much more challenging.<sup>28</sup> To prevent regional conflict and manage escalation risks, it is necessary that the next U.S. administration remain committed to its policy of more than seven decades of signaling the importance and stability produced by the alliance system to its allies and adversaries throughout the international system.

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<sup>28</sup> Rupal N. Mehta, "Is a Nuclear-Armed Japan Inconceivable?" *War on the Rocks*, June 9, 2016.

*Insofar as these capabilities make U.S. assurances to defend its allies more credible to China this may prove better for regional stability than Beijing finding itself surprised by an unexpected threat of nuclear escalation.*

# 3

## The Quest for an Effective Regional Mechanism in the South China Sea

Aleja Martinez Barcelon and Yusuke Saito

*The display of overwhelming military power in the South China Sea (SCS) will actually undermine the interests of that state rather than advance them.*

### Introduction

Delivering a speech at the National Defense Academy of Japan, Elliot Cohen of Johns Hopkins University remarked that “strategists should think about what ‘victory’ really means in this vague world.”<sup>1</sup> Contrary to conventional wisdom, overpowering the enemy on the battlefield does not always serve national interests, and may therefore preclude actual “victory.” Similarly, the display of overwhelming military power in the South China Sea (SCS) will actually undermine the interests of that state rather than advance them. Instead, “victory” in the SCS will only be had if the seas remain stable and regional partners can find some measure of cooperation. Existing cooperative entities, most centrally the Association of Southeast Asian Nations (ASEAN), have not managed to bring Beijing to the table. Thus a new regional framework modeled on the Combined Maritime Force that is active around the Strait of Hormuz may offer interested parties a new opportunity to achieve this goal.

### China’s Self-Assertion

With its emergence as a global power, China has brazenly expanded its footprint in the SCS through its rapid military build-up and development of “blue ocean” capabilities to allow it to operate across the deep water of open oceans.<sup>2</sup> In addition to conducting large-scale, live-fire naval exercises, most recently in 2015,<sup>3</sup> China has also accelerated

its island-building and construction efforts in the SCS (see Figure 1).

Beijing has justified such actions by claiming “indisputable sovereignty”<sup>4</sup> over all land features encompassed within the “Nine-Dash Line.” In February, the People’s Liberation Army (PLA) deployed eight HQ-9 surface-to-air missiles to Woody Island,<sup>5</sup> which is claimed by Vietnam and Taiwan and well as Beijing. Two weeks later, satellite imagery indicated the presence of a high-frequency radar installation on Cuarteron Reef, an artificial island in the Spratlys. The presence of such capabilities, according to a Center for Strategic and International Studies report, could “significantly change the operational landscape” in the Spratlys, and “bolster China’s ability to monitor surface and air traffic coming north from the Malacca Straits and other strategically important channels.”<sup>6</sup> Additionally, several instances of PLA Navy and Chinese Coast Guard vessels confronting and harassing both Filipino and Vietnamese fishermen have been reported.<sup>7</sup> Indonesia and Malaysia have also experienced maritime confrontations with China.<sup>8</sup>

<sup>4</sup> Ministry of Foreign Affairs of the People’s Republic of China, Foreign Ministry Spokesperson Hua Chunying’s Remarks on Test Flight to Newly Built Airport on Yongshu Jiao of China’s Nansha’s Islands, January 2, 2016, [http://www.fmprc.gov.cn/mfa\\_eng/xwfw\\_665399/s2510\\_665401/2535\\_665405/t1329223.shtml](http://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2535_665405/t1329223.shtml).

<sup>5</sup> *Global Times*, “U.S. has ulterior motives in reporting S.China Sea defense: expert,” <http://www.globaltimes.cn/content/969104.shtml>.

<sup>6</sup> Asia Maritime Transparency Initiative, CSIS <http://amti.csis.org/another-piece-of-the-puzzle/>.

<sup>7</sup> There were six reported incidents of Chinese harassment against Filipino fishermen in 2015. In 2013, PLAN vessels were said to have fired toward a Vietnamese fishing boat. The Philippines also recorded a number of incidents of Chinese Coast Guard harassment (i.e., ramming of vessels, dousing of water cannons, aiming of firearms, destroying of fishing equipment) against Filipino fishermen in the Scarborough Shoals.

<sup>8</sup> For details of each incident, see “Trends concerning Sovereignty Over the South China Sea,” *Defense of Japan 2015*, August 2015, [http://www.mod.go.jp/e/publ/w\\_paper/2015.html](http://www.mod.go.jp/e/publ/w_paper/2015.html).

<sup>1</sup> Elliot Cohen, “The Changing Face of Military Power,” Keynote Speech at 20th International Seminar on Military Science, National Defense Academy of Japan, June 30, 2015).

<sup>2</sup> In China’s 2016 Security Report, the People’s Liberation Army Navy transferred its strategy from offshore defense to open seas defense, and its actives have been expanding in both quantity and quality. Source: The National Institute for Defense Studies, *NIDS China Security Report 2016*.

<sup>3</sup> The National Institute for Defense Studies, *NIDS China Security Report 2016* (The National Institute for Defense Studies, Japan 2016).

Figure 1 China's Occupation of the South China Sea (after reclamation) as of December 17, 2015



Chinese assertiveness in the SCS is largely perceived by other regional claimants as unilaterally changing the status quo.<sup>9</sup> Former Filipino President Benigno Aquino, for example, argued that China's activities threaten the overall peace and stability of the region.<sup>10</sup> Together, the littoral states (Vietnam, Malaysia, and the Philippines) have very limited, if not negligible, effective means to resist Chinese maritime strength.<sup>11</sup> In terms of naval capacity, the

aggregate number of large military vessels from the three states amounts to less than one-third of total Chinese warships (see Figure 2). This disparity may have encouraged China to adopt increasingly aggressive behavior in the SCS. Tensions are high and the situation in the SCS could easily become more chaotic, which would be unfavorable for all regional actors, including China.

### Regional Tensions, Global Impact

The SCS boasts abundant oil and natural gas resources as well as being a vital sea lane with thousands of established navigational routes used for commercial and maritime transit. One-third of global oil exports, along with a significant share of global trade, must pass through the SCS. In addition, huge fisheries depend on the sea's rich

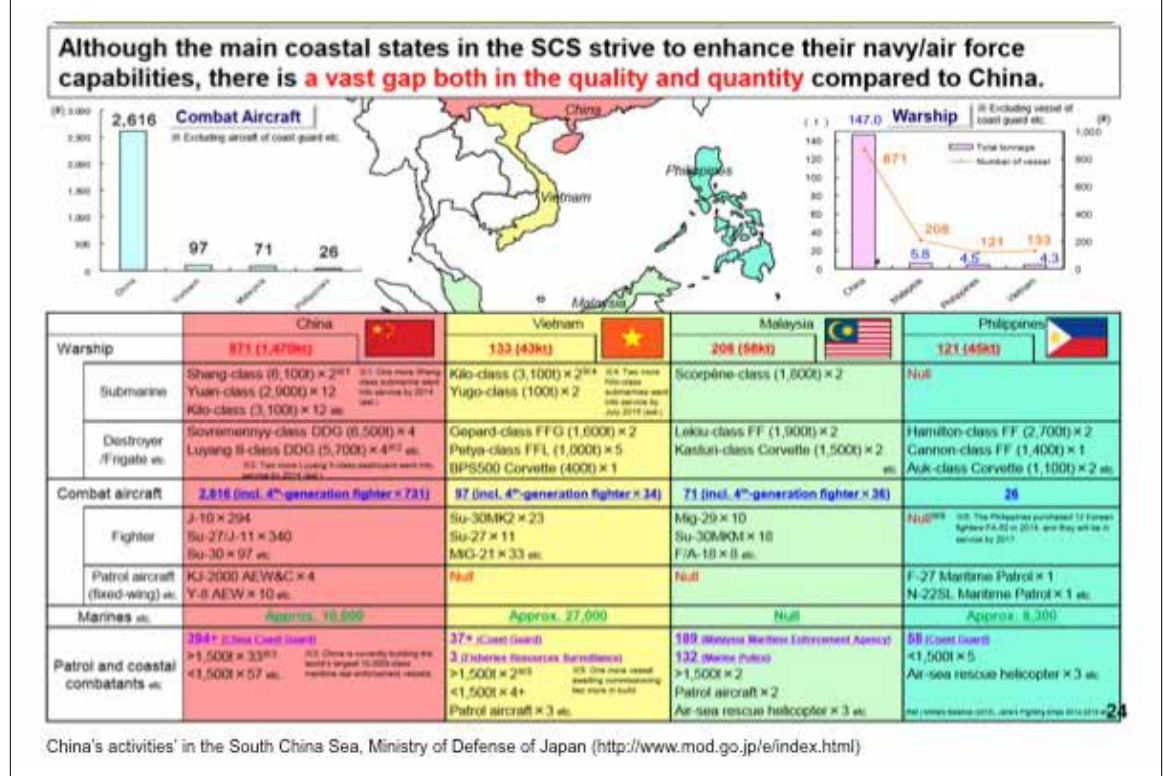
<sup>9</sup> There are six claimants in the SCS, namely China, Taiwan, the Philippines, Malaysia, Brunei, and Vietnam.

<sup>10</sup> Statement of Philippine President Benigno Aquino at the U.S.-ASEAN Leaders' Summit, February 15, 2016.

<sup>11</sup> To see the wide gap of maritime capabilities, see U.S. Department of Defense, "Asia-Pacific Maritime Security Strategy," [http://www.defense.gov/Portals/1/Documents/pubs/NDAA%20A-P\\_Maritime\\_Security\\_Strategy-08142015-1300-FINALFORMAT.PDF](http://www.defense.gov/Portals/1/Documents/pubs/NDAA%20A-P_Maritime_Security_Strategy-08142015-1300-FINALFORMAT.PDF), P12



Figure 2 Comparison of Navy/Air Force Capabilities (China and Philippines/Vietnam/Malaysia)



marine biodiversity. Thus maritime disputes in this region have potentially global spillover effects. A crisis the SCS would result, according to maritime security specialist Kazumine Akihito, in massive energy shortages that would depress the world economy.

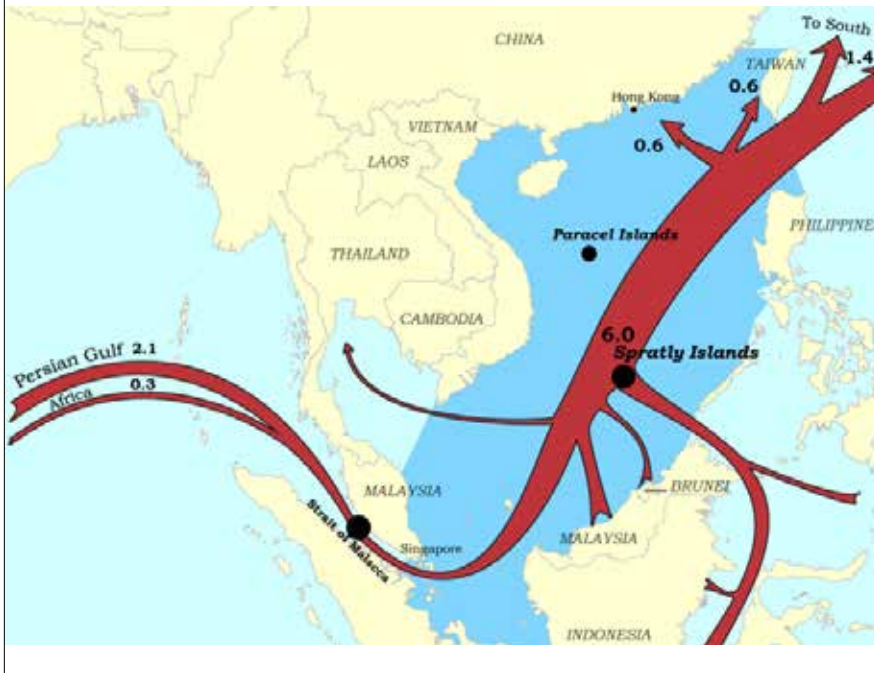
China's creeping assertions in the SCS represent a serious concern for Southeast Asian states, namely four SCS claimant countries<sup>12</sup> and one largely

affected non-claimant country.<sup>13</sup> These actions are widely seen as fundamentally affecting long-term economic prospects and stability in the region. As a major player in East Asia, Japan has its own apprehensions over tensions in the SCS. The United States Energy Information Administration (EIA)'s 2011 map of liquefied natural gas (LNG) trade flows in the Asia-Pacific illustrates how essential the SCS is to Japan; more than half of all LNG trade

<sup>12</sup> These are the Philippines, Malaysia, Brunei, and Vietnam.

<sup>13</sup> Indonesia is a non-claimant in the SCS, but China's nine-dash-line claims extend over Indonesia's exclusive economic zone and continental shelf, including the oil and gas-rich Natuna Islands, which form part of the Tudjuh Archipelago, Riau Province, Indonesia. In November 2015, the Indonesian Foreign Ministry Spokesperson said that "the position of Indonesia is clear at this stage that we do not recognize the nine-dash line because it is not in line with international law" and that Indonesia "asked for clarification on what they mean by the nine-dash line; (and) that has not been clarified."

**Figure 3: Major LNG Trade Flows in the South China Sea (2011) in trillion cubic feet**



flows through the SCS were ultimately en route to Japan.<sup>14</sup>

Although Japan has not definitively clarified the extent to which its Self-Defense Force may invoke the right of collective defense in the SCS, its 2013 National Security Strategy clearly underscored the importance of SCS maritime routes to the transport of Japan's natural resource and energy imports from the Middle East.<sup>15</sup> While it remains unclear whether Japan will defend its interests, much less those of its regional strategic partners, in the event of armed conflict in the SCS, it is certain that Japan regards stability in the SCS as fundamental to its existence. Prime Minister Shinzo Abe has made several calls to promote peace and stability in the

<sup>14</sup> U.S. Energy Information Administration, <http://www.eia.gov/todayinenergy/detail.cfm?id=10671>.

<sup>15</sup> National Security Strategy, December 17, 2013, Cabinet Secretariat, p 14, <http://www.cas.go.jp>

SCS through rule of law, rather than "resorting to force or coercion."<sup>16</sup>

### China's Real Interests

China, contrary to what its behavior may imply, has a strong interest in maintaining stability in the SCS. The SCS is a critical component in President Xi Jinping and the Communist Party of China's (CCP) claims of historical sovereignty, which plays a critical role in stirring nationalist sentiment and bolstering regime legitimacy. However, the widening gap between the rich and the poor is tempering

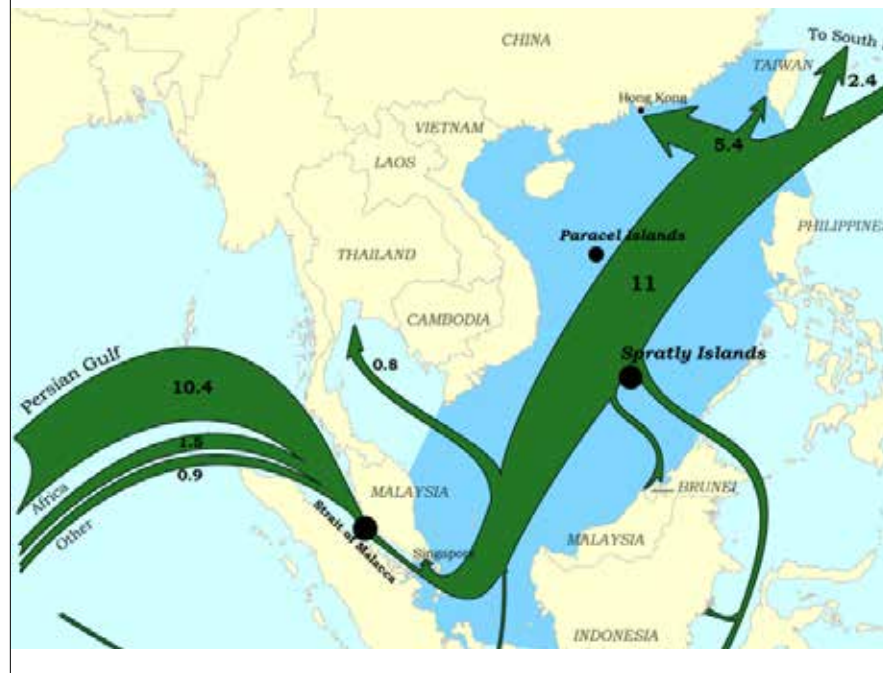
the people's "firm support" of the CCP. Addressing this socio-economic gap would ensure the continuity of the CCP's political goals. Upon taking office in 2013, Xi was confronted with the challenges of a slowing economy. As if to build upon his predecessor Hu Jintao's notion of a "harmonious society," Xi laid out two key goals: create an "all-round well-off society"<sup>17</sup> by 2021, and an "affluent, strong, civilized, and harmonious

<sup>16</sup> Ministry of Foreign Affairs of Japan, Japan-China Summit Meeting, November 10, 2014.

<sup>17</sup> By an "all-round, well-off society," President Xi aims to achieve a high standard of living in all respects for all Chinese people. Source: Xinhua Insight: "Xi's worldwide diplomacy benefits China, the world," Xinhuanet, January 5, 2016, [http://news.xinhuanet.com/english/2016-01/05/c\\_134980392.htm](http://news.xinhuanet.com/english/2016-01/05/c_134980392.htm).



**Figure 4: Major Crude Oil Trade Flows in the South China Sea (2011) in millions of barrels per day**



diplomatic relations with the rest of the world. The large share of Chinese trade must transit the SCS. When measured by total trade volume, this figure exceeds 90 percent of China's total trade; when measured by value of goods transported, it exceeds 65 percent of total trade.<sup>21</sup> In addition, nearly half of all major crude oil flows through the SCS are ultimately bound for China,<sup>22</sup> as shown by Figure 4.

While Xi has wasted little time in consolidating his economic policies,

socialist modern country" by 2049.<sup>18</sup> Xi seemingly placed greater emphasis on the former, evidenced by his rebalance of economic policy, as the necessary foundation on which the latter goal can eventually be achieved.<sup>19</sup> In 2014, CCP leadership began promoting the concept of a "new normal," characterized by "sustainable and medium to high-speed development of the domestic economy."<sup>20</sup> Accordingly, Xi announced the One Belt, One Road (OBOR) initiative during the 2014 Asia-Pacific Economic Cooperation (APEC) Summit. OBOR evokes the historical significance of land and maritime routes to China's commercial and

his vision of economic stability for China, not to mention global superpower status,<sup>23</sup> is far from being realized. Despite boasting the world's second largest GDP, China ranked 75<sup>th</sup> out of 188 countries in 2015 when measured on a per capita basis (\$7,989), slightly higher than the per capita incomes of Venezuela and Gabon, and lower than Maldives.<sup>24</sup> In order to advance his goal of

<sup>21</sup> Office of Naval Intelligence, "The PLA Navy: New Capabilities and Missions for the 21st Century," <http://www.oni.navy.mil/intelligence-Community/China>.

<sup>22</sup> U.S. Energy Information Administration, <http://www.eia.gov/todayinenergy/detail.cfm?id=10671>.

<sup>23</sup> Michael Pillsbury, *The Hundred-Year Marathon: China's secret strategy to replace America as the global superpower*, Henry Holt and Co., 2015; John J. Measheimer, *The Tragedy of Great Power Politics*, WW Norton & Company, Inc. 2003.

<sup>24</sup> International Monetary Fund-World Economic Outlook Databases 2016, <http://www.imf.org/external/pubs/ft/weo/2015/01/weodata/index.aspx>.

<sup>18</sup> 全面建成小康社会新的目标要求 [Request of New Goal: All-Round Well Off Society], News of the Communist Party of China website, <http://cpc.people.com.cn/n/2015/1106/c64094-27783414.html>.

<sup>19</sup> U.S.-China Economic and Security Review Commission, "2015 report to Congress," November 2015.

<sup>20</sup> Ibid.

creating an “all-round well-off society,” Xi must best utilize his remaining seven years in office to ensure China’s economic stability.<sup>25</sup> He understands this well enough as evidenced by the urgency with which the CCP prioritizes China’s domestic growth to justify its power as the ruling party. To achieve such a strong domestic environment, Beijing must act quickly to address public discontent on unequal wealth distribution through assured access to unimpeded economic resources, ultimately rooted in energy abundance and security. However, China’s assertive military expansion in the SCS, which heightens tensions among claimant states, not to mention endangers economic activities therein, run in contrary with the CCP’s goals. From this perspective, stability in the SCS is a necessary precondition for achieving the CCP’s long-term economic agenda and policy goals. Thus victory, in terms of Beijing’s grand strategy, cannot be had if conflict destabilizes trade in the SCS.

### In Pursuit of a Solution

Despite various regional efforts at finding a lasting solution to the SCS disputes, the current multilateral framework has proved ineffective. Case in point, ASEAN, which contains four claimant states in the SCS, has consistently called for a peaceful resolution of the disputes – to no avail.<sup>26</sup> In March 2000, the bloc entered into negotiations with China to establish a Code of Conduct (COC) in the SCS, but ultimately failed to reach a consensus due to legal disagreements. This prompted the 2002 creation of the Declaration on the Conduct (DOC)

<sup>25</sup> In accordance with the PLA Constitution, China’s president can serve no more than two consecutive five-year terms. Xi’s first term will end in 2017 and the second in 2023. Source: Article 79 of Constitution of People’s Republic of China, [http://www.gov.cn/gongbao/content/2004/content\\_62714.htm](http://www.gov.cn/gongbao/content/2004/content_62714.htm).

<sup>26</sup> In 2015, the ASEAN Chair, Malaysian Premier Najib, “reaffirmed the importance of maintaining peace, stability, security, and freedom of navigation in and overflight in the SCS,” and “called on all parties for the expeditious conclusion of a legally binding Code of Conduct with China.” Source: Chairman’s Statement at the 25th ASEAN Summit, April 27, 2015.

of Parties in the SCS, essentially a non-binding version of the COC, but lacking key elements such as a dispute settlement mechanism. At the time, the DOC was understood as a preliminary step toward the eventual adoption of the COC.<sup>27</sup> Fourteen years later, however, ASEAN’s goal of reaching a binding COC has yet to materialize. While China has expressed support of a COC, it has been extremely slow in green-lighting the ASEAN draft, owing in part to its historical insistence on settling territorial disputes through bilateral channels. ASEAN claimant states, however, argue that a multi-party issue requires a multilateral solution. Such fundamentally divergent views have largely contributed to the current stalemate.

China’s rejection of a multilateral solution has undermined its diplomatic relations in the region, which is reflected in two primary ways. First, international censure has increased against perceived Chinese aggression in the SCS. Most recently, the G7 Foreign Ministers’ Declaration on Maritime Security offered harsh criticism of China’s stance there.<sup>28</sup> Secondly, and perhaps most detrimental to China, is the award of the Permanent Court of Arbitration (PCA) in the arbitration initiated by the Philippines against China’s “Nine-Dash Line.”<sup>29</sup> With 14 out of 15 claims judged in the Philippines’ favor, the arbitral tribunal ruled that the Nine-Dash Line is inconsistent with the UN Convention on the Law of the Sea (UNCLOS), and

<sup>27</sup> The DOC provides that ASEAN member states and China shall undertake “to resolve their territorial and jurisdictional disputes by peaceful means, without resorting to the threat of or use of force, through friendly consultations and negotiations.”

<sup>28</sup> G7 Foreign Ministers’ Statement on Maritime Security, April 11, 2016, Hiroshima, Japan, <http://www.dfa.gov.ph/index.php/newsroom/dfa-releases/5955-statement-on-the-g7-foreign-ministers-declaration-on-maritime-security>.

<sup>29</sup> PCA Case No 2013-19: In the Matter of the South China Sea Arbitration before an Arbitral Tribunal Constituted Under Annex VII to the 1982 UNCLOS between the Republic of the Philippines and the People’s Republic of China, <https://pca-cpa.org/wp-content/uploads/sites/175/2016/07/PH-CN-20160712-Award.pdf>.

*China’s assertive military expansion in the SCS, which heightens tensions among claimant states, not to mention endangers economic activities therein, run in contrary with the CCP’s goals.*

*Analysts have likened the bloc to other multilateral institutions like the EU, stressing the absence of substantial mechanisms and undertakings that would facilitate closer political integration and collaboration.*

therefore invalid. As Gregory Poling of the CSIS Asia Maritime Transparency Initiative explained, the arbitration outcome was a “Philippine homerun.”<sup>30</sup> But on the same day, the official Xinhua news agency said that China “does not accept and does not recognize” the ruling. Earlier in November 2015, James Kraska predicted the tribunal ruling, stating it would severely undercut the legitimacy of China’s legal claims to every rock and feature in the SCS.<sup>31</sup> China’s rejection of the tribunal ruling will spur a crisis of sorts in the arena of international law, ultimately forcing its back against a wall. More importantly, the international community will regard China’s future diplomatic efforts as questionable. In his keynote speech at the CSIS South China Sea Conference, U.S. Senator Dan Sullivan (R-AK) said that China’s dismissive rhetoric in reaction to the tribunal will only further isolate itself.<sup>32</sup> The tribunal ruling ushers in an opportunity for China to not reach the “point of no return” in terms of its diplomatic standing by giving it a push toward significantly shifting its foreign policy. Ultimately, unless China readjusts its policy in the SCS now, its self-ascribed image of being a law-abiding member of the international community stands to lose a substantial degree of credibility.

ASEAN has grown wary of China’s delaying tactics. Given the bleak prospects of reaching a COC in the near-term, Southeast Asian claimants have sought probable solutions elsewhere, deepening security cooperation among themselves, and

with the United States and Japan.<sup>33</sup> But despite the stalemate on the COC, this track should be continuously pursued in the true spirit of ASEAN centrality. This is because a less than effective ASEAN — and its multilateralism brand of the “ASEAN Way”<sup>34</sup> — would encourage weaker member states to rely heavily on big powers. It is to the benefit of all major powers in the region to have a strong platform for regional peace, stability, and economic development in the form of the ASEAN, which has proven to have played a key role in doing just that for almost 50 years. Yet the question of ASEAN effectiveness for conflict resolution among member states and third-party actors<sup>35</sup> should not be discounted. Doubts concerning the “ASEAN Way” have beleaguered the organization in the past.<sup>36</sup> Analysts have likened the bloc to other multilateral institutions like the EU, stressing the absence of substantial mechanisms and undertakings that would facilitate closer political integration and collaboration. Similar critiques address ASEAN’s failure to implement “meaningful, region-wide reforms in influencing the behavior of ‘rogue’ states.”<sup>37</sup> There is also the perceived Chinese influence on non-claimant allies, namely Laos and Cambodia, to undermine ASEAN centrality, as happened in Phnom Penh in 2012

<sup>30</sup> Sixth Annual CSIS South China Sea Conference, July 12, 2016.

<sup>31</sup> James Kraska, “A Legal Analysis of the Philippine-China Arbitration Ruling: The ruling offers a glimpse into what to expect in the decision on the merits,” November 2, 2015.

<sup>32</sup> Sixth Annual CSIS South China Sea Conference, Briefing & Senator Dan Sullivan Keynote Speech, July 12, 2016, <https://soundcloud.com/csis-57169780/sixth-annual-csis-south-china-sea-conference-briefing-senator-dan-sullivan-keynote-speech>.

<sup>33</sup> In June 2015, the Philippines and Japan issued a joint declaration on a “Strengthened Strategic Partnership for Advancing the Shared Principles and Goals of Peace, Security, and Growth in the Region and Beyond.” In the same month, Vietnam and the United States inked their “Joint Vision Statement on Defense Relations.” In November 2015, the Philippines and Vietnam signed a “strategic partnership.”

<sup>34</sup> ASEAN model of consultation, consensus, and non-interference.

<sup>35</sup> China is one of ASEAN’s dialogue partners.

<sup>36</sup> Amitav Acharya, *Community in Southeast Asia: ASEAN and the problem of regional order*, Third edition, 2014, New York.

<sup>37</sup> Mark Beeson, *Asymmetrical Regionalism: China, Southeast Asia and Uneven Development*, Springer Science-Business Media B.V., 2010.

and recently in Kunming.<sup>38</sup> China's actions have substantially undermined the ASEAN organization, and thus hurt ASEAN's efforts in the SCS. China must understand that undermining ASEAN makes the individual weaker states more susceptible to outside interference. If Beijing is really serious in its constant call for non-interference by big powers, then it must realize that what it is doing is actually contrary to what China aims to achieve, and counterproductive to ASEAN-China relations.

To move forward, it is imperative for ASEAN to consolidate its ranks, and stand united and stronger as the center for regional cooperation. But, as the Kunming incident would indicate, such a scenario remains unforeseeable in the very near future. For this reason, we must consider an alternative regional framework — one that actively engages all relevant stakeholders especially China — to be more agreeable in pursuing a multilateral solution, including but not limited to the ASEAN-led COC, and therefore one that China must willingly accept for the very reason that its current strategy, or lack thereof, in the SCS no longer serves its interests.

### A New Regional Mechanism

Despite a shared regional interest in stability in the SCS,<sup>39</sup> contrasting national ideologies, domestic policy goals, and security interests have thus far prevented a mutually agreeable solution. This impasse necessitates an alternative regional mechanism that will separate the maritime security concerns from national ideology and domestic policies of the relevant stakeholders. Most importantly, this framework will set aside issues

of sovereignty and territorial disputes that make it hard for claimants to move forward, instead focusing on the means to achieve a common objective: upholding the freedom of navigation and overflight in the SCS, thereby guaranteeing the SCS as a secure sea lane for all economic activity. Furthermore, the new mechanism will not isolate any single country; rather it will necessitate the full cooperation and participation of all relevant parties.

In order to ensure the mechanism is adequately structured while still maintaining the flexibility to adapt to changing contexts, the authors recommend the following three steps: First, all claimant countries must cease any ongoing activities in the SCS such as oil explorations, land reclamations, and, more importantly, any construction with militarization capabilities. Such activities heighten the security considerations of claimant states, increasing the risk of military confrontation, and are therefore the primary cause of rising tensions in the SCS. Second, relevant countries should establish a neutral multilateral coalition, similar to the Combined Maritime Force (CMF), a naval partnership comprised of 31 member nations that promotes security and stability in the international waters around the Strait of Hormuz.<sup>40</sup> Three Coalition Task Force (CTFs) in Africa are under the CMF umbrella, all of which are commanded and staffed by a mix of nationalities from across member states, and rotated approximately every three months. Importantly, the CMF is not bound by a political mandate.<sup>41</sup> This unique structure will help inform the creation of a CTF in the

*Despite a shared regional interest in stability in the SCS, contrasting national ideologies, domestic policy goals, and security interests have thus far prevented a mutually agreeable solution.*

<sup>38</sup> During the ASEAN Foreign Ministers' Meeting in Cambodia in 2012, ASEAN foreign ministers failed to issue a joint communique for the first time in its 45-year history. During the ASEAN-China Special Summit in China on June 14, 2016, an earlier prepared ASEAN foreign ministers' statement on the SCS was retracted from being issued to the media.

<sup>39</sup> Thomas Christensen, *China Challenge*, W.W. Norton & Company, 2015, p 299.

<sup>40</sup> The narrow Strait of Hormuz is considered one of the most strategic straits in the world. Much of the oil from Bahrain, Iran, Iraq, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates passes through its waters in giant ocean-going tankers. Bordered by Iran, Oman's Musandam Peninsula, and the United Arab Emirates, this stretch of water is of obvious military significance, and subsequently, the U.S. Navy and others patrol its waters. <https://combinedmaritimeforce.com>.

<sup>41</sup> Combined Maritime Forces website, <http://combinedmaritimeforces.com>.

*Even if the proposed mechanism set aside territorial issues, Beijing could nonetheless see it as one that would necessitate abandoning its claims to allow other actors to share in the use of water and airspace in the SCS.*

SCS<sup>42</sup> comprised of all claimant states as well as concerned regional partners (i.e. Japan and the United States), who shall all adhere to a neutral agenda. The proposed CTF will focus exclusively on peaceful cooperation through the practical use of and guaranteed access to the SCS. It will not address territorial and political issues. If achieved, the successful detachment of politics from the collaborative process would signal a degree of “victory” among concerned states in the SCS. To paraphrase political scientist Joseph Nye, the process could help moderation evolve.<sup>43</sup>

Third, as a direct extension of the previous step, the proposed CTF should conduct joint air and naval patrols similar to the United States’ “freedom of navigation operations” (FONOPs)<sup>44</sup> in the SCS. To this effect, Patrick Cronin’s testimony before the U.S. Congress on “America’s Role in the SCS” offers valuable advice. He suggested periodic air and sea patrols in the SCS, both to observe ongoing developments up-close and to build response capacity to traditional and non-traditional threats.<sup>45</sup> Such patrols could also effectively monitor other threats like sea piracy,<sup>46</sup> smuggling, and natural disasters, and thus lower the risks of maritime incidents, miscalculations, and conflict. As such, the proposed mechanism should be desirable to

<sup>42</sup> As CMS’s leadership is fixed, the authors propose a CTF-like mechanism in the SCS rather than a CMF.

<sup>43</sup> Original quote: “moderation evolves from the process.” Joseph S. Nye, Jr., *Understanding International Conflicts: An introduction to Theory and History*, sixth edition (PEARSON Longman 2007).

<sup>44</sup> The United States conducted FONOPs twice in the SCS (Oct 2015 and January 2016).

<sup>45</sup> Patrick Cronin, “Testimony before the House Committee on Foreign Affairs, Subcommittee on Asia and the Pacific, America’s Security Role in the South China Sea,” July 23, 2015.

<sup>46</sup> According to annual report of ReCAAP, a total of 200 pirates incidents were reported in 2015; there were none in the Gulf of Aden. This hugely affects sea lane traffic through the SCS. Annual report of ReCAAP, [http://www.recaap.org/Desktop-Modules/Bring2mind/DMX/Download.aspx?Command=Core\\_Download&EntryId=421&PortalId=0&TabId=78](http://www.recaap.org/Desktop-Modules/Bring2mind/DMX/Download.aspx?Command=Core_Download&EntryId=421&PortalId=0&TabId=78).

China, which has very recently begun to embrace confidence-building measures (CBM) to avoid dangerous incidents at sea.<sup>47</sup> Chinese Ambassador to the United States Cui Tiankai confirmed this by saying that China should increase CBM in the SCS.<sup>48</sup> Extremely important here is that joint patrols must always adhere to international laws, rules, and norms (i.e. UNCLOS). Furthermore, when regularly rotated among member states, joint patrols will promote a sense of collective responsibility and foster more equitable burden-sharing. All relevant actors will develop a greater stake in promoting rule of law in the SCS, rather than the prevailing, unruly scenarios that China’s unilateral and aggressive actions have created.

### Helping China Reconsider

Despite its promise, Beijing may want to reject the arrangement to guard its “indisputable sovereignty” claims. Even if the proposed mechanism set aside territorial issues, Beijing could nonetheless see it as one that would necessitate abandoning its claims to allow other actors to share in the use of water and airspace in the SCS. Chinese hardliners’ use of the Nine-Dash Line claim and militarization of features in the SCS in stirring national sentiment and bolstering regime legitimacy for the CCP would point to such an outcome. But, as Feng Zhang puts it, “in reality, it’s not at all clear that China itself really knows what it wants to achieve in the SCS,” suggesting that beyond the hardliners, the rest of China’s stance “has not hardened yet, and is thus

<sup>47</sup> Ashley Townshend and Rory Medcalf, *Shifting waters: China’s new passive assertiveness in Asian maritime security*, Lowy Institute for International Policy, April 29, 2016, [http://www.lowyinstitute.org/publications/shifting-waters-chinas-new-passive-assertiveness-asian-maritime-security\\_-\\_edn54](http://www.lowyinstitute.org/publications/shifting-waters-chinas-new-passive-assertiveness-asian-maritime-security_-_edn54).

<sup>48</sup> China’s response to the South China Sea Arbitration Ruling, Speech at the Sixth Annual CSIS South China Sea Conference, <https://www.csis.org/events/chinas-response-south-china-sea-arbitration-ruling>.



malleable.”<sup>49</sup> Moreover, with the arbitral tribunal ruling in China’s lap now, and given its impact on its foreign policy, Beijing is in no better position to reject any regional efforts, at the very least to de-escalate tensions. The proposed mechanism can even serve China. Beijing can take it as a significant step toward renewing negotiations with ASEAN and settle the issues with the SCS claimants, allowing it to save face by “taking account of the arbitral tribunal decision without formally mentioning it.”<sup>50</sup> Additionally, it could serve as an impetus for Beijing’s clarifications of its policy goals, thus reassuring its neighbors of non-military provocations in the SCS. If the statement of Chinese Premier Li Keqiang at the East Asian Summit in 2015 were to be taken as Beijing’s posture in the SCS, it should be clear that “China does not want the SCS to become a source of tension for the region,” and is ready to work with regional partners “to maintain the freedom of navigation and overflight.” He went on to assure the international community that the SCS is a free shipping lane for trade, and thus states should “stick to non-militarization.”<sup>51</sup>

A peaceful, secure, and stable SCS serves the interests of all relevant actors in the Asia-Pacific. No nation, through militarization or alternative means, should unilaterally alter the integral order of the SCS. China should therefore reconsider the implications of its assertiveness in the

contested waters. China’s leaders must recognize the unsustainability of its current military trajectory, which has served to alienate the country diplomatically. It must transition away from aggressive expansionism to a strategy that actually promotes an “all-round well-off society” for China. Otherwise, China risks the same fate as Japan following the 1930s Manchuria dispute — isolation from the international community and heavy casualties from war.<sup>52</sup> Before the current crisis reaches a “point of no return,” it is imperative that regional actors adopt a new multilateral framework that addresses the inadequacies of ASEAN. Doing so will constitute a “victory” for participants in the Asia-Pacific, one that will extend China an olive branch to deepen its engagement with concerned states, mutually resolve territorial disputes, halt “militarization” in contested waters, and collectively safeguard the freedom of navigation and overflight in the SCS.

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<sup>49</sup> Feng Zhang, “The Fight Inside China Over the South China Sea,” *Foreign Policy*, June 23, 2016, <https://foreignpolicy.com/2016/06/23/the-fight-inside-china-over-the-south-china-sea-beijing-divided-three-camps/>.

<sup>50</sup> Jerome A. Cohen, “Is there a way for Beijing to save face after the South China Sea arbitration ruling?,” *South China Morning Post*, June 15, 2016, [http://www.scmp.com/comment/insight-opinion/article/1975070/there-way-beijing-save-face-after-south-china-sea?utm\\_source&utm\\_medium&utm\\_campaign=SCMPSocialNewsfeed](http://www.scmp.com/comment/insight-opinion/article/1975070/there-way-beijing-save-face-after-south-china-sea?utm_source&utm_medium&utm_campaign=SCMPSocialNewsfeed).

<sup>51</sup> Statement of Chinese Prime Minister Li Keqiang at the 10th East Asian Summit, Kuala Lumpur, Malaysia, November 22, 2015.

<sup>52</sup> Morishima Goro and Yanai Tsuneo, *Nihon Gaikou Shi Dai 18 Kan Manshu Jihen* [Japanese History of Diplomacy Vol. 18 the Manchurian Incident], June 30, 1973, Kashimaheiwaken-nkyuusho.



# 4 Hedging Against Strategic Rift

Lisa Picheny and Dominik Wullers

*European countries lack a common strategic picture and threat assessment, which would be a prerequisite for a meaningful common policy agenda.*

## Introduction

The Asia-Pacific is not at the forefront of European political and security priorities. The pressure of immediate, existential challenges from Brexit and the migration crisis to the standoff with Russia and the threat of radicalization and terrorism seem to leave European leaders unable to take a more global strategic outlook. Yet there is a striking parallel between Russia's revisionism in Europe and China's assertive behavior in the South China Sea.

The future of the rules-based international order is being played out not only in Europe's immediate neighborhood but also in Asia-Pacific. Europeans must accept that they cannot escape geopolitical realities in the Asia-Pacific, and the United States must actively support a more strategic European presence in that region. However, this will only be realistic if both sides acknowledge where their approaches and interests differ, and identify the core elements on which they can unite. In order to hedge against the dangers of strategic rift between the United States and Europe over their respective policies toward the Asia-Pacific, both have an interest in fostering a more strategic and security-focused European approach to the region, underpinned by the development of stronger defense ties between European and Asian stakeholders through bilateral and multilateral tracks.

## Europe: Without a Common Threat Perception and Strategic View

Europe's relations with Asia-Pacific countries have been mainly shaped by economic interests; the rapid development of trade and economic ties has not been matched by an expansion of political and security links. Save for France, which has strong defense partnerships in Asia, European security involvement in the region is often seen exclusively

through the lens of expanding defense industry cooperation.

Economic partnerships between the EU and a number of countries in the Asia-Pacific have made strides, especially on bilateral trade deals. With the creation of the European Union External Action Service (EEAS) in 2010, there have been important efforts toward a more comprehensive approach, as illustrated by the establishment of strategic partnerships.<sup>1</sup> In practice however, these have not included a significant defense/military dimension.<sup>2</sup>

For decades, Europeans have formulated their security interests in the region in general terms of political and economic stability and open and secure sea lanes and lines of communication without identifying specific strategic interests and challenges. As a result, European countries lack a common strategic picture and threat assessment, which would be a prerequisite for a meaningful common policy agenda. The general perception among European, but also Asian, stakeholders is that Europe lacks hard power in Asia, and has been reluctant to use trade policy, its only tangible lever, for political impact.<sup>3</sup> As a result, it has been difficult for the EU to paint itself as a coherent and influential geopolitical actor in Asia, despite notable efforts by the EEAS under High Representative of the European Union for Foreign Affairs and

<sup>1</sup> Among the ten strategic partnerships the EU has developed over the last decade, four are with Asia-Pacific countries: China, India, Japan, and South Korea.

<sup>2</sup> For instance, the lack of a defense attaché position within EU delegations clearly limits the ability of the EEAS to engage with ministries of defense in partner countries.

<sup>3</sup> EEAS Report, "The European Union in a changing global environment," June 2015.

Security Policy and Vice-President of the European Commission Federica Mogherini.<sup>4</sup>

Finally, deepening political divisions within the EU are further weakening its ability to project itself as a global actor. With Brexit, the EU is losing a significant amount of military power and its second largest national diplomatic network. When it comes to Asia particularly, the U.K. has been a major player in shaping EU policies, and the Brexit negotiations will undoubtedly undermine the EU's ability to implement a "politically rounded approach to Asia" as envisioned by the June 2016 EU Global Strategy.

#### **United States: Balancing Economic and Strategic Interests**

The United States, in contrast, is clearly a key power in Asia, but it has its own strategic complications. Washington's relationship with China remains ambiguous.<sup>5</sup> With the so-called "pivot" to Asia, the United States confirmed China's status as a potential challenger to U.S. hegemony in the region. At the same time, U.S.-Chinese economic cooperation and interdependence has increased.

Indeed, China is an important economic partner of the United States. The overall trade volume with China is 60 percent larger than that with Japan, South Korea, and Taiwan combined: \$598.1 billion versus a combined \$375.5 billion in 2015. China is also the largest foreign holder of U.S. debt at \$1.25 trillion<sup>6</sup>; at the same time, Chinese investment

in the United States is rapidly increasing.<sup>7</sup> The perceived importance of this economic relationship and the disastrous effects of a potential confrontation have highlighted the need to balance economic interdependence with geo-strategic cooperation, with calls for a G2-style relationship.<sup>8</sup> On the other hand, the United States perceives China not only as an economic partner but also a strategic rival. Increased Chinese Anti-Access/Area Denial capabilities pose a considerable and growing threat to U.S. power projection abilities in the Asia-Pacific and effectively challenge the regional status quo.

Recent developments in the East and South China Seas, ranging from naval skirmishes to land reclamation activities, are the immediate symptoms of Chinese ambitions to alter the status quo of U.S. regional preponderance. As a result, the United States has increased military cooperation with countries in the region and urges its regional allies to increase their share of the military burden, strengthen their own military capabilities, and step up their regional presence.

#### **The Real Risks of Transatlantic Rift**

It no longer seems farfetched that territorial disputes could escalate into a regional conflict. Chinese claims over several contested islands in the South China Sea have heightened tensions with its neighbors, some of whose geographical integrity the United States has promised to defend.<sup>9</sup> Recent U.S. Freedom of Navigation operations and Chinese responses have also highlighted the

*The Brexit negotiations will undoubtedly undermine the EU's ability to implement a "politically rounded approach to Asia" as envisioned by the June 2016 EU Global Strategy.*

<sup>4</sup> During her first year in office, Mogherini paid five visits to Asia, attending three bilateral summits with Asian partners, the ASEAN Regional Forum in Kuala Lumpur, and the Shangri-La dialogue where she emphasized that the EU is "not only an economic actor but also a defense and security community."

<sup>5</sup> US National Military Strategy 2015: "We support China's rise and encourage it to become a partner for greater international security. However, China's actions are adding tension to the Asia Pacific region."

<sup>6</sup> <http://ticdata.treasury.gov/Publish/mfh.txt>.

<sup>7</sup> [www.wsj.com/articles/china-investment-in-u-s-economy-set-for-record-but-political-concerns-grow-1460422802](http://www.wsj.com/articles/china-investment-in-u-s-economy-set-for-record-but-political-concerns-grow-1460422802).

<sup>8</sup> <http://www.ft.com/cms/s/0/d99369b8-e178-11dd-afa0-0000779fd2ac.html> - axzz49f0Squ8.

<sup>9</sup> In the Japanese-Chinese conflict over the Senkaku Islands, for example, the United States has repeatedly confirmed that they stand by their military commitment to defend Japan against external threats and that they see the Senkaku Islands as part of Japan.

*It is unlikely that the U.K., France, or Germany would support the mobilization of credible political and economic pressure, including sanctions, in a limited crisis where their interests are not directly threatened.*

risk of miscalculation and unintentional military escalation in the South China Sea.<sup>10</sup>

In light of this, the United States and its allies need to be able to mobilize a broad and plausible array of instruments to respond to China's assertive moves. Economic pressure, and sanctions in particular, present a third option between diplomacy and military action. The credible threat that they could be employed greatly increases U.S. strategic options. In the current context however, there is a striking gap between response scenarios in the case of a direct military confrontation (where Europe would undoubtedly side with the United States) and in a more limited/hybrid crisis scenario that would fall below the threshold of direct conflict. It is unlikely that the U.K., France, or Germany would support the mobilization of credible political and economic pressure, including sanctions, in a limited crisis where their interests are not directly threatened. Instead, Europeans might even try to benefit from U.S. sanctions and step in as a less politically involved economic partner to China.

The recent political fallout surrounding the Chinese-led Asian Infrastructure Investment Bank (AIIB) was a vivid illustration of the lack of transatlantic dialogue — but also of intra-European coordination — when it comes to responding to strategic moves by China. The adoption of differentiated strategies in Washington and in European capitals is not in itself preoccupying; however, the AIIB debate highlighted a dire lack of clarity among Europeans about their interests and strategy, resulting in a major missed opportunity. A

<sup>10</sup> <http://www.cnbc.com/2016/05/18/pentagon-accuses-chinese-jets-of-unsafe-intercept-of-us-military-plane-over-south-china-sea.html>.

differentiated but well-calculated approach could have led to significant diplomatic gains.<sup>11</sup>

The recent crisis with Russia has demonstrated the importance of mobilizing the full spectrum of responses, from trade sanctions to military buildup, but also of being able to uphold transatlantic and intra-European unity.<sup>12</sup> In the case of China, the perceived lack of unity and resolve can be self-defeating. Europeans need to be prepared to address the contingency of a crisis with China — and more transatlantic coherence is needed.

### **Making the Asia-Pacific Strategic for Europe**

The current context appears to offer a window of opportunity for Europe to recalibrate its approach to the Asia-Pacific. The Ukraine crisis has arguably led European nations to “rediscover” geopolitics, which has made them increasingly aware of the developments in the South China Sea and the challenges being posed to the rules-based international order there.

The debate surrounding freedom of navigation is thus taking on a larger dimension from a European perspective: European stakeholders see that their vital interests are at stake not only from an economic perspective, but also in global or strategic terms. As such, freedom of navigation can form a point of convergence between the U.S. and

<sup>11</sup> In April 2015, the European Political Strategy Centre noted that a coordinated accession of EU institutions into the AIIB “could be linked and leveraged with other EU initiatives – from the negotiation of China’s participation in European Fund for Strategic Investment to an EU-China bilateral investment.” Source: [http://ec.europa.eu/epsc/publications/notes/sn1\\_en.htm](http://ec.europa.eu/epsc/publications/notes/sn1_en.htm).

<sup>12</sup> Stephen Szabo, “Holding the West Together Over Russia,” Transatlantic Take, May 17, 2016, [www.gmfus.org/blog/2016/05/17/holding-west-together-over-russia](http://www.gmfus.org/blog/2016/05/17/holding-west-together-over-russia): “There has, in fact, been a transatlantic division of labor between a geo-economic Europe, with its much larger economic and energy stake in its relationship with Russia, and an America that has used the weight of its military power to reassure its European allies and bolster deterrence.”

European approaches to the region, and contribute to bridging the gap in perceptions and strategies.

The transition to a new U.S. administration provides an opportunity to rethink the articulation between the U.S. pivot and the evolution of Europe's strategic outlook. This is not about alignment, but rather about identifying the core elements on which Europe and the United States can converge. To do so, Europeans and Americans should give greater prominence to the Asia-Pacific on the transatlantic agenda. Earlier efforts to coordinate U.S. and EU policies should be revived.<sup>13</sup> In addition, and in light of the difficult EU context, more attention could be paid to NATO as a framework for EU-U.S. and future EU-U.S.-U.K. policy coordination, leveraging the Alliance's partnerships with Asia-Pacific countries<sup>14</sup> to foster mutual situational awareness on security issues in the region, through more regular political interaction with these partners and more discussion among the NATO Allies on common challenges in the region.

### **Strengthening Europe's Political and Security Links with the Asia-Pacific Region**

Beyond the need for better transatlantic coordination, a growing challenge for Europe is to convince stakeholders in the Asia-Pacific region of its relevance not only as an economic partner but also as a strategic interlocutor. Japan, Indonesia, and others are increasingly wary of European nations' perceived inability to balance the weight of their economic interdependence with China. In this perspective, a multilateral approach is relevant to strengthen political and security links between European and Asian countries, leveraging the experience gained through the European

integration process. In that regard the recently published EU Global Strategy is a strong signal that Europe is moving forward in the direction of a joint strategic approach.

The European Union's added value lies in its comprehensive approach to foreign and defense policy, which encompasses both traditional and non-traditional security issues and puts emphasis on the promotion of "effective multilateralism."<sup>15</sup> The EU should engage more with ASEAN, and could specifically support the extension of the security and defense agenda of this organization.<sup>16</sup> In addition, the United States, which has made clear it is prioritizing the East Asia Summit (EAS) as "the region's premier, leader-led forum for strategic discussions of political and security issues,"<sup>17</sup> should support the EU's bid for observer/member status in the EAS.

The overall benefit of an increased European presence in these regional fora would be multifold: clarify and communicate the EU's strategic interests, demonstrate the coherence of the EU's policies (particularly between trade and defense), strengthen mutual situational awareness, build confidence, and reassure Asian middle powers about Europe's perceived courting of China. It would also enable the Europeans to offer a coordinated response to China's new foreign policy activism and flurry of infrastructure and connectivity initiatives.

These fora should particularly enable the EU to signal its stake in upholding the rules-based

*The European Union's added value lies in its comprehensive approach to foreign and defense policy, which encompasses both traditional and non-traditional security issues and puts emphasis on the promotion of "effective multilateralism."*

<sup>13</sup> Such as the U.S.-EU Statement on the Asia-Pacific Region issued in July 2012.

<sup>14</sup> Over the past decade, NATO has established formal partnerships with Japan, the Republic of Korea, Australia, and New Zealand.

<sup>15</sup> Frederica Mogherini, "Conference: Towards an EU Global Strategy," April 22, 2016: "We must strengthen regional orders.. In the long run, a network of bilateral, trilateral, sub-regional and regional organisations can be the best base for a more cooperative global order."

<sup>16</sup> The EU Global Strategy, released in June 2016, mentions the EU's support to "an ASEAN-led regional security architecture."

<sup>17</sup> <http://www.state.gov/p/eap/rls/rm/2015/12/250315.htm>.

*Non-traditional security areas offer significant opportunities to set up cooperation mechanisms with tangible results, which in turn help build confidence and foster multilateral approaches in addressing common challenges.*

international order. The relatively low-key European reaction to the ruling by the Permanent Court of Arbitration on the case brought by the Philippines against China<sup>18</sup> illustrates the need for the EU to give credibility to its principled policy. This credibility is based on more robustly supporting the ASEAN proposal for a binding Code of Conduct in the South China Sea<sup>19</sup> but also highlighting Europe's stake in the United Nations Convention on the Law of the Sea (UNCLOS) – an area where the EU can have a single voice, distinct from that of the United States.<sup>20</sup> The EU could also leverage its member states' participation in the AIIB to effectively ensure this institution will follow international norms.<sup>21</sup>

#### **Anchoring Europe's Security Approach to the Asia-Pacific through Functional Cooperation**

To be sustained, renewed political emphasis needs to be underpinned by concrete cooperation projects that will help develop a functional relationship between European and Asian stakeholders. The proposals listed below, ranging from soft to hard security areas, could provide avenues to step up multilateral security cooperation with Asia-Pacific countries in an inclusive but differentiated manner,

thereby avoiding a confrontational approach to China.<sup>22</sup>

Non-traditional security areas offer significant opportunities to set up cooperation mechanisms with tangible results, which in turn help build confidence and foster multilateral approaches in addressing common challenges. Among these, the following areas have emerged as particularly relevant and cross-cutting for Europe and the Asia-Pacific region:

- Cyber security is a global issue with major security implications, particularly in the Asia-Pacific context. Further development of global norms in this space is essential, and has been taken forward through inclusive platforms for dialogue including the UN Group of Experts and the Global Conference on Cyberspace. Recognizing the variety of approaches to cyber security, Europe and its Asian partners have an interest in developing common approaches to cyberspace governance.
- The increased occurrence of natural and human-made disasters in the Asia-Pacific has highlighted the crucial importance to improve regional disaster management coordination. Europeans have a wealth of experience that could be relevant in an Asian context; increased cooperation could be envisaged through more active European involvement in ASEAN Regional Forum Disaster Relief exercises<sup>23</sup>.
- Coordinated international response to climate change has been given prominence in the

<sup>18</sup> Contrary to the U.S. official reaction, the statement issued by Mogherini on July 15 acknowledges the ruling but does not specifically call for China to uphold the decision.

<sup>19</sup> Mogherini's statement on March 11, 2016, reiterated in her July 15 statement, points in this direction: "The EU ... is looking forward to a swift conclusion of the talks on a 'Code of Conduct' [and] reiterates its offer to share best practices on maritime security."

<sup>20</sup> The United States, contrary to the EU, has not ratified UNCLOS.

<sup>21</sup> This is implicitly referenced in the June 2016 Joint Communication by the European Commission and the EEAS on "Elements for a new EU strategy on China," which underlines the need to "ensure that new initiatives meet global standards."

<sup>22</sup> The June 2016 Joint Communication by the European Commission and the EEAS on "Elements for a new EU strategy on China" underlines the importance of adopting an inclusive approach, engaging China in a number of policy areas including those discussed in this paper.

<sup>23</sup> The EU has taken part in previous ARF Disaster Relief exercises but this participation could be expanded.



aftermath of the COP21 talks in Paris. There is mounting pressure on all parties to deliver on the implementation of the agreement and international cooperation will be essential in this regard. The EU has untapped potential for cooperation with Asian stakeholders;<sup>24</sup> in order to remain relevant, it will need to partner with Asian countries to foster joint technology development and manage trade tensions related to renewables technologies.<sup>25</sup>

When it comes to hard security, challenges for making Europe a relevant military player in the Asia-Pacific are manifold. European navies have reduced power projection capabilities, lack access to overseas infrastructure and forward operating bases, and lack efficient coordination mechanisms. Brexit will even further decrease and weaken the European position in this context, increasing the need for other large European countries such as Germany to invest more in their underdeveloped naval capabilities. That being said, there are a number of steps that could be taken, both bilaterally and multilaterally, to increase Europe's hard security profile in the region:

- First, the lessons learned from international cooperation in the fight against piracy in the Indian Ocean, especially in the framework of the EU- and NATO-led maritime operations, could be leveraged to support the Malacca Straits Patrol and other regional anti-piracy efforts, sharing best practices and encouraging regional coordination mechanisms.
- European nations could also leverage their experience in multinational research and

procurement to facilitate and support ASEAN joint defense projects, but also to encourage procurement of European defense technology by Asian nations, to increase interoperability and strengthen the declining European defense industry.

- Increased European presence during multilateral naval exercises in the Asia-Pacific could be encouraged by the United States, with a view to increasing interoperability between its European and Asian allies and partners.
- Finally, European navies could support freedom of navigation maneuvers to demonstrate Europe's commitment to the principles of the international rules-based order, as proposed by French Defense Minister Le Drian in his June 2016 speech at the Shangri-La Dialogue.

### Engaging Europe in Asia

Europe is certainly not pivoting to Asia — it is too busy with challenges in its immediate neighborhood and too divided to think or act globally. However, there is a growing realization that Europe needs a strategically balanced Asia-Pacific and that all regional players need Europe to keep the balance. Europe increasingly depends on the Asia-Pacific, and is therefore necessarily interested in a stable and balanced region. From the regional view, Europe offers key economic perspectives, potential for increased security cooperation, and a history of multilateralism. Finally, the United States, as the third side in this relationship, requires European support to mobilize a larger toolset when responding to regional crises.

In order to hedge against a strategic rift, the United States and Europe need to increase their efforts to make Europe a relevant player in the Asia-Pacific, by demonstrating that Europe's unique experiment in multinational defense and security cooperation,

*There is a growing realization that Europe needs a strategically balanced Asia-Pacific and that all regional players need Europe to keep the balance.*

<sup>24</sup> Environmental cooperation already featured in the 2001 EU Asia strategy, and the EU implemented a partnership on climate change with China in 2005 – although this cooperation track was jeopardized by a major trade dispute over solar panels in 2013.

<sup>25</sup> LSE Ideas Special Report, “Changing Waters: Towards a new EU Asia Strategy,” April 2016.



however fragile, can have a positive and substantial geopolitical and geostrategic impact in Asia.

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# 5

## The Limits of Middle Powers in the Asia Pacific Order Transition

Raditya M. Kusumaningprang

### Introduction

We are at a critical juncture in world history. After three centuries of asymmetrical power relations between the West and Asia, started by the Industrial Revolution, a reversing shift in global power is underway. Fueled by modernization and industrialization, East Asian countries are currently some of the most important economies in the world, including some of the world's largest trading nations and important creditors to the world economy.<sup>1</sup> At the center of this process is China's rise, which has served as a catalyst for what has been called the "Asian Century."

Despite economic integration and interdependence, uncertainties loom large and levels of distrust among states are profound. Strategic distrust is deeply ingrained in East Asian countries, built on historical animosity, and feeding nationalism and even an inclination towards chauvinism.<sup>2</sup>

Uncertainties resulting from Beijing and Washington's rivalry for primacy in the region only worsen distrust and nationalism. Despite its assertive behavior, many question China's true intentions: will it be a revisionist power that aims to overthrow the current regional order, or will it continue to support the status quo that it has arguably benefited from?<sup>3</sup> At the same time, Asian leaders worry about Washington's resolve and political will to follow through on its commitments in the region.<sup>4</sup>

At the center of these dynamics are middle powers, "states that can protect their core interests and initiate or lead a change in a specific aspect of the existing international order."<sup>5</sup> In today's complex regional security landscape, the management of the regional order should not be left to the hands of great powers alone. Middle powers need to assert themselves and play a more active role to ensure the maintenance of a stable and enduring regional order. To do so successfully, they need greater capabilities, credibility, and a bit of chance.

### Uncertainties and Dilemmas

In recent years, Beijing has launched multiple initiatives that, on their own, are rather harmless, but taken together may have major strategic implications. To many scholars and strategists, Beijing's salami slicing strategy, in the maritime domain and elsewhere, is regarded as revisionist and as intended to gain regional hegemony or at least serve as a counter-containment strategy.<sup>6</sup> In this analysis, Beijing is not directly challenging the current regional order, but is instead trying to create new platforms from which to assert better control or influence. These platforms range from the economic and finance sector, to socio-cultural and political-military realms. In the longer term, these may lead to a power transition in the international system.

In the economic sector, China is battling Washington's attempt to set the rules of commerce and trade in the Pacific through its support of the Association of Southeast Asian Nations' (ASEAN's) Regional Comprehensive Economic Cooperation

*At the center of these dynamics are middle powers, "states that can protect their core interests and initiate or lead a change in a specific aspect of the existing international order."*

<sup>1</sup> The World Bank, 2010, World Development Report 2010.

<sup>2</sup> Jean-Pierre Lehmann, "Nationalism Rises in Northeast Asia," YaleGlobal, January 4, 2013, <http://yaleglobal.yale.edu/content/nationalism-rises-northeast-asia>.

<sup>3</sup> Aaron L. Friedberg, "Ripe for Rivalry: Prospects for Peace in a Multipolar Asia," *International Security*, Vol. 18, No. 3, Winter 1993/94, pp. 5-33.

<sup>4</sup> *The American Interest*, "A World Without America," May 25, 2016, <http://www.the-american-interest.com/2016/05/24/asian-distrust-of-u-s-undermines-obamas-pivot/>.

<sup>5</sup> Andrew Carr, "Is Australia a middle power? A systemic impact approach," *Australian Journal of International Affairs*, Vol. 68, No. 1, pp 70-84.

<sup>6</sup> Brahma Chellaney, "Upholding the Asian Order," Project Syndicate, January 22, 2016, <https://www.project-syndicate.org/commentary/asian-powers-cooperation-for-regional-order-by-brahma-chellaney-2016-01>.

*China's assertive behavior is most notable in its activities in the East and South China Sea...It is clear that Beijing is becoming more willing and able to defend what it perceives to be its national interests.*

(RCEP).<sup>7</sup> The RCEP is intended to harmonize trade-related rules, investment, and competition among ASEAN and its trading partners. In contrast, the United States has successfully led 11 other Pacific countries to conclude the comprehensive and high standard Trans Pacific Partnership (TPP) agreement, though it has not yet been implemented, and its future is unclear. Arguably both frameworks were developed with the other one in mind, each trying to construct the most attractive framework in terms of membership and ambitions. And as the most important region today, any trade agreement template implemented in the Asia Pacific will have an impact globally.

In the finance sector, China is contesting U.S. predominance in the world financial system through the establishment of the Asian Infrastructure Investment Bank (AIIB).<sup>8</sup> China has even managed to gain the support of many traditional U.S. allies and members of the G7. In this particular case, the United States is not without fault; the failure of the administration of U.S. President Barack Obama to push the International Monetary Fund (IMF) voting reform provision through Congress, which would have adjusted China's voting rights at the IMF to make them commensurate with its current economic size, may have in part triggered China's initiative.<sup>9</sup>

China has also embarked on two ambitious projects, the Silk Road Economic Belt and the 21<sup>st</sup> Century Maritime Silk Road, known together as the One Belt, One Road (OBOR) project. These

initiatives are aimed at improving trade and infrastructure and connectivity between China, Europe, and South East Asia through Central and Western Asia as well as Africa, in essence recreating the traditional Silk Road. The intended benefit of this project is two-fold: it would provide Beijing with greater access to natural resources and export markets, while at the same time recreating socio-cultural connectivity with China's neighbors and partners to balance the negative perceptions of its assertiveness.<sup>10</sup>

China's assertive behavior is most notable in its activities in the East and South China Sea. From the land reclamation and subsequent militarization on disputed features in the South China Sea, to the unilateral declaration of an Air Defense Identification Zone (ADIZ) over the disputed waters in the East China Sea, it is clear that Beijing is becoming more willing and able to defend what it perceives to be its national interests.<sup>11</sup>

### Current Prescription

China's rise and the subsequent uncertainties have drawn much attention from scholars and strategists. Their analyses are diverse and are mostly divided along the lines of their theoretical assumptions on China's intentions and core interests. Offensive realists have a pessimistic view of China's intentions. They argue that as a rising power, China would seek to dominate the region and replace the United States' hegemony. As such, they have been staunch supporters of a balancing policy to contain or at least deter China.<sup>12</sup>

<sup>7</sup> Gordon G. Chang, "TPP vs. RCEP: America and China Battle for Control of Pacific Trade," National Interest, October 6, 2015, <http://nationalinterest.org/feature/tpp-vs-rcep-america-china-battle-control-pacific-trade-14021>.

<sup>8</sup> Jin Kai, "The AIIB: China's Just Getting Started," *The Diplomat*, March 20, 2015, <http://thediplomat.com/2015/03/the-aiib-chinas-just-getting-started/>.

<sup>9</sup> Anna Yukhananov, "U.S. Congress closes out year without reforms," Reuters, December 10, 2014, <http://www.reuters.com/article/us-usa-congress-imf-idUSKBN0JO1UC20141211>.

<sup>10</sup> Zheng Wang, "China's Alternative Diplomacy," *The Diplomat*, January 30, 2015, <http://thediplomat.com/2015/01/chinas-alternative-diplomacy/>.

<sup>11</sup> Ryan Martinson, "A Salt Water Perspective on China's New Military Strategy," *Real Clear Defense*, June 2, 2015, [http://www.realcleardefense.com/articles/2015/06/02/a\\_salt\\_water\\_perspective\\_on\\_chinas\\_new\\_military\\_strategy\\_107997.html](http://www.realcleardefense.com/articles/2015/06/02/a_salt_water_perspective_on_chinas_new_military_strategy_107997.html).

<sup>12</sup> John Mearsheimer, *The Tragedy of Great Power Politics* (New York: Norton, 2001).

Alternatively, liberal institutionalists are slightly more optimistic in their reflections on China's rise. They contend that the United States could potentially maintain its position in the international system if China's ascent could be accommodated in the rules-based international order. China's deep integration into the system would make it hard to overturn, thus ensuring the order's maintenance beyond the United States' dominance.<sup>13</sup>

### The Middle Power Alternative

Most policy prescriptions to manage the challenges of a rising China and multipolar Asia focus on the role of major powers. Small and middle powers are often sidelined as "policy-takers." Yet, major powers are having difficulties proposing and convincing each other of their preferred means of managing regional order.

While China's behavior and motives are questionable, its sheer economic size and growth could be beneficial to regional economies. Countries/governments who seek such economic boons or are supporting some of Beijing's initiatives are not necessarily acquiescing to a Sino-centric regional order. Similarly, while U.S. engagement in the region has ensured stability for decades and is widely appreciated, Washington's actions can also lead to instability and its sustained commitment to the region has been brought into question. Again, welcoming the United States' pivot to Asia re-engagement should not be seen as consent for continued U.S.-led order.<sup>14</sup>

Today's Asia consists of several major powers and multiple middle powers. The dynamics are different from when Asia consisted of weak states. A stable

and lasting order would need the support and involvement of middle powers from its inception.

The concept of middle powers has been in existence for centuries, yet its definition is still widely debated. Three main approaches are commonly used to define middle powers, positional, behavioral, or functional. The positional approach attaches great importance to physical attributes of states such as its population, GDP, military size, and defense spending vis-à-vis great powers and smaller states. The behavioral approach identifies middle powers by their tendency to pursue multilateral solutions, through bridge-building, pro-multipolarity, and a rules-based approach. The functional approach regards middle powers as states that are able to influence certain areas in international relations.<sup>15</sup>

According to these definitions, most countries in Asia could be considered middle powers, except, of course, China. Building on the work of Robert Keohane, Andrew Carr proposes an alternative systemic impact approach to define middle power as "states that can protect their core interests and initiate or lead a change in a specific aspect of the existing international order."<sup>16</sup> Carr's definition limits further the number of countries within middle power classifications to Australia, Indonesia, South Korea, and, to even more capable India and Japan.

Though sharing democratic credentials, these countries vary in economic strength, geographical size, cultural heritage, and, most importantly, in their diplomatic and military approach. Australia, South Korea, and Japan are U.S. allies whereas India and Indonesia are proponents of the non-aligned

*While U.S. engagement in the region has ensured stability for decades and is widely appreciated, Washington's actions can also lead to instability and its sustained commitment to the region has been brought into question.*

<sup>13</sup> G. John Ikenberry, "The Rise of China and the Future of the West; Can the Liberal System Survive?," *Foreign Affairs*, Vol. 87, Issue 1, Jan/Feb 2008, pp. 23-37.

<sup>14</sup> Evan Laksmana, "Bracing for the game of thrones in Asia's future," *The Jakarta Post*, November 19, 2011.

<sup>15</sup> Dong-Min Shin, "A Critical Review of the Concept of Middle Power," *E-International Relations*, December 4, 2015, <http://www.e-ir.info/2015/12/04/a-critical-review-of-the-concept-of-middle-power/>.

<sup>16</sup> Andrew Carr, *ibid*.

*To withstand pressure and maintain foreign policy independence, Asian middle powers would need to further modernize and increase their military capabilities.*

movement, although India has more recently shown the tendency to lean toward the United States.<sup>17</sup> This diversity would make it hard, but not impossible, for them to agree on a common platform and interest such as the maintenance of a rules-based regional order instead of a power-based order.

Middle powers' hierarchical position in the international system makes it easier for their initiatives and proposals to be accepted by major powers, smaller powers, and even non-state actors. This acceptability reflects their tendency to pursue multilateral solutions to international problems, thus representing more than their narrow self-interests in global or regional affairs.<sup>18</sup>

**How Can Middle Powers Succeed?**

Major powers are endowed with a larger range of material and ideational capabilities in their arsenal and therefore far more likely to exert their influence, and be successful, in shaping the regional order. If middle powers want to successfully participate in reshaping the regional order, they would need to enhance their capabilities in both hard and soft powers, increase their credibility in the eyes of the international community, and create opportunities to act.

Capabilities, both material and immaterial, remain the most important attributes of states in international relations. Building on Joseph Nye's Smart Power framework, middle powers would

need to develop both their military and economic hard power, as well as soft power.<sup>19</sup>

To withstand pressure and maintain foreign policy independence, Asian middle powers would need to further modernize and increase their military capabilities. Military power is required to enhance a middle power's credibility and to maintain independence in its foreign policy. In East Asia, military expenditure has been on the rise. A significant portion of the rise is attributable to China, but Asian middle powers — India, South Korea, and Australia — are also among the top spenders of military expenditure in recent years.<sup>20</sup> While military expenditures may present an impressive image, alone they do not reflect true military capabilities.

Economic power is another key element of statecraft. It provides the underlying foundation for sustaining and increasing military power. In addition, it can also serve as a carrot when military power is considered a stick. Economic power can also function as soft-power when it is used as a successful model that could be emulated by others.<sup>21</sup> Economic power is a strength of Asian middle powers. As mentioned earlier, Asian middle powers are among the most rapidly growing economies of the world. The five countries mentioned earlier are members of the G20 with some of the highest GDP per capita in the world. To ensure maximum impact in their policies, these countries will need to ensure positive economic

<sup>17</sup> Punit Saurabh, "India and U.S. Grow Closer Against a Backdrop of An Expansionist China," USNI News, June 15, 2015, <https://news.usni.org/2015/06/15/opinion-india-and-u-s-grow-closer-against-a-backdrop-of-an-expansionist-china>.

<sup>18</sup> John Ravenhill, "Cycles of Middle Power Activism: Constraint and Choice in Australian and Canadian Foreign Policies," Australian Journal of International Affairs, Vol. 52, No. 3, 1998, pp. 309-325

<sup>19</sup> Joseph Nye, *The Future of Power* (New York: Public Affairs, 2011).

<sup>20</sup> Sam Perlo-Freeman, Aude Fleurant, Pieter Wezeman, and Siemon Wezeman, "Trends in World Military Expenditure, 2015," Stockholm International Peace Research Institute (SIPRI), April 2015.

<sup>21</sup> Joseph Nye, "Has Economic Power Replace Military Might," Project Syndicate, 6 June 2011, <https://www.project-syndicate.org/commentary/has-economic-power-replaced-military-might>.



growth and maintain strong structural economic foundations.

Soft power is the last and perhaps most important component of influencing regional order transition, in particular its diplomatic capacity. Middle powers' foreign ministries and diplomatic services are critical in their success. Middle powers need to enhance their diplomats' analytical skills and couple it with effective intelligence gathering and communication networks. A large number of diplomatic missions are crucial to effectively disseminate and secure support for initiatives. Lastly, middle powers' tendency to work within regional and multilateral institutions requires stamina as schedules and processes in those institutions are demanding.<sup>22</sup>

Diplomatic tools are also needed to build and maintain coalitions. With the limited powers that they possess, middle powers often work through a coalition of "like-minded" states. These coalitions and networks are fluid and vary across interests and institutions. Moving forward, to ensure effectiveness, a loose networking platform among middle powers such as MIKTA (Mexico, Indonesia, Republic of Korea, Turkey and Australia), may be required. These groupings would serve well in coordinating the various initiatives and contributions as well as in the sharing of perspectives on regional and global issues.<sup>23</sup>

After they have amassed sufficient relative capabilities, middle powers would need to build a credible profile in the international community to play a constructive role in international affairs. This credibility could be based on the expertise that these middle powers have acquired or the consistency of their policies over time. In view of

their limitations, middle powers often focus and prioritize their agenda on several issues. South Korea for example is known to prioritize issues related to climate change, development assistance, and nuclear safety.<sup>24</sup> Australia has concentrated its diplomatic resources on issues related to trade, East Asian regional architecture, and the promotion of the responsibility to protect norms;<sup>25</sup> while Indonesia has been known to pursue issues related to climate change, sustainable development, democracy, good governance, and the construction of an inclusive regional architecture in East Asia.<sup>26</sup>

The last condition required for middle powers to succeed in influencing the shape of the regional order is the opportunity to play a role. Middle powers can only play a role when major powers allow them to, or when the major powers are unwilling or unable to do so themselves. In the current context of Asian order transition, the trust deficit that exists between the preponderant power and the rising power provides room for middle powers to operate.

The robust use of diplomacy through the hosting of events and summits would be one place to start. This would need to be supported by strong public diplomacy efforts prior, during, and after these events. Examples of these includes making full use of the rotating chairmanship of various regional and international groupings such as the G20 by

*The last condition required for middle powers to succeed in influencing the shape of the regional order is the opportunity to play a role.*

<sup>22</sup> John Ravenhill, 1998.

<sup>23</sup> Seungjoo Lee, "MIKTA and Korea's Middle Power Diplomacy: Opportunities and Challenges," The East Asia Institute Issue Briefing, April 19, 2016.

<sup>24</sup> Colin I. Bradford, "South Korea as a Middle Power in Global Governance: 'Punching Above Its Weight' Based on National Assets and Dynamic Trajectory," in Scott A. Snyder (ed) *Middle Power Korea: Contributions to Global Agenda* (New York: Council on Foreign Relations, 2015).

<sup>25</sup> Jan Melissen and Yul Sohn, "Leveraging Middle Power Public Diplomacy in East Asian International Relations," The East Asia Institute Issue Briefing, November 24, 2015.

<sup>26</sup> Santo Darmosumarto, "Indonesia and the Asia-Pacific: Opportunities and Challenges for Middle Power Diplomacy," The German Marshall Fund Young Strategist Forum Policy Brief, July 2013, <http://www.gmfus.org/publications/indonesia-and-asia-pacific-opportunities-and-challenges-middle-power-diplomacy>.

*To succeed in influencing and shaping the regional order, middle powers need to enhance their capabilities, increase their credibility in the eyes of the international community, and create opportunities for them to act.*

South Korea in 2010 and Australia in 2015 or ASEAN and APEC by Indonesia in 2011 and 2013 respectively.

Middle powers however should not wait for opportunities to come, but instead proactively create them. The Indonesian foreign minister's shuttle diplomacy in the aftermath of ASEAN's failure to agree on its annual Joint Communiqué in 2012 is one such example.<sup>27</sup>

### Conclusion

The current Asian regional landscape is too multifaceted to be handled by Washington and Beijing alone. In an environment where major powers exist amidst multiple middle powers, a stable and enduring regional order should involve middle powers and account for their interests. To succeed in influencing and shaping the regional order, middle powers need to enhance their capabilities, increase their credibility in the eyes of the international community, and create opportunities for them to act.

In the shorter term, middle powers would need to enhance coordination among themselves on issues of common interests, economic growth, security, and stability. Coordination would ensure that steps and initiatives taken by individual countries would not contradict, but rather reinforce, one another. This coordination should be kept non-formal and in a loose manner making use of existing mechanisms to avoid the proliferation of institutions. MIKTA offer such a platform, and while Mexico and Turkey are part of the grouping, given the growing centrality of the Asia-Pacific in the contemporary global economy, as well as the strategic weight of the United States and China, any

regional transformation could influence the global order.

Such coordination could also be undertaken as part of regular bilateral consultations among the middle powers. One good example is the 2+2 Foreign and Defense Ministerial Meeting that Indonesia has with Australia and Japan. The forum provides opportunities for these countries to address issues of common interests, and coordinate regional and multilateral initiatives while strengthening their bilateral relations. The same mechanism could be established among the others regional middle powers.

Preferably, these efforts should also be supported by major powers, both the United States and China, not least by avoiding unilateral actions that undermine the peace, stability, and security. In parallel, Beijing and Washington should continue to strengthen and work within established regional institutions such as the East Asian Summit (EAS), a fitting forum to discuss economic and strategic issues where all regional major and middle powers are present. The EAS provides room for middle powers to exercise their leadership and diplomatic skills. Both Washington and Beijing should also engage regional middle powers and provide room and space for them to develop their leadership skills and support their efforts to gain greater capabilities without being too instructive.

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<sup>27</sup> Bruce Gilley, "The Rise of the Middle Powers," *The New York Times*, September 10, 2010, [http://www.nytimes.com/2012/09/11/opinion/the-rise-of-the-middle-powers.html?\\_r=1](http://www.nytimes.com/2012/09/11/opinion/the-rise-of-the-middle-powers.html?_r=1).

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