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# Possible Future of the Contest in the South China Sea

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## Abstract

Since emerging from its century of humiliation, China has repositioned itself as a rising power. China's great power potential, combined with its latent expansionism and assertive foreign policy behaviour, however, has intensified regional and global security concerns. Among the issues that support the 'China threat' theory, that of the South China Sea disputes has become one of the most widely debated security concerns in the region. This study is designed to examine the power game between China and its neighbours which revolves around these disputes. It also looks into the role that the United States plays in managing these regional tensions and the US leadership's prospects as regards facilitating China's peaceful rise and transforming this potentially dangerous geopolitical flashpoint into an opportunity to build a more cooperative regional order.

## Introduction

There has been growing concern in recent years about China's becoming a threat to regional and global security, as its expansionist ambitions could undermine stability in East Asia and beyond. Whereas China claims that it has no hegemonic ambitions or aspirations to territorial expansion, 'China's lack of transparency surrounding its growing military capabilities and strategic decision-making' has made both its neighbours and the United States suspicious of the country's intentions.<sup>1</sup> In particular, territorial disputes in the South China Sea have become a major regional security concern, one which could clash with the US strategic rebalance to the Asia-Pacific region, especially in light of China's flexing its

1 United States Department of Defence, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2015* (Washington, DC: U.S. Department of Defence, 2015), p. 22.

military muscles.<sup>2</sup> For Beijing, the power game in the South China Sea is not merely an isolated issue but a significant piece of the overall picture that will complete the process of China's re-emergence as a dominant power after its century of humiliation.

However, a recent upsurge in tension, partly due to Beijing's greater assertiveness, as manifest in military activities, land reclamation, and energy explorations in what it considers to be its own particular and traditional sphere of influence, has renewed concerns that the area is becoming a minefield with global consequences. Certain states in the region have consequently strengthened their relations with the United States to counter China, in line with Washington's efforts to rebalance to Asia and reinvigorate America's security ties with its traditional Asian allies and partners. This has further complicated the issue, making the South China Sea a centre for big power rivalry. Taken as a whole, the South China Sea disputes could be a useful indicator when evaluating the 'China threat' thesis. This is also an interesting test case for examining the effectiveness of America's influence when dealing with what seem to be 'Asian problems'. It can also shed light on broader issues, including the prospects for Sino-US relations and the future of the regional order in Asia.

This research is designed to examine the security implications of the South China Sea disputes in line with certain fundamental questions about the nature of China's rise, its effects on America's interests in Asia, and the prospects for China's relations with Southeast Asia. The core argument of this article is that the rise of China is not in itself a threat to regional security or to America's interests in Asia; what complicates the matter is that certain aspects of China's pragmatic ties with its neighbours and with the United States, which have facilitated its peaceful rise thus far, now face internal and external changes and challenges that could transform its policy to one more conflict-prone. Yet, that the future is not set in stone could be a relief to those who expect an epic battle between a rising China and the status quo power, the United States (along with America's East Asian allies and friends), over the rules and leadership of the regional and international system. At the same time, for those seeking a theoretical clarification, it would offer both the daunting task and unique opportunity to grasp the nature of China's rise and its effects on East Asian security as well as on Association of Southeast Asian Nations (ASEAN)–China–US relations in the South China Sea area.

The structure of this article is as follows. First, it briefly reviews major international relations theories on the debate on China's rise. Without going through the entire litany of these competing theories, this section looks into certain aspects pertinent to the 'China threat' hypothesis, especially with regard to the South China Sea disputes, and develops an analytical framework to evaluate ASEAN–China–US relations from that particular perspective. Ideal type models of security order in the South China Sea will also be developed in efforts to better comprehend real-world events through building a connection between the theoretical framework and empirical analysis. The South China Sea disputes will then be evaluated against three ideal types of how they might evolve and be resolved. In particular,

- 2 During recent periods of tension in the South China Sea, for example, Chinese Coast Guard (CCG) ships have become more active in implementing 'low-intensity coercion' to circumvent a military confrontation while China responds to perceived challenges to its territorial and maritime claims. According to the DOD's *Annual Report to Congress*, 'China uses the quantity and advanced capabilities of its CCG assets to overwhelm and deter South China Sea claimant nations with the goal of eventually compelling regional acceptance of China's sovereignty claims.' *Ibid.*, p. 3.

this section looks into key issues that revolve around the South China Sea controversy, including the different stakes that China and other disputants have in their claims and the tangible and intangible significance of not losing them. It also takes into account major changes and continuities in the regional balance of power under the influence of a rising China, and the broader implications for US interests of Beijing's muscle-flexing with regard to maintaining the US-led order in Asia. The final section recapitulates the core findings of the research and discusses policy recommendations for China and other directly and indirectly involved parties, including the United States, all of whom have special powers and responsibilities to maintain a stable regional order in the 21st century.

### China's Rise in Asia and Beyond: Towards Inevitable Conflict or Pragmatic Coexistence?

Based on which theoretical framework can we best understand the nature of China's growing influence in Asia as well as its increasing assertiveness in the South China Sea? How would the growing tensions in the South China Sea help define the future of the Asian security order, and what are the likely implications of these changing regional dynamics for the traditionally US-maintained balance of power in Asia? There are no easy answers to these questions. However, pondering these issues would carry enormous significance and shed important light on the prospects for stability and peace in the region and beyond.

Among grand theories in contemporary international relations on the rise of China, liberalism and realism, each of which presents strikingly different views, are identified as the most dominant conceptual frameworks. In general, liberals emphasize the pacifying effects of China's economic interactions with other countries, which would not only encourage China to embrace the rules of the existing international system, but also bring about China's political liberalization in the long run.<sup>3</sup> In contrast, realists tend to focus on the changing power dynamics and expect China to become more aggressive in tandem with the increase of its relative power and influence; thus its Asian neighbours and the United States must prepare themselves for challenges to the regional and global order that this rising Asian giant poses.<sup>4</sup> These disagreements between the so-called liberal optimists and realist pessimists are the most widely held manifestations in the debate on the rise of China and its regional and global impacts. These grand theories are useful as they 'tap into deep-seated forces shaping China', yet both have weaknesses due to 'their linear projection of the future

3 Thomas Moore and Dixia Yang, 'Empowered and Restrained: Chinese Foreign Policy in an Age of Economic Interdependence', in David M. Lampton, ed., *The Making of Chinese Foreign and Security Policy in the Era of Reform* (Stanford: Stanford University Press, 2001), pp. 191–229; Ann Kent, *Beyond Compliance: China, International Organizations, and Global Security* (Stanford: Stanford University Press, 2007); G. John Ikenberry, 'The Rise of China: Power, Institutions, and the Western Order', in Robert S. Ross and Zhu Feng, eds., *China's Ascent: Power, Security, and the Future of International Politics* (Ithaca: Cornell University Press, 2008), pp. 89–114.

4 John J. Mearsheimer, 'China's Unpeaceful Rise', *Current History*, Vol. 105, No. 690 (2006), pp. 160–62; Ronald L. Tammen and Jacek Kugler, 'Power Transition and China–US Conflicts', *Chinese Journal of International Politics*, Vol. 1, No. 1 (2006), pp. 35–55; Avery Goldstein, 'China's Real and Present Danger: Now Is the Time for Washington to Worry', *Foreign Affairs*, Vol. 92, No. 5 (2013), pp. 136–44.

of Chinese policy towards international order—be it the conflictual revision expected by power theorists or the harmonious integration predicted by interdependence advocates'.<sup>5</sup> Moreover, these analyses disregard the possibility that the future of China could be contingent upon important internal and external factors, which in turn would affect how it thinks about the world and shapes the patterns of its foreign policy behaviour.

In this research, China's rise per se is not considered to pose a threat to regional security or directly challenge America's interests in Asia. Also, the peace-inducing aspects of China's relations with its neighbours and the United States, in line with pragmatic realism, would continue to prevail over the conflict-producing ones in the foreseeable future.<sup>6</sup> As aptly pointed out by Richard Rosecrance, however, 'there is as yet no clear answer as to how' the United States and the rest of the world will take the rise in China's power and astutely react to it.<sup>7</sup> What's more, whether their shared interests would continue to be a foundation for cooperation and self-restraint in both the medium and the longer term is not predetermined, hence this call for the states to choose 'the right policy', one that has 'more cooperative than conflictual elements to it, thereby avoiding the doom-and-gloom scenario that too many of today's analysts portray'.<sup>8</sup> Among other issues, China's territorial disputes with its neighbours are considered as constituting a potential source of its dissatisfaction, of the breakdown of the status quo, and even of war.

Nonetheless, one cannot automatically assume that China will indeed adopt an unequivocally expansionist stance in the future, given that taking such a measure would be unrewarding, as the potential political, diplomatic, military, and economic costs of controversial territorial expansion far outweigh any benefits to be gained from it.<sup>9</sup> In other words, a cost-benefit analysis makes conflict over territory less than desirable, and gives China greater incentive to maximize its interests other than through blatant territorial expansion. Besides, it is hard to imagine a war scenario between China on the one side and the United

5 It is important to note that some variations in each theoretical foundation have been explored by growing numbers of scholars to address these caveats. Whereas some realists do not believe the inevitability of conflict, caused by the clash between China's rise and America's decline, some liberals envisage a more pessimistic future, filled with conflict as a consequence of ideological mistrust between 'communist' China and democratic America. See Jeffrey W. Legro, 'What China Will Want: The Future Intentions of a Rising Power', *Perspectives on Politics*, Vol. 5, No. 3 (2007), pp. 515–34.

6 For further analysis of China's pursuit of pragmatic realism manifested in Beijing's handling of the South China Sea disputes, see Jihyun Kim, 'Territorial Disputes in the South China Sea: Implications for Security in Asia and Beyond', *Strategic Studies Quarterly*, Vol. 9, No. 2 (2015), pp. 107–41.

7 Quoted in Sharon Wilke, 'U.S. and China Should Avoid Thucydides Trap', *Belfer Center Newsletter*, Spring 2011, [http://belfercenter.ksg.harvard.edu/publication/20814/us\\_and\\_china\\_should\\_avoid\\_thucydides\\_trap.html](http://belfercenter.ksg.harvard.edu/publication/20814/us_and_china_should_avoid_thucydides_trap.html).

8 Robert Art, 'The United States and the Rise of China: Implications for the Long Haul', *Political Science Quarterly*, Vol. 125, No. 3 (2010), p. 360.

9 Moreover, 'even if the benefits of expansion were larger and more certain or if China's leaders believed the benefits to be greater', the country still possesses limited power to capture these benefits through the extensive use of force. M. Taylor Fravel, 'International Relations Theory and China's Rise: Assessing China's Potential for Territorial Expansion', *International Studies Review*, Vol. 12, No. 4 (2010), pp. 509, 523.

States (and its Asian allies and friends) on the other, bearing in mind the absence of any intense ideological competition between them, as well as their complex interdependence, which tends to have 'the pacific effects induced by the condition of mutual assured destruction' as regards economic damage and security costs.<sup>10</sup> As Robert Keohane and Joseph Nye assert, complex interdependence refers to a situation in which a number of countries and their fortunes are inextricably connected through multiple channels and various issue linkages. This is how increases in economic and other types of interdependence facilitate cooperation among states; thus military force as a policy tool is less likely to be 'used by governments towards one another'.<sup>11</sup> China's intensifying relations with its Southeast Asian neighbours as well as with the United States in the realm of economics and other issue areas appear to approximate this ideal type of international system.

Given the continuing tensions in the region, one must not completely rule out the possibility of conflict flare-ups due to accident or miscalculation. However, the chances of Beijing's deliberately initiating an armed conflict are still limited, not necessarily because it is genuinely risk-averse or peace-seeking for peace's sake, but because the benefits to be accrued through relatively stable coexistence with other states due to complex interdependence would outweigh the expected military and diplomatic costs of a war that overt territorial expansion would risk. Despite Beijing's unswerving sovereignty claims, encompassing virtually the entire South China Sea, and buttressed by its reclaiming of land and building of infrastructure, Chinese leaders have so far known, as evident in their peculiarly shrewd way of dealing with these maritime territorial disputes, how to avoid crossing the red line while assiduously publicizing their core interest and views on how to prevent tensions from escalating into a full-scale war.

Moreover, both China and the United States have shared interests as regards cooperating on major global problems that have regional implications, including nuclear proliferation, terrorism and other transnationally organized crimes, along with natural disasters, infectious diseases, energy security, and environmental issues. Additionally, despite China's anxiety over America's military superiority and continuing political influence in Asia, what the United States considers as its strategic goal of upholding freedom of navigation (FON) is not incompatible with China's interest in keeping regional stability, given their mutual stake in preserving an environment conducive to international commerce. Thus, it is less likely that China would rashly challenge US interests, including navigational freedom, or cite the South China Sea disputes as a case confirming Beijing's expansionist ambitions. Accordingly, one can be *cautiously optimistic* about a relatively stable future—though not in the form of 'positive peace'<sup>12</sup>—even in the midst of China's increasing assertiveness, its territorial disputes with neighbours, and its rivalry with the United States for regional supremacy.

## Ideal Type Models

There are different ways of looking at the rise of China. Each of these perspectives in the existing international relations literature provides important insights that help us

10 Art, 'The United States and the Rise of China', pp. 363–64, 372.

11 Robert Keohane and Joseph Nye, 'Power and Interdependence Revisited', *International Organization*, Vol. 41, No. 4 (1987), p. 731.

12 For further analysis of the distinction between positive and negative peace, see Johan Galtung, 'An Editorial', *Journal of Peace Research*, Vol. 1, No. 1 (1964), pp. 1–4.

understand the topic of China's rise to a certain extent. Nonetheless, no one approach or perspective is sufficient to render an explanation of how and under what conditions the ongoing territorial disputes in the South China Sea would escalate into a major military confrontation, or what combination of factors could make stable coexistence possible, even with minor tensions, if not that of the constructive resolution of conflict and peaceful cooperation. Thus, it is necessary to integrate and modify the core assumptions of the relevant literature in order to grasp the rise of China and its implications for maintenance of regional order in general and for security in the South China Sea in particular. This attempt is intended to use the basic logics of relevant IR theories, modified to reflect the empirical reality, in elucidating both overall and issue-specific consequences of the rise of China and its controversial territorial claims. These models do not focus on isolated factors, but rather look into inextricably related issues and developments, organized around particular explanatory themes to account for what affects peace and stability among countries in the region.

For this, it would be useful to consider ideal type models for security order in the South China Sea to generate working hypotheses, which would then be applied to empirical case analyses of the key issues surrounding the territorial disputes. These ideal type models could offer some practical guidance as to what to look for and look at by examining this important real-world event in a more systematic way. Following a Weberian logic, an ideal type model in this research is not meant to refer to perfect things. Rather, it is an abstract model, developed from hypothetical concepts, designed for use as a standard of comparison through which one can see certain aspects of the real world in a clearer, more organized way.<sup>13</sup> In order to analyse the security situation in the South China Sea in line with the complexity of China's rise, the ideal type models incorporate China and a number of closely related actors in the region, their changing power distributions, policy preferences, and the nature of dynamic interaction among one another. Table 1 summarizes various actors and factors that could shed some light on the current situation, and influence future prospects for order and security in the South China Sea.

There are three ideal type models: (i) An Ideal Situation of Major Confrontation; (ii) An Ideal Situation of Minor Tensions; and (iii) An Ideal Situation of Peaceful Cooperation. These ideal type models specify why and under what conditions the ongoing territorial disputes in the South China Sea are either more or less likely to escalate into a major military conflict. China and its neighbours (as well as the United States) are interdependent inasmuch as each has an interest in resolving the pending territorial disputes, despite differences as to 'how' and based on 'whose terms' should the given issue be resolved. In general, the disputes would escalate if the conditions in column I, under Major Confrontation, were to prevail, whereas conflicts would be constructively addressed to the extent that the conditions in column III, Peaceful Cooperation, prevail. However, minor tensions with intermittent clashes would continue without complete resolution of the disputes if the conditions in column II were to prevail. In other words, column I pinpoints conditions for crisis escalation and major confrontation, column II shows ideal situations for maintenance of the status quo with minor tensions, and column III depicts ideal environments, under which lasting peace would be established through constructive engagement and cooperation.

13 Max Weber, 'Objectivity in Social Science and Social Policy', in Edward A. Shils and Henry A. Finch, ed./trans., *The Methodology of the Social Sciences* (New York: Free Press, 1949).

Table 1. Ideal type models of security order in the South China Sea

		Major Confrontation	Minor Tensions	Peaceful Cooperation
The Nature of Regional Engagement	China	Divide and conquer	Divide and prosper	Multilateral re- gional engage- ment and trust building
	United States	Contain China through exclu- sive alliance and quasi- alliance politics	Deal with China through soft balancing and nuanced alliance management	Embrace China within an inclusive regional security architecture
Leadership and Changing Power Dynamics		The decline of US supremacy and Sino-US hege- monic competition	Regional division between Chinese and American spheres of influence	China's peaceful rise and Sino-US co-leadership
The Degree of Preferences Compatibility	Between China and United States	Low degree: the clash of stra- tegic objectives and national interests	Some degree of convergence of interests	High degree: strategic partnership and shared vision
	Between China and other claimants	Low degree	Some degree of shared interests that are more pragmatic and economically driven	High degree
The ASEAN Factor	The level of unity among ASEAN members	Lack of cohesion over the given issue	Official unity with minor deviations	High degree of cohesion
	ASEAN and other (directly & indirectly involved) states	Incite tensions for domestic popu- larity and regional strategic competition	Strive to benefit from riding on China's coat- tails without relinquishing territorial claims	Promote multilat- eral conflict management and pragmatic joint resource development in the South China Sea

For example, the ongoing tensions in the South China Sea are most likely to escalate into major confrontation in the event of a clash between China and the US's regional engagement, with Beijing pursuing a divide and conquer strategy vis-à-vis its neighbours in Southeast Asia, while Washington contains this rising Asian giant through exclusive



alliance (and quasi-alliance) politics in the region. The changing regional power dynamics could intensify this process in the case of overt hegemonic competition between China and the United States wherein neither side is willing to agree on the idea of Sino-US co-leadership against the backdrop of China's continuing rise and America's relative decline. Moreover, the absence of compatibility of preferences and shared vision between China and the United States, manifest in a clash of strategic objectives and national interests, is likely to undermine the regional security order and prospects for peaceful resolution of the South China Sea disputes.

In addition, the degree of compatibility of preferences between China and the other claimants (as well as between China and the United States) would either positively or negatively affect the security order in the South China Sea; the higher the degree of convergence of interests among them, the more likely they are to agree on peaceful cooperation and to a diplomatic resolution to the given issue. The level of unity among ASEAN members could also affect the regional security order. When dealing with the given issue, ASEAN could either facilitate or disrupt constructive conflict resolution and peaceful cooperation. For example, as a cohesive regional bloc, ASEAN could effectively constrain China's growing assertiveness, but as an internally divided and easy-to-manipulate regional entity it could embolden China's latent territorial ambitions. Thus, the less unity ASEAN Member States demonstrate when facing China, the greater the bargaining advantage China is likely to enjoy over them. Furthermore, tensions in the South China Sea are likely to persist if ASEAN members and other (directly and indirectly involved) states continue to benefit from riding on China's economic coattails without successfully engaging China to agree on multilateral conflict resolution and joint resource management in disputed waters.

All in all, the key task is to find ways of moving towards the right-hand side of the table. One might argue that some of the analysis emanating from the three ideal types may sound too self-evident to repute the power of the message that the article seeks to convey. What's fascinating about the existing security order in the South China Sea, however, is that the nature of China's relations with other countries challenges some logics of conventional wisdom. For instance, as further discussed in the following section, the complexity of Sino-US relations and Sino-ASEAN relations has engendered a unique situation wherein their ties are shaped by the coexistence of *economic allure* and *strategic caution*, so encouraging these entities to pursue mutual cooperation out of utilitarian necessity without being able to build lasting trust and rapport. Thus, the different conditions of security order, identified in the ideal type models, shed light on a wide variation in peace (whether it be peace defined as the absence of violence or as the process of building regional partnership, buttressed by shared vision and trust). In this sense, these models are useful for mapping out where these actors are and in which direction they should go to achieve the ultimate goal of 'Peaceful Cooperation'. In what follows, the relevant analytical frameworks discussed in this section, especially as encapsulated in the ideal types, shall be applied to elucidate how a rising China, with its unswerving territorial claims, would affect the existing regional security order, and under what conditions peaceful resolution of territorial disputes in the South China Sea would be possible.

## The South China Sea Disputes: An Empirical Analysis

The South China Sea disputes are particularly difficult to solve, bearing in mind that maritime security in the region faces a number of multifaceted challenges, ranging from complex



geography and a consequent jurisdictional quagmire to strategic, political, and economic issues, and even nationalistic clashes across the region. Major causes of maritime tensions include the quest of all claimants for natural resources to facilitate economic growth and rich fisheries, upon which the livelihoods of thousands of people depend.<sup>14</sup> The South China Sea is also estimated to have vast oil reserves along with abundant natural gas.<sup>15</sup> Thus, energy security is another major consideration, particularly for China, as the country is being propelled towards implementing an energy diversification strategy to sustain economic stability.<sup>16</sup> If China gains control of the South China Sea, the area will become a major future source of its oil and gas supply, especially if China's growing environmental awareness and need to diversify energy push the country to replace coal with these resources.<sup>17</sup>

Nonetheless, both littoral and user states' inconsistent outlooks and interpretations of the law of the sea have prevented the United Nations Convention on the Law of the Sea (UNCLOS) from laying foundations for establishment of a stable maritime regime. Also, the political sensitivities entailed with respect to China and Southeast Asian countries, where national interests often diverge, if not clash, as much as they are shared, have made the creation and maintenance of an effective maritime regime extremely challenging. Herein, each claimant covets sovereignty over the tiny islands and their waters as a matter of national pride. As for China, its expansion into the South China Sea is often interpreted as part of Beijing's efforts to re-establish the country's identity after being plundered by major foreign powers. In a document released by the Chinese Ministry of Foreign Affairs, Beijing claims those islands as 'an inalienable part of Chinese territory since ancient times', an area occupied by the imperialist powers since the 19th century but to be returned to China in full.<sup>18</sup> In this light, China's urge for the expansion (or 'restoration' of its sovereignty) can be construed as the resolve not

- 14 Chris Rahman and Martin Tsamenyi, 'A Strategic Perspective on Security and Naval Issues in the South China Sea', *Ocean Development & International Law*, Vol. 41, No. 4 (2010), pp. 315–33.
- 15 According to the US Energy Information Administration, 'the South China Sea contains approximately 11 billion barrels of oil and 190 trillion cubic feet of natural gas in proved and probable reserves'. Yet, all available data on the amount of oil and natural gas in the South China Sea are still preliminary. This is due to the ongoing territorial disputes, which have prevented countries bordering the South China Sea from making joint efforts towards geological exploration of resources in the area. See The US Energy Information Administration (EIA), 'South China Sea: International Energy Data and Analysis', February 2013, <http://www.eia.gov/beta/international/regions-topics.cfm?RegionTopicID=SCS>.
- 16 As discussed by Cáceres, 'the South China Sea presents a critical new energy frontier that lies close to the mainland and that, if properly exploited, could make China less dependent on oil imports from Africa and the Middle East'. See Sigfrido Burgos Cáceres, *China's Strategic Interests in the South China Sea: Power and Resources* (New York: Routledge, 2013), pp. 24–25.
- 17 Patrick M. Cronin and Robert D. Kaplan, 'Cooperation from Strength: U.S. Strategy and the South China Sea', in Patrick M. Cronin, ed., *Cooperation from Strength the United States, China and the South China Sea* (Washington D.C.: Center for a New American Security, 2012).
- 18 Ministry of Foreign Affairs of the People's Republic of China, 'Historical Evidence to Support China's Sovereignty over Nansha Islands', 17 November, 2000, [http://www.fmprc.gov.cn/mfa\\_eng/topics\\_665678/3754\\_666060/t19231.shtml](http://www.fmprc.gov.cn/mfa_eng/topics_665678/3754_666060/t19231.shtml).

to be exploited by foreigners again and to regain its previous status as a great power. What further complicates the matter is that Chinese leaders face growing domestic pressure that makes them reluctant to compromise on the issue for fear of criticisms from the nationalistic public of being 'too soft' on defence.<sup>19</sup>

Inevitably, however, Beijing's hardnosed positions in the territorial disputes and relentless South China Sea claims have pushed its neighbours to depend more on Washington for diplomatic and military support as a counter to China's power projection. Despite controversy over the historical basis for the nine-dash line, Beijing argues that its claims are 'based on historical surveying expeditions, fishing activities, and naval patrols as far back as the 15th century' and on maps of Chinese territory drawn by modern Chinese cartographers in 1914.<sup>20</sup> Yet, China's claims set it directly in opposition to the Philippines and Vietnam, while Brunei, Malaysia, and Taiwan also have claims that overlap with those of China, especially over their rights to exploit the region's potentially extensive underwater resources and rich fisheries that fall within their two-hundred-mile exclusive economic zone (EEZ). Other matters at stake include the traditional high seas freedoms, the significance of which have made the issue even more complex and extra-regional, especially given Washington's interests in safeguarding the rights to navigate, overfly, and conduct military exercises within what China delineates as its own particular EEZ. This section is designed to explore major changes and continuities of maritime territorial disputes in the South China Sea, along with China's rise as a dominant player in Asia, as well as the implications for US interests in the Asia-Pacific region of the ongoing tensions between China and other disputants.

### Changes and Continuities of Beijing's South China Sea Approach

Even though rival claimants have been in dispute over the South China Sea for centuries, and all have detained fishing boats that encroach on what they consider their territories, 'only China has used force to assert its claims' during the 1970s and 1980s.<sup>21</sup> But for most of the following two decades until a couple of years ago, China largely refrained from direct confrontation, heeding Deng Xiaoping's call to shelve the disputes for later generations and seek joint development for mutual benefit. This reflected Beijing's concern that its belligerent actions could lead Southeast Asian states to deepen their ties with the United States and other major powers to counter China before it was fully prepared to deal with them. Yet more recently China has become increasingly assertive in claiming its sovereignty in the South China Sea as a core national interest, having indicated its 'willingness to respond to actions it perceives as challenging' its sovereignty, territorial integrity, and maritime

- 19 In recent years, public opinion has emerged as a potent force that could either bolster or degrade Chinese leaders' legitimacy when it comes to evaluating their responsiveness to the people's demands with regard to massive internal problems and external challenges, including the South China Sea disputes. See David Lampton, *Following the Leader: Ruling China, from Deng Xiaoping to Xi Jinping* (Berkeley and Los Angeles: University of California Press, 2014).
- 20 Zhao Hong, 'The South China Sea Dispute and China-ASEAN Relations', *Asian Affairs*, Vol. 44, No. 1 (2013), p. 27.
- 21 Felix K. Chang, 'China's Naval Rise and the South China Sea: An Operational Assessment', *Orbis*, Vol. 56, No. 1 (2012), p. 20.

rights.<sup>22</sup> However, heightened tensions across the South China Sea, and its neighbours' growing concern about China's aggressive projection of its newly gained power, have severely undermined the Chinese government's 'solemn pledge' never to 'seek hegemony or military expansionism'.<sup>23</sup> In addition, China's tensions with its Southeast Asian neighbours, which have already become among its leading export and investment destinations, could potentially challenge another of the country's important objectives—to maintain regional stability as a necessary condition for facilitating legitimacy of the Chinese Communist Party (CCP) through continued economic growth. Beijing's failure to follow the path of peaceful development could also undermine its ambition to enhance the country's status in the region, especially as China and the US are now vying to boost their economic influence and uphold their strategic leadership.

In order to offset these disadvantages and maximize the sense of shared interests, China has made efforts to adopt a softer approach towards ASEAN as a group. For more than a decade, China and ASEAN Member States officially claimed that they relied on the non-binding Declaration of Conduct of Parties (DOC), signed in 2002 after 10 years of negotiation, as a guideline for management of South China Sea disputes. Despite China's well-known preference for resolving the issue through negotiation with parties directly concerned, Chinese leaders have pledged to hold consultations with Southeast Asian nations on the Code of Conduct (COC) in efforts to reduce tensions with their neighbours and prevent the mostly cordial Sino-ASEAN friendship from descending into animosity.<sup>24</sup> Beijing would still prefer to deal bilaterally with each of the less powerful individual claimants while continuing to be cautious about proposals for a multilateral COC, which could not only make outside involvement, particularly by the United States, more likely but also internationalize the South China Sea issue. However, Beijing signalled during the 2013 Suzhou conference its commitments to hold consultations on the COC in the South China Sea under the framework of implementing the DOC.<sup>25</sup> Likewise, at the China-ASEAN Expo opening ceremony

22 United States Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2013* (Washington, DC: US Government Printing Office, 2013), p. 3.

23 General Liang Guanglie, 'A Better Future through Security Cooperation', speech delivered at Shangri-La Dialogue 2011 Fourth Plenary Session, 5 June, 2011, <https://www.iiss.org/en/events/shangri-la-dialogue/archive/shangri-la-dialogue-2011-4eac/fourth-plenary-session-b880/liang-guanglie-e6a2>.

24 Although the DOC in the South China Sea was signed by the Member States of ASEAN and China on November 4, 2002, their first joint working group meeting did not officially start until 2005. It is also important to note that nothing much happened between November 2002 when the DOC was adopted until July 2011 when China and ASEAN eventually agreed on the guidelines for the implementation of the DOC. Since then, little has been achieved in terms of substance despite a series of ASEAN-China Joint Working Group on the Implementation of the DOC and continuing acknowledgement of the significance of keeping the momentum of consultations and working towards the early conclusion of the COC. For further analysis of why a binding COC seems increasingly unlikely, see Mark Valencia, 'Little Hope for a Code of Conduct in South China Sea', *South China Morning Post*, 30 June, 2014.

25 Ministry of Foreign Affairs of the People's Republic of China, 'The Sixth Senior Officials Meeting and the Ninth Joint Working Group Meeting on the Implementation of the

in September 2013, Premier Li Keqiang declared Beijing's support for speeding up talks on the COC carried out under the DOC framework, and its determination not to allow the South China Sea disputes to negatively affect Sino-ASEAN cooperation as a whole.<sup>26</sup>

Even though Li reiterated Beijing's standard line, that of rejecting the intervention of non-claimants, it was considered a positive development given that China had previously spurned any efforts by ASEAN members and their Western allies, most notably the United States, to build a regional forum in which to address the given issue through a binding COC. In the same vein, Foreign Minister Wang Yi announced in August 2014 China's 'dual-track' approach to handling the South China Sea issue. It was designed to resolve relevant disputes 'through friendly consultations and negotiations' among 'countries directly concerned' while simultaneously promoting peace and stability in the South China Sea through joint efforts by China and ASEAN countries, thus discreetly giving the green light to controlled regionalization of the given issue.<sup>27</sup> This subtle, yet astute, modification of Beijing's South China Sea approach was geared towards enhancing a sense of compatibility of preferences between China and other claimants in the South China Sea, and projecting China as a pragmatic and compromising major power.

Moreover, Chinese top leaders have sought to engage ASEAN through a list of attractive measures and pushing for stronger regional integration, in hopes of highlighting common interests. While hosting the foreign ministers of ASEAN member countries' celebration in Beijing of the 10th Anniversary of the ASEAN-China Strategic Partnership, Foreign Minister Yi pledged to strengthen the China-ASEAN Free Trade Area (CAFTA).<sup>28</sup> Similarly, Premier Li called for further trade liberalization and deepening of Sino-ASEAN economic cooperation. These are the shared interests of all parties, given that ASEAN ranks as China's third largest trading partner, China is the largest trading partner of ASEAN, and the CAFTA is 'the world's largest free trade area among developing countries, covering a total population of 1.9 billion' with the potential to reach bilateral trade of \$1 trillion by 2020.<sup>29</sup> In the same vein, Premier Li said at the 17th ASEAN-China Summit in November 2014 that China would offer 'ASEAN countries US\$10 billion of concessional loans to boost practical cooperation in various fields between the two sides'.<sup>30</sup> While emphasizing a connectivity network as the precondition for the free flow of trade and investment, and

"Declaration on Conduct of Parties in the South China Sea" Are Held in Suzhou', 15 September, 2013, [http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1079289.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1079289.shtml).

- 26 'Li Keqiang Offers Asean Cautious Backing for South China Sea Accord', *The South China Morning Post*, 4 September, 2013.
- 27 Ministry of Foreign Affairs of the People's Republic of China, 'Wang Yi: Handle the South China Sea Issue Through the "Dual-track" Approach', 9 August, 2014, [http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1181523.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1181523.shtml).
- 28 Ministry of Foreign Affairs of the People's Republic of China, 'Special China-ASEAN Foreign Ministers' Meeting Held in Beijing', 29 August, 2013, [http://www.fmprc.gov.cn/mfa\\_eng/wjb\\_663304/wjbz\\_663308/activities\\_663312/t1072011.shtml](http://www.fmprc.gov.cn/mfa_eng/wjb_663304/wjbz_663308/activities_663312/t1072011.shtml).
- 29 'Xinhua Insight: Li Keqiang Vows China-ASEAN Diamond Decade', *Xinhua*, 4 September 2013.
- 30 Ministry of Foreign Affairs of the People's Republic of China, 'Remarks by H.E. Li Keqiang Premier of the State Council of the People's Republic of China', 11 November, 2014, [http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1212266.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1212266.shtml).

asserting the need to jointly promote the early operation of the China-led Asian Infrastructure Investment Bank (AIIB)<sup>31</sup> as a foundation for infrastructure development in the region, Li also said that China would start fundraising for 'the China-ASEAN Investment Cooperation Fund totalling US\$3 billion'.<sup>32</sup> These promises could be seen as part of Chinese leaders' efforts to mend fences with their neighbours after a few tension-filled years, and to change the country's image from that of a rising 'threat' to facilitator of multilateral regional engagement. From Beijing's perspective, Sino-ASEAN cooperation would be the key not only to strengthened economic ties between China and the regional entity but also to building the trust necessary to reduce tensions in the area.

On the South China Sea disputes, however, Beijing has never deviated from its position that the given issue is not between China and ASEAN, and thus that Sino-ASEAN relations as a whole should not be aggravated by it. Even in the face of growing concern on the part of China's neighbours and the United States fuelled by revelations of Beijing's controversial land reclamation in the South China Sea that could serve a military purpose, Chinese leaders have defended the country's island-building as legitimate because it falls within its territorial rights. Although China's island-building is widely interpreted by its neighbours and the United States as a provocative move intended to strengthen its territorial claims and potentially threaten FON, Beijing insists that its construction and maintenance works are designed not to restrict free naval passage but to provide positive public services, including maritime search-and-rescue, disaster prevention, weather forecasting, and navigation security and fishery production for the greater good of the region.<sup>33</sup> Such rhetoric, though not widely accepted by outside powers, has been constantly reiterated by Chinese leaders to portray the country as a peaceful rising power, interested in constructive regional engagement and promoting mutual prosperity and a common destiny in Asia.

Still, there are a number of important factors that could trigger a future conflict. They include intensification of maritime disputes due to China's growing popular nationalism, combined with the government's effort to treat the issue as a matter of national security and pride. For example, China's grand strategy would evolve in a more comprehensive way to strengthen its national power and establish the country as more than just an economic giant in the 21st century. In this light, the expansion of China's South China Sea claims, as well as its growing fleet of nuclear submarines armed with ballistic missiles, can be

31 Critics argue that the United States undermined itself by dissuading its allies and friends not to join the new bank, under China's leadership, while refusing to give China a bigger role in the existing multilateral institutions such as the World Bank and the International Monetary Fund. Regrettably, Washington's efforts to outmanoeuvre China's influence in Asia failed to recognize the economic reality whereby China has 'deep pockets' through which to provide Asia's growing infrastructure needs, and even some of the United States' most trusted friends, including Britain, South Korea, and Australia, were anxious not to be left out of the new economic project led by this rising power. See Joseph Stiglitz, 'In Defence of the Asian Infrastructure Investment Bank', *The Guardian*, 14 April, 2015; Jane Perlez, 'Stampede to Join China's Development Bank Stuns Even Its Founder', *The New York Times*, 2 April, 2015.

32 Ministry of Foreign Affairs of the People's Republic of China, 'Remarks by H.E. Li Keqiang'.

33 'China Reiterates that Reclamation on the Nansha Islands Fall within Sovereignty', *Xinhua*, 9 April, 2015; David Brunnstrom and Michael Martina, 'Xi Denies China Turning Artificial Islands into Military Bases', *Reuters*, 25 September, 2015.

interpreted as part of its strategic efforts to create what's known in military parlance as a 'bastion', or a deep-water sanctuary where Chinese submarines could avoid detection.<sup>34</sup> Notwithstanding China's 'no first use' policy on nuclear weapons, its neighbours and the United States might see this rapid development of ballistic submarines and nuclear deterrence capability as a threat. This is because China might possibly 'adopt a bastion strategy in the South China Sea' and unilaterally declare an 'air defence identification zone', which would restrict other countries' military overflights and abilities to track China's submarines, so inevitably intensifying the security dilemma.<sup>35</sup>

Additionally, the weak crisis-management structure of the Chinese system and the lack of unity among China's large and complicated political, foreign affairs, and military bureaucracies could heighten the danger of escalation from an operational miscalculation at sea to a political and diplomatic crisis.<sup>36</sup> For example, rising nationalism in China is not only real but also being utilized by a diverse set of actors, including the People's Liberation Army (PLA), local governments, law enforcement agencies, resource companies, and fishermen, who are promoting different agendas to advance their own particular parochial interests by seeking increased government funding or enhanced prestige. This means that 'despite the image of Xi as a strong leader', it is inevitable that Xi and the central government will be influenced by China's fractured authority and systemic problems, even in the course of formulating a grand national strategy for maritime security in the South China Sea.<sup>37</sup> The problem is that 'not every action taken by the government agency' or other related actors would properly reflect 'the will of China's leaders' while it could increase the chances of division among Chinese policymakers at a tactical level.<sup>38</sup> In the current nationalist political atmosphere, where Chinese leaders rely heavily on these actors to maintain the legitimacy and unity of the party, almost anything could be justified in the name of safeguarding China's security and maritime consciousness, even at the risk of deteriorating regional stability and causing foreign policy consequences that might go against China's long-term national interests. This is what could potentially, though not deliberately, shift the security order in the South China Sea from minor tensions to major confrontations rather than peaceful cooperation, notwithstanding Beijing's smile diplomacy, buttressed by its charming rhetoric and economic leverage.

34 Stuart Leavenworth, 'China May be Trying to Hide its Submarines in the South China Sea', *McClatchy DC*, 23 June, 2015, <http://www.mcclatchydc.com/2015/06/22/270776/china-may-be-trying-to-hide-its.html>.

35 *Ibid.*

36 House Committee on the Armed Services, *U.S.-China Economic and Security Review Commission 2013 Report to Congress: China's Maritime Disputes in the East and South China Seas, and the Cross-Strait Relationship* (Washington, D.C.: US Government Printing Office, 2013).

37 Linda Jakobson, 'China's Unpredictable Maritime Security Actors', *Lowy Institute for International Policy*, 11 December, 2014, [http://www.lowyinstitute.org/files/chinas-unpredictable-maritime-security-actors\\_3.pdf](http://www.lowyinstitute.org/files/chinas-unpredictable-maritime-security-actors_3.pdf).

38 Jingchao Peng, 'Beijing's South China Sea Objective Is Clear: To Extend Control', *Lowy Interpreter*, 17 December, 2014, <http://www.lowyinterpreter.org/post/2014/12/17/Beijing-South-China-Sea-objective-extend-control.aspx>.

## ASEAN and China in Complex Interdependence

ASEAN as a group has officially shown a consensus on broad goals towards a multilateral solution to the addressing of maritime disputes and achieving the COC. Yet, the regional body has not been in a unified position to take effective measures to address the disputes in the South China Sea. Although ASEAN has made efforts to facilitate China's peaceful change by 'socializing' the country into renouncing violence—the DOC, signed by ASEAN and China, constituting a prime example of the association's positive conflict mitigation—it has proven ineffective in defusing the military incidents that occur whenever China elects to use its naval supremacy to harass the survey ships of ASEAN member countries which carry out oil and gas explorations in what China claims as its own particular territory.<sup>39</sup> Besides, there remain specific disputes, as well as an absence of compatibility of preferences, between China and a number of ASEAN countries. Meanwhile, the convergence of interests between China and certain members of ASEAN, even including those locked in various South China Sea disputes, have led them to downplay tensions and distance themselves from this particular issue when trying to reinforce their economically profitable and strategically advantageous ties with Beijing. As discussed by Ian Storey, ASEAN has been divided 'on the South China Sea dispute because all the members have different interests in the South China Sea and their relationships with China also differ'.<sup>40</sup>

The division among ASEAN was painfully revealed at the 2012 ASEAN Summit when Cambodia—ASEAN chairman that year and a close ally of China—tried to keep the subject off the agenda, which resulted in the group's unprecedented failure to release a final joint communiqué.<sup>41</sup> ASEAN's lack of unity has also been demonstrated by some of its members, including Malaysia, which occasionally downplays concerns ensuing from China's show of force in disputed waters. Despite tensions in the South China Sea, Kuala Lumpur sees good reason to tread cautiously in managing ties with Beijing, given its complex interdependence with this Asian giant. For instance, China is Malaysia's largest trading partner. Under these conditions, Malaysian Foreign Minister Anifah Aman underlined the need for ASEAN and China to send a clear message that the South China Sea disputes are managed in a peaceful manner, so to 'avoid unnecessary attention and intervention from the wider international community'.<sup>42</sup> Although Malaysia has adjusted 'its defence and diplomatic postures by seeking a stronger military partnership with the United States while promoting a more united ASEAN stance on the South China Sea issue' in order to face China's increasingly assertive moves in recent years, the direction of Malaysia's China policy has not changed to the extent of jeopardizing the two sides'

39 Jörg Friedrichs, 'East Asian Regional Security: What the ASEAN Family Can (Not) Do', *Asian Survey*, Vol. 52, No. 4 (2012), pp. 754–76.

40 Quoted in Sharon Chen, 'Malaysia Splits With Asean Claimants on China Sea Threat', *Bloomberg*, 29 August, 2013.

41 Although Jakarta's shuttle diplomacy and the swift agreement by all ASEAN members on six principles for the settlement of the South China Sea dispute saved the day when ASEAN publicly demonstrated its embarrassing disarray during the Phnom Penh Summit, the six-point agreement by itself has not been sufficient to 'resolve the splits within ASEAN over the South China Sea'. See Donald K. Emmerson, 'Beyond the Six Points: How Far Will Indonesia Go?', *East Asia Forum*, 29 July, 2012, <http://www.eastasiaforum.org/2012/07/29/beyond-the-six-points-how-far-will-indonesia-go/>.

42 'No Show of Force, Please', *Free Malaysia Today*, 30 August, 2013.



mostly cordial and productive bilateral ties.<sup>43</sup> This is due not only to Malaysia's economic pragmatism but also to its long-term strategic considerations, facing up to the reality of Sino-Malaysian power asymmetry and geographical proximity while acknowledging 'China as a permanent factor in its external environment' that is likely sooner or later to emerge as a superpower.<sup>44</sup> Similarly, Indonesia, despite its concerns over Chinese regional expansion, has been careful not to allow the South China Sea disputes to jeopardize its relations with China. Even after Indonesian President Joko Widodo's surprisingly open remark that China's nine-dash line 'has no basis in any international law',<sup>45</sup> Jakarta quickly backtracked on the comments, emphasizing Indonesia's position of 'not siding with any party involved in the dispute' and its interests in Chinese economic partnerships.<sup>46</sup>

Until recently, Vietnam has also taken a softer approach to managing its ties with China, despite the fact that the country, along with the Philippines, is one of the most active opponents of China's expansionism in the South China Sea. This is because Hanoi cannot afford to ignore China's economic status as Vietnam's largest trading partner. China's rapid rise has also underlined the need for Hanoi to position its relationship with Beijing in a more realistic way, and Vietnam's identity as a socialist nation, which makes it unique among ASEAN members, has enabled it to relate to China as a similar regime type.<sup>47</sup> Against this backdrop, Hanoi started emphasizing the common interests between China and Vietnam, notwithstanding precarious bilateral relations in contemporary history, during much of which China was one of the most formidable adversaries of Vietnam. During his visit to China in June 2013, President Truong Tan Sang promoted Vietnam's friendship with China through such measures as people-to-people exchanges and mutually enhanced economic cooperation, bolstered by China's 'implementation of major investment projects' in Vietnam.<sup>48</sup> Hanoi and Beijing also agreed to heighten their political trust and make use

43 Kuik Cheng-Chwee, 'Malaysia-China Relations after MH370: Policy Change or Business as Usual?', *The Asan Forum*, March/April 2015, <http://www.theasanforum.org/malaysia-china-relations-after-mh370-policy-change-or-business-as-usual/#58>.

44 *Ibid.*

45 Kanupriya Kapoor and Linda Sieg, 'Indonesian President Says China's Main Claim in South China Sea has no Legal Basis', *Reuters*, 23 March 2015; similarly, Indonesian Foreign Ministry spokesman Armanatha Nasir stated that Indonesia does not 'recognize the nine-dash line because it is not in line with . . . international law'. Quoted in Randy Fabi and Ben Blanchard, 'Indonesia Asks China to Clarify South China Sea Claims', *Reuters*, 12 November, 2015.

46 Michelle FlorCruz, 'Indonesia's Widodo Backtracks On South China Sea Comments, Expresses Interest In Chinese Economic Partnerships', *International Business Times*, 25 March, 2015.

47 However, the Vietnamese Communist Party is divided between a more conservative pro-Chinese faction and 'national interest types' with the latter supporting a position of strengthening Hanoi's relations with Washington to balance out Beijing's growing influence over disputes surrounding the South China Sea. See Carlyle A. Thayer, 'South China Sea: China's Oil Rig and Political In-fighting in Hanoi', *Thayer Consultancy Background Brief*, 16 July, 2014.

48 'President Sang's China Visit Reaffirms Foreign Policy', *The Voice of Vietnam*, 23 June, 2013.

of a navy hotline to facilitate communication and defuse territorial spats.<sup>49</sup> These measures appeared to signify Vietnamese rational concession to China, as they signalled Hanoi's willingness to jointly solve the disputes, starting with the easiest possible cooperation which could pave the way to solving more complicated issues, including that of sovereignty over the South China Sea in the long run.

Sceptics, however, have viewed the Sino-Vietnam rapprochement as hype, exaggerated by both sides to project the impression of cooperation while the core disputes remain unaddressed. In effect, tensions between Beijing and Hanoi resumed in May 2014, after a Chinese state-owned company deployed a deep-water drilling rig on what Vietnam asserts is part of its continental shelf. The crisis situation came to an end in July 2014, with China's decision to remove its oil rig from the contested waters. But bilateral tensions have remained, pushing Vietnamese legislators to seriously consider legal action to retaliate against China's attempts to substantially change the status quo in the South China Sea. Although Hanoi has decided not to press the case, it has filed a statement of its legal views at the UN Convention in support of Manila on the issue of the tribunal's jurisdiction against Beijing.<sup>50</sup>

Even after the plunge of Sino-Vietnamese ties to a historic low, however, Vietnam and China have maintained their friendship 'because of the regime factor' and their shared aversion to 'destabilize the other', combined with Vietnam's economic reliance on China.<sup>51</sup> Nevertheless, Vietnam's deep-seated concerns about China's lack of respect for Vietnam's sovereignty and Chinese dominance of the South China Sea have led Hanoi to strengthen its relations with a list of major powers that are competing for influence in the region, so to enhance its strategic and economic advantage even as a minor power. For example, Vietnam has rebuilt its commercial and strategic ties with its old friend, Russia. As a former superpower caught in the middle of Beijing's growing regional ambitions and Washington's rebalance to Asia strategy, Moscow has sought to face those new challenges through strategic readjustments, such as by participating in Asian affairs via investment in military build-up and equipment. Against this backdrop, Russia has pledged to provide huge loans to help Vietnam upgrade its military equipment and to hand over Russian military supplies. Notwithstanding Moscow's neutrality on the South China Sea issue, Russia-Vietnam military ties, along with the prospect of their energy cooperation in contested waters, have supported Vietnam's efforts to deter China's naval power.<sup>52</sup>

49 Even after the May 2014 oil rig crisis, high-ranking Vietnamese delegations were sent to China (including Politburo member Le Hong Anh in August 2014 and Defence Minister Phung Quang Thanh in October 2014) to repair Sino-Vietnamese relations and set up an emergency hotline to better manage any future conflicts of this sort. This demonstrates Hanoi's pragmatic strategy designed to safeguard its national interests through keeping stable bilateral ties with Beijing. See Thuy T. Do, 'Vietnam's Moderate Diplomacy Successfully Navigating Difficult Waters', *East Asia Forum*, 16 January, 2015. <http://www.eastasiaforum.org/2015/01/16/vietnams-moderate-diplomacy-successfully-navigating-difficult-waters/>.

50 Vietnam Ministry of Foreign Affairs, 'Remarks by MOFA Spokesperson Le Hai Binh on the South China Sea Arbitration Case', 11 December, 2014, [http://www.mofa.gov.vn/en/tt\\_bao\\_chi/pbfn/ns1412121\\_43709/view](http://www.mofa.gov.vn/en/tt_bao_chi/pbfn/ns1412121_43709/view).

51 Francois Godement quoted in Tan Quiyi, 'Vietnam's Communist Party Chief to Visit China', *Channel News Asia*, 7 April, 2015.

52 Despite what appears to be the deepening Sino-Russian friendship, Russia has taken a hedging strategy against China to constrain Chinese power and enhance its own great

What's more, Hanoi has utilized the growing rivalry between Beijing and Washington to maximize Vietnam's particular geopolitical and economic benefits as well as to escape from China's orbit ('thoát Trung'). For example, Vietnamese Prime Minister Nguyen Tan Dung signed the US–Vietnam Civil Nuclear Cooperation Agreement with Secretary of State John Kerry, paving the way for the US transfer of civilian nuclear technology to Vietnam.<sup>53</sup> Moreover, Vietnam's foreign minister Pham Binh Minh's visit to Washington in October 2014 resulted in the US–Vietnam military rapprochement, and the United States' partial lifting of its decades-old embargo on lethal arms sales to Vietnam, which could help improve Vietnam's maritime security. Vietnam has also taken part in negotiations to establish the Trans-Pacific Partnership (TPP), the US-led free trade agreement among most major Pacific Rim economies, in order to redress Vietnam's vulnerability due to the magnitude of its trade deficit with China, and to offset China's economic predominance through trade surpluses with other countries.

Yet, Hanoi has strived to balance between Beijing and Washington without going too far in either direction, so to maximize its position of independence and geostrategic strength even as a minor power. Despite China–Vietnam conflict in the Paracel Islands, it is important to note Vietnam's status as one of the Prospective Founding Members (PFMs) that signed the memorandum to build the AIIB patronized by China. In a similar vein, Vietnam's defence minister, Phung Quang Thanh, has asserted the importance of his country's promoting friendly relations with both China and the United States, instead of favouring one over the other, and so 'maintain a balance position, maintain independence and self-reliance'.<sup>54</sup> This reflects Hanoi's understanding of the evolving economic and geopolitical power structure in the Asia-Pacific region, and its pragmatic endeavour not to be side-lined from creating a potentially long-lasting and transformative vision for Asia and beyond. It is a rationally measured policy of dualism that has revealed Hanoi's strategic objectives to ride on China's coattails while vigilantly maintaining its diplomatic centrality between a rapidly rising China and a still formidable United States, to maximize its own particular national interests.

Meanwhile, the Philippines has been the most vocal in directly challenging what it sees as China's divide-and-conquer strategy. Given the intensifying Sino-Southeast Asian economic relationships, Manila has been cautious about explicitly demonizing a rising China as an existential threat. Besides, the Philippines is ill-equipped to confront China alone, due

power status in Asia. See Stephen Blank, 'Russia and Vietnam Team Up to Balance China', *The National Interest*, 7 April, 2014; Andrew C. Kuchins, 'Russia and the CIS in 2013: Russia's Pivot to Asia', *Asian Survey*, Vol. 54, No. 1 (2014), pp. 129–37.

- 53 Mary Beth D. Nikitin, Mark Holt, and Mark E. Manyin, 'U.S.-Vietnam Nuclear Cooperation Agreement: Issues for Congress', *Congressional Research Service*, 15 September, 2014, <http://www.fas.org/sgp/crs/nuke/R43433.pdf>; Hanoi's civilian nuclear cooperation agreement with Washington *by itself* is not sufficient to be seen as its effort to escape from China's orbit given that the agreement can be interpreted as an extension of Vietnam's standard energy cooperation from the one previously conducted with Russia. Nonetheless, the broadening and intensifying scope of Vietnam's nuclear energy collaboration is part of its effort to increase its status as an important energy partner with other major powers, thus enhancing its independent standing vis-à-vis China.
- 54 Quoted in 'Vietnam Wants Friendly Relations With Both US and China', *Associated Press*, 23 October, 2015.

to the bilateral power asymmetry whereby the Philippine military is one of the region's weakest, with a military budget that is mere a fraction of China's. In addition, China's status as one of the most influential players in the global economy and one of the five permanent members of the UN Security Council considerably weakens Manila's economic and diplomatic leverage over Beijing. To compensate for its weaknesses, Manila has sought to reinforce its ties with the United States in accordance with Washington's rebalance to Asia, which is designed to strengthen America's relations with regional allies and friends as well as to decelerate the end of its global hegemony. The Enhanced Defence Cooperation Agreement (EDCA), signed between Philippines' Defence Secretary Voltaire Gazmin and US Ambassador Philip Goldberg in April 2014 was interpreted as a bilateral effort to bolster the Philippines' security status and America's rebalance to Asia through the full range of improved defence cooperation, including easier access for US forces to Philippine bases and facilities.<sup>55</sup> It was largely motivated by Manila's desire to offset possible Chinese aggression around the disputed Scarborough Shoal and the Second Thomas Shoal, as the agreement would allow US forces greater operational flexibility in the region.

The Philippines has also embraced a charm campaign from Japan, a major regional competitor of China searching for its own particular sphere of influence through boosting economic and military ties with a list of countries in the region, thus making Southeast Asia appear a potential battleground of Sino-Japanese rivalry. The Philippines and Japan have been largely excluded from China's overall plan to revamp its smile diplomacy vis-à-vis most other Asian countries, including those involved in territorial disputes with China. Accordingly, the convergence of interests between the two, especially their common threat perceptions vis-à-vis Beijing's expansionist ambitions in the East and South China Seas, has led Manila and Tokyo to establish the Japan-Philippines Strategic Partnership and to enhance mutual cooperation in maritime affairs. The growing bilateral ties reveal important aspects of Manila's broader strategy, which is to strengthen defence cooperation with a willing partner in efforts to make up for its lack of power. This is part of Manila's persistent endeavour to multilaterally handle the security challenge and so more rigorously and realistically counter Beijing's pursuit of bilateralism, which Manila is ill-suited to handle alone.

Manila also took legal action in January 2013 under the auspices of the UNCLOS to counter China's encroachments into what the Philippines sees as its maritime domain. However, most other ASEAN members, even those angered by China's controversial territorial claims, have refrained from offering explicit diplomatic support for Manila's arbitration. This is due to Beijing's growing regional influence as well as concerns about the potentially adverse effects of the legal case on Sino-ASEAN relations.<sup>56</sup> In effect, China's increasing economic weight has been 'a major consideration for ASEAN members' in the careful management of their relations with China and in pursuing vigorous trade diplomacy vis-à-vis China, even while seeking diversification strategies 'as a group and individually to

55 Armando J. Heredia, 'New Defense Agreement between the Philippines and U.S.: The Basics', *USNI News*, 29 April, 2014.

56 For some ASEAN Member States, including Cambodia and Laos who have received billions in Chinese financial assistance and do not have claims in the South China Sea, being sympathetic to China in the disputes at the risk of dividing the regional unity is considered as 'a small price to pay'. See Ian Storey, 'Manila Ups the Ante in the South China Sea', *China Brief*, Vol. 13, No. 3 (2013), [http://www.jamestown.org/single/?tx\\_ttnews%5Btt\\_news%5D=40402&no\\_cache=1#.VZCoo9FRFjo](http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=40402&no_cache=1#.VZCoo9FRFjo).

buffer against overdependence on China's economic growth'.<sup>57</sup> Even with the ongoing disputes in the South China Sea, ASEAN countries have taken an almost united front, insisting on their commitments to full cooperation with the China-led AIIB, so not to miss out on the powerful financial force behind Beijing's plan to take its 'foreign lending capacity to another level', though the shared vision between ASEAN and China still remains largely financial.<sup>58</sup>

In addition, ASEAN members' awareness of the changing regional power dynamics, along with their shared concern about America's staying power and commitment, have constrained them from confronting China more directly, even in the midst of China's massive land reclamation activities in the South China Sea. Their concern is less about Washington's lack of care for its Asian allies and friends and more about the potential for the United States to become so consumed with matters elsewhere, in places like the Middle East, that it may be unable to maintain its role in this region and the influence necessary to stop China. This sheds some light on why ASEAN leaders have consistently tried to 'avoid direct confrontation with China' and to 'continue to engage China in a constructive way' by taking a non-confrontational approach to the sea disputes, even while expressing 'serious concerns' over China's unswerving sovereignty claims in the South China Sea.<sup>59</sup> Taken as a whole, the ongoing disputes in the South China Sea have constantly revealed ASEAN's lack of ability to proactively develop the territorial discourse in its favour, not to mention its members' conflicting interests and the absence of a unified vision for the future. Furthermore, their divergent reactions to Beijing's increasingly assertive and wide-reaching maritime claims have made them more likely to be caught in the middle of Sino-American rivalry, so potentially intensifying regional divisions through exclusive alliance and quasi-alliance politics.

### The US Factor

China was evaluated in an annual report to Congress released by the US Department of Defence (DOD) in 2014 as a country that 'continues to pursue a long-term, comprehensive military modernization programme' to improve its capabilities to effectively assert itself, to expand its interests abroad, and to 'fight and win short-duration, high-intensity regional contingencies', including in the South China Sea, as well as the East China Sea and the Taiwan Strait.<sup>60</sup> The following year, the DOD annual report looked into China's evolving foreign policy approach and the change in its perceived security interests. While Beijing 'continues to officially support former paramount leader Deng Xiaoping's dictum' that Chinese interests would be best served by 'steering clear of direct confrontation or antagonism with major powers', there appeared to be a growing number of proponents—both in government and academia—who support the view that China should take a greater role on

57 Meredith Miller, 'China's Relations with Southeast Asia,' Testimony for the U.S.-China Economic and Security Review Commission, 13 May, 2015, <http://www.uscc.gov/Hearings/hearing-china%E2%80%99s-relations-south-east-asia-webcast>.

58 Luke Hunt, 'One In All In, AIIB Gains Momentum', *The Diplomat*, 23 March, 2015.

59 Malaysian Prime Minister Najib Razak, quoted in Aurea Calica, 'ASEAN Concerned but Won't Confront China', *The Philippine Star*, 28 April, 2015.

60 United States Department of Defence, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2014* (Washington, DC: US Department of Defence, 2014), p. i.

the world stage, and that the country's core interests, including its territorial sovereignty and maritime rights, would be best 'served by a firm stance in the face of perceived US or other regional pressure'.<sup>61</sup> These reports did not conclude that China would attack the United States or any of the several of its neighbours locked in territorial disputes with the country. Rather, it suggested that the risks of conflict between US military forces (and/or America's allies and partners) and their Chinese counterparts have intensified. This is due to China's increasingly assertive sovereignty claims over disputed waters, supported by its military modernization and growing regional economic clout, the combination of which is changing the overall configuration of regional power dynamics. Furthermore, the relative decline of American military supremacy and hegemonic leadership is altering the balance of power in Asia and beyond.<sup>62</sup>

Thus, it has become crucial for the United States to maintain a credible military presence in Asia, and to allow the Pentagon's shift to a significant percentage of force concentration in the region. In particular, the need to deepen America's ties with regional allies and partners has increased along with the importance of bolstering US forces' readiness, so offsetting 'China's growing military capabilities'.<sup>63</sup> Against this backdrop, the United States has strengthened its strategic ties with key ASEAN members, including Indonesia, the Philippines, Singapore, and Vietnam. For example, the United States has sought to enhance its regional presence through such measures as an agreement with Singapore to station American combat vessels there.<sup>64</sup> In addition, the United States has strengthened its already close defence cooperation with Australia through the deployment of US Marines to Darwin as part of the overall realignment of US forces in the Asia-Pacific region, and the signing of the US–Australia Force Posture Agreement at the annual Australia–United States Ministerial Consultation (AUSMIN) in August, 2014.<sup>65</sup> In a similar vein, while delivering the keynote address at the Shangri-La Dialogue in Singapore in 2015, US Defence Secretary Carter announced a \$425 million Southeast Asia Maritime Security Initiative, designed to 'enhance the capabilities of the regional security architecture, particularly on maritime security'.<sup>66</sup> Washington's earlier proposal for a Regional Maritime Security Initiative in 2004

61 United States Department of Defence, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2015*, pp. 22–23.

62 According to the DOD's 2015 report, 'China's military modernization has the potential to . . . defeat adversary power projection and counter third-party—including U.S.—intervention during a crisis or conflict.' *Ibid.*, p. i.

63 The US–China Economic and Security Review Commission, '2013 Annual Report to Congress', 20 November, 2013, [http://www.uscc.gov/Annual\\_Reports/2013-annual-report-congress](http://www.uscc.gov/Annual_Reports/2013-annual-report-congress).

64 Karen Parrish, 'Hagel Tours Forward-based Littoral Combat Ship in Singapore', *U.S. Department of Defence News*, 2 June, 2013; Franz-Stefan Gady, '4 US Littoral Combat Ships to Operate out of Singapore by 2018', *The Diplomat*, 19 February, 2015.

65 US Department of State, 'Joint Communique AUSMIN 2014', 12 August, 2014, <http://www.state.gov/r/pa/prs/ps/2014/230524.htm>. Washington and Canberra have shared concerns about China's land reclamation programme in the past few years that 'dwarfs what the other claimant states have done' previously and the potential for China's such activities to undermine freedom of navigation. Dennis Richardson, Secretary of the Australian Department of Defence, quoted in Shalailah Medhora, 'China's Military Buildup in the South China Sea is Beyond Anything Previously Seen', *Business Insider*, 1 June, 2015.

was rejected by key nations like Indonesia and Malaysia, which had been wary of external actors intruding into their internal affairs. However, China's persistent sovereignty claims over most of the South China Sea have made the new US-led initiative more appealing to the regional players.

The United States has also strengthened its military ties with the Philippines, one of America's oldest regional allies, to safeguard Southeast Asia sea lanes in accordance with the principle of FON. Despite its official position of neutrality on the South China Sea disputes, Washington has enhanced its military and political support for Manila as part of the Asian pivot, and sought to defend its treaty ally from growing Chinese aggression in disputed waters. Through this, Manila's goal to enhance its security (with US support) has dovetailed nicely with Washington's strategic objective to prolong its supremacy vis-à-vis rising China. Accordingly, the United States and the Philippines have continued the annual 'Balikatan' (shoulder-to-shoulder) war games near disputed waters, the biggest amphibious exercise in at least 15 years, having been hosted by the Philippines in April 2015, as both countries sought to tighten their already strong military partnership. These developments have occurred because the United States has a deep stake in preserving its hegemonic presence in the region, as well as in safeguarding global navigational freedoms and unimpeded commerce across the seas, including busy sea lanes in the South China Sea. As President Obama asserted, the United States has 'a powerful stake in maritime security in general, and in the resolution of the South China Sea issue specifically—as a resident Pacific power, as a maritime nation, as a trading nation and as a guarantor of security in the Asia Pacific region'.<sup>67</sup> In a larger sense, maritime tensions as a whole in the region could also be a litmus test for the future status of America's prominence, as it faces crucial opportunities to prove its capabilities as well as its willingness to protect allies and friends while formulating its grand strategy to astutely accommodate a rising China.

The United States was previously content with maintaining its policy of neutrality on the sovereignty issue in the South China Sea. However, Washington has adjusted its role from that of 'director' to 'director and lead cast', thus to more proactively prevent a shift in the regional balance of power in China's favour without discarding its official position of neutrality. The US rhetoric and reactions to China have become more direct and blunt, especially since China's large-scale reclamation efforts in the South China Sea. For example, a State Department official asserted that China 'can't build sovereignty' no matter how much sand the country 'piles on top of a submerged reef or shoal'.<sup>68</sup> In a similar vein, Defence Secretary Carter depicted China's island-building as 'out of step' with 'the regional consensus in favour of non-coercive approaches'.<sup>69</sup> Then, in what was framed as a 'FON' operation, a US Navy warship, the USS Lassen, sailed within 12 nautical miles of Subi Reef in the South China Sea in October 2015, to protest against Beijing's sovereignty claims over

66 Aaron Mehta, 'Carter Announces \$425M in Pacific Partnership Funding', *Defense News*, 30 May, 2015.

67 Quoted in Jackie Calmes, 'Obama and Asian Leaders Confront China's Premier', *New York Times*, 19 November, 2011.

68 US Department of State, 'Background Briefing on Secretary Kerry's Trip to Beijing, Seoul, and Seattle: Special Briefing, Senior State Department Officials', 13 May, 2015, <http://www.state.gov/r/pa/prs/ps/2015/05/242514.htm>.

69 David Alexander, 'Pentagon Chief Urges End to Island-building in South China Sea', *Reuters*, 27 May, 2015.



certain disputed features. The USS Lassen's patrol was one of the most significant US challenges yet to China's man-made islands built in the Spratly archipelago. Although Washington's move was welcomed by Manila as a means to balance power in the region, Beijing perceived the issue as part of a great power rivalry that not only threatened China's sovereignty but also damaged Sino-US relations and regional peace.<sup>70</sup>

Even though the US shows no signs of compromising in the area of FON, however, there has been important continuity in America's policy towards China, as well as East Asia and the Pacific. Setting aside tensions caused by the US assertion of rights to FON, and China's sovereignty claims over the South China Sea, Washington has maintained its position that 'the US-China relationship is vitally important and one we want to see continue to improve and to grow for the benefit of both our countries, not to mention the region'.<sup>71</sup> A few days prior to Washington's FON operation in the disputed South China Sea, senior US Navy officers visited Chinese aircraft carrier, the Liaoning, to facilitate the growing momentum of bilateral military exchanges despite intermittent flare-ups in tensions and US concerns over 'the Chinese military's lack of transparency'.<sup>72</sup> Then, even amid heated tensions during the FON operation, the United States made efforts to keep its communication channels open.<sup>73</sup> Indeed, the United States has no interests in escalating regional tensions or idly watching its allies and friends—not to mention its crucial trade partner, China—become embroiled in military conflicts to settle their disputes over the South China Sea. Instead, US interests lie in those disputes being resolved through diplomacy and compromise without undermining the global maritime commons open to all nations.

The complexity of the US position was well-reflected in President Obama's remarks about growing tensions in the South China Sea. Even while underscoring US FON rights and giving a stern warning against China's growing assertiveness, Obama emphasized the inescapable reality that the United States has a stake in making sure that the South China Sea disputes are 'resolved peacefully, diplomatically, in accordance with internationally established standards'; he also executed a highly nuanced acknowledgement that 'China is going to be successful. It's big, it's powerful, its people are talented and they work hard. And it may be that some of their claims are legitimate'.<sup>74</sup> Indeed, the US needs to prevent Asia's island disputes from undermining Sino-US relations, one of the most (if not the most) important bilateral ties in the 21st century as a whole, whose significance in every issue dimension is hard to overemphasize. That's why Washington, even while striving to counter

70 Ben Blanchard and Andrea Shalal, 'Angry China Shadows U.S. Warship Near Man-made Islands', *Reuters*, 28 October, 2015; Greg Torode, 'U.S. Patrols to Raise Stakes with Beijing in Disputed South China Sea', *Reuters*, 24 October, 2015.

71 John Kirby, 'Daily Press Briefing', US Department of State, 27 October, 2015, <http://www.state.gov/r/pa/prs/dpb/2015/10/248870.htm>.

72 Christopher Bodeen, 'Senior US Navy Officers Visit Chinese Aircraft Carrier', *Associated Press*, 21 October, 2015.

73 The two sides made bridge-to-bridge radio communication as the Lassen approached Subi Reef and the US warship was not shadowed by the Chinese 'as closely as when it came within 12 miles of islands claimed by the Philippines and Vietnam'. See Blanchard and Shalal, 'Angry China Shadows U.S. Warship Near Man-made Islands'.

74 The White House, Office of the Press Secretary, 'Remarks by the President in Town Hall with YSEALI Initiative Fellows', 2 June, 2015, <https://www.whitehouse.gov/the-press-office/2015/06/02/remarks-president-town-hall-yseali-initiative-fellows>.

China's seemingly expansionist ambitions, has simultaneously warned against misguided China-bashing, and emphasized the persistent need to engage Beijing to overcome mutual distrust and prevent minor tensions from evolving into major armed conflicts. It is in such a vein that the Defence Department, in its annual report on China, addressed the importance of Sino-US engagement on security matters, including through bilateral military-to-military contacts, to deepen practical cooperation in areas of mutual interest and to 'reduce miscommunication, misunderstanding, and the risks of miscalculation' during periods of tension.<sup>75</sup>

## Linking Theory to Substance

Thus far, the complexity of the territorial disputes in the South China Sea has been discussed with particular focus on the significance of the issue in conjunction with an analysis of Beijing's growing assertiveness and its implications for security in the region. As discussed earlier, [Table 1](#) empirically maps out the different scenarios of the South China Sea security order, shaped by a number of important contributing factors: the nature of Sino-US engagement, their changing power dynamics, the degree of compatibility of preferences between China and the United States as well as between China and other claimants, and inextricable preference structures and interest relationships between ASEAN and other directly and indirectly involved states.

As regards the nature of engagement, China and the United States seek to deter each other's power and influence to prevent them from enhancing their regional status. When dealing with the security issue in the South China Sea, Beijing has officially taken a strategy of divide and prosper (though some of its neighbours frequently describe it as a 'divide and conquer'<sup>76</sup> strategy) vis-à-vis the list of claimants in the disputes, especially by using its growing economic leverage to assuage them not to confront China directly as a group unified under the ASEAN umbrella. Though this strategy has not been sufficient to entice rival claimants to abandon their territorial claims, it has brought greater advantage to China than would bluntly pursuing an overtly expansionist and antagonistic policy towards its Southeast Asian neighbours, who could then bandwagon with the United States in containing China through exclusive alliance and quasi-alliance politics. Chinese leaders have hence tried to portray China's image as that of a peacefully rising power and responsible stakeholder that uses its growing economic leverage to influence its neighbours, so making them unable to unify as one against an increasingly assertive China.

Nonetheless, Beijing has not yet successfully demonstrated that its supports for addressing the given disputes through multilateral engagement and for regional-wide trust building are anything more than expediency or diplomatic rhetoric. This is attributable to a combination of factors, including China's internal constraints, caused by rising nationalism that

75 United States Department of Defence, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2014*, p. 59.

76 Similarly, some analysts describe it as a salami-slicing strategy, which would allow Beijing to 'gradually accumulate, through small but persistent acts, evidence of China's enduring presence in its claimed territory'. None of the small actions would serve as a *casus belli* by itself, yet if accumulated over time and space, those actions could fundamentally transform the regional environment in China's favour. Robert Haddick, 'Salami Slicing in the South China Sea: China's Slow, Patient Approach to Dominating Asia', *Foreign Policy*, 3 August, 2012.

limits Beijing's foreign policy options. In addition, there is still a gap between China's growing confidence as a rising power, capable of leading the regional trust building measure, and its lingering insecurity about multilateral engagement due to the potential for exploitation of it by outside forces, especially the United States. This is largely due to remnant memories of China's century of humiliation, combined with America's continuing presence in China's traditional sphere of influence through the web of US alliances and quasi-alliances with nations locked in territorial disputes with China.

Meanwhile, Washington has adopted a strategy of dealing with China's growing assertiveness vis-à-vis other claimants in the disputes through soft balancing, and enhancing its ties with regional allies and friends, in line with its rebalance to Asia. Given the complex interdependence between China and the United States and their implications for peace and stability in the region and beyond, Washington appears to have concluded that this is the most practical approach and one in the best interests of all, including the United States, China (America's competitive, yet critical partner), and other states directly and indirectly involved in the disputes. US concerns about losing its supremacy amid the rise of a new regional power has prevented it from taking the lead in building a much-needed new type of major power relationship between Beijing and Washington, and promoting more constructive Sino-US co-leadership.

In effect, the time is not yet ripe for the United States to support shared leadership with a rising China, partly due to the lack of mutual trust and latent incompatibility between Washington and Beijing's ideas as regards how best to maintain or recreate a hegemonic order. Embracing a still authoritarian China as part of inclusive regional security architecture would also prompt America's close friends and allies to question Washington's security commitments to the region, and could destabilize the US-led security order among democracies in East Asia and the Pacific. The United States' dilemma, therefore, is finding the right balance between reassuring America's allies and friends of its commitment to the regional security order and promoting its policy of pragmatic engagement with China, so safeguarding its core interests and demonstrating its resolve to keep the US hegemonic presence in this part of the world without exacerbating Beijing's anxieties about Washington's hedging against a rising China.

On a macro-level, the East Asia security order is gradually defined by the regional division between Chinese and American spheres of influence. Yet, the changing balance of power, due to China's rise, has not been sufficient to fully replace America's relatively declining supremacy through outright Sino-US hegemonic competition. China has still to prove its peaceful rise and to convince its neighbours to accept the country as a reliable great power, ready and willing to enhance not only its own interests but those of others. In the meantime, the actualization of pacific Sino-US co-leadership lies far in the future. Notwithstanding the bilateral efforts to manage Sino-US tensions through a series of dialogue mechanisms, including military-to-military contacts and the annual ministerial-level strategic and economic dialogue, the absence of trust due to the US-China power transition, along with lingering ideological divisions between a non-democratic China and a democratic America, remains a major hurdle that both sides must clear in order to build a more inclusive regional security architecture.

As regards compatibility of preferences, both Beijing and Washington share some degree of convergence of interests. Although their preference structures are not identical, both would prefer to avoid any escalation of regional tensions into war. As for China, the ultimate objective is to preserve the political system of the CCP. Beijing's new effort towards

political reform, initiated to make the CCP more adaptive and better governing, has yet to satisfy fully the sense of regime security and identity of communist China in the 21st century. In effect, China's remarkable economic success, made possible partly through embracing certain aspects of capitalism, has not led to its transformation into a multiparty system, notwithstanding the growing need for political reform in order to effectively govern the country. The country is now under the influence of a stronger and increasingly pluralized society and bureaucracy, armed with easier access to information, human resources, and money than ever before in China's modern history. Under the circumstances, sustained economic prosperity has become crucial to prolonging the staying power and legitimacy of the CCP while adapting its old politics to the new society without losing control of the existing system. Thus, China needs to maintain regional stability as a precondition for its tangible and substantial economic growth and preservation of power under the leadership of the CCP. Similarly, the United States has interests in keeping the status quo, albeit with minor tensions, given that an escalation of conflict in the South China Sea could drag it into an unnecessary war due to its alliance obligations and hegemonic commitments, while risking its crucial relations with China.

ASEAN countries also have political reservations and strategic concerns about China's growing assertiveness and influence in the region. However, China and its Southeast Asian neighbours, including some claimants in the South China Sea disputes, do have some degree of shared interests. Though their convergence of interests is in large part economically driven, it has been an effective enough element to prevent minor incidents and conflicting views from spiralling out of control. At the same time, ASEAN members' different stakes in and internal divisions over how best to handle the ongoing territorial spats have prevented the regional body from achieving a high degree of cohesion over the disputes, even while maintaining an official unity insofar as calling for a peaceful and multilateral resolution to the given issue. ASEAN leaders have repeatedly expressed 'serious concerns' over China's land reclamation projects and the continuing tensions in the region in that respect.

However, the majority of ASEAN Member States have not gone so far as to let the given issue prejudice regional strategic competition, even though they seek to counter China's assertive territorial claims through strengthening their ties with the United States and other major players. In effect, most ASEAN Member States have taken a cautious and self-restrained approach, in efforts to maximize their own particular benefits in the midst of great power rivalry between China and the United States, both of which seek to incorporate ASEAN into their particular sphere of influence. Accordingly, ASEAN has reappeared as a critical focus of American foreign policy in Asia, pushing Washington policymakers to make considerable efforts to consolidate the regional security architecture under US leadership. At the same time, most ASEAN members, including those with overlapping claims in the South China Sea, have strived to maximize economic benefits by shrewdly riding on China's coattails without either acknowledging Beijing's territorial demands or relinquishing their particular claims in the region's contested waters. Nonetheless, ASEAN as a regional entity has not been successful in promoting joint ownership and pragmatic resource management in the South China Sea, due to its failure to achieve a high degree of cohesion over the given issue, and differences as regards each member's threat perception of China.

Even while seeking to counter Beijing's assertiveness and obtain the promise of a more visible US presence, most ASEAN members have tried to calmly and rationally manage the

disputes through dialogue and consultation and to strengthen not only their economic but also political and military ties with China.<sup>77</sup> Though seemingly inconsistent and contradictory to the long-term interests of the group, such a discrepancy can be seen as a reflection of ASEAN's inevitable approach to the multi-faceted, complex, and highly sensitive South China Sea disputes, its cautious reaction to the changing shift in balance of regional power towards China—a country, equipped with the advantage of numbers, proximity, and capabilities—and its doubts about America's enduring hegemonic leadership in the 21st century.

## Conclusion

Despite intermittent crises over the South China Sea disputes, China and other directly and indirectly involved parties, including the United States, have managed to prevent heightened tensions from evolving into major turmoil or war. Yet, in order to move towards more positive peace, there is no better time than now to build a new paradigm, based not upon a parochial zero-sum vision but a common purpose and mutually enhancing cooperation. China may have no intention of overthrowing the existing regional and global order from which it has benefited so enormously. Yet, this rising Asian giant would be discouraged from contributing to the regional and global order and choosing constructive foreign policy measures if the country, along with its neighbours and the United States, were to continue to be prisoners of 'mutually assured misperceptions'.<sup>78</sup>

One of Beijing's major concerns is Washington's potential use of the South China Sea disputes to reinforce America's presence in Asia, at the cost of limiting China's rise and restricting its manoeuvring options that include possible use of its new class of nuclear submarines to deter America's advanced weapon systems.<sup>79</sup> Beijing has also complained about Washington's 'double standards', in reference to US leaders 'accusing China of impairing navigational freedom' through land reclamation, while being 'selectively mute' about others' island construction activities.<sup>80</sup> As Peter Dutton asserts, 'The Chinese have long felt vulnerable from the sea, and their current maritime strategy seeks to reduce that vulnerability by extending a ring of maritime control around China's periphery.'<sup>81</sup> In this sense, China's efforts to extend its power and influence over the near seas have deep historic and strategic roots, embedded in its past experience of being caught unprepared on its maritime flank by powerful Western and Japanese imperialism. Thus, Beijing's pursuit of maritime

77 'Thailand, China Agree to Closer Military Ties during Senior Official's Visit', *The Nation*, 25 April, 2015; 'Cambodia Publicly Endorses China Position on South China Sea', *Voice of America*, 25 March, 2015.

78 For further analysis of overcoming the mutually assured misperceptions between China and the United States, see Kevin Rudd, 'How to Break the "Mutually Assured Misperception" Between the U.S. and China, Constructive Realism for a Common Purpose', *The Huffington Post*, 20 April, 2015.

79 John Feffer, 'Asia: On the Rocks', *The Huffington Post*, 18 June, 2015.

80 'China Voice: China's Position on South China Sea Will Not Change', *Xinhua*, 5 June, 2015.

81 Peter A. Dutton, 'China's Maritime Disputes in the East and South China Seas: Testimony before a Hearing of the House Foreign Affairs Committee', 14 January, 2014, <http://origin.www.uscc.gov/sites/default/files/transcripts/USCC%20Hearing%20Transcript%20-%20April%204%202013.pdf>.

expansion can be seen as a multifaceted process of enhancing the state's security 'in conjunction with the healing of a sort of psychological wound in the collective Chinese mind' and demonstrating the credibility of the Chinese leadership as a ruling entity sufficiently powerful to protect the state.<sup>82</sup> Inevitably, however, what appears as China's creeping expansionism has caused friction between China and other claimants in the region, and undercut China's rapport with the United States.

In order to move towards a more peaceful security order in the South China Sea, all parties involved in the given issue should establish a shared vision for the future in which conflict is not inevitable. Despite competition between a rising China and a relatively declining United States, the two states, along with their neighbouring countries, are inextricably bound together in the era of globalization and complex interdependence, based on various issue linkages and closely intertwined economic and strategic interests. Under that condition, Washington has a major stake in maintaining positive relations not only with regional allies and partners but also with Beijing, especially given that China is a (re)emerging great power with deepening economic and cultural bilateral ties with the United States. The escalation of regional tensions into war that entails US military intervention is neither inexorable nor preferable, not only to the United States and China but also to other countries in the region, regardless of their involvement in any particular dispute with China. This is because both Washington and Beijing, along with China's neighbours, have common interests as regards seeking stability and navigational freedom in the strategically and economically important South China Sea.

In the event of conflict, a lack of intervention by the United States would undermine its credibility not just in Southeast Asia but in the Asia-Pacific and elsewhere. Another important reality, however, is that encouraging restraint by all parties and diplomatically resolving these disputes would be in America's best interests. In fact, direct American intervention would be neither wise nor productive, given the risk of damaging its strategic, political, and economic ties with China in the name of defending its allies and friends, even if Chinese actions do not directly challenge US core interests, including FON in the South China Sea. Besides, US leaders would continue to 'be reluctant to use some of the more effective methods the American military has at its disposal . . . to reduce a threat posed by China's ability to wage asymmetric warfare' not only because of China's nuclear retaliatory capability but also because of America's regional partners' economic dependence 'on the transnational production system that has China as its fulcrum'.<sup>83</sup> Thus, Washington needs to tread carefully in adopting a position of strategic neutrality between Beijing and other claimants in the South China Sea. Such a nuanced approach would protect the United States from rash embroilment in regional conflicts, or from unintentionally misleading its allies and friends into treating US commitments to regional security as a blank check that emboldens the pursuit of their particular parochial interests at the cost of regional stability.

This does not mean that the US should relinquish its role as major balancer of East Asian strategic dynamics and promoter of an open maritime system in the region. Indeed, the most effective way in which the United States can 'calm potentially volatile situations involving emotional sovereignty claims' is to combine 'US power and resolve on the one

82 *Ibid.*

83 Thomas J. Christensen, 'China's Rising Military: Now for the Hard Part', *Bloomberg*, 5 June, 2015.

hand, and diplomatic assurances on the other' without demonizing the rising Asian giant.<sup>84</sup> In this regard, the USS Lassen's operation in the South China Sea and Defence Secretary Carter's ensuing visit to the USS Theodore Roosevelt while transiting the disputed South China Sea can be interpreted as US efforts to demonstrate the country's stabilizing presence in the region—necessary moves by which Washington might assuage regional fears and reassure allies of its commitment to FON and maritime security, despite concerns over risks of an escalation and further militarizing of the South China Sea.<sup>85</sup>

Even as the White House authorized the naval patrol, however, it did so discreetly, releasing no formal announcements, and instructing DOD officials to make no public mention of the episode, so underplaying the move to avoid inciting China.<sup>86</sup> In a similar vein, US Pacific Fleet commander Admiral Harry Harris Jr emphasized during his visit to China in the immediate aftermath of the Lassen's patrol deepened cooperation between Washington and Beijing. In an effort to play down bilateral tensions and counter pessimistic predictions of an imminent clash between the two nations, Harris asserted that 'while we certainly disagree on some topics—the most public being China's claims in the South China Sea and our activities there, there are many areas where we have common ground'.<sup>87</sup> Though seemingly contradictory, Washington's resolute challenge to a Chinese territorial zone around artificial islands together with its generally conciliatory rhetoric and 'nuanced neutrality' towards Beijing could be seen as the epitome of Washington's soft balancing—a reflection of its hegemonic predicament vis-à-vis its inevitable involvement in the South China Sea disputes due to its alliance and quasi-alliance relations with the regional partners, as well as its multifaceted ties to a rising China.

China may have more 'rising' to do in order for it to seriously compete with the United States on a global scale, but it has certainly risen to become a power strong enough to exert significant influence on economic and political affairs in the region and beyond. Under these conditions, the best way in which the United States can support regional stability and deter conflict is *not* to contain China through divisive alliance politics, but to accommodate the 'legitimate aspirations' of this rising power to a greater voice in the regional and international system.<sup>88</sup> To do otherwise could leave the US increasingly isolated, as observed in the humiliating experience wherein its allies rushed to join the AIIB, making the US appear 'obstructionist and weak, rather than the world leader it still proclaims itself to be'.<sup>89</sup>

84 Thomas Christensen, 'Managing Disputes with China', *The Japan Times*, 9 June, 2015.

85 Lisa Ferdinando, 'Carter Visits USS Roosevelt in South China Sea', *DoD News*, 5 November, 2015, <http://www.defense.gov/News-Article-View/Article/627872/carter-visits-uss-roosevelt-in-south-china-sea>. For disagreeing views on the US FON Operations, see Sam Bateman, 'Does the US Know What It's Doing in the South China Sea?', *The Strategist*, 19 May, 2015; Doug Bandow and Eric Gomez, 'Further Militarizing the South China Sea May Undermine Freedom of Navigation', *The Diplomat*, 22 October, 2015.

86 Helene Cooper and Jane Perlez, 'White House Moves to Reassure Allies With South China Sea Patrol, but Quietly', *The New York Times*, 27 October, 2015.

87 Quoted in Simon Denyer, 'China Rails at 'Hegemony' as US Vows to Continue Sea Patrols', *The Washington Post*, 3 November, 2015.

88 David Lampton, 'China and the US Must Get Their Strategic Relationship Right', *South China Morning Post*, 8 June, 2015.

89 Ralph A. Cossa and Brad Glosserman, 'The US Needs A Better Plan For Handling The Rise Of China', *Business Insider*, 2 December, 2014.



Therefore, Washington should more proactively embrace the new realities of shifting regional and global power dynamics and allow Beijing a sphere of influence, especially in China's own backyard, while promoting the constructive vision that contemporary Sino-US relations need not fall prey to the tragic historical cycle of great power rivalry. At the same time, the United States should continue to commit to maintaining its military advantages in 'the naval, air, space, and cyber technologies', if it wants to sustain its status as an important contributor to maritime security in the Asia-Pacific, and more credibly deter any regional tensions from spiralling out of control.<sup>90</sup>

Even while striving to maintain its military supremacy, the United States must also focus on enhancing its cooperative strategic relationship with China, to prevent escalation of tensions due to miscalculation and miscommunication while solidifying and extending common ground at the strategic level. The major obstacle to more positive Sino-US relations, one which could affect maritime security in the region, is the absence of mutual trust and understanding. There is hope that 'US policy towards China is based on the premise that it is in both countries' interests to expand practical cooperation in areas where both countries' interests overlap, and to constructively manage differences.'<sup>91</sup> Yet, in order more effectively to pursue 'a constructive and productive relationship with China' as a foundation on which to enhance stability in the regional and international system, it is vital that the United States strengthens its military-to-military relationship with the Chinese counterpart, even as it strives to 'monitor China's evolving military strategy, doctrine, and force development, and encourage China to be more transparent about its military modernization program'.<sup>92</sup> Sustaining such a positive momentum in Sino-US ties is the best way to encourage this rising power to collaborate more successfully with the United States, its allies and partners, as well as to manage the ongoing tensions in the South China Sea while upholding international rules and norms, in order to contribute to shared prosperity in Asia and beyond.

As for other claimants and ASEAN as a whole, this is their key moment to unite in a way that enhances their regional leverage and develops their capacities, thus ameliorating their fears about a rising China. If managed wisely, this could be the time when each of these claimants and the regional body extend their scope of cooperation with China from narrow economically driven interaction to strategically reliable partnership in the long run. They must, therefore, capitalize on the opportunity to build more reliable ties with China, rather than being overwhelmed by the ostensibly intransigent nature of the given issue. As a more cohesive regional entity ASEAN would be able to influence the rising China's emergence as a peaceful major power, and take part in more tangible multilateral conflict management in the South China Sea.

In the meantime, China must take the lead in joint development and exploration of resources in the disputed waters without excluding any claimants, so promoting region-wide commercial benefits and verifying its commitment to a peaceful resolution to the problem. By doing so, China would be able to transform what appears to be a dangerous geopolitical flashpoint into a golden opportunity to create a more stable and mutually enhancing regional order, while at the same time assuaging its neighbours' concerns about its expansionist ambitions and achieving the broader goal of re-establishing itself as a respected regional

90 Dutton, 'China's Maritime Disputes in the East and South China Seas'.

91 United States Department of Defence, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2015*, p. ii.

92 *Ibid.*, p. 63.

and global player. Chinese leaders have expressed the desire to break old mindsets embedded in 'a cold war mentality' and the politics of 'a zero sum game', thus to maintain a cordial relationship with its neighbours and build 'a new type of great power relationship' with the United States.<sup>93</sup> They have also asserted that 'China will unswervingly develop peacefully' as the country needs 'a harmonious and stable domestic environment' as well as a 'tranquil international environment' to satisfy the basic interests of the Chinese people.<sup>94</sup> China's key task, however, is to prove through its actions its intention to peacefully develop and re-emerge as a leader in Asia and beyond, not through a coercive form of diplomacy and questionable expansionism, but by enhancing its soft power and credibility. Herein, Beijing needs to show further restraint and control over controversial measures such as its oil rig deployment and island construction in the South China Sea, and to deliver more tangible outcomes when defending the claims that it is promoting a mutually enhancing regional engagement.

Today's China appears to have risen to the extent that Deng Xiaoping's famous dictum of 'keeping a low profile and hiding brightness' seems to have lost its relevance, as his strategic lodestar 'was premised on China having enormous internal problems and limited strength' and on the acknowledgement 'that if Beijing threw its weight around externally', it would encourage its nervous neighbours and distant powers to openly coalesce against China.<sup>95</sup> However, Beijing's recent moves to demonstrate its strength through a more muscular type of diplomacy and increasingly bolder expansion could still undermine its core interests by pushing its neighbours to bandwagon with other major powers, whether they be the United States, Japan, or Russia, so creating a regional environment more prone to friction than cooperation. As acknowledged by China's own leader, history has taught us that 'any country trying to use force to achieve its own development goals will in the end only fail'.<sup>96</sup> Thus, China's policymakers must not stray from the country's long-standing humility and pragmatic realism, along with the spirit of flexibility and patience, in their approaches to dealing with the South China Sea spat while endeavouring to reclaim the country's great power status and achieve the China dream in the 21st century.

93 Stephen Hadley and Paul Haenle, 'The Catch-22 in U.S.-Chinese Relations: The Future of Bilateral Ties', *Foreign Affairs*, 22 February, 2015.

94 Adam Jourdan, 'China's Xi Preaches Peace in Key Note Address', *Reuters*, 28 March, 2015.

95 Lampton, 'China and the US Must Get Their Strategic Relationship Right'.

96 Xi Jinping quoted in Jourdan, 'China's Xi Preaches Peace in Key Note Address'.