



Center for Strategic and Budgetary Assessments

# COUNTERING CHINA'S ADVENTURISM IN THE SOUTH CHINA SEA



## STRATEGY OPTIONS FOR THE TRUMP ADMINISTRATION

ROSS BABBAGE



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Strategic Forum is an independent, not-for-profit corporation committed to fostering advanced strategic thought on the security challenges confronting Australia, its allies, and its other security partners. Many of the challenges now confronting Australia's national security decision-makers are significantly different from those of a decade ago. New thinking is required and Strategic Forum conducts mainly off-the-record discussions and seminars to assist.

## ABOUT THE AUTHOR

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Dr. Babbage has written and edited several books and numerous research reports and articles. Amongst his more recent publications is: *Game Plan: The Case for a New Australian Grand Strategy* (Canberra: Menzies Research Centre, 2015).

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# Executive Summary

One of the least recognized failures of the Obama Administration was its inability to counter China's territorial expansion in the South China Sea. During President Obama's second term, Beijing militarized and established effective control over one of the world's most important strategic waterways. In consequence, an important question for the Trump Administration is how the United States and its close regional allies (primarily Japan and Australia) can thwart Beijing's expansionism in the South China Sea and deter further Chinese adventurism.

The challenge in the Western Pacific is complex and unlikely to be resolved quickly. China is a rising revisionist state with authoritarian Leninist leadership that is prepared to take risks to retain its own power and advance the nation's international position. At the core of the leadership's domestic legitimacy is its promise to restore Chinese civilization to the position of global pre-eminence, which the Chinese people believe is their rightful place.

A key element of China's strategy is to push Western forces and strategic influence out of the South China Sea and most of the Western Pacific. To advance these goals, the Chinese leadership has marshalled a broad range of political, economic, information, and military resources. Beijing has made substantial progress by taking incremental steps, each of which has fallen below the threshold that would trigger a forceful Western response.

This Chinese campaign poses a serious challenge to the power of the United States, its allies and partners, and, more fundamentally, to the rules-based global order. Protecting the rules-based component of global order is becoming more important for the United States and the other Western Pacific allies as they all suffer a relative decline in their traditional forms of power.

Beijing's breaches of international law and U.S. allies' reactions set precedents for how China is permitted to treat its neighbors and others. The growth of Chinese power and its largely unchecked gray zone aggression enables Beijing to coerce other countries to make decisions that undermine their sovereignty. In effect, Beijing is pressuring regional countries into an arrangement that mirrors the contract struck with its own people: economic benefits in exchange for political compliance, with a big stick lurking in the background threatening retaliation for aberrant behavior.

When allied leaders have addressed China's territorial and military expansion in the South China Sea, they have almost always responded by repeating a standard mantra: we have a strong interest in free sea and air passage; we have no national claims to territories in the area; and we call on all parties to exercise restraint and resolve competing claims in accordance with international law. In token support of these interests, allied ships and aircraft have periodically transited the region, though they have rarely challenged China's territorial claims directly. This approach is flawed and has so far failed to deter Beijing's substantial territorial expansion.

The United States and its closest relevant allies<sup>1</sup> urgently need a new approach. They should develop a coherent strategy to induce Chinese compliance with international law and deter further adventurism.

This paper addresses the Chinese regime's strategy in the Western Pacific, particularly its construction of military facilities on several newly created islands in the South China Sea and its establishment of effective sovereignty over some 80 percent of this strategic waterway. It also discusses China's psychological operations that are designed to undermine the pro-Western stance of key countries in the West Pacific, including the Philippines and Australia.

This paper then considers a range of strategy options available to the Western allies to counter the Chinese offensive in the South China Sea and in the Indo-Pacific region more generally. It enumerates several viable strategies available to allied leaders in addition to a surprisingly broad range of practical measures that could be taken to implement the chosen strategy. Candidate measures extend well beyond the standard diplomatic and military domains to include geo-strategic, information, economic, financial, immigration, legal, and counter-leadership measures. The most effective allied campaigns will likely combine a carefully calibrated mix of measures that can be sustained by the allies and their friends over an extended period. Some of these measures would comprise declaratory policies designed to deter Chinese actions, give confidence to allies and friends, and shape the broader operating environment. Other measures would be classified, designed in part to keep the Chinese off-balance and encourage greater caution in Beijing.

Some allied leaders may be tempted to do nothing or continue to take timid, token actions in response to Beijing's expansionism. This flat-footed stance is already fostering major changes in Southeast Asia. The Philippines' President Rodrigo Duterte, appears tempted to bandwagon with Beijing. Cambodia, Laos, Thailand, and even Malaysia are also developing closer relationships with China. Regional governments now view China as not only their most important economic partner, but also as a friend who doesn't interfere with their sensitive domestic issues, unlike the United States. Moreover, they appreciate that China is aggressive and has, by far, the largest military force in the South China Sea. By contrast, the United States and its allies

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1 In this paper, the term "close allies" is used to describe the three major Western allies that are of greatest relevance to the developments and future Western strategy in the South China Sea, i.e., the United States, Japan, and Australia.

have sporadic military presences in the region and are behaving very cautiously. Significant damage is being done to U.S. and allied credibility. In the absence of major changes, much of Southeast Asia will shift into Beijing's orbit.

An even more serious risk is that Beijing may be emboldened by its recent successes to launch new and more serious expansionist operations. In that event, a more dangerous crisis is likely to confront allied leaders downstream, most likely in more challenging circumstances not of their choosing. Far higher human, military, and financial costs may be unavoidable.



## CHAPTER 1

# The Development of China's Challenge

### Key Drivers

The world view of the Chinese leadership differs markedly from that held by the leaders of Western democracies and most developing countries. It springs from a deeply held sense of China's special place in the world and a strong desire to realize what many Chinese see as the inevitable restoration of their country's global pre-eminence.

The Chinese people are encouraged to remember the seven centuries of Chinese economic, technological, and cultural dominance from AD 1100–1800. Although the Chinese empire waxed and waned during this period, with periodic wars against neighboring states, the occasional rise of local warlords, and several regional rebellions, most of these challenges were overcome. A deep culture of civilizational superiority emerged that expected surrounding tributary states to acknowledge China's pre-eminence, pay taxes, and install Sinophile elites to govern broadly in accord with Beijing's wishes. At the height of its power in the seventeenth century, the Chinese empire is thought to have contained one-third of the world's population, its largest economy, and many of its most advanced technologies. It was unquestionably the predominant power on the Asian land mass and one of the largest empires the world had ever seen. It had no experience of dealing with other states as equals.

A weakening of the empire's central authority and the arrival of the forces of strong colonial powers, especially Britain, led to a series of major Chinese defeats from 1840 onward. The republican revolution in 1911 led to further divisions and conflicts between regional warlords, especially between the nationalist Kuomintang of Chiang Kai-shek and the communists led by Mao Zedong. It was really only after the Second World War and the defeat of the nationalist forces on mainland China that a degree of stability was restored by the new communist regime in 1949.

The communist armies won the civil war through the disciplined application of a sophisticated version of revolutionary or people's war. This concept combined the involvement of all citizens in the struggle under the leadership of the Communist Party. Some people joined the military, some provided economic, logistical, and other support, and almost all engaged in political action to undermine the opposition's will and win the active support, or at least the acquiescence, of undecided communities. Strong propaganda and political campaigns were almost always launched well before military operations and often in regions far behind the front lines. One result was to embed a culture of political campaigning and mass recruitment at early stages of struggles, leading to close civil–military cooperation and highly asymmetric and innovative approaches when confronted by strong conventional military forces.

Upon coming into power, Mao held the country together by imposing a local version of Marxism–Leninism combined with heavy doses of nationalism and anti-foreign xenophobia. A central part of the communist regime's legitimacy sprang from its promise to overcome the “century of humiliation” and restore China's prosperity and global status. Party propaganda painted China's heroes as those who were strong leaders, defeated separatist elements and foreign barbarians, extended the empire, and brought prosperity and honor to the Chinese people.

While Mao led communist forces to victory in the Civil War and unified the country, he was much less successful in driving economic growth. It wasn't until after Mao's death in 1976 and his replacement by Deng Xiaoping that far-reaching economic reforms were introduced, first in agriculture and then across most other sectors of the economy. Deng realized that, in order to accelerate the restoration of China's pre-eminence, it was essential to modernize and greatly expand China's economy under the Communist Party's leadership. To those ends, he supplemented his economic reforms with an expanded system of “patriotic education” that championed the country's nationalist aspirations.

Deng appreciated that rebuilding China's economic strength would take time, and, meanwhile, Beijing would need to exercise strategic restraint. Deng spoke about “hiding China's capabilities and biding time”<sup>2</sup> while striving to restore the country's strength. In public presentations, this process was described as China's “peaceful rise.” When dealing with foreign powers, Deng emphasized three primary avenues of operation.

- First, avoiding confrontation;
- Second, working to build all elements of national power; and
- Third, advancing incrementally, taking opportunities to strengthen China's strategic position over time.<sup>3</sup>

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2 For a detailed discussion, see “Deng Xiaoping's ‘24-Character Strategy,’” *Global Security*, updated December 28, 2013, available at <http://www.globalsecurity.org/military/world/china/24-character.htm>.

3 See this discussed in Raquel Vaz-Pinto, “Peaceful Rise and the Limits of Chinese Exceptionalism,” *Revista Brasileira de Política Internacional* 57, special edition, 2014, pp. 210–224.

Although this strategy seemed to work for about two decades, the Chinese leadership was shaken in 1995–1996 by its failure to coerce the Taiwanese President, Lee Teng-hui, to abandon what Beijing saw as his more independent stance. The Chinese mobilized military units and fired ballistic missiles into waters adjacent to Taiwan, but the United States then deployed two aircraft carrier strike groups to the area, and Beijing was forced to back down. This experience prompted a review of China's strategic priorities and an acceleration of Beijing's military investments, particularly in counter-intervention capabilities that became known in the West as anti-access/area-denial capabilities (A2/AD)—military systems tailored to deny U.S. and allied forces the option of operating freely in the approaches to the Chinese coast.<sup>4</sup>

In the two decades since, the Chinese leadership focused on maintaining domestic stability while further developing the country's economic, military, and political strength. Great strides were made in all of these fields. Notable in this context were efforts to prepare the political space for intensified competition within Western and East Asian societies. Politically useful support groups were established in Western universities, research institutes, media organizations, consulting houses, businesses, and even parliaments.<sup>5</sup> Most of these groups were generously supported, offered well-organized visits to China, and encouraged to not only understand Beijing's position on key international issues, but also speak out publicly in its support when required.<sup>6</sup>

The ascent of Xi Jinping to the Presidency in 2012 coincided with a number of developments that Beijing viewed as being strategically favorable. On the one hand, China's economic, military, and political power was approaching parity with the United States in the Western Pacific region. On the other hand, Beijing appreciated that the United States and most of the Western allies were seriously damaged by the global financial crisis of 2008–2009, and they would likely take a long time to recover. The United States was also heavily distracted by its military operations in the Middle East and by counter-terrorism globally. On top of that, Western budgets were burdened by high levels of debt and barely constrained demands for entitlement spending. In addressing these issues, national leaderships in Washington and in many other allied capitals showed little evidence of deep strategic logic, mostly reacting to international events with incremental tactical, and often timid, responses. These developments confirmed the view of the Chinese leadership that the first two decades of the twenty-first century were a "period of strategic opportunity." In particular, the Chinese leadership identified the second

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4 The development of China's anti-access/area-denial capabilities is discussed in many publications. See, for example, Office of the Secretary of Defense (OSD), *Military and Security Developments Involving the People's Republic of China 2011*, Annual Report to Congress (Washington, DC: DoD, 2011), pp. 28–32.

5 Peter Jennings, "Australia Needs to Limit its Exposure to Corruptive Influences," *The Australian*, September 3, 2016; John Fitzgerald, "Beijing's Guoqing Versus Australia's Way of Life," *Inside Story*, September 27, 2016, available at <http://insidestory.org.au/beijings-guoqing-versus-australias-way-of-life>; and Greg Sheridan, "Chinese Influence Runs Deep to Favour Official Beijing Policy," *The Australian*, September 10, 2016.

6 See a discussion of these aspects of China's strategy and operations in John Costello and Peter Mattis, "Electronic Warfare and the Renaissance of Chinese Information Operations," in Joe McReynolds, ed., *China's Evolving Military Strategy* (Washington, DC: The Jamestown Foundation, 2016), pp. 179–189.

decade of the century as a period of strategic opportunity that would require more active and assertive policies.<sup>7</sup>

The newly appointed Xi Jinping grasped this favorable turn of events and repeatedly emphasized his planned delivery of “the China dream”<sup>8</sup> of restored prosperity and national pre-eminence. He also took early steps to accelerate more assertive and expansive policies and operational plans. In his seminal essay on this shift in Chinese strategic thinking, Timothy Heath summarized the change as follows: “Beijing’s aim is to reshape elements of the regional and international order and to expand control over core national interests in the least destabilizing manner possible, while ensuring preparation for contingencies.”<sup>9</sup>

Official Chinese policy statements soon signaled substantial expansions in the scope and ambition of future military capabilities and operations. Particularly notable changes included:

- The 18<sup>th</sup> Party Congress report stated in 2012 that the People’s Liberation Army (PLA) would “carry out the historic missions of the armed forces to meet new requirements of national development.” Also, “National security issues facing China encompass far more subjects, extend over greater range, and cover a longer time span than any time in the country’s history.”<sup>10</sup>
- The 2015 Defence White Paper emphasized that the Army will “reorient from theatre defense to trans-theatre mobility” and “elevate its capabilities for precise, multi-dimensional, trans-theatre, multi-function and sustainable operations.”<sup>11</sup> The PLA Navy will “shift its focus from offshore waters defense”<sup>12</sup> to add “distant sea protection” as a primary role. The PLA Air Force will shift from “territorial air defense to both defense and offensive operations, and build an air-space defense force structure that can meet the requirements of informatized operations.”<sup>13</sup>
- In addition, the Chinese authorities announced the elevation of the strategic missile force to the same status as the other armed services and gave it the new name “Rocket Force.”<sup>14</sup>

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7 See Timothy R. Heath, “An Overview of China’s National Military Strategy,” in McReynolds, *China’s Evolving Military Strategy*, p. 34.

8 Ibid., p. 31.

9 Ibid., p. 34.

10 Ibid., pp. 36, 37.

11 Ibid., p. 39.

12 Ibid., p. 39.

13 Ibid., p. 39.

14 See Michael S. Chase, “PLA Rocket Force: Executors of China’s Nuclear Strategy and Policy,” in McReynolds, *China’s Evolving Military Strategy*, p. 149.

Xi Jinping's rise to power also heralded a substantial expansion and broadening of China's publicly announced strategic goals. In the 2013 edition of the authoritative *Science of Military Strategy*, the key strategic changes are listed as:

- forward defense
- strategic space
- effective control
- strategic posture.<sup>15</sup>

Forward defense is a Chinese concept that goes beyond just planning to defend the country's borders and their immediate approaches. Under this concept, Chinese forces are expected to also operate against enemies in distant forward regions. Taylor Fravel describes this shift as:

...pushing the first line (of defense) away from China's borders and coasts to ensure that combat occurs beyond China's homeland territory, not on or within it. In this way, China's borders and coasts are now viewed as interior lines in a conflict, not exterior ones.<sup>16</sup>

The primary reason given for this reorientation is that it is required to secure China's greatly expanded national interests:

...Our country's national interests already go beyond the traditional scope of national territory, territorial waters, and territorial airspace, and continuously spread toward the periphery and the world in a continuous extension to maritime, outer space, and electromagnetic space.<sup>17</sup>

The requirement for China to control greatly expanded strategic space is described as necessary to make operations feasible far beyond the nation's borders and in multiple dimensions:

Its outer edge is determined by the expanded scope of national interests and determined even more by the distance in which military power can be projected.<sup>18</sup>

Fravel notes that the 2013 edition of the *Science of Military Strategy* offers a new formula for Chinese strategy with "national territory as the support, the two oceans (Pacific and Indian Oceans) as the key point, space and networks as the key."<sup>19</sup> Fravel continues:

The two oceans refers to an expansive conception of the Indo-Pacific that comprises all littoral areas, including Africa, North America, South America, Oceania, and Antarctica—50 percent of

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15 M. Taylor Fravel, "China's Changing Approach to Military Strategy: The Science of Military Strategy from 2001 and 2013," in McReynolds, *China's Evolving Military Strategy*, p. 59–69.

16 Ibid., p. 60.

17 Shou Xiaosong, ed., *The Science of Military Strategy* (Beijing: Military Science Press, 2013), p. 105.

18 Ibid., p. 241.

19 Fravel, "China's Changing Approach to Military Strategy," p. 63.

the world's oceans. This reflects the need to further protect China's maritime rights and defend them if a crisis erupts.<sup>20</sup>

In 2015, the Chinese authorities created the "Strategic Support Force" to manage China's rapidly expanding cyber and space assets.<sup>21</sup> China launched more than twenty space missions in 2016. Planning is rapidly advancing for a range of civilian and military missions that will test new rockets, launch a space laboratory, loft several new types of satellites into orbit, and put Chinese astronauts on the moon in the mid-2020s.<sup>22</sup>

In the cyber domain, there have been many reports of Chinese penetrations of U.S., Australian, Japanese, and other Western computer systems for surveillance, intelligence gathering, intellectual property theft, political coercion, and preparations for more serious potential operations, including major infrastructure attacks.<sup>23</sup>

Another dimension of expanding China's strategic space and preparing that space for future operations is a strong echo from people's war doctrine; the high priority given to information and psychological warfare. The various editions of the *Science of Military Strategy* make clear that the distinctions between war and peace and domestic and foreign have little bearing on how China undertakes information operations:

The target of modern psychological warfare is not limited to the enemy forces as it also includes all people of the hostile country. Meanwhile, it assumes the mission of educating our own military and civilians, condensing their morale and keeping their mentality stable. Its key target, however, is the enemy's decision-making level, meaning it uses all kinds of means to attack that level's thinking, conviction, will, feeling, and identifying systems in order to cause wrong understandings, assessments, and decisions, and shake its thinking and conviction and will of resistance to achieve the objective of defeating the enemy without fighting. It is implemented not only in wartime but also in a massive and continued scale in peacetime.<sup>24</sup>

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<sup>20</sup> Ibid.

<sup>21</sup> Zhang Tao, ed., "China Establishes Rocket Force and Strategic Support Force," *China Military Online*, January 1, 2016, available at [http://english.chinamil.com.cn/news-channels/china-military-news/2016-01/01/content\\_6839967.htm](http://english.chinamil.com.cn/news-channels/china-military-news/2016-01/01/content_6839967.htm).

<sup>22</sup> Clay Dillow, "Is China's Race to Space a Military Ploy?" *CNBC Special Report*, February 20, 2016, available at <http://www.cnbc.com/2016/02/18/chinas-space-missions-in-2016-tied-to-military-ambitions.html>.

<sup>23</sup> See, for example, Dan McWhorter, "Mandiant Exposes APT1—One of China's Cyber Espionage Units & Releases 3,000 Indicators," FireEye Labs, *Threat Research Blog*, February 19, 2013, available at <https://www.fireeye.com/blog/threat-research/2013/02/mandiant-exposes-apt1-chinas-cyber-espionage-units.html>; and Bill Gertz, "Report: Chinese Spies Stole Pentagon Secrets," *Washington Free Beacon*, October 27, 2016.

<sup>24</sup> Peng Guangqian and Yao Youzhi, eds., *The Science of Military Strategy* (Beijing: Military Science Press, 2005), p. 327. Original Chinese-language version published in 2001.

John Costello and Peter Mattis summarize the implications for the close Western allies as follows:

Network and psychological warfare each present a *strategic* problem in a prospective information war with China, and would primarily be used to delay (allied) mobilization, create chaos domestically, dissuade popular support for a war, and diplomatically isolate any country that might potentially start conflict with China.<sup>25</sup>

The third new development of strategic thought under Xi Jinping has been the greatly increased emphasis given to effective control. At one level this is seen as being necessary because of the greatly expanded geographic spread of Chinese military and strategic operations and the larger number of domains in which operations are being conducted. There is also a need to coordinate effectively the political, psychological, cyber, intelligence, and other operations with the more conventional diplomatic and military activities. The national leadership has clearly wanted to ensure that all operations are directed towards the achievement of well-understood political goals and under the firm control of the Communist Party leadership.

The fourth and final strategic concept emphasized under Xi Jinping is strategic posture. This concept emphasizes the need for relevant capabilities to be acquired, trained, emplaced, and maintained in ways appropriate to support “joint, long distance and offensive-focused operations.”<sup>26</sup> This is clearly seen to require substantial investments in people, military systems, instruments of political coercion, and other capabilities in order to provide the type of long-range offensive forces that are now considered necessary.

A related development has been the Chinese leadership’s pursuit of the One Belt, One Road initiative. This program envisions vast infrastructure investments from Western China through Central and South Asia to East and Western Europe. The concept is that building railway, road, port, aviation, telecommunication, and other infrastructure through these regions will link the entire Eurasian landmass to China economically and also politically, purportedly for mutual benefit.

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<sup>25</sup> Costello and Mattis, “Electronic Warfare and the Renaissance of Chinese Information Operations,” p. 167.

<sup>26</sup> Xiaosong, *The Science of Military Strategy*, p. 252.

FIGURE 1: ONE BELT ONE ROAD CONCEPT

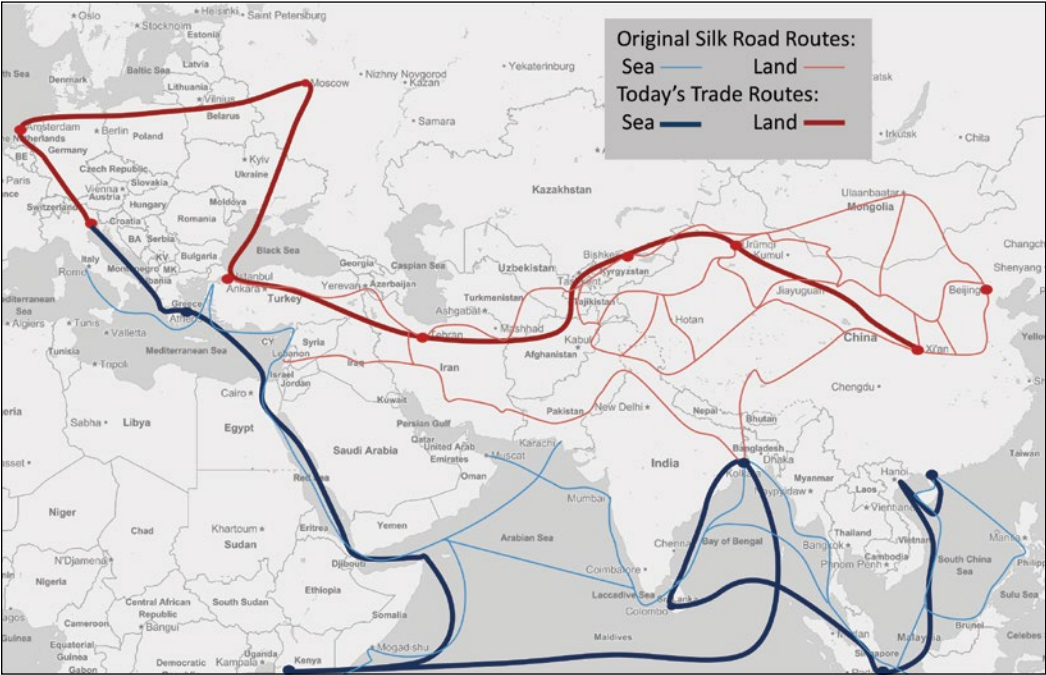
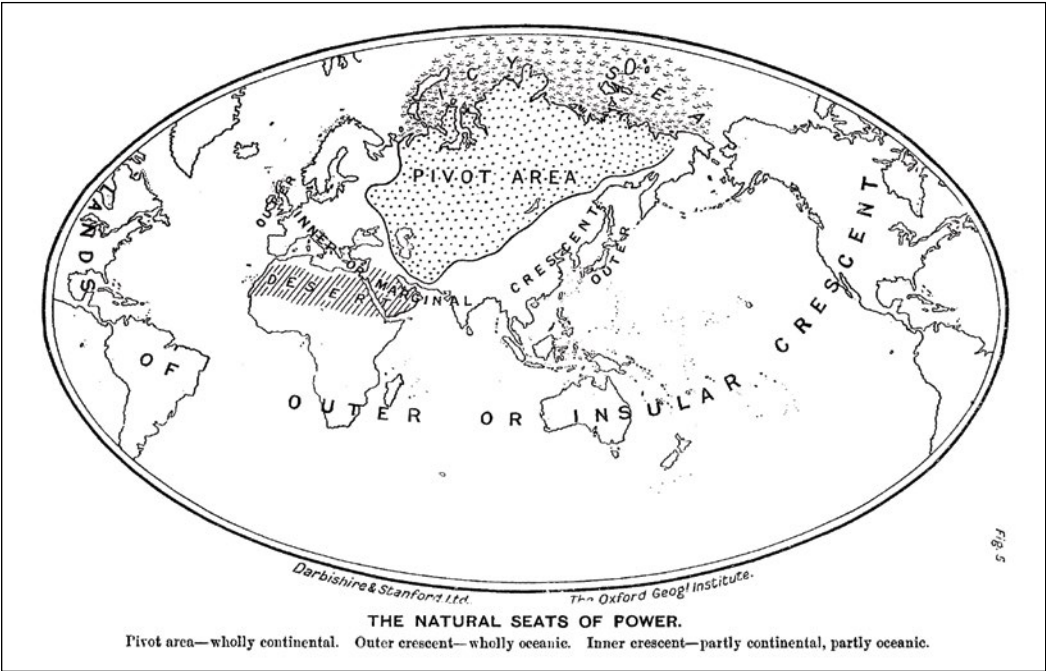


FIGURE 2: HALFORD MACKINDER MAP



H. J. Mackinder, "The Geographical Pivot of History," *The Geographical Journal* 23, no. 4, April 1904.

This initiative echoes the geostrategic logic of Halford Mackinder who published a seminal paper in London in 1904 that described a Eurasian “heartland” concept. Mackinder later summarized his argument as follows: “Who rules East Europe commands the Heartland; who rules the Heartland commands the World-Island; who rules the World-Island commands the world.”<sup>27</sup>

The One Belt One Road initiative, sometimes described as the “New Silk Road,” faces many financial and geopolitical obstacles, and its implementation is likely to be troublesome and slow. Nevertheless, it does signal clearly Xi Jinping’s broader strategic aspiration to restore China to global pre-eminence.

When these significantly altered strategic dimensions are added to China’s rapidly expanding military capabilities, vigorous development of programs in space, offensive cyber operations, and intensive foreign intelligence activities, it is clear that the nature of the Chinese challenge to the United States and its close Western allies is changing.

That Xi Jinping is operating in the context of a slowing and markedly changing domestic economy and widespread internal concern about corruption and mismanagement further complicates the situation. There have also been reports of divergent views within sections of the Chinese business community and the Party about the extreme concentration of power in the hands of one individual and the initiation of strengthened measures to suppress dissent.<sup>28</sup>

In an effort to negate these pressures, Xi has chosen to reinforce his own leadership and Party legitimacy by accentuating nationalist themes and driving to make the “China Dream” a reality. Pushing foreign forces and influences from China’s territory and its maritime surrounds is central to these efforts. This nationalist activism is the context for Beijing’s accelerated pursuit of sovereignty over the South China Sea.

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27 Eldar Ismailov and Vladimer Papava, “The Heartland Theory and the Present-Day Geopolitical Structure of Central Eurasia,” in *Rethinking Eurasia* (Washington, DC: Central Asia-Caucasus Institute & Silk Road Studies Program, Johns Hopkins University, June 2010), p. 87, available at <https://www.silkroadstudies.org/resources/pdf/Monographs/1006Rethinking-4.pdf>.

28 See this discussed in Tom Mitchell, “Xi’s China: Smothering dissent,” *Financial Times*, July 27, 2016, available at <https://www.ft.com/content/ccd94b46-4db5-11e6-88c5-db83e98a590a>.



## CHAPTER 2

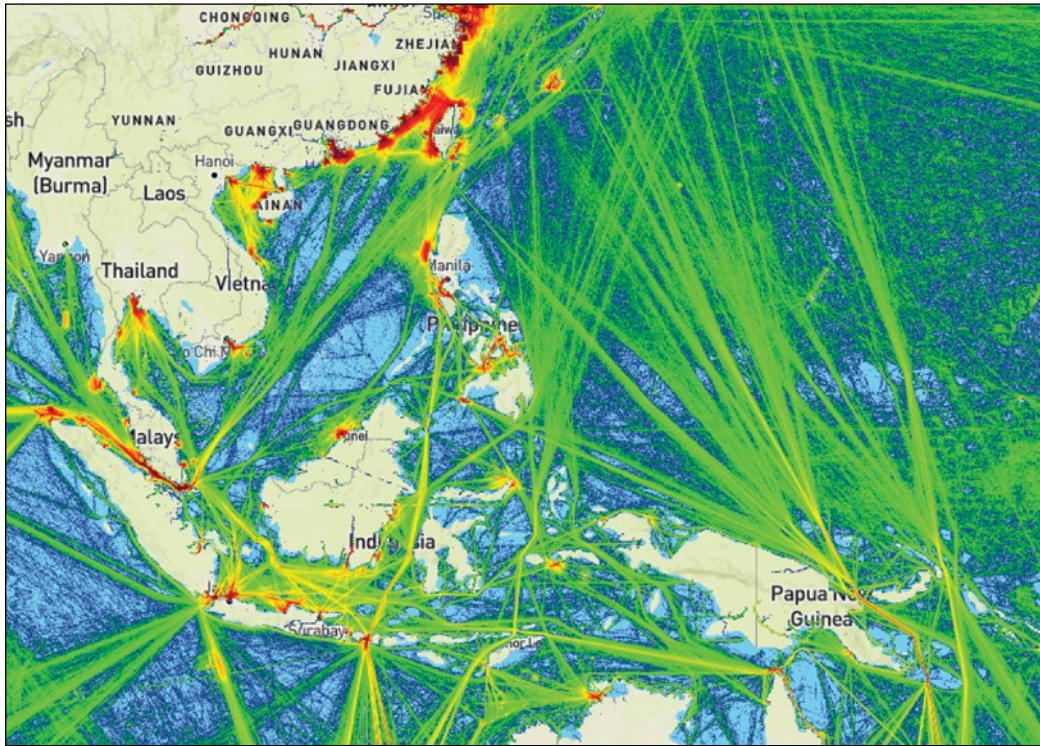
# The South China Sea in Beijing's Calculations

### Strategic Significance

The South China Sea is one of the world's most important international waterways, carrying more than half the globe's merchant fleet tonnage. Its sea lines of communication carry most of the energy supplies for Japan, South Korea, and Taiwan, as well as a large proportion of China's trade.<sup>29</sup> The South China Sea also serves as an important transit route and operational theater for the militaries of the United States and many of its allies and regional friends. Notably, it is the shortest and easiest route for military units, as well as commercial cargos moving between the Pacific and Indian Ocean regions. It is a strategic thoroughfare of global importance.

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29 For details, see Colin Willett, Deputy Assistant Secretary of State for Multilateral Affairs, Bureau of East Asian and Pacific Affairs, U.S. Department of State, "South China Sea Maritime Disputes," Statement Before the House Armed Services Committee, Seapower and Projection Forces Subcommittee and House Foreign Affairs Committee Subcommittee on Asia and the Pacific, July 7, 2016, available at <http://docs.house.gov/meetings/AS/AS28/20160707/105160/HHRG-114-AS28-Wstate-WillettC-20160707.pdf>.

**FIGURE 3: MAJOR SHIPPING ROUTES THROUGH THE SOUTH CHINA SEA**

<http://www.marinetraffic.com/>

The geology below the South China Sea floor is also reported to hold valuable reserves of oil and gas. Although estimates of the scale of these resources vary, they are thought to comprise at least 7 billion barrels of oil and 900 million cubic feet of natural gas.<sup>30</sup>

The South China Sea fishery is also of considerable importance. Although China's recent military and paramilitary activities and the intensity of commercial fishing have done serious damage to the local ecosystem, these waters remain an important source of protein for all of the littoral states.

### Timeline of Chinese Operations in the South China Sea

Xi Jinping's appointment in 2012 to the positions of General Secretary of the Communist Party, President of the People's Republic of China (PRC) and Chairman of the Central Military Commission had an immediate impact on the pace and scale of China's activities in the South China Sea.

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<sup>30</sup> For details, see United States Geological Survey, "Assessment of Undiscovered Oil and Gas Resources of Southeast Asia, 2010," United States Department of the Interior, Fact Sheet 2010–3015, June 2010, available at <https://pubs.usgs.gov/fs/2010/3015/pdf/FS10-3015.pdf>.

For centuries fishermen from all the littoral states, including China, operated in the South China Sea, and some periodically camped on a few of the islands. During the nineteenth century, several countries conducted hydrographic surveys of the area and published maps and charts. It was the British who made the first modern legal claim to the Spratly Islands, located towards the center of the South China Sea, in 1877.<sup>31</sup>

In 1928 China's Republican Government stated that the Paracel Islands, located in the northern end of the South China Sea, marked the southernmost limit of its territory. However, at the end of the Second World War, it was Chinese military personnel who accepted the surrender of the Japanese garrisons in the Paracel Islands and in the Spratly Island group far to the south.

In 1946 the Chinese established garrisons on Woody Island in the Paracels and Taiping Island (Itu Aba Island) in the Spratlys. Then in 1947 the Chinese Government drew up *The South China Sea Islands Location Map* that marked out a large U-shaped claim to nearly all the South China Sea with an eleven-dash line.<sup>32</sup>

Following the Communist victory in 1949, Chinese Premier Zhou Enlai reduced the Nationalist's eleven dash line to a nine-dash line that encompassed essentially the same area.

After Communist forces drove the Nationalists out of Hainan in 1950, the Nationalist garrisons in the Paracels and Spratlys were withdrawn to Taiwan.

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31 Stein Tønnesson, "The History of the Dispute," in Timo Kivimäki, ed., *War or Peace in the South China Sea?* (Copenhagen: NIAS Press, 2002), p. 9.

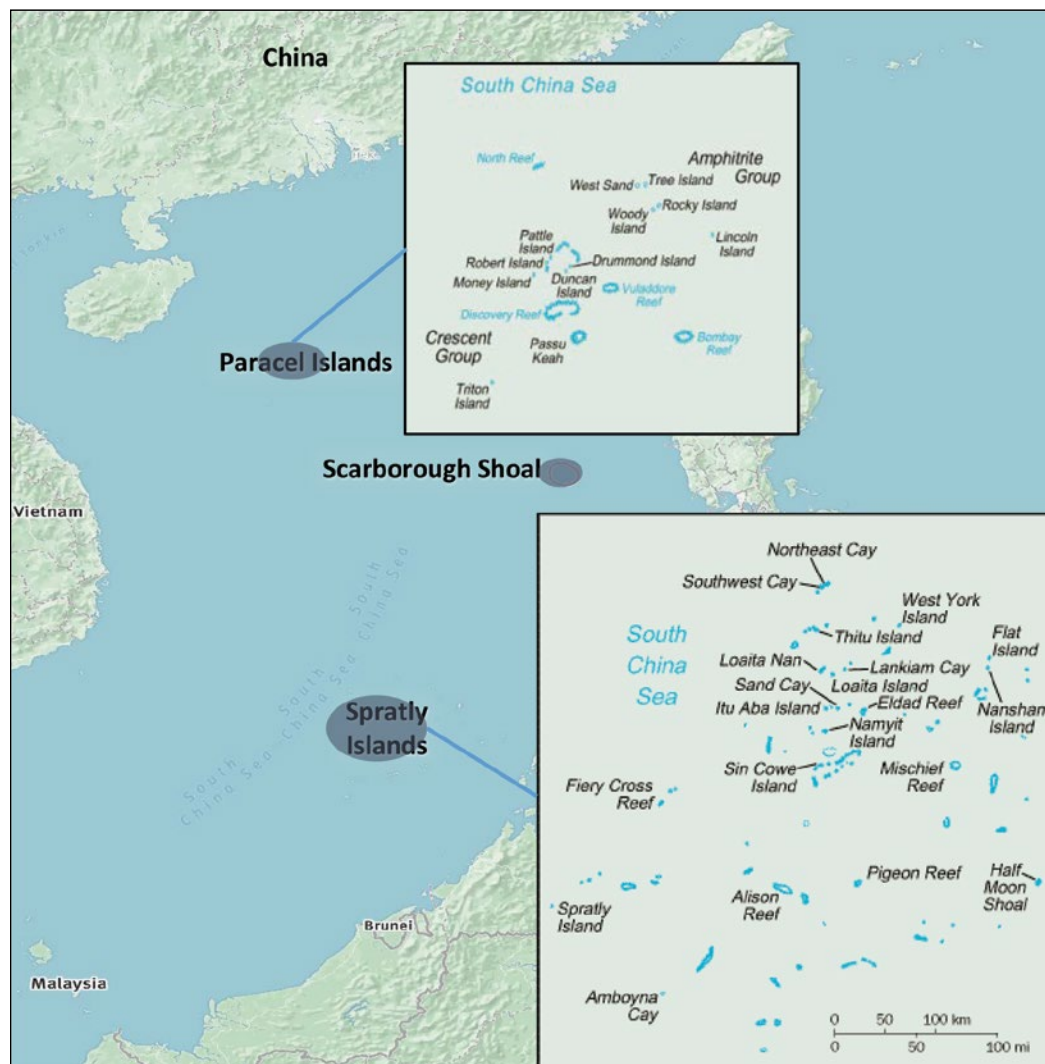
32 Hannah Beech, "Just Where Exactly Did China Get the South China Sea Nine-Dash Line From?" *Time*, July 19, 2016, available at <http://time.com/4412191/nine-dash-line-9-south-china-sea/>.

FIGURE 4: CHINA'S NINE-DASH LINE TERRITORIAL CLAIM IN THE SOUTH CHINA SEA



U.S. Central Intelligence Agency, 1988

FIGURE 5: KEY ISLANDS AND REEFS IN THE SOUTH CHINA SEA

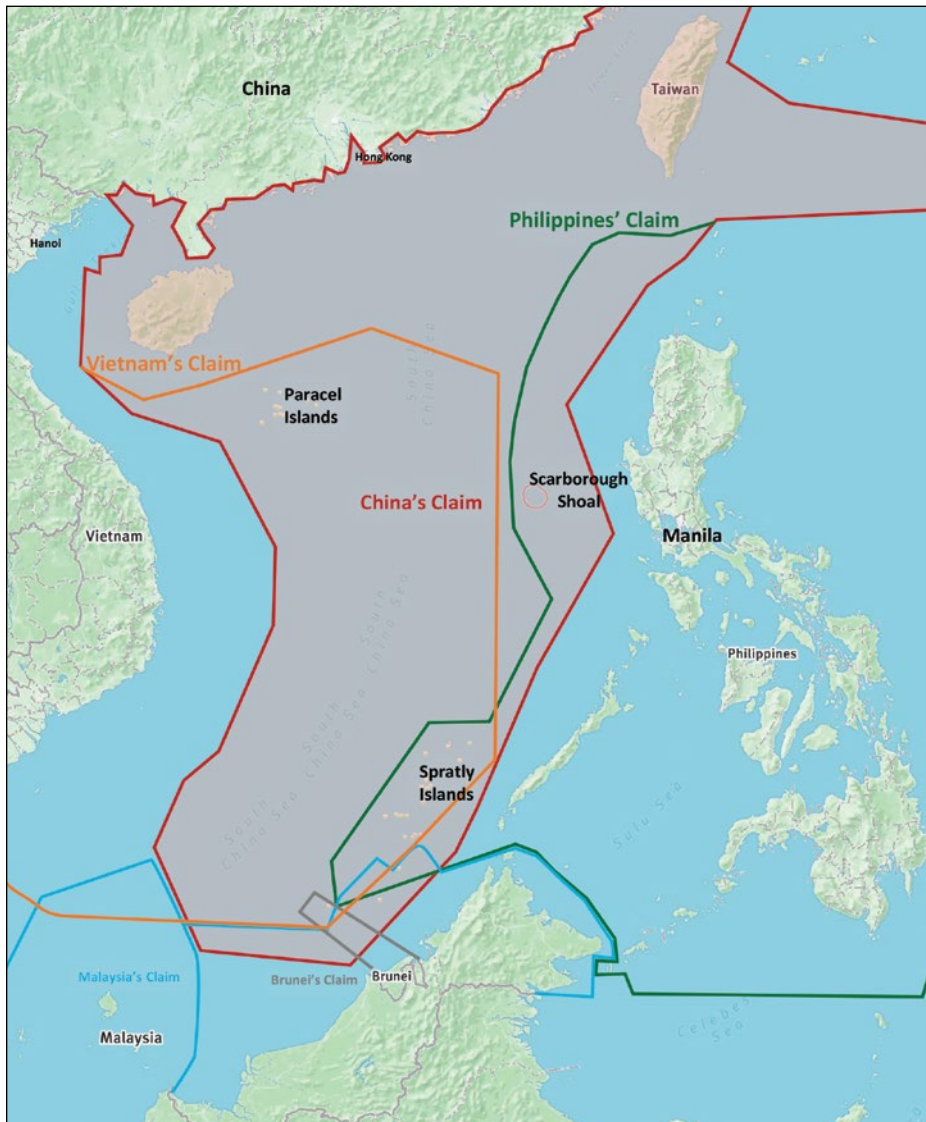


Map data via Google Maps

In 1956 the North Vietnamese Government formally accepted that the Paracel and Spratly Island groups were historically Chinese. However, in that same year, South Vietnam announced that it had annexed the Paracel and Spratly archipelagos and garrisoned Prattle Island (Shanhu Island) in the Paracels. The Chinese concurrently established a garrison on Woody Island (Yongxing Island) in the Paracels, and Taiwan again deployed troops to Taiping Island in the Spratlys.

In 1970 China extended its presence by establishing a garrison in the Amphitrite Group in the Paracel Islands. Then in 1974, when South Vietnam attempted to enforce its sovereignty over the Spratly and Paracel Island groups, Chinese forces attacked near Chanhui Island and inflicted a serious defeat on the Vietnamese.<sup>33</sup>

**FIGURE 6: LITTORAL STATE CLAIMS IN THE SOUTH CHINA SEA**



Map data via Google Maps

33 For details of this battle, see Toshi Yoshihara, "The 1974 Paracels Sea Battle: A Campaign Appraisal," *Naval War College Review* 69, no. 2, Spring 2016, pp. 41–65.

In December 1982 China, the Philippines, and most other littoral states signed the United Nations Convention on the Law of the Sea (UNCLOS). In signing UNCLOS Beijing acknowledged that all historical claims that conflict with the Convention's rules were null and void, and the Convention's rules would apply in delineating maritime rights and responsibilities. Nevertheless, during the 1980s the Chinese, Vietnamese, and Filipinos all expanded their claims in the region, with some asserting 200 nautical mile (nm) Exclusive Economic Zones (EEZ) around their island possessions.

In 1988, the Chinese inflicted a further defeat on the Vietnamese when the two navies skirmished near Johnson South Reef. Sixty-four Vietnamese were killed.

During the 1990s the littoral states made occasional statements of claim to parts of the South China Sea, but most activity was low key.

In 2002 China and the Association of Southeast Asian Nations (ASEAN) countries signed a Declaration on the Conduct of Parties in the South China Sea that states in part:

The Parties concerned undertake to resolve their territorial and jurisdictional disputes by peaceful means, without resorting to the threat or use of force, through friendly consultations and negotiations by sovereign states directly concerned, in accordance with universally recognized principles of international law, including the 1982 UN Convention on the Law of the Sea.<sup>34</sup>

During the first decade of the twenty-first century, the Chinese constructed a large deep-water base for the PLA Navy's Southern Fleet at Longpo on Yalong Bay on the southern coast of Hainan. This new base on the northern edge of the South China Sea features extensive underground docking facilities and modern ship maintenance and repair capabilities. It has subsequently become the home base for four nuclear-powered ballistic missile submarines, two nuclear-powered attack submarines, sixteen diesel-electric powered attack submarines, seven destroyers, twenty frigates, forty patrol ships, twenty-six landing ships, and nine mine counter-measure vessels.<sup>35</sup> This Chinese force is larger than the naval forces of all of the other littoral states in the South China Sea combined and overshadows the periodic regional deployments of the United States, Japan, and Australia. Moreover, the Chinese Southern Fleet is supplemented by significant numbers of Coastguard and Maritime Militia vessels.<sup>36</sup> The operations of this large Chinese maritime force made clear to most Southeast Asian governments the fundamental changes taking place in the regional military balance.

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34 See "2002 Declaration on the Conduct of Parties in the South China Sea," adopted by the Foreign Ministers of ASEAN and the People's Republic of China at the 8th ASEAN Summit in Phnom Penh, Cambodia on November 4, 2002, available at <http://www.aseansec.org/13163.htm>.

35 The International Institute for Strategic Studies (IISS), *The Military Balance 2016* (London: IISS, 2016), p. 248.

36 For a discussion on the rapid growth of all elements of China's maritime power, see Michael McDevitt, *Becoming a Great "Maritime Power": A Chinese Dream* (Washington, DC: Center for Naval Analyses, June 2016), available at <https://www.cna.org/results/?q=Becoming%20a%20Great%20Naval%20Power%20%2B%20China>.

In March 2009, Chinese forces harassed the U.S. surveillance ship USNS Impeccable when it was operating in international waters well off the coast of Hainan.

During 2010 Chinese academics started debating whether Chinese sovereignty over the South China Sea was a core national security interest. However, it wasn't until 2015 that Chinese officials confirmed this to be Beijing's position.<sup>37</sup>

Several times during 2011, Chinese maritime patrol vessels harassed Vietnamese and Norwegian vessels undertaking seismic surveys within Vietnam's 200 nm EEZ and some 325 nm from the Chinese coast. On a number of occasions, the Chinese vessels deliberately cut the research vessels' survey cables.

In 2012 Chinese forces harassed Filipino fishing and other vessels at Scarborough Shoal, directly west of Manila and well within the Philippines' EEZ. The Chinese eventually erected a barrier across the entrance to this shoal and stationed several vessels in adjacent waters to prevent Philippine and other operations in the area.<sup>38</sup>

In March 2013, Chinese forces conducted a military exercise at James Shoal, well within Malaysia's EEZ.

In March 2014, the Philippines invoked a compulsory dispute settlement clause under the United Nations Convention of the Law of the Sea and submitted its case against China for its activities in the South China Sea to the Permanent Court of Arbitration in The Hague.

During 2014 China started massive dredging and construction works to transform seven small rocks and low-tide elevations into substantial artificial islands. Within eighteen months enough coral and sand was dredged onto these features to create 12 square kilometers of new land. Large coral reefs and other fragile marine environments were destroyed.

In early 2015 Chinese personnel started constructing extensive infrastructure including sealed airstrips, deep water port facilities, and multi-level buildings on these newly created islands. In April 2015 U.S. defense officials claimed that Chinese self-propelled artillery had been observed on one of these islands, Fiery Cross Reef.<sup>39</sup>

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37 Edward Wong, "Security Law Suggests a Broadening of China's 'Core Interests'," *New York Times*, July 2, 2015, available at [http://www.nytimes.com/2015/07/03/world/asia/security-law-suggests-a-broadening-of-chinas-core-interests.html?\\_r=1](http://www.nytimes.com/2015/07/03/world/asia/security-law-suggests-a-broadening-of-chinas-core-interests.html?_r=1).

38 See this discussed in "South China Sea: Beijing says 'situation' at disputed Scarborough Shoal 'has not changed and will not'," *Australian Broadcasting Corporation News*, October 31, 2016, available at <http://www.abc.net.au/news/2016-10-31/china-says-situation-at-disputed-scarborough-shoal-unchanged/7982010>.

39 "South China Sea Row: U.S. says China has Artillery Vehicles on Artificial Island," *The Times of India*, May 29, 2015, available at <http://economictimes.indiatimes.com/news/defence/south-china-sea-row-us-says-china-has-artillery-vehicles-on-artificial-island/articleshow/47469748.cms>.

In July 2015 the Commander of U.S. Pacific Command, Admiral Harry Harris, reported that China was “building ports deep enough to host warships”<sup>40</sup> and that the new airstrip on Fiery Cross Reef was over 900 meters longer than needed to support operations by Boeing 747s. In addition, he stated that Chinese personnel were constructing aircraft hangars protected by revetments for tactical fighter aircraft on this island. Admiral Harris commented that China’s artificial island network “extends a surveillance network that could be in place with radars, electronic warfare capabilities, and the like.”<sup>41</sup>

On September 25, 2015, at a joint press conference with President Obama in Washington, DC, Xi Jinping said, “Relevant construction activities that China is undertaking in the Nansha (Spratly) Islands do not target any country, and China does not intend to pursue militarization.”<sup>42</sup>

On November 22, 2015, Vice Foreign Minister Liu Zhenmin stated, “To build necessary defense facilities on islands far away from our mainland is required by the need both of national defense and of safeguarding our islands and reefs. They should not be mistaken for actions to militarize the South China Sea.”<sup>43</sup>

On January 20, 2016, the Chief of the PLA Navy, Wu Shengli told Admiral John Richardson, the U.S. Chief of Naval Operations, “Our necessary defensive step of building on islands and reefs in Nansha (Spratly) islands is not militarization. We will certainly not seek the militarization of these islands and reefs, but we won’t not set up defenses.”<sup>44</sup>

In February 2016, the PLA deployed HQ-9 surface-to-air missiles and a radar system to Woody Island in the Paracel group.<sup>45</sup> That same month China deployed J-11 and JH-7 fighter-bomber aircraft to Woody Island. Satellite imagery revealed that China had commenced major

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40 Reported in Kevin Baron, “China’s New Islands Are Clearly Military, U.S. Pacific Chief Says,” *Defense One*, July 24, 2015, available at <http://www.defenseone.com/threats/2015/07/chinas-new-islands-are-clearly-military/118591/>.

41 Ibid.

42 Jeremy Page, Carol E. Lee, and Gordon Lubold, “China’s President Pledges No Militarization in Disputed Islands,” *Wall Street Journal*, September 25, 2015, available at <http://www.wsj.com/articles/china-completes-runway-on-artificial-island-in-south-china-sea-1443184818>.

43 “China’s Construction on South China Sea Islands should not be Mistaken for Militarization: Vice FM,” *Xinhua*, November 22, 2015, available at [http://news.xinhuanet.com/english/2015-11/22/c\\_134842603.htm](http://news.xinhuanet.com/english/2015-11/22/c_134842603.htm).

44 Sam LaGrone, “Head of Chinese Navy Defends South China Sea Moves in Teleconference with CNO Richardson,” *USNI News*, January 20, 2016, available at <https://news.usni.org/2016/01/20/head-of-chinese-navy-defends-south-china-sea-moves-in-teleconference-with-cno-richardson>.

45 Jane’s did, however, report that satellite imagery suggested the HQ-9s had been removed from Woody Island by mid-2016. For details, see Sean O’Connor, “Imagery Shows Chinese HQ-9 Battery being Removed from Woody Island,” *IHS Jane’s Defence Weekly*, July 21, 2016, available at <http://www.janes.com/article/62442/imagery-shows-chinese-hq-9-battery-being-removed-from-woody-island>.

works to extend North Island and Tree Island in the Paracel group and was building a helicopter base on Duncan Island.<sup>46</sup>

On March 19, 2016, a Chinese Coastguard vessel rammed a Chinese fishing vessel that had been arrested by Indonesian authorities for fishing illegally off Natuna Island in the southern part of the South China Sea.

On May 10, 2016, China launched a major military exercise in the South China Sea involving some of the PLA Navy's most modern warships.

On May 21, 2016, China objected to the temporary presence of four Indian naval vessels in the South China Sea.<sup>47</sup>

On May 23, 2016, the Chinese Government announced plans to build a new maritime base in the Spratly Islands, purportedly to support Chinese fishing operations.<sup>48</sup>

On August 1, 2016, China conducted a major military exercise in the South China Sea that reportedly included the firing of "dozens" of missiles and torpedoes.<sup>49</sup>

Also in early August 2016, six PRC coast guard vessels and over 200 fishing vessels swarmed in close vicinity of the Senkaku/Diaoyu Islands, in an apparent attempt to coerce Japan to cede its territorial rights over those East China Sea territories.<sup>50</sup>

On August 2, 2016, China's Supreme People's Court clarified China's 2014 Fishing Regulation to the effect that those that engage in illegal activities inside of the waters claimed by China would be arrested and tried as criminals. Also on August 2, Malaysia and Indonesia announced that they would sink any foreign vessels that fish within their claimed waters. This statement was widely viewed as a challenge to China that had allowed its "fishing militia" to fish in waters claimed by both countries.<sup>51</sup>

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46 Victor Robert Lee, "Satellite Images: China Manufactures Land at New Sites in the Paracel Islands," *The Diplomat*, February 13, 2016, available at <http://thediplomat.com/2016/02/satellite-images-china-manufactures-land-at-new-sites-in-the-paracel-islands/>.

47 Dipanjan Roy Chaudhury, "China Objects to Presence of Indian Ships in South China Sea," *The Economic Times*, May 21, 2016, available at <http://economictimes.indiatimes.com/news/defence/china-objects-to-presence-of-indian-ships-in-south-china-sea/articleshow/52369749.cms>.

48 Megha Rajagopalan and Michael Perry, "China Plans Base Station for Rescue Operations in South China Sea," *Reuters*, May 23, 2016, available at <http://www.reuters.com/article/us-southchinasea-china-idUSKCN0YEOBL>.

49 "China Holds Live-Fire Navy Drills in East China Sea," *Associated Press*, August 2, 2016, available at <http://bigstory.ap.org/article/7571eb56632941b69a1abe5293fcd42f/china-holds-live-fire-navy-drills-east-china-sea>.

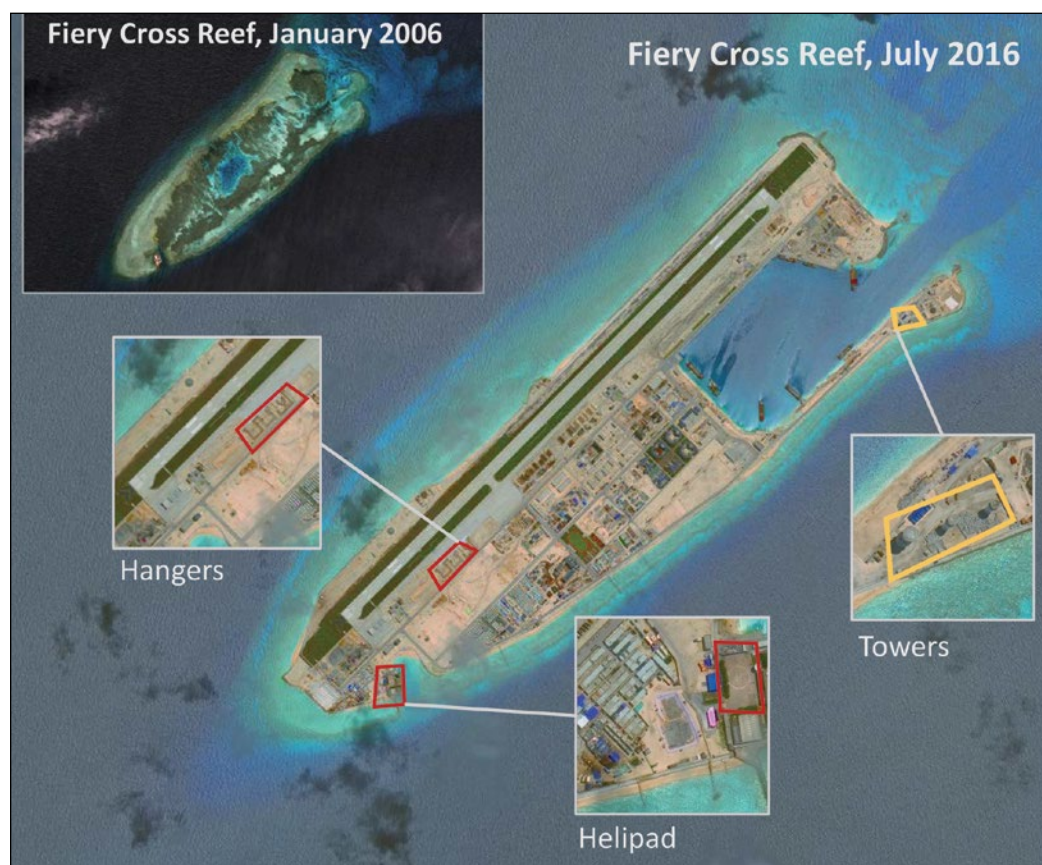
50 Todd Crowell, "East China Sea: Dress Rehearsal for Invasion," *RealClearDefense*, August 30, 2016, available at [http://www.realcleardefense.com/articles/2016/08/30/east\\_china\\_sea\\_dress\\_rehearsal\\_for\\_invasion\\_109769.html](http://www.realcleardefense.com/articles/2016/08/30/east_china_sea_dress_rehearsal_for_invasion_109769.html).

51 Mark E. Rosen, "China's Reaction to SCS Ruling will Lead It into Battles It will not Win," *Australian Naval Institute Analysis*, September 11, 2016, available at <http://navalinstitute.com.au/chinas-reaction-to-scs-ruling-will-lead-it-into-battles-it-will-not-win/>.

On August 6, 2016, Chinese bombers and fighter aircraft patrolled in the vicinity of Scarborough Shoal, well within the Philippines' EEZ. Beijing spokesmen stated that these flights would be a "regular practice" to "normalize South China Sea combat patrols" and safeguard China's sovereignty interests.

As a result of these activities, by late 2016 Chinese forces dominated the entire South China Sea. They had by far the largest fleets of naval and law enforcement vessels permanently deployed in this theater. In addition, they operated multi-purpose installations in both the Paracel Island group, towards the north of the South China Sea, and in the Spratly Island group towards the middle of the South China Sea. There were Chinese installations on four extended or artificial islands in the Paracel group (Woody, Tree, North, and Duncan Islands) and significant installations on eight extended or artificial islands in the Spratly group (Fiery Cross Reef, Subi Reef, Mischief Reef, South Johnston Reef, Gavan Reef, Hughes Reef, Cuarteron Reef, and Eldad Reef).

**FIGURE 7: FIERY CROSS REEF (2006–2016)**



Map data via Google Maps, DigitalGlobe, 2016

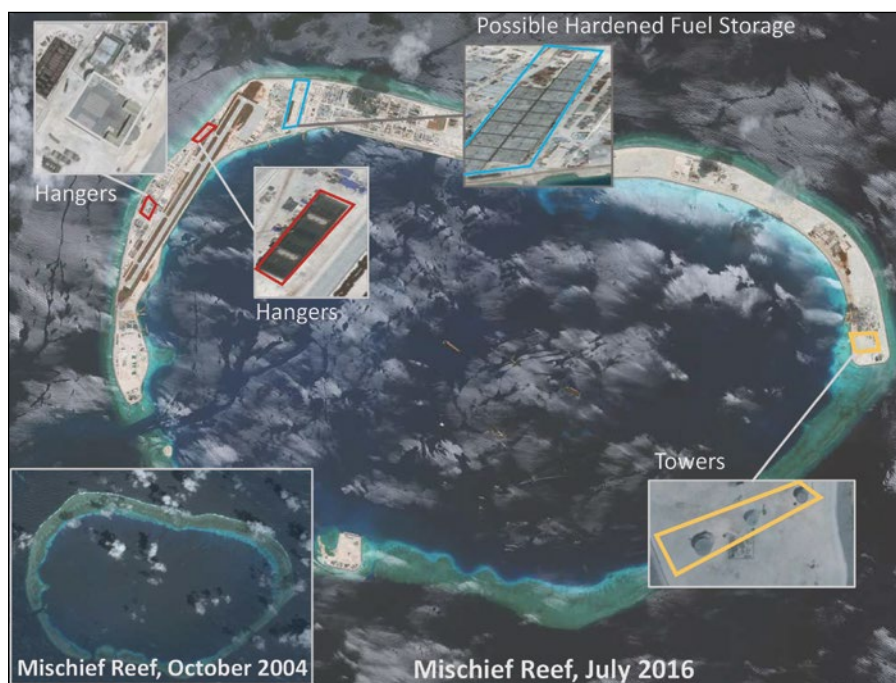
**FIGURE 8: SUBI REEF (2012–2016)****FIGURE 9: MISCHIEF REEF (2004–2016)**

FIGURE 10: WOODY ISLAND (2005–2016)



FIGURE 11: DUNCAN ISLAND (2012–2016)



Map data via Google Maps, DigitalGlobe, 2016

## Analysis of Chinese Expansion into the South China Sea

Thomas Shugart, an experienced U.S. Navy officer, described the most important elements of Chinese military construction on artificial islands in the South China Sea as follows:

The most significant base-building has been concentrated at what I term the “big three”: Fiery Cross, Subi, and Mischief Reef. All three of these new islands will have approximately 10,000 foot runways, deep water harbors, and enough reinforced hangars to house twenty-four fighters as well as bombers, tankers, and airborne early warning aircraft. Just as significant are the other airfield support facilities China appears to be constructing. As an example, a rough comparison of the size of Fiery Cross’s airfield areas with those of a mainland Chinese fighter base (Suixi Air Base) shows that this facility is probably being constructed to support a unit the size of a Chinese fighter regiment. . . . One can see on all three major islands the presence of 400-meter running tracks along with tennis and basketball courts, as well as block after block of what will likely be barracks, headquarters, workshops, and warehouses. China is even openly discussing plans to construct mobile nuclear power plants to provide electrical power to the islands. With more than 24 hangars under construction on each of the “big three” bases, this would allow all of a typical Chinese regiment’s fighters to be maintained indoors on each island. These do not seem intended as small airfields for occasional visiting aircraft. They look like major fighter bases in the making.<sup>52</sup>

This means that the Chinese appear to be installing a comprehensive range of military capabilities on these artificial islands. Notable elements include:

- A surveillance and intelligence gathering network that covers all of the South China Sea.
- Numerous missile and gun point-defense systems together with capacities to house several thousand troops.
- Long-range anti-aircraft and anti-ship missile installations providing overlapping coverage of most of the region.
- Hardened facilities to support the operations of three fighter-bomber regiments (seventy-two combat aircraft) plus bomber, tanker, and other supporting aircraft. Aircraft operating from these facilities could range as far as the Andaman Sea, northern Australia, and Guam.
- The capacity to deploy and operate at short notice significant numbers of short-and medium-range ballistic and cruise missiles with capacities to strike both land based targets and ships at sea as far away as the Sulu Sea in the Philippines and Singapore and Malaysia to the south.
- Port facilities capable of refueling and replenishing significant numbers of naval, coast-guard and maritime militia vessels.

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<sup>52</sup> Thomas Shugart, “China’s Artificial Islands Are Bigger (And a Bigger Deal) Than You Think,” *War on the Rocks*, September 21, 2016, available at <http://warontherocks.com/2016/09/chinas-artificial-islands-are-bigger-and-a-bigger-deal-than-you-think/>.

- The potential to develop an underwater acoustic surveillance network across the South China Sea that would significantly enhance China's capabilities to prosecute operations against allied submarines in the theater.

Furthermore, because the three primary islands are not very small, there is space to disperse most PLA assets in a crisis and complicate targeting by allied forces. Fiery Cross Reef is now about the size of a mainland fighter base. Subi Reef is about 50 percent larger and roughly comparable in area to Pearl Harbor Naval Base. Mischief Reef is substantially larger again and would barely fit within the boundaries of the District of Columbia.<sup>53</sup>

In consequence, China is well on the way to converting the South China Sea into something approaching a heavily defended internal waterway. In an extreme crisis, the Chinese military installations would be vulnerable to attack, but most of them would not be readily destroyed or disabled with conventional weaponry. Any such allied operation would require a concerted effort.

In the meantime, China's developing presence in the South China Sea reinforces Beijing's coercive power in the region. Innocent passage, especially by commercial vessels, is being respected, at least in the short term. However, Beijing is making clear that the terms and conditions of foreign activity, even by other littoral states, will be determined and enforced by China. Relevant Chinese authorities have signaled that Beijing is considering the declaration of an Air Defense Identification Zone (ADIZ) over the entire South China Sea.<sup>54</sup> Military facilities now nearing completion will permit Chinese forces to enforce any such declaration with fighter intercepts of non-complying aircraft.

Although most international observers had few doubts that many of China's actions in the South China Sea were serious breaches of international law, the ruling of the Permanent Court of Arbitration for UNCLOS made the extent of Beijing's transgressions clear in July 2016. Its primary findings were that:

- There was no legal basis for China to claim historic rights to resources within the sea areas falling within the nine-dash line.
- None of the Spratly Islands is capable of generating extended maritime zones.
- China had violated the Philippines' sovereign rights in its EEZ by (a) interfering with Philippine fishing and petroleum exploration, (b) constructing artificial islands, and (c) failing to prevent Chinese fishermen from fishing in the zone.

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53 For details, see *ibid.*

54 See this threat, made by China's vice foreign minister Liu Zhenmin, reported in Neil Connor, "China Threatens to Impose Air Defence Zone on Disputed Area of South China Sea," *The Telegraph*, July 13, 2016, available at <http://www.telegraph.co.uk/news/2016/07/13/china-declares-right-to-set-up-air-defence-zone-in-south-china-s/>.

- China had caused severe harm to the coral reef environment and violated its obligation to preserve and protect fragile ecosystems and the habitat of depleted, threatened, or endangered species.
- China's recent large-scale land reclamation and construction of artificial islands was incompatible with the obligations of a state during dispute resolution proceedings.
- According to UNCLOS Annex VII (Article 11), "The award shall be final and without appeal... It shall be complied with by the parties to the dispute." In consequence, the award of the Tribunal now forms part of International Law.<sup>55</sup>

A more detailed summary of the Permanent Court of Arbitration's findings can be found in Appendix A.

In response to the release of these findings, China's Ministry of Foreign Affairs issued a statement repeating earlier assertions that, "The award is null and void and has no binding force. China neither accepts nor recognizes it."<sup>56</sup>

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55 For details, see the Permanent Court of Arbitration, "The South China Sea Arbitration (The Republic of the Philippines v. The People's Republic of China)," *press release*, The Hague, July 12, 2016, available at <https://pca-cpa.org/en/news/pca-press-release-the-south-china-sea-arbitration-the-republic-of-the-philippines-v-the-peoples-republic-of-china/>.

56 "Full Text of Statement of China's Foreign Ministry on Award of South China Sea Arbitration Initiated by Philippines," *Xinhua*, July 12, 2016, available at [http://news.xinhuanet.com/english/2016-07/12/c\\_135507744.htm](http://news.xinhuanet.com/english/2016-07/12/c_135507744.htm).

## CHAPTER 3

# The Approach of the Close Allies—Is It Working?

So far, the leadership of the United States and its close allies has been hesitant to address directly how to halt and reverse Beijing's actions in the South China Sea. There has been no agreed assessment of the challenge posed by Beijing, no process for analyzing alternative allied counter-strategies, and no clear program of measures selected for implementation. What we have so far seen is distracted leaderships, a lack of focus, reactive behavior, limited tactical steps, incremental management, and, above all, weak expressions of political will.

Why has the approach of the United States and its close allies been so timid and ineffectual? There have been several factors at play.

First, many in Washington and in other allied capitals have viewed the problems in the South China Sea as unwelcome distractions of little consequence and best ignored. Some policy makers and commentators have argued that there is little sense in risking a major power confrontation over a “few scattered rocks” in a far distant theater.<sup>57</sup>

Second, the level of importance accorded to the strategic future of the South China Sea varies greatly between allied and partner capitals. As indicated above, the general view in Washington is that the South China Sea is important but not vital. It is simply one of many troubled areas with which the Administration must deal. In Tokyo, Seoul, and Canberra, the South China Sea is far more important because of its intrinsic strategic value and because of its critical importance to their close partners in maritime ASEAN. Furthermore, the effectiveness

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57 See, for example, Craig Whitlock, “Panetta to Urge China and Japan to Tone Down Dispute,” *Washington Post*, September 16, 2012, available at [https://www.washingtonpost.com/world/national-security/panetta-to-urge-china-and-japan-to-tone-down-dispute-over-islands/2012/09/16/9b6832c0-fff3-11e1-b916-7b5c8ce012c8\\_story.html](https://www.washingtonpost.com/world/national-security/panetta-to-urge-china-and-japan-to-tone-down-dispute-over-islands/2012/09/16/9b6832c0-fff3-11e1-b916-7b5c8ce012c8_story.html); and Sydney J. Freedberg Jr., “U.S. Won’t Fight China Over Pacific ‘Rock’; PACOM Strives For Strategic ‘Ambiguity,’” *Breaking Defense*, September 19, 2012, available at <http://breakingdefense.com/2012/09/us-wont-fight-china-over-pacific-rock-pacom-strives-for-str/>.

of allied strategy in the South China Sea has major implications for alliance credibility and deterrence in the broader Indo-Pacific. For the littoral states of the South China Sea, the strategic balance and effective sovereignty of the region is critical for their future security and economic well-being. These differences in priority between the Western Pacific allies and their friends are placing strains on long-standing security relationships.

Third, a closely related factor has been the constraint imposed by the hub-and-spoke alliance model that has been in place in the Western Pacific since the 1950s. Cross-alliance (outer wheel) cooperation and combined security planning is not common amongst the Western Pacific allies unless it is orchestrated by the United States. Indeed, the mechanisms for combined operational planning and operations are rudimentary at best. This contrasts markedly with the regular and well-practiced cross-alliance planning and combined operations within North Atlantic Treaty Organization (NATO). In consequence, timely, efficient, and effective alliance cooperation in response to Beijing's operations in the South China Sea has not been straightforward.

Fourth, most citizens, almost all journalists, and many congressional and parliamentary representatives are poorly informed about Chinese operations in the South China Sea and, indeed, Beijing's broader strategic behavior during the last decade. The mainstream media and Western government agencies have done a poor job of displaying the reality of what has been happening and explaining the implications.

Fifth, the development of an effective response to China's creeping incrementalism in the South China Sea has been an intrinsically difficult challenge. Beijing has employed a very sophisticated strategy and operational concept that could be implemented without challenging U.S. alliance commitments or directly confronting U.S. or allied forces. Moreover, Beijing's operations have been conducted while Western leaders have faced numerous political and bureaucratic distractions. It has been hard to sustain allied attention in this theater. Indeed, in the absence of any simple or easy options, some allied staffs have exhibited a sense of helplessness.

Sixth, the concerns of many Western business people and policy makers have led them to avoid taking any measure that may disturb their business and broader economic relationships with China. These concerns have been most apparent in the Western Pacific allies, as well as in U.S. and other corporations that have invested heavily in developing close ties with Chinese enterprises. Chinese agencies have been active in fostering these worries, propagating false dilemmas, and exaggerating the potential consequences for regional economies of any actions taken to confront China's assertiveness.

The strategic logic underpinning business concerns in allied countries has, however, rarely been balanced or soundly based. Indeed, the importance of the Chinese economy to the United States and the other close allies is often overstated.

China is the third largest export destination of the United States (after the European Union and Canada) but the largest single supplier of imports. Nevertheless, China accounts for only 15 percent of American international trade.<sup>58</sup> Moreover, China's trade with the United States fell by 8 percent during 2015 and continued to contract during 2016.<sup>59</sup>

The United States is certainly not dependent upon China for foreign investment. Indeed, China doesn't rate amongst the top twenty foreign investors in the U.S. economy. U.S. investment in China is more significant, but in recent years has fallen behind its investment elsewhere in Asia, especially in ASEAN.<sup>60</sup> China's ownership of American debt is also limited. Chinese entities hold only 6 percent of U.S. government bonds. 79 percent are held by U.S. citizens and other American entities.<sup>61</sup>

In the case of Japan, China is the country's largest source of imports, but the United States is the country's largest export market. Japan's investment flow into China has been modest. Indeed, in recent years Japanese companies have invested more than twice as much in the ASEAN countries than in China.<sup>62</sup> China's investment flow into Japan is so small as to be of no economic consequence.

China's economic leverage with the close Western allies is probably most pronounced in the case of Australia. However, the shape and trajectory of Australia's economic relationship with China is more complex than many analyses have portrayed. China is Australia's largest trading partner by a significant margin, but, when it comes to sunk foreign investment, China is only number seven with a smaller stake in the country than either Singapore or the Netherlands.<sup>63</sup> Moreover, the "quality" of Chinese investment in Australia is relatively low, directed mostly to resource extraction, infrastructure, and rural and urban property.

Moreover, China's economic partnership with Australia may have peaked. The slowing of China's economy and the marked changes underway in China's economic structure are already reducing the market opportunities for many of Australia's traditional exports. Although the growth of China's middle class is generating new export opportunities in some sectors, most of these new product areas are the subject of intense international competition, and some are constrained by new layers of Chinese regulation. The overall downward trend in

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58 United States Census Bureau, Foreign Trade, "Top Trading Partners—September 2016," updated November 17, 2016, available at <https://www.census.gov/foreign-trade/statistics/highlights/top/top1609yr.html>.

59 Ibid.

60 For details, see "India overtakes China in U.S. direct investment," *Foreign Policy*, March 24, 2016, available at <http://foreignpolicy.com/2016/03/24/india-overtakes-china-in-u-s-direct-investment-84-pakistanis-to-be-deported-from-russia-amnesty-international-says-30-afghans-refused-asylum-in-turkey/>.

61 Kimberly Amadeo, "U.S. Debt to China: How Much Does It Own?" *The Balance*, updated November 29, 2016, available at <https://www.thebalance.com/u-s-debt-to-china-how-much-does-it-own-3306355>.

62 Keiko Ujikane, "Japan Shifts Investment from China to Southeast Asia," *Bloomberg*, May 30, 2016, available at <http://www.bloomberg.com/news/articles/2016-05-30/southeast-asia-is-winning-more-japanese-investment-than-china>.

63 Department of Foreign Affairs and Trade (DFAT), Australia, "Which Countries Invest in Australia?" updated October 2016, available at <http://dfat.gov.au/trade/topics/investment/Pages/which-countries-invest-in-australia.aspx>.

Australia–China trade is clear from the latest statistics and will probably be maintained.<sup>64</sup> A key conclusion is that China will continue to be an important market for Australia, but its relative importance may decline during the coming decade.

For Australia, export opportunities are now growing more rapidly in other countries. The economic structures and development trajectories of these countries mean that they will probably be more important consumers of Australia's traditional exports in coming decades. Indeed, there is a possibility that India may be a more important market for Australia than China within twenty-five years.

Most Australians also understate the strategic value of Australia's exports to China. Australia is about to become the world's largest exporter of liquefied natural gas (LNG) and a key supplier of energy for electricity generation, especially for China's coastal provinces. Australia and Indonesia are the world's top two exporters of coal, which, again, is a critical import for China. Indonesian coal is primarily used for power generation and Australian for steel production. Australia is expected to control well over half of the world's production of lithium within five years, a resource that is critical for new-generation batteries and broader power storage applications. In addition, Australia has the world's largest proven uranium resources and is a trusted supplier of high-quality food and pharmaceutical products. Given the driving imperatives of the Chinese leadership, Beijing is likely to be cautious about seriously undermining its economic relationship with Australia, or its relationships with the other close Western allies, for that matter.

The bottom line is that pro-Chinese commentators in Australia and other countries continue to assert that cooperative relations with Beijing will be essential for their economic well-being. The more nuanced reality is that, while Chinese attempts to coerce Australia through the manipulation of trade and investment regimes would have limited economic leverage, they have far greater psychological power in the absence of effective domestic countermeasures.

A seventh factor accounting for the Western allies' timidity over Chinese behavior in the South China Sea is the success of Beijing's information operations in Western countries. These operations have been assisted by the Chinese acquisition of media enterprises in Western countries as well as the courting of key decision-makers, journalists, and academics, accomplished through fully paid visits to China; the contribution of very substantial funds to political parties; the establishment of pro-Beijing associations of many types, including Confucius Institutes in universities; the regular insertion of Chinese produced supplements in metropolitan newspapers; and the organization of periodic "patriotic" demonstrations, concerts, and other events by Chinese embassies, consulates, and other pro-Beijing entities. Cyber and intelligence operations have been used to reinforce key messages; recruit Chinese intelligence agents and "agents of influence;" and, periodically, to intimidate, coerce, and deter allied counter-actions.

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64 DFAT, Australia, "Australia's Direction of Goods & Services Trade—Calendar Year (from 1987 to present)," updated October 2016, available at <http://dfat.gov.au/trade/resources/trade-statistics/Pages/trade-time-series-data.aspx>.

These very active Chinese information, intelligence, and cyber operations have been reported extensively in the Australian media in recent months. For instance, Greg Sheridan, the Foreign Editor of *The Australian* wrote:

Early last year the Abbott government established a multi-agency effort to assess by exactly how much, and how effectively, the Chinese government in Beijing was gaining influence over Australian national policy. . . . The more they looked, the more they found.

The government project disclosed the most sophisticated and sustained efforts in our history by the Chinese government and its agencies to penetrate and direct Australian elites in a way that favors Chinese state policy.

From time to time, federal cabinet has been briefed on Chinese government moves to militarize the South China Sea and the like. It has also been briefed on Chinese government-sponsored networks of influence and patronage within Australia. Chinese agents of influence have been identified. . . . This is all made much more powerful, has a vast force multiplier effect, because it folds neatly into all the vast espionage, cyber intrusion, diplomatic, military, and other levers of power Beijing uses.

...The ABC's Chris Uhlmann . . . disclosed the extent of funding from sources closely linked with the Chinese government of all major political parties in Australia. Between 2013 and 2015 this was more than \$5.5 million.<sup>65</sup>

Peter Jennings, a leading strategic commentator, focused on other Chinese operations:

In February, President Xi Jinping visited the offices of China Central Television in Beijing, calling on it to “objectively, truly, and comprehensively introduce China’s social and economic development to the world audience.” A Party directive of this nature explains why, since late May, readers of Fairfax Media newspapers in Australia have been receiving lift-outs made up of editorial copy from the Communist Party newspaper, *The People’s Daily*. Similar material is available in *The Washington Post*, Britain’s *Daily Telegraph*, and France’s *Le Figaro*. China also invests millions of dollars into hundreds of Confucius Institutes at universities around the world. There are ten such institutes in Australia with a remit to “forge strategic alliances with business, industry, government, and other institutions with an interest in closer and more productive ties with China.”

In June 2014, Liu Yunshan, the head of the publicity department of the Communist Party Central Committee, described Confucius Institutes as a “spiritual high-speed rail link” between Chinese dreams and the rest of the world.

More recently, Beijing has intensified attempts to align and influence its diaspora communities. In Australia there is clearly Chinese pressure on community groups to lobby government to take a more quiescent policy line on Beijing’s aggressive militarization of the South China Sea.<sup>66</sup>

An eighth contributing factor to the timid Western response is largely cultural. The experience of the last decade suggests that Western electorates are more fearful of triggering

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65 Greg Sheridan, “Chinese Influence Runs Deep to Favour Official Beijing Policy,” *The Australian*, September 10, 2016.

66 Peter Jennings, “Australia Needs to Limit Its Exposure to Corruptive Influences,” *The Australian*, September 3, 2016.

confrontation and the escalation of an argument than their Chinese counterparts. This thinking is reflected in a concentrated form in some Western bureaucracies by their deep risk aversion. If the Western interest is the avoidance of confrontation and the preservation of peace at any price, that price is likely to be extremely high. When confronted by an expansionist, non-democratic peer competitor, the repeated avoidance of confrontation results in the loss of important strategic positions and the evaporation of much international credibility.

The eight factors above have, in combination, induced timid, incremental, and minimalist responses by the close Western allies to China's seizure of sovereignty in the South China Sea.

When Western leaders have focused on these issues in recent years, they have almost always emphasized three primary interests:

- First, the maintenance of free sea and air transit through the South China Sea;
- Second, an acknowledgement that the United States, Australia, and Japan have no territorial claims in the region and do not take a position on the territorial claims of other countries; and
- Third, the allies' strong interest in the claimants exercising restraint and peacefully resolving territorial disputes in the region in accordance with international law.

These themes were at the core of the foundational U.S. press statement on the South China Sea released by the Department of State in August 2012.

As a Pacific nation and resident power, the United States has a national interest in the maintenance of peace and stability, respect for international law, freedom of navigation, and unimpeded lawful commerce in the South China Sea. We do not take a position on competing territorial claims over land features and have no territorial ambitions in the South China Sea; however, we believe the nations of the region should work collaboratively and diplomatically to resolve disputes without coercion, without intimidation, without threats, and without the use of force.<sup>67</sup>

Secretary of Defense Ashton Carter used a very similar set of words when summarizing the U.S. approach in June 2016:

Now, the United States is not a claimant in the current disputes in the South China Sea. And we do not take a position on which claimant has the superior sovereignty claim over the disputed land features.

But, the United States will stand with regional partners to uphold core principles, like freedom of navigation and overflight, and the peaceful resolution of disputes through legal means and in accordance with international law.

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<sup>67</sup> Patrick Ventrell "South China Sea," U.S. Department of State Press Statement, August 3, 2012, available at <http://www.state.gov/r/pa/prs/ps/2012/08/196022.htm>.

As I affirmed here last year and America's Freedom of Navigation Operations in the South China Sea have demonstrated, the United States will continue to fly, sail, and operate wherever international law allows, so that everyone in the region can do the same.

And the United States will work with all Asia-Pacific nations to ensure these core principles apply just as equally in the vital South China Sea as they do everywhere else. Because only when everyone plays by the same rules can we avoid the mistakes of the past, like when countries challenged one another in contests of strength and will, with disastrous consequences for the region.<sup>68</sup>

Japan's Prime Minister, Shinzo Abe, placed strong emphasis on the need for the international community to uphold international maritime law when he addressed the Shangri La Dialogue in Singapore in May 2014:

Now, when we say "the rule of law at sea," what exactly do we mean in concrete terms? If we take the fundamental spirit that we have infused into international law over the ages and reformulate it into three principles, we find the rule of law at sea is actually a matter of common sense. The first principle is that states shall make and clarify their claims based on international law. The second is that states shall not use force or coercion in trying to drive their claims. The third principle is that states shall seek to settle disputes by peaceful means.

So to reiterate this, it means making claims that are faithful in light of international law, not resorting to force or coercion, and resolving all disputes through peaceful means. So that is all about common sense, pure and simple. And yet these very natural things must be emphasized. I urge all of us who live in Asia and the Pacific to each individually uphold these three principles exhaustively. . .

Ladies and gentlemen, my government strongly supports the efforts by the Philippines calling for a resolution to the dispute in the South China Sea that is truly consistent with these three principles. We likewise support Vietnam in its efforts to resolve issues through dialogue.

Movement to consolidate changes to the status quo by aggregating one fait accompli after another can only be strongly condemned as something that contravenes the spirit of these three principles. . . What the world eagerly awaits is for our seas and our skies to be places governed by rules, laws, and established dispute resolution procedures.

The least desirable state of affairs is having to fear that coercion and threats will take the place of rules and laws and that unexpected situations will arise at arbitrary times and places. I strongly hope that a truly effective Code of Conduct can be established in the South China Sea between ASEAN and China and that it can be achieved swiftly.<sup>69</sup>

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68 Secretary of Defense Ash Carter, "Asia-Pacific's Principled Security Network," speech presented at the 15<sup>th</sup> Asia Security Summit: The IISS Shangri-La Dialogue, Singapore, June 4, 2016, transcript available at <http://www.defense.gov/News/Speeches/Speech-View/Article/791213/remarks-on-asia-pacifics-principled-security-network-at-2016-iiss-shangri-la-di>.

69 Prime Minister of Japan, Shinzo Abe "Peace and Prosperity to Asia, Forevermore," keynote address presented at the 13<sup>th</sup> Asia Security Summit: The IISS Shangri-La Dialogue, Singapore, May 30, 2014, transcript available at [http://www.mofa.go.jp/fp/nsp/page4e\\_000086.html](http://www.mofa.go.jp/fp/nsp/page4e_000086.html).

Australia's foundation statement on the South China Sea expressed very similar sentiments when it was released in May 2014.

Australia does not take a position on competing claims in the South China Sea, but has a legitimate interest in the maintenance of peace and stability, respect for international law, unimpeded trade, and freedom of navigation.

Australia urges parties to exercise restraint, refrain from provocative actions that could escalate the situation, and take steps to ease tensions.

We call on governments to clarify and pursue territorial claims and accompanying maritime rights in accordance with international law, including the Convention on the Law of the Sea (UNCLOS).<sup>70</sup>

However, by the middle of 2014, it had become clear that Beijing had no intention of abiding by the adjudication of the Permanent Court of Arbitration in The Hague. By early 2016, Beijing's statements had become far more strident, and its military and paramilitary actions more belligerent. In response, American, Japanese, and Australian officials were reactive, timid, and highly predictable, doing little more than highlighting the importance of upholding the law of the sea and the rules-based global order.

When the Australian Defence White Paper was released in February 2016, the strategic importance of maintaining the "rules-based global order" was mentioned no less than forty-eight times.<sup>71</sup>

In a major statement of U.S. policy delivered to Congress in the week prior to the Permanent Court of Arbitration's decision, the U.S. Department of State's Colin Willett, Deputy Assistant Secretary of State for Multilateral Affairs, Bureau of East Asian and Pacific Affairs, also emphasized maintenance of the rules-based global order:

At their core, these disputes are about rules, not rocks. We have no territorial claims or ulterior motives in the South China Sea. We will continue to champion respect for international law, freedom of navigation and overflight and other internationally lawful uses of the sea related to those freedoms, unimpeded lawful commerce, and the peaceful resolution of disputes. We have an interest in seeing the Asia-Pacific, including Southeast Asia, remain a rules-based region, where countries are free to exercise their rights and freedoms under international law without fear of coercion. Militarized reclaimed outposts will not keep us from transiting and operating in the South China Sea. To the contrary, it is creating a greater demand in the region for a strong and sustained U.S. presence. As the President and others in the Administration have made clear, we are resolved to ensure that we have made the necessary military, diplomatic, and economic investments to continue protecting our rights, and the rights of all nations to fly, sail, and operate wherever international law allows.<sup>72</sup>

70 DFAT, "Statement on Developments in the South China Sea," *media release*, May 14, 2014, available at <http://dfat.gov.au/news/media-releases/Pages/statement-on-developments-in-the-south-china-sea.aspx>.

71 Australian Government, Department of Defence, *2016 Defence White Paper* (Canberra: Commonwealth of Australia, 2016), available at <http://www.defence.gov.au/whitepaper/Docs/2016-Defence-White-Paper.pdf>.

72 Willett, "South China Sea Maritime Disputes."

Then on the day after the release of the Permanent Court of Arbitration's decision, the Australian Prime Minister, Malcolm Turnbull, and the Foreign Minister, Julie Bishop, held a joint press conference in which Malcolm Turnbull said the following:

Now as Julie has said, and we have both said on many occasions, we have no position on the competing claims for sovereignty. We have no claims of our own. But we insist that it is absolutely vital that all countries abide by international law, settle disputes peacefully and in the context of this particular dispute, that has been the subject of the decision last night that both countries abide by the decision of the tribunal. It is an important test case for how the region can manage disputes peacefully. It is an opportunity for all parties in the region to come together and for claimants to re-engage in dialogue with each other based on greater clarity around maritime rights.

So both of us have been urging claimants to refrain from coercive behavior and any unilateral actions designed to change the status quo in the disputed areas. As I have said many times, every nation in our region has benefitted enormously from the many, many decades of relative peace and tranquility in this region. It is vital that that is maintained. There is so much at risk in the event of conflict, in the event of heightened tensions, so this is an important decision, it is one that has been made in accordance with international law and it should be respected by both parties and indeed by all parties and all claimants.<sup>73</sup>

In sum, the leaders of the close allies have responded to China's seizure of effective sovereignty over most of the South China Sea with a series of one-dimensional and highly predictable diplomatic statements, supported by occasional temporary transits of military ships and aircraft through the region.

It is certainly the case that these statements were not the only actions taken by the U.S., Japanese, and Australian governments in the region since 2012. The United States negotiated a new military access agreement with the Philippines, expanded the scale and frequency of its military exercises in the region, worked to rally diplomatic resistance to China's assertiveness, and supported the Philippines' referral of its legal case to the Permanent Court of Arbitration. Japan supplied new maritime security vessels to the Philippines and offered a range of other security assistance to both the Philippines and Vietnam. Australia maintained its pattern of maritime air patrols through the South China Sea, transferred some heavy landing craft to the Philippines' Navy, negotiated a substantial expansion of its training and logistic support arrangements with Singapore, and continued many cooperative security programs with all the ASEAN maritime states. The United States, Japan, and Australia further enhanced their combined exercises and broader security activities in the region.

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73 Prime Minister of Australia, "Press Conference with Foreign Minister," July 13, 2016, available at <https://www.pm.gov.au/media/2016-07-13/press-conference-foreign-minister>.

However, it is timely to ask how successful the approach of the United States, Japan, and Australia has been. What is the state of the scorecard? How effective have the key Western allies been in securing a cessation and then a roll-back of Chinese land creation, militarization, and effective control of the South China Sea?

There have been many expressions of displeasure, appeals to international law, some demonstrations of continued freedom of navigation, and some modest efforts to boost the maritime security of Southeast Asian allies and partners. But the reality is that these actions have had little practical impact on the Chinese position on the ground, the assertive operations of Chinese maritime and air forces, or on international perceptions of China's power and authority. To the contrary, Beijing's accelerated activities in the South China Sea and the associated information operations have been popular with the Chinese public and reinforced regional perceptions of China's re-emergence as a major, if not the pre-eminent, regional power.

The damage to regional confidence in the United States and the other Western allies has already been substantial, and it could get worse. Western decision-makers should not assume that regional states will automatically move to counter the assertiveness of China by moving closer to the allies. In fact, some countries that were already close to Beijing, such as Cambodia, Laos, and Thailand, have moved closer. The Philippines appears to be shifting its stance to one much closer to China, Malaysia is deepening its ties with Beijing, and several other regional countries are equivocal and reviewing their positions.

What level of success, then, can current Western policy in the South China Sea be said to have achieved? This paper argues that the approach of the United States and the close allies in this theater has been a failure, reflecting timidity and naivety. Their consistently weak and ineffectual approach is delivering incremental capitulation.

One of the core problems with the approach of the U.S., Japanese, and Australian governments has been a serious misstatement of alliance interests. The Western allies certainly have strong interests in freedom of air and sea navigation and in seeing the competing claims in the region resolved peacefully in accordance with international law. However, the most powerful interests of the Western allies really extend beyond these limited, largely tactical, goals.

This paper argues that the primary interests of the United States and its close allies are three-fold:

- First, to ensure that China's serious breaches of the UN Convention on the Law of the Sea, dismissal of the findings of the Tribunal of the Permanent Court of Arbitration, and direct challenge to the international rule of law are unlikely to be repeated. Beijing must acknowledge directly or indirectly that its transgressions of international law were a mistake, and its illegal presence and operations need to be curbed;

- Second, to ensure that China does not so dominate the South China Sea that it can unilaterally determine the fate of the regional order and dictate the level of sovereignty to be enjoyed by the littoral states; and
- Third, to limit the potential for China's acquisitive actions in the South China Sea to set a precedent for further, more aggressive illegal actions by Beijing in either the short or the long term.

Why are these higher-level strategic interests so important?

The security, stability, and prosperity of the Western allies, their partners and friends are heavily dependent on maintenance of the rules-based global order. This order provides a clear framework that is fair, almost universally acknowledged, and highly predictable. It provides an environment within which individuals, corporations, and nations can plan, invest, and operate with confidence and minimal friction. It is an essential lubricant of the global economy and a pre-condition for sound international relations and global peace.

The Western allies have a particularly strong interest in seeing the United Nations Convention on the Law of the Sea maintained. This convention has been ratified by 169 countries and provides a clear and fair set of principles and processes for determining the maritime rights and responsibilities of member states.<sup>74</sup> It also provides sound mechanisms for adjudicating maritime disputes. These provisions have been used to resolve many long-standing conflicts. Through these and associated means, UNCLOS is contributing significantly to international peace and security. For a major power signatory to the Convention to persist in operating with little regard to the Convention's rules and refuse to implement the lawful adjudication of maritime disputes is completely unacceptable.

The failure of the Western allies to act strongly to defend the rule of law in the South China Sea is effectively ceding key norms of international behavior to the strong and powerful, rather than to the lawful. When a powerful authoritarian state is permitted to seize effective sovereignty over a substantial maritime region without being thwarted by strong counter-action, the constraints on further, potentially more serious aggressive actions are greatly reduced. There is a serious risk that the Western allies will be seen in Beijing as paper tigers. Indeed, Australia has already been described in the Chinese press as a "paper cat."<sup>75</sup>

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<sup>74</sup> It is unfortunate that the United States has yet to sign or ratify the Convention, largely because it has not proved possible for any Administration to gain a two-thirds majority vote in support of ratification in the U.S. Senate. Nevertheless, successive administrations have committed themselves to abide by the terms of the Convention until signature and ratification can be arranged.

<sup>75</sup> "Paper cat' Australia will learn its lesson," *Global Times*, editorial, July 16, 2016, available at <http://www.globaltimes.cn/content/997320.shtml>.

The overriding concern of Washington and most of the allied capitals has clearly been to preserve short-term peace and relative tranquility, despite Beijing's expansion. Allied leaders have almost always preferred the "soft option". There have been some modest attempts to constrain China's freedom of action, but these have had little direct impact on the Chinese campaign. One partial exception may have been American warnings to Beijing in early 2016 that it would not remain passive if Chinese forces commenced construction on Scarborough Reef, located well within the Philippines' EEZ due west of Manila. That action, followed by a surveillance mission over the shoal by American A-10 strike aircraft, may have persuaded Beijing to postpone or possibly cancel a plan to build another facility in this location.<sup>76</sup>

However, overall the governments of the United States, Japan, and Australia have demonstrated an extreme aversion to the type of tension that would be inevitable were they to seriously resist China. The cost to U.S. and allied credibility and regional perceptions has been substantial. This was highlighted clearly by the statement of the President of the Philippines, Rodrigo Duterte, when announcing a cessation of joint naval patrols with the U. S. Navy in the South China Sea in September 2016. He stated that: "China is now in power, and they have military superiority in the region."<sup>77</sup> Then during his October 2016 visit to China, he announced a "separation" from the United States and the establishment of a new special relationship between his country and China. In Beijing's Great Hall of the People, Duterte proclaimed: "There are three of us against the world—China, Philippines, and Russia. It's the only way."<sup>78</sup>

Other Southeast Asian countries are also moving to acknowledge Beijing's rising power, taking account of their strong economic ties with China and distancing themselves from what some consider to be American meddling in their internal affairs. This is the case with the authoritarian regimes in Cambodia and Laos as well as with the American treaty ally Thailand. The pro-Western government in Malaysia has also recently moved to purchase some military equipment from China for the first time.<sup>79</sup>

This fraying of pro-Western alliances and relationships highlights a risk that large parts of Southeast Asia may shift into China's strategic orbit. This would represent a fundamental change in the geo-strategic alignment in the Western Pacific and a serious deterioration in the strategic interests of Washington and other allied capitals.

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76 This case is argued in Zack Cooper and Jake Douglas, "Successful Signalling at Scarborough Shoal?" *War on the Rocks*, May 2, 2016, available at <http://warontherocks.com/2016/05/successful-signaling-at-scarborough-shoal/>.

77 Gideon Rachman, "America's Pacific Pivot is Sinking," *Financial Times*, September 19, 2016, available at <http://www.ft.com/cms/s/0/12473188-7db411e68e508ec15fb462f4.html#axzz4LcK1eWDg>.

78 Gideon Rachman, "America's Grip on the Pacific is Loosening," *Financial Times*, October 22, 2016.

79 For details, see Charles Clover, "China and Malaysia Sign Wide Ranging Naval Co-Operation Deal," *Financial Times*, November 1, 2016.

An even bigger danger for allied leaders is that their overriding concern to avoid triggering a confrontation with China in recent years may have emboldened the leadership in Beijing to conclude that they have no stomach to stand in China's way. If that is the case, there is a serious risk that the close Western allies may be confronted by a more dangerous challenge downstream. Such a crisis could arise over Taiwan, the Senkaku Islands and the Ryukyu Island chain in southern Japan, the Philippines, northern India, the South China Sea itself, or possibly elsewhere. This larger crisis may be unavoidable, occur in much more difficult circumstances, and impose far higher human, military, and economic costs.

This paper argues that, for all of these reasons, it is time for the close Western allies to take stock of the situation in the South China Sea, critically review the effectiveness of their actions so far, and work to develop a coherent strategy for securing their core interests.



## CHAPTER 4

# Towards an Allied Strategy

### Strategic Logic and Strategy Options

How can the close allies best develop an appropriate strategy?

In recent years the strategic approach of the allies towards China has been to combine cooperation with competition, with an overwhelming emphasis on cooperative activity. China's approach, by contrast, has been to view almost all activities with the close allies through a multi-dimensional competitive lens and only engage in cooperative activity where and when it advances Beijing's competitive position or has a neutral influence. In adopting this approach, the leadership in Beijing has been prepared to assert new positions, push through boundaries of international law and norms of international behavior, and take much higher risks than its Western counterparts.

This situation poses serious dilemmas for allied governments. Long-held assumptions by some that Chinese leaders would moderate their behavior over time and become responsible stakeholders in international relationships have proven to be poorly founded. When Chinese leaders have taken aggressive steps that fall outside the moderate Western paradigm, allied governments have been hesitant and cautious and appeared to be distracted and lethargic. Western governments have lacked a coherent strategy or game plan for achieving well-defined allied goals. Their actions in response to Beijing's assertive steps have almost always been reactive, involve very limited and highly predictable activities in domains determined by the Chinese, and could be readily ignored by Beijing. The result has been that the Western allies have passed the initiative and momentum to Beijing, ceded a large area of strategically important maritime territory, acquiesced to a flouting of international law, and repeatedly conveyed an impression of weak allied will, distraction, and disorganization.

A core question for allied governments is whether a continuation of their current approaches to China's behavior in the South China Sea will produce better outcomes over time or whether

they are more likely to result in an effective surrender of key allied interests in this theater, embolden Beijing, and encourage more serious challenges to vital allied interests.

This paper argues that the close allies need to take the challenge posed by Beijing's behavior in the South China and East China Seas more seriously. They need to consider responding to China's competitive-heavy strategy with a carefully tailored competitive strategy of their own that, through targeting some of the China's weaknesses, encourages Beijing to adopt more moderate, less confrontational, and less risky strategic approaches.

In order to apply these general principles to allied strategy for countering Beijing's assertive behavior in the South China Sea, there is a need to assess China's strengths, weaknesses, opportunities, and threats. Exactly where is China strong, and where is it potentially vulnerable?

## **China's Strengths, Weaknesses, Opportunities, and Threats (SWOT)**

China's primary strategic strengths are:

- A large, diversified, and growing economy.
- A large, reasonably literate, and entrepreneurial population.
- A strong central government that maintains effective control of the country.
- A leadership that has a clear strategic vision for the country and sense of destiny that is widely shared by its population.
- The People's Liberation Army, which is a large and increasingly modern military force that is designed not to replicate the armed forces of the United States and its allies, but to deter and, if necessary, defeat them by attacking their weaknesses.
- A geo-strategic location that facilitates Beijing playing a leading role in East, West, and Central Asia, and potentially across most of the Eurasian land mass.
- Political and economic influence that is growing internationally.
- Relatively weak constraints on the Chinese Leadership's conduct of highly assertive operations. There are few checks and balances in China's processes of strategic decision-making.
- Chinese government agencies, many Chinese businesses, academic institutions, media organizations, and other Chinese entities that are highly experienced in political warfare and actively engaged in China's international campaigns.
- A large ethnic diaspora. A significant number, but certainly not all, of ethnic Chinese in foreign countries feel a sense of allegiance to Beijing.

These strategic strengths are, however, balanced by many Chinese weaknesses. They include:

- An aging population and a slowing population growth rate, which have led to labor shortages in some regions. China is also burdened by a serious gender imbalance.
- Rising labor and other costs, which mean that China's manufacturing sector has lost much of its international competitiveness.
- Major challenges in transforming the primary focus of the economy from manufactured exports to domestic consumption and the services sector.
- An economy that is now growing at a slower pace.
- Endemic corruption in many sectors of China's economy, generating deep resentment in parts of its society.
- Very high levels of income inequality, with 1 percent of the population owning a third of the nation's wealth and the poorest 25 percent of the population owning only 1 percent of the China's wealth.<sup>80</sup>
- Unmet social welfare needs, which are contributing to discontent in some regions.
- Levels of debt rising to unsustainable levels.
- Serious environmental degradation and a large backlog of remediation work.
- A military that has little combat experience. Many of its systems are less integrated and flexible than those of the West, and, in some but not all operational domains, China's indigenous capabilities are still a generation behind.
- A widespread domestic and international perception that the legitimacy of the leadership and the Communist Party is brittle and subject to fracture if placed under stress.
- Reports of uneasiness in the Communist Party leadership, which encourage Xi Jinping to adopt strong nationalist stances and take new steps to tighten allegiance to the regime's ideology and priorities.
- Increasing difficulties in controlling information flows from the West.
- No real international allies and few enduring friends.
- A stiffening of international resistance in parts of Asia and beyond in response to Beijing's assertiveness, especially in the South China and East China Seas.

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<sup>80</sup> See Gabriel Wildau and Tom Mitchell, "China Income Inequality Among World's Worst," *Financial Times*, January 14, 2016, available at <http://www.ft.com/cms/s/0/3c521faa-baa6-11e5-a7cc-280dfe875e28.html#axzz4JvyoNCJk>.

Despite its weaknesses, the current international situation does present the Chinese leadership with some important opportunities. They include opportunities to:

- Exploit China's strategic weight and agility to further extend Beijing's effective control of maritime domains and territories by conducting new, incremental "gray operations," with each step falling below the threshold for triggering forceful Western responses.
- Strive to maintain a higher rate of economic growth than all major Western countries.
- Exploit further the distraction and disorganization of Western governments.
- Leverage China's financial weight and its key role in institutions like the Asian Infrastructure and Investment Bank to press ahead with the One Belt One Road Initiative.
- Launch a China-centered trade and investment pact across the region if the United States abandons the Trans-Pacific Partnership (TPP) agreement. Were this to be successful, it would further tilt the geo-economic balance of the region towards Beijing.
- Deter direct Western counter-action in East and Southeast Asia though demonstrating economic and military predominance in the region and expanding propaganda, intelligence, and coercion campaigns in regional countries.
- Undermine Western resolve and divide the allies though expanded political warfare, intelligence, and cyber operations.
- Further extend control and propagation of the Party's ideology to reinforce the leadership's medium term security.

Nevertheless, the Chinese leadership does confront a series of potential threats in the period ahead. They include:

- Serious displays of domestic dissent and protest, which have multiplied in recent years, and there is a risk that a future economic or another crisis could trigger widespread domestic disruption that threatens the regime.<sup>81</sup>
- The potential for Beijing to over-reach economically and geo-strategically in attempting to implement the One Belt One Road vision.<sup>82</sup>
- A major reverse in the event a United States-led technological and operational breakthrough were revealed that renders many key PLA capabilities obsolete.

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81 For details on the problems facing Chinese leadership, see Tom Mitchell, "Xi's China: Smothering Dissent," *Financial Times*, July 27, 2016, available at <https://www.ft.com/content/ccd94b46-4db5-11e6-88c5-db83e98a590a>; and Rowan Callick, "China's Unstable House of Cards," *The Australian*, October 3, 2016.

82 See Ben Hillman, "Silk Road Blocks: The Problem with China's One Belt, One Road Policy," *Policy Forum*, November 2015, available at [https://crawford.anu.edu.au/files/uploads/crawford01...11/silk\\_road\\_blocks.pdf](https://crawford.anu.edu.au/files/uploads/crawford01...11/silk_road_blocks.pdf).

- That most of the countries of maritime East and Southeast Asia are deeply disturbed by China's aggressive behavior in recent years. As a consequence, there is a risk of a tightened anti-Chinese network or informal alliance developing in the region.
- The possibility that in the medium term, Washington and Moscow might forge a closer strategic relationship that would force Beijing to reconfigure much of its security preparations to take account of uncertainties along its long northern frontier.
- The possibility that several key countries in Central and South Asia move closer to the Western allies and thus generate new uncertainties on Beijing's western flank, as well as serious complications for the One Belt One Road initiative.
- The possibility that in repeating its risky behavior of recent years, Beijing may miscalculate badly. Highly provocative actions, especially in the maritime, air, and cyber domains, could result in a major military clash that escalates into general war. Such a conflict would likely be catastrophic for the Chinese people and probably for the Communist regime.

## **U.S. and Ally Strengths, Weaknesses, Opportunities, and Threats**

The United States and its allies also possess key strengths and weaknesses and are confronted by several strategic opportunities and potential threats. The primary strengths of the alliance when viewed from Washington are as follows:

- The United States has numerous allies and many close partners.
- The United States and its allies operate robust, diverse, and innovative economies.
- The United States exercises the strongest influence within global financial markets.
- All of the close allies possess robust democratic political systems. A key consequence is the enduring legitimacy of their elected governments.
- The Western allies dominate most of the global maritime commons.
- The Western allies and their close partners possess a large degree of control over global energy and other strategic resource markets.
- The Western allies possess powerful military forces that have recent experience in some categories of combat operations.
- The United States has the potential to generate game-changing capabilities. If successfully developed and deployed, such breakthrough technologies, systems, and operational concepts may have the potential to render many of China's military capabilities obsolete.
- The Western allies have developed world-leading technologies in many key fields.

- The United States possesses world-leading capabilities in the space and cyber domains.
- The United States currently possesses a qualitative advantage in deployed strategic nuclear forces.
- The Western allies have societies that are highly attractive to almost all global citizens. In consequence, the allies possess strong and enduring “soft” power.

The United States and its allies do, however, possess several strategic weaknesses. They include the following:

- The economic growth rates of all allied countries are slower than that of China.
- Most allied economies are still nursing some fragility following the global financial crisis.
- Most allied countries are characterized by aging populations, high levels of debt, and heavy burdens of entitlement spending.
- The leaders of all allied countries are heavily distracted by domestic concerns, security problems in other theaters, and other categories of security challenge—especially counter-terrorism.
- The political leaderships in the United States and in most allied capitals are often constrained by divided legislatures and conservative, flat-footed government bureaucracies.
- Allied governments are frequently self-deterred from taking serious action. This stasis is partly driven by fear of Chinese withdrawal of cooperation on other issues (such as Syria, Iran, North Korea, climate policy, etc.), partly by an over-estimate of China’s future economic importance, and partly by other factors, including Chinese political influence campaigns.
- While the allies have held many discussions on events in the South China Sea, there has so far been only limited agreement on the nature and importance of the challenge posed by China in this theater and what to do about it.
- Western media coverage of the challenge posed by China’s actions in the South China Sea has been sporadic and, with rare exceptions, of mediocre quality. Allied governments have also done a poor job of explaining to legislatures and publics the nature of events in the South China Sea and their strategic significance. In consequence, the publics in allied countries are generally poorly informed on the key issues and options.
- The allies have no agreed strategy for securing their primary interests in the South China Sea and have been slow to develop credible options for consideration by allied forums.

The primary opportunities for the allies are as follows:

- The Western allies could place a priority on strengthening their linkages with each other and with other partners throughout East, Southeast, South, and West Asia.
- The United States and its allies could renew their efforts to assist the South China Sea littoral states to strengthen their resilience against external coercion.
- The governments of the United States, Japan, Australia, and other regional allies and partners could redouble their efforts to put their economic and fiscal houses in order and embark on trajectories for higher economic growth.
- The U.S. Congress could approve the TPP agreement. This has the potential to re-shape the geo-economic balance in the Western Pacific with key supply chains moving away from China towards TPP member economies.
- The United States and its allies could work closely with the South East Asian littoral states to neuter much of the strategic value of China's expansion in the South China Sea by developing the first island chain into a series of doors that could be closed in a crisis to contain the PLA Navy.
- The United States and its allies could accelerate their efforts to develop "third offset" initiatives with the potential to render many Chinese military capabilities obsolete.<sup>83</sup>
- The Western allies could build modernized versions of the capabilities for information and political warfare that they used so effectively against the Soviet Union during the Cold War.
- The allies could launch a series of initiatives to strengthen global media and public understanding of China's offensive operations.
- In response to the very substantial theft of allied intellectual property by Chinese cyber and other agencies, allied governments could decide to tighten controls on intellectual property transfer and take stronger steps to prevent unauthorized leakage to China and its partners.
- The Western allies could also indicate to Beijing that failure to wind back its presence and behavior in the South China Sea would trigger further, more damaging, allied initiatives.

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83 The Pentagon hopes that this Defense Innovation Initiative will create a third so-called "offset strategy." The vision is to discover or invent one or more operational game-changers that echo the first two American offset strategies—tactical nuclear deterrence in the 1950s and the RMA and 'Assault Breaker' in the 1970s and 1980s. For details, see Deputy Secretary of Defense Bob Work, "The Third U.S. Offset Strategy and Its Implications for Partners and Allies," speech delivered at the Center for a New American Security, Washington, DC, January 28, 2015, transcript available at <http://www.defense.gov/Speeches/Speech.aspx?SpeechID=1909>.

However, the United States and its allies need to take account of several potential threats to their strategic position in the Western Pacific. Primary risks for the allies include:

- The possibility that the Western allies will continue to be handicapped by poor national and alliance leadership on the South China Sea.
- Failure of allied governments to develop and implement a coherent counter-strategy and thus cede effective sovereignty over the South China Sea to Beijing.
- Repeated timidity by allied leaders, permitting Chinese political warfare operations to succeed in undermining alliance will and coherence.
- Failure of many leaders in allied countries to comprehend the scale, pace, and nature of China's developing strategic capabilities. It is possible that few key personalities will demonstrate a sense of urgency in developing an appropriate strategic response.
- New military capabilities unveiled by China, indicating that the PLA is asserting qualitative superiority in key areas including, possibly, some types of space operations, hypersonic glide strike weapons, and some categories of anti-shipping missiles.
- China's unveiling its own "third offset" initiatives that force the allies to respond and impose disproportionate costs.

## **What are the Broad Options for a More Competitive Allied Strategy?**

In earlier eras, not least during the Cold War, the United States and its close allies had reasonably well-defined strategies for dealing with the operations of aggressive competitors that could be applied using multiple modes in diverse theaters by all members of the alliance. While frequently debated and refined, these strategies provided a degree of coherence and automatic coordination for globally distributed allied operations, rather like the contribution of a conductor to an orchestra. However, the reality is that the United States and its close allies do not yet have a clear strategy for managing the Chinese challenge. In consequence, the selection of an appropriate allied strategy for the South China Sea needs to begin from first principles.

A key starting point is to clarify the primary goals of the strategy. What precisely should be the goals of the close allies in seeking to counter China's behavior in the South China Sea? This paper suggests the close allies should have seven key goals:

- Securing an explicit or implicit Chinese commitment to halt expansion of the Chinese presence and activities in the South China and East China seas and, over time, for them to be wound back.
- Beijing's acquiescence to the UN Permanent Court of Arbitration's findings on the South China Sea and to the broader international rule of law.

- Development of greatly strengthened deterrence of further Chinese expansionist operations.
- Imposition of disproportionate costs and reduced freedom of maneuver on the Chinese leadership in the event of persistent non-cooperative behavior.
- Maintenance of assured theater dominance in the event of major conflict.
- A substantial strengthening of the resilience of the maritime countries of Southeast Asia to resist Chinese coercion.
- Where possible, maintenance of positive relations between the United States, Japan, Australia, and the other close allies on the one hand and China on the other.

These core strategic goals suggest that the close allies need to combine competitive and cooperative measures to induce Beijing to modify its behavior in a manner that is more closely aligned with allied interests. At its core, the most appropriate strategy will be designed to persuade key Chinese decision-makers to change course, retrace some steps, and abandon further expansionist or aggressive operations.

In pursuing those ends, the seminal work in this field by Thomas Mahnken suggests that there are four primary categories of strategy<sup>84</sup> worth considering:

**Denial.** This approach seeks to thwart an opponent's efforts to convert their strategic means into the achievement of meaningful political and military ends. A classic example of denial strategy was the concept of containment introduced by the Western allies in 1947 to deter an offensive by the Soviet Union's numerically superior conventional forces and further expansion of the Soviet empire.

**Cost imposition.** This approach seeks to increase the costs of the opponent's operations to such levels that the opposing decision-makers realize that success is unlikely and withdrawal or compromise is inevitable. This concept was at the heart of President Franklin Roosevelt's strategy to exhaust the Japanese during the Second World War, and it also played a strong role towards the end of the Cold War in wearing out the Soviets in Afghanistan, markedly increasing the budgetary burdens of the Soviets' third world allies, and depriving Moscow of energy export revenue by fostering very low global energy prices.

**Attacking the competitor's strategy.** This approach seeks to induce the opponent to engage in self-defeating actions. It typically entices the opponent to miscalculate, overreach, engage in nugatory activities, and incur unnecessary costs. One example is Mao Zedong's strategy of luring General MacArthur's forces deep into North Korea in 1950 before launching a stunning counter-offensive to the south. Another is Al Qaeda's dispersed attacks

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84 For a more detailed explanation of these four categories of deterrent strategy, see Thomas G. Mahnken, ed., *Competitive Strategies for the 21<sup>st</sup> Century: Theory, History, and Practice* (Stanford: Stanford University Press, 2012).

in numerous countries in efforts to coax U.S. forces to conduct operations on multiple fronts simultaneously.

**Attacking the competitor's regime.** This approach seeks to attack the opponent's political system or undermine the authority of the opposing decision-makers. This type of strategy damages the legitimacy of the regime, its ideology, and its behavior both domestically and internationally. Towards the end of the Cold War, this type of corrosive strategy led Mikhail Gorbachev to conclude that Soviet communism was finished and fundamental accommodations with the West were unavoidable.

This paper considers the potential of all four of these strategy types to counter China's behavior in the South China Sea and achieve the proposed alliance goals listed above.

All four categories of potential strategy share some important features. First, they all offer the potential to develop a clear strategic logic for allied action. Second, a precondition for the success of all four strategy options would be tailored information programs for the publics of allied countries. Members of the public need to be briefed in plain language about what has been happening in the South China Sea and elsewhere, what senior Chinese leaders have been saying about their plans, what allied interests are threatened, and why allied governments feel compelled to act. The domestic audiences in each country need to be encouraged to discuss and debate appropriate responses and contribute suggestions. These briefings and discussions could take many forms and include:

- Major speeches by national leaders.
- On- and off-the-record briefings to senior journalists and senior media executives, leading to major print, television, radio, and other media reporting.
- Presentations and structured discussions for senior business and other community leaders.
- The publication of highly illustrated reports that spell out the facts concerning China's strategic activities.
- Sponsored research and public reporting by think tanks, universities, and other organizations.

This activity should be designed to provide accurate context and balance to the allies' security challenges. Key purposes should include the timely clarification of concerns, the debunking of rumors, and the strengthening of national and allied resilience in the face of foreign propaganda and attempted coercion.

A third feature of all four categories of potential strategy is that they would require more than the repetitive statement of tactical interests and the periodic token passage of military ships and aircraft through the region. They would all involve the formulation and implementation of

a coherent strategy composed of a carefully tailored mix of practical measures in order to place long-term pressure on China's decision-makers to change course.

Finally, all four types of strategy would potentially require allied actions across multiple domains using whole-of-alliance assets in diverse theaters. Just because Beijing has focused its most assertive actions in the South China and East China Seas in recent years using various forms of military, coast guard, maritime militia, and political warfare assets, it doesn't mean that the allies should counter by focusing all their efforts in those theaters and employing the same modes. To the contrary, the most effective allied options are likely to focus on applying several types of pressure against the Chinese leadership's primary weaknesses in whatever theater that is appropriate. Many preferred allied actions are likely to be asymmetric and highly innovative in nature.

### **Key Characteristics of an Allied Competitive Strategy for the South China Sea**

What, then, would be the primary characteristics of a strategy that would achieve the goals that are listed above? This paper suggests that future allied strategy in the South China Sea should possess nine primary features:

- First, allied strategy must have the power to force Chinese leaders to change their minds. In consequence, allied strategy needs to be based on an exceptionally deep understanding of China in general and the leadership in Beijing in particular.
- Second, allied strategy should be designed to exploit China's weaknesses and make the most of the allies' primary strengths.
- Third, allied strategy should aim to channel China's attention and resources into areas that are the least threatening and impose disproportionate human, technological, financial, and other costs.
- Fourth, allied strategy should encourage China's senior leaders to recalibrate their goals to be less ambitious and more cautious. The allies could do this in numerous ways, including by periodically initiating unexpected actions and imposing unforeseen new penalties or categories of cost.
- Fifth, allied strategy should marshal whole-of-alliance resources in order to deliver the strongest tailored effects. The coordinated employment of resources across the alliance would bring to bear a much wider range of capabilities on a substantially larger scale and in a more diverse range of environments than would otherwise be possible.
- Sixth, in order to be sustainable over many years, the core elements of allied strategy should possess an attractive cost-benefit ratio.

- Seventh, allied strategy should ideally be supported by all major political parties in relevant allied capitals.
- Eighth, allied strategy should be structured to ensure that all major operational steps are coordinated closely and launched simultaneously by relevant alliance partners.
- Finally, allied strategy should be sensitive in its setting of “red” lines or “no-go” areas. Once such conditions are announced, any transgressions by opposing parties need to attract early and potent responses. Failure to respond appropriately would have serious consequences for deterrence and broader allied credibility.

## What Specific Types of Action Deserve Consideration?

There are eight primary categories of action that could play important roles in an allied strategy to counter China in the South China Sea. They are:

**Diplomatic measures.** These are actions to assure, persuade or pressure opponents, neutrals, and partners to act in accordance with one’s interests. Diplomatic measures may include the private or public communication of warnings, suggestions, proposals, and other messages. They include steps to broaden coalitions and the initiation of actions within international forums such as the G20 and the United Nations. They may be undertaken not only by members of foreign ministries, but also by government leaders, military personnel, and, indeed, by many members of allied societies.

**Geostrategic measures.** These are actions designed to change the geographic focus of a competition so as to gain relative advantage. Candidate geo-strategic measures to counter China could include steps to expand and strengthen the members of the alliance or, alternatively, to undermine an opponent’s international supporters. They could also include steps to build strategic pressure on China in theaters far removed from the South China Sea in which Beijing is strategically vulnerable.

**Military measures.** These include discussions, information sharing, and equipment supply between relevant countries, as well as signaling intent via military movements and exercises, military staging, basing, and other activities. Many potent military measures involve the introduction of new military capabilities, especially those that compel a competitor to respond and are difficult to counter. At the highest end of military measures are numerous types of combat operations that can be tailored to send a message, assure, warn, deter, defend, and inflict various types and levels of damage.

**Economic measures.** These employ financial, fiscal, or budgetary actions to protect economic interests or damage a competitor’s economic interests. Economic actions include changes to rules governing international commerce, the processes of transferring technology or other intellectual property, the regulations governing the operations of foreign economic entities such as banks, and various kinds of economic and financial sanctions.

**Immigration measures.** These involve modifications to the laws, regulations, or rules by which foreign citizens enter a country, the permissible purposes for entry, the means and modes of legal entry, and the periods that foreign citizens are permitted to stay. Potential measures in this category could include limits on the numbers of particular categories of international visitors, reductions in permissible periods of stay, and constrained access to particular fields of study, etc.

**Information measures.** These are programs to communicate one's own interests and behaviors in a positive light while painting a competitor's actions and behaviors in a poor light. Target audiences may include one's own society, neutral communities, and categories of people within an opposing country. These programs can include sponsored academic research, all kinds of broadcast media, and carefully tailored programs to reach strategically important community groups.

**Counter-leadership measures.** These are programs specifically designed to cause problems for the competitor's leaders and their immediate supporters. They are frequently designed to foster dissent, undermine a leader's legitimacy, or impose other pressures on the competitor's key leaders.

**Legal measures.** These are steps that can be taken to hold competitors accountable for breaches of international law by seeking the adjudication of United Nations tribunals or other relevant authorities. Various steps can be taken to draw the attention of the international community to legal transgressions and to pressure guilty parties to comply.

An effective campaign plan should combine a carefully chosen set of measures from the above categories into a "combined arms" operation. The intent should be to produce clearly defined effects in a phased manner over appropriate timescales. Some campaign elements will deliver desired effects immediately, but others may take time to develop into serious irritants that corrode the opposition's strategic position.

## Who Should Do What?

Key elements of an allied campaign can be launched and maintained by a number of actors and in a variety of ways. For instance, some key elements of an allied campaign could really only be launched effectively by the United States. This is likely to be the case, for instance, were there a need for major activity in space or reinforcing ballistic missile defenses.

However, several categories of activity might most appropriately be led by Japan. This might be the case, for instance, with some categories of economic measures and programs to greatly strengthen allied defenses along the first island chain.

**FIGURE 12: THE FIRST AND SECOND ISLAND CHAINS IN THE WEST PACIFIC**

Australia may be able to play a strong role in working with the maritime states of Southeast Asia to strengthen their security resilience. Canberra may also be well-placed to initiate some security enhancements in the Indian Ocean.

Other Western allies, including the United Kingdom and other European partners, could play strong roles in cyber operations and in bolstering security resilience in key parts of South and Central Asia.

Not all campaign initiatives would, however, be best led by nation-states. The close allies are likely to see benefit from involving relevant international agencies and other non-government organizations in carrying forward some initiatives, particularly those designed to uphold international law, established international practices, and human rights. Some actions may be candidates for the United Nations, some for the International Monetary Fund, and some for other non-government organizations.

Although the primary responsibility for leading certain categories of activity is likely to be carried by one or more nation-states, nearly all allies and partners could expect to be involved in aspects of launching, maintaining, monitoring, and re-tuning many categories of action. This will require close allied coordination, a high level of cooperation, and the development of some new mechanisms for strategic and operational command and control.

## CHAPTER 5

# Illustrative Allied Campaigns

### Options

Any allied campaign would need to be carefully structured to achieve the alliance's core objectives. What is the end state that the allies should strive to achieve within a specified timeframe, perhaps ten or fifteen years?

It would seem appropriate for allied strategy to be driven by three primary goals:

- First, to ensure that China's serious breaches of the UN Convention on the Law of the Sea, its dismissal of the findings of the Tribunal of the Permanent Court of Arbitration, and its direct challenge to the international rule of law are not allowed to stand. Within the specified timeframe, Beijing must explicitly or implicitly acknowledge that its breaches of international law were a mistake and commence a roll back of its presence and operations in the South China Sea.
- Second, to ensure that China does not so dominate the South China Sea that it can determine the fate of the regional order and dictate the level of sovereignty to be enjoyed by the littoral states.
- Third, to ensure that China's acquisitive actions in the South China Sea do not set a precedent for further, more aggressive actions by Beijing against South China Sea littoral states such as the Philippines, Taiwan, the Senkaku Islands, and other parts of Japan, India, or in any other theater.

In pursuit of this end state, the leaderships of the close allies would need to choose a clear strategic concept to drive the campaign. The most obvious options are to select a strategy of denial, a strategy of cost imposition, a strategy that attacked China's strategy, or a strategy that undermined the leadership in Beijing. No matter what strategic concept is selected, an essential foundation would be a stronger and more convincing allied military posture in the Western Pacific.

A successful allied counter-strategy would need to progress beyond the so-called “pivot” and “rebalancing” to a more thoroughgoing military engagement with the region that might be called the Regional Security Partnership Program. The primary goals of such a program would be to demonstrate continuing allied military superiority in the theater, deter further Chinese adventurism, and reinforce the confidence of regional allies and partners in the reliability of their Western partners so that they feel able to staunchly resist any attempted Chinese coercion.

There could be many elements of a successful Regional Security Partnership Program. Amongst the most important should be the following:

- The creation of new mechanisms for close security consultation between the leaderships of the close allies (essentially the United States, Japan, and Australia) and their partners and friends in the Western Pacific. While there might be scope for periodic meetings of government leaders and defense ministers, the most effective mechanisms in this region may be bilateral and small-group forums that provide plenty of scope for regional leaders to float their own initiatives and guide their own local security development. The most effective approach is likely to be a security network that builds on existing frameworks (such as the Five Power Defence Arrangements linking Singapore, Malaysia, Australia, the United Kingdom, and New Zealand), rather than attempting to establish an Asian version of NATO.
- The U.S. “rebalance” to the Pacific redirected additional American units and some of the most advanced U.S. systems to the theater, but the bulk of these capabilities remained based on American soil, either on the West Coast of the United States or in the Central Pacific. This was a relatively inexpensive and cautious approach, but in the perceptions of many in the region, it left the key elements of American power far over the horizon when the Chinese were operating in their backyards—and even up to their back doors. There is, in consequence, a need for the United States and its close allies to permanently station and operate much stronger military forces in the Western Pacific. The most likely places for hosting the increased American presence would be U.S. Western Pacific territories, Australia, and Japan. However, there may be opportunities for American forces to also increase their footprints in Singapore, South Korea, and elsewhere. Australia could look to increase its long-running military operations in Malaysia and Singapore and possibly expand its cooperative defense activities with Indonesia, India, the Philippines, and elsewhere. Japan could also give some priority to assisting the Philippines, Vietnam, and potentially others.
- Deploying additional military units to the Western Pacific would not only require welcoming local communities, suitable facilities, and advanced industrial support capabilities, but also large, sophisticated, and relatively unconstrained exercise and range areas. They would be essential both to maintain force readiness and tailor operational practices and tactics to suit local conditions. In this context, Australia could

take the initiative to establish the Western Pacific Exercise and Range Complex.<sup>85</sup> This would network and further develop Australia's already extensive exercise and range facilities, offering them for scheduled use by the close allies, and periodically other security partners, to strengthen national and multinational operational capabilities and foster interoperability.

- The United States, Japan, Australia, and South Korea could also offer regional partners opportunities to strengthen their indigenous defense industries by working more closely in numerous modes. There may be scope for joint design, development, and production programs; enhanced logistic cooperation; assistance with facilities development; etc. Closer cooperation in developing intelligence, surveillance, and cyber defenses would also be desirable.

A Regional Security Partnership Program of the general nature described above could, over time, provide appropriate frameworks for strengthening cross-regional secure communications, coordinating operational command and control, undertaking some categories of combined military planning, and, above all, developing trusted personal and institutional relationships.

Given the foundation of a strong Regional Security Partnership Program, or something like it, the stage would be set for selecting and applying a broader tailored strategy to counter China's adventurism in the South China Sea.

For illustrative purposes, if the close allies were to decide to employ a **strategy of denial** in response to China's behavior, they might consider adding a mix of some of the following measures:

- A clear statement by the allies that China's behavior is unacceptable, and until Beijing changes its approach and abides fully by international law, the allies will reduce selected areas of cooperation.
- A program undertaken in partnership with maritime Southeast and East Asian states to make the South China Sea effectively transparent. This would include the publication of illustrated monthly reports on Chinese actions in the South China Sea and a stream of global commentary highlighting the illegality of China's presence and operations in the region. The main purposes would be to strengthen international concerns about Beijing's adventurism and deny China most of the political benefits of its operations.
- An expanded program of cooperative assistance to the countries of maritime Southeast and East Asia to reduce their vulnerability to Chinese coercion, strengthen their anti-access/area-denial capabilities, and effectively control maritime movements through

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<sup>85</sup> For a more detailed discussion of the proposal for establishing a Western Pacific Exercise and Range Complex and several related initiatives, see Ross Babbage, *Game Plan: The Case for a New Australian Grand Strategy* (Canberra: Connor Court for the Menzies Research Centre Ballarat, 2015), pp. 73–88.

the first island chain. Areas of relevance are likely to include strengthened economic and resource security, upgraded national information programs, and the types of closer cooperation envisioned within the Regional Security Partnership Program described above.

- In response to China's militarization of the South China Sea, the allies would offer partner littoral states the option of having selected allied defensive military units deployed to reinforce their local defenses, mainly on a contingent basis in future crises. Such allied reinforcements might include expanded air and ballistic missile defenses.
- In efforts to both deny China some of the benefits of its South China Sea operations and to deter further territorial expansion, the United States could demonstrate that it has broken the PLA "kill chains" that are required for effective anti-access/area-denial operations in the theater. Ideally, it would be made clear to Beijing and to the broader region that China's offensive and defensive military capabilities in the theater were effectively crippled, and recovery would be very expensive if not impossible.
- In a combined program with regional partners, the close allies could commission an independent agency to conduct a high-quality research and publication program called Problems of Asian Communism. The products of this program would be promoted globally, including to Chinese citizens and Chinese expatriate communities. The desired effect would be to corrode, over time, the Chinese regime's legitimacy and the political advantages it may otherwise win from its international adventures.
- The Western allies and partners could announce a policy to exclude Chinese investment from sectors of their economies that are closed to Western countries in China. This "mirror access" policy should only be relaxed when Chinese sectors were opened to Western investors on comparable terms and conditions to those generally applying in Western economies.

Alternatively, if the Western allies decided to employ a **cost-imposition strategy** in response to China's behavior, they might consider adding to their Regional Partnership Program initiatives a mix of some of the following measures:

- Issue highly illustrated weekly reports on China's activities in the South China Sea and encourage global reporting on Beijing's illegal behavior.
- Sponsor quality research and resulting publications on Chinese cyber and espionage operations, China's political warfare operations in allied and friendly countries, China's military capabilities, the excesses of Chinese state-owned enterprises, Communist Party corruption, China's abuses of human rights, and the suppression of Chinese minorities. The primary purpose would be to markedly increase the political cost of Beijing's behavior and, over time, lead the international community to view China as a pariah state.
- Boost security cooperation with key countries in South, Central, and West Asia.

- Invite European and other friendly states to join allied political, information, economic, and military operations in the Western Pacific and Asia more generally. It is notable in this context that several European Union countries have already taken steps to tighten controls on Chinese investments in their economies.<sup>86</sup>
- Exclude Chinese involvement in the “strategic sectors” of allied economies.
- Extend restrictions on the transfer of technologies to China.
- Exclude China from the G20 and prevent its accession to the G7.
- Deny Chinese citizens access to sensitive fields of study in allied and partner countries.
- Discourage some categories of travel to China.
- Seek further United Nations tribunal reviews of China’s actions in the South China and East China Seas.

A third option for the Western allies would be to **attack China’s strategy** in the South China Sea and beyond. For illustrative purposes, some of the measures that might be considered to supplement the Regional Security Partnership Program in this form of strategy are the following:

- Sponsor quality research and resulting publications on China’s political warfare operations, the excesses of Chinese state-owned enterprises, Communist Party corruption, China’s abuses of human rights, and the suppression of Chinese minorities. Portray China as a pariah state with a very poor international reputation.
- Conduct well-resourced information operations aimed at Chinese nationals and expatriates in allied and friendly countries.
- Exclude Chinese entities from direct and indirect involvement in the strategic and media sectors of allied economies.
- Boost links with Taiwan, especially military and political cooperation. Expanded equipment supply and some combined military exercising with Taiwan may be appropriate.
- Launch annual ministerial discussions on security issues between the United States, Japan, India, Australia, and a range of other friendly regional countries.
- Extend restrictions on the transfer of technologies to China.
- Extend controls on the operations of Chinese banks in allied countries and more generally.

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86 James Kynge, “Europe Blocks \$US40bn of Chinese Takeovers in 12 Months,” *Financial Times*, October 25, 2016, available at <http://www.afr.com/news/world/asia/europe-blocks-us40bn-of-chinese-takeovers-in-12-months-20161025-gs9v2n>.

- Limit national and international transactions in Chinese currency (RMB).
- Launch an expanded program of cooperative assistance to the countries of maritime Southeast and East Asia to strengthen their anti-access/area-denial capabilities, reduce their vulnerability to Chinese coercion, and effectively control maritime movements through the first island chain.
- Increase the scale and frequency of allied ship and air transits through the South China Sea.
- Invest heavily in “third offset” capabilities that have the potential to render many Chinese military capabilities obsolete.

A fourth option for the close allies would be to adopt a strategy that **attacks the Chinese political system or regime**. Measures that may be appropriate to supplement the Regional Security Partnership Program under this strategy include the following:

- Expose corruption within the Chinese Communist Party and particularly amongst the senior leadership.
- Conduct broader information operations to undermine the legitimacy of the Chinese Communist Party.
- Sponsor quality research and resulting publications on Chinese cyber and espionage operations, China’s political warfare operations in allied and friendly countries, China’s military capabilities, the excesses of Chinese state-owned enterprises, Communist Party corruption, China’s abuses of human rights, and the suppression of Chinese minorities.
- Brief the leaders of other countries on the corrupt behavior and indiscretions of Chinese leaders.
- Foster internal dissent, especially amongst senior Chinese business, military and Communist Party personnel, and the successor young elites.
- Institute a number of “slow burn” economic sanctions that are designed to corrode confidence in China’s economic future.
- Introduce travel restrictions tailored to impact senior members of the Chinese Communist Party and their close associates.
- Markedly reduce the pathways for Chinese citizens to gain permanent residency and citizenship status in allied countries.
- Introduce new administrative barriers to Chinese investment in allied countries.

- Discourage new types of economic interaction with China while promoting investment and other types of economic links with other high-growth countries, especially Indonesia, India, and the other countries of maritime Southeast Asia.
- Discourage certain categories of travel to China.
- Substantially expand allied cyber capabilities and operations.

Depending on the priorities of allied leaders, various combinations of these and other measures could be contemplated.

It is important to note that almost all of the options listed above could be employed in a graduated fashion. Most could be commenced on a modest scale and with limited funding and then, should it be considered appropriate, built in such a way as to apply further pressure over time. Some measures could be candidates for employment for relatively short periods in order to deliver specific effects. This might be appropriate, for instance, when revealing very advanced military capabilities that render parts of the PLA effectively obsolete. Others measures would be more effective if applied in a gradual manner. This is likely to be the case with some information warfare programs which publicize the corruption and indiscretions of senior Chinese leaders, and hence corrode the legitimacy of the regime. Most measures could also be tested in exercises prior to employment and nearly all could be tuned over time to ensure delivery of the desired effects.

## **Draft Criteria for Evaluating and Selecting Campaign Options**

There are ten key criteria that could be applied in order to evaluate options for action within an integrated campaign plan. They are:

- The likely effect of the measure on the calculations of Chinese decision-makers.
- The assessed effect on key institutional sub-groups in China who could probably, in turn, exert pressure on senior decision-makers to modify their stances.
- The assessed budgetary and other costs of both the commencement and maintenance of the operations.
- The assessed potential of the action to impose disproportionate costs on China.
- The potential positive or adverse effects of selected measures on key Asian partners, particularly the South China Sea littoral states. It would be important to ensure that regional allies and partners do not suffer serious collateral damage from such operations.
- The range of options available to the Chinese to take effective counter-measures as well as their assessed level of difficulty, cost, and impact on the Western allies and their partners.

- The extent to which the action is disavowable by allied governments.
- The time likely required for the measure to achieve significant results.
- The sustainability of the measure.
- The potential of the measure to be combined with other initiatives to achieve positive synergistic effects.

Whatever strategic concept and menu of measures that are selected, it would be imperative for the allied campaign to be closely coordinated. Most measures would need to be taken simultaneously by all allies. This would be essential to limit the scope for China to victimize individual countries or specific allied interest groups. Close allied coordination would ensure that any strong counter-action against an individual ally or partner would have broader unfortunate consequences for Beijing.

## Allied Decision-Making

Some allied leaders have communicated a degree of frustration with Beijing's intransigence in their more recent statements. For instance, on September 8, 2016, Japanese Prime Minister Shinzo Abe warned against making too many concessions to China:

"I expect ASEAN to play a leading role in creating stability and prosperity in the region by following the rule of law," Abe said Wednesday at a meeting with leaders from the Association of Southeast Asian Nations. The comment earned calls of agreement from some present.

He expressed deep concern about "continued attempts to unilaterally change the status quo in the South and East China Seas over the past few months."

"The dispute itself is a matter for the countries involved, but the South China Sea is a vitally important sea lane for Japan," he said, countering Chinese President Xi Jinping's assertion at talks between the pair Monday that unrelated countries should not interfere.<sup>87</sup>

President Obama also gave the impression that his patience was wearing thin when he was interviewed by CNN on September 4, 2016.

But what we have said to the Chinese—and we've been firm consistently about this—is you have to recognize that with increasing power comes increasing responsibilities. You can't pursue mercantilist policies that just advantage you now that you are a middle income country, in many ways, even though you still have a lot of poor people. You know, you can't just export problems. You've got to have fair trade and not just free trade. You have to open up your markets if you expect other people to open up their markets.

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87 Gaku Shimada, "Japan, China vie for ASEAN influence," *Nikkei Asian Review*, September 8, 2016, available at <http://asia.nikkei.com/Politics-Economy/International-Relations/Japan-China-vie-for-ASEAN-influence>.

When it comes to issues related to security, if you sign a treaty that calls for international arbitration around maritime issues, the fact that you're bigger than the Philippines or Vietnam or other countries, in and of itself, is not a reason for you to go around and flex your muscles. You've got to abide by international law.

And part of what I've talked to communicate to President Xi is that the United States arrives at its power, in part, by restraining itself. You know, when we bind ourselves to a bunch of international norms and rules, it's not because we have to, it's because we recognize that, over the long-term, building a strong international order is in our interests. And I think over the long-term, it will be in China's interests, as well.

So where we see them violating international rules and norms, as we have seen in some cases in the South China Sea or in some of their behavior when it comes to economic policy, we've been very firm. And we've indicated to them that there will be consequences.<sup>88</sup>

This raises some priority issues for the Trump Administration. If there are to be consequences flowing from Chinese behavior in the South China Sea, what precisely should these consequences be? What should be the underlying strategy or game-plan? And what should be the timeframe for such a campaign? Getting these decisions right will be a key test not only for the new American administration, but also for the leaders of all Western countries.

There will certainly be people in allied countries who would prefer their governments to turn a blind eye or say the "right" things but do very little. However, the scale and nature of the Chinese challenge means that a failure of Western leadership to respond with a robust counter-strategy would have fundamental consequences.

The first major consequence would be to effectively cede sovereignty over almost all of the South China Sea to China. Giving Beijing effective control over such a major transport and communications expanse would have very substantial and enduring geo-strategic implications. It would reconfigure major parts of the security environment in the Western Pacific and seriously complicate many types of future allied operations in the region.

The second major consequence would be to acquiesce to Beijing's serious breaches of international law. This would do great damage to decades of allied effort to build frameworks of international law that govern international relations, commerce, and international disputes. It would signal to the international community that the Western allies are not prepared to defend international law.

A third key consequence is the risk of emboldening China to launch other, potentially more serious, acquisitive operations in coming years. Beijing may view the timidity, distraction, and disorganization of Western leaders as an invitation to seize other strategic territories and undertake other highly assertive operations. Hence, by remaining timid and flat-footed, allied leaders would run a serious risk of fostering a far more serious conflict with China in coming

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88 Fareed Zakaria, interview with President Barack Obama, *CNN Transcripts*, September 4, 2016, available at <http://edition.cnn.com/TRANSCRIPTS/1609/04/fzgps.01.html>.

years that would be much harder, if not impossible, to avoid. In effect, the allied leaders would inadvertently produce a “Munich moment,” the downstream consequences of which could be extremely damaging and costly.

A fourth major consequence of failing to act in a robust manner would be to damage allied deterrence. Weak Western action at this point would send very unfortunate messages not just to Beijing, but also to Moscow, Tehran, Pyongyang, and other capitals, as well as to a range of terrorist and other sub-national groups.

A fifth major consequence of allied and especially U.S. inaction would be to force a major recalibration of defense and broader national security assumptions by almost all allied and friendly states in the Western Pacific, and many beyond. Given the ineffective responses of allied leaders to such serious transgressions of international law and global security norms, what changes should they make to their own security planning? Some are already exploring new and potentially more reliable security partnerships; others may launch substantial new programs of self-defense; yet others may surrender key elements of their sovereignty to reach accommodations with Beijing or other revisionist regimes.

In the last months of the Obama Administration, the president concluded that it could not be business as usual with Beijing. However, this realization came too late to trigger a reversal of course. There is a strong imperative for President Trump and the leaders of the other Western Pacific allies to make the formulation of a clear strategy and plan of action an early priority.

# Conclusions

## Key Conclusions

1. In recent years the approach of the allies towards China has been to combine cooperation with competition, with an overwhelming emphasis on cooperative activity. China's approach, by contrast, has been to view almost all activities with the close allies through a multi-dimensional competitive lens and only engage in cooperative activity where and when it advances Beijing's competitive position or has a neutral influence. In adopting this approach, the leadership in Beijing has been prepared to assert new positions, push through boundaries of international law and norms of international behavior, and take much higher risks than its Western counterparts.
2. The Chinese are now close to claiming effective sovereignty over the South China Sea, one of the world's most important strategic waterways. They have by far the largest military, coastguard, and maritime militia presence in the region; they are deploying strong surveillance, anti-air, anti-shipping, and strike forces onto the artificial islands they occupy; and they are actively intimidating other parties in the area. Beijing appears likely to declare and then seek to enforce an ADIZ over most, if not all of the South China Sea. Through these and related means China is coercing littoral countries to acknowledge China's regional pre-eminence and modify their international stances accordingly.

In consequence, the Chinese campaign of island creation and militarization in the South China Sea poses a serious challenge to the power of the United States and its allies, to the immediate security of the maritime states of Southeast Asia, and, more fundamentally, to the rules-based global order.

3. China's operations in the South China Sea are part of a larger campaign to force the United States and its close allies out of the Western Pacific and pave the way for a far more expansive Chinese presence in remote theaters. Beijing's newly-developed doctrine of "forward defense" envisages operations in regions as distant as Africa, North America, South America, Oceania, and Antarctica.

4. In order to prepare the global space for Chinese expansionism and foster acquiescence in allied capitals and elsewhere, the Chinese campaign includes an extensive program of psychological warfare. Within this psychological warfare campaign, Chinese entities have acquired Western media enterprises; courted key decision-makers, journalists, and academics; contributed substantial funds to political parties; established pro-Beijing associations of many types, including Confucius Institutes in universities; inserted Chinese-produced supplements in metropolitan newspapers; and organized “patriotic” demonstrations, concerts, and other events. Cyber and intelligence operations have reinforced key messages, been used to recruit Chinese intelligence agents and “agents of influence,” and frequently been employed to coerce and deter allied counter-actions.
5. When U.S. and other allied leaders have addressed China’s territorial and military expansion in the South China Sea, they have almost always repeated a standard mantra: we have a strong interest in free sea and air passage; we have no national claims to territories in the area; and we call on all parties to exercise restraint and resolve competing claims in accordance with international law. In token support of these interests, allied ships and aircraft have periodically transited the region. The new U.S. administration and other Western governments need to accept that this approach has failed to thwart China’s territorial expansion. In seeking to minimize the risk of confrontation at every step, the Western allies have effectively ceded control of a highly strategic region and have presided over an astrategic process of incremental capitulation. Bad precedents have been set, and poor messages have been transmitted to the global community. In parts of the Western Pacific, the Western allies are in danger of losing their long-held status as the security partners of choice. China’s successful assertiveness is also encouraging Beijing to break norms of behavior in economic and other spheres, with potentially far-reaching consequences.
6. The changed balance of power in the region and the policy failure of the allies is encouraging littoral states, other regional countries, and close allies to recalibrate their security planning. Some regional countries are actively accommodating themselves to Beijing; some are strengthening their regional and global links to counter China; and others are reviewing their long-held security stances and considering new approaches.
7. There is a sense that there has been a strategic competition between the major powers in the Western Pacific for several years: one in which China has been actively engaged. However, despite the U.S. rebalance to the Western Pacific, Washington and other allied capitals have so far failed to get themselves organized to step up to the plate.

One of the biggest concerns is that the allies’ astrategic behavior has increased the risk that Beijing (and possibly Moscow, Tehran, and Pyongyang) will be emboldened to launch further expansionist operations that the close allies will be unable to ignore. In the event of such a future crisis, the stakes are likely to be higher, and the human, economic, and military costs of allied intervention could be very substantial.

8. In order to deter such an eventuality, the Western allies need to formulate and apply a carefully crafted competitive strategy to pressure Beijing to acknowledge its breaches of international law, start reducing its presence in the South China Sea, and adopt a more cautious approach to its international behavior.
9. The most effective allied strategy will be innovative and asymmetric. Just because Beijing has focused its most assertive actions in the South China and East China Seas in recent years, using various forms of military, coast guard, maritime militia, and political warfare assets, it doesn't mean that the allies should counter by focusing all of their efforts in those theaters and employing those same modes. To the contrary, the most effective allied options are likely to focus on applying several types of pressure against the Chinese leadership's primary weaknesses in whatever theater is appropriate. It will probably involve the calibrated application of selected diplomatic, information, military, geo-strategic, economic, financial, immigration, counter-leadership, legal, and other measures.
10. Any successful allied counter-strategy would need to progress beyond the so-called "pivot" and "rebalancing" to a more thoroughgoing military engagement within the region that might be called the Regional Security Partnership Program. The primary goals of this program would be to demonstrate clearly the continuing allied military superiority in the theater, deter further Chinese adventurism, and reinforce the confidence of regional allies and partners in the reliability of their Western partners so that they feel able to staunchly resist any attempted Chinese coercion.
11. A precondition for the success of any allied strategy would be the launching of tailored information programs for the publics of allied countries. Members of these societies need to be briefed in plain language about what has been happening in the South China Sea and elsewhere, what senior Chinese leaders have been saying about their plans, what allied interests are threatened, and why allied governments feel compelled to act. These programs are important for good governance in Western democracies, to strengthen allied resilience, and to discredit Chinese propaganda.
12. Allied and partner countries also need to work harder to gain leverage from their soft power advantage. Programs that promote the positive aspects of Western societies need to be expanded to encompass Chinese communities, the populations of South China Sea littoral states, and other Asian countries. Focused mass and social media campaigns; visitation programs for key journalists, parliamentarians, entrepreneurs, and others; together with expanded programs for higher-level education; etc., could all play important roles.
13. Allied governments and publics need to appreciate that tension and political confrontation are inevitable consequences of resisting China's expansionism. If vital allied interests are to be defended, difficult decisions will need to be taken, and some pain may

need to be endured. The consequences of failing to defend vital allied interests would likely be far more serious and expensive.

14. Since the end of the Cold War, many of the mechanisms for, and much of the expertise in, multi-disciplinary allied campaign planning, testing, and implementation have been dismantled. This is particularly the case with advanced information operations and complex multi-disciplinary operations requiring extensive involvement with elements of civilian societies. Effective allied campaigns encompassing not only diplomatic and military instruments, but also information, geo-strategic, economic, financial, immigration, legal, and other measures will require the development of twenty-first century planning and coordination mechanisms. This will be a major challenge for the United States—and for most of the allies. However, it will need to be done and done well if the U.S. alliance in the Western Pacific is to succeed and endure.

## Potential Topics for Future Research

1. Deep research into China's strategic strengths and weaknesses.
2. Research into the best means and modes of developing an effective Regional Security Partnership Program to maintain allied military dominance in the Western Pacific, deter further Chinese adventurism, and strengthen the security confidence of Indo-Pacific allies and partners.
3. The gaming of alternative strategy options in the Western Pacific. This work might involve exploration of alternative strategies themselves. It could also assess alternative uses of single domains and modes as well as alternative "combined arms" approaches.
4. Research into the best ways of sequencing operational types in order to deliver specified strategic effects. What measures should be taken early and led by whom; which ones should be taken in second and third phases; etc.
5. Exploration of alternative mechanisms and modes for allied campaign planning, implementation, and coordination for periods of long-term strategic competition.
6. An assessment of the skill requirements for sustained allied campaigning and the identification of skill deficiencies. Potential remedial measures might also be explored.
7. An assessment of the best means and modes of training and exercising multi-disciplinary capabilities both nationally and across the Western alliance.
8. Assessment of the best means whereby the Western allies and their partners can substantially upgrade their information operations for domestic citizens, Chinese communities, and global audiences.

9. An examination of the best ways the close allies can work with their allies and partners in maritime Southeast Asia and the Indian Ocean to bolster regional country resilience against external coercion. Areas of relevance are likely to include strengthened economic and resource security; upgraded national information programs, as well as improved regional intelligence and surveillance; and upgraded cyber, air, missile, and maritime defenses.
10. An examination of the most effective ways in which the Western allies can engage a wide range of national and international non-government organizations in allied operational planning and implementation.



## APPENDIX A

### **The Permanent Court of Arbitration's Judgement on China's Claims in the South China Sea**

This summary is drawn directly from the Permanent Court of Arbitration, “The South China Sea Arbitration (The Republic of the Philippines v. The People’s Republic of China),” *press release*, The Hague, July 12, 2016, pp. 1–3. The full press release is available at <https://pca-cpa.org/en/news/pca-press-release-the-south-china-sea-arbitration-the-republic-of-the-philippines-v-the-peoples-republic-of-china/>.

#### **The Findings**

Having considered the case brought by the Republic of the Philippines against the People’s Republic of China concerning Chinese claims and activities in the South China Sea, on 12 July 2016 the Tribunal of the Permanent Court of Arbitration for UNCLOS announced a unanimous award in The Hague. There were five primary findings:

#### **1. Historic Rights and the Nine-Dash Line:**

“The Tribunal concluded that, to the extent China had historic rights to resources in the waters of the South China Sea, such rights were extinguished to the extent they were incompatible with the exclusive economic zones provided for in the (Law of the Sea) Convention. The Tribunal also noted that, although Chinese navigators and fishermen, as well as those of other States, had historically made use of the islands in the South China Sea, there was no evidence that China had historically exercised exclusive control over the waters or their resources. The Tribunal concluded that there was no legal basis for China to claim historic rights to resources within the sea areas falling within the nine-dash line.”

#### **2. Status of Features:**

“The Tribunal concluded that none of the Spratly Islands is capable of generating extended maritime zones. The Tribunal also held that the Spratly Islands cannot generate maritime zones collectively as a unit. Having found that none of the features claimed by China was capable of generating an (200 nautical mile) exclusive economic zone, the Tribunal found that it could—without delimiting a boundary—declare that certain sea areas are within the exclusive economic zone of the Philippines, because those areas are not overlapped by any possible entitlement of China.”

### 3. Lawfulness of Chinese Actions:

“Having found that certain areas are within the exclusive economic zone of the Philippines, the Tribunal found that China had violated the Philippines’ sovereign rights in its exclusive economic zone by (a) interfering with Philippine fishing and petroleum exploration, (b) constructing artificial islands and (c) failing to prevent Chinese fishermen from fishing in the zone. The Tribunal also held that fishermen from the Philippines (like those from China) had traditional fishing rights at Scarborough Shoal and that China had interfered with these rights in restricting access. The Tribunal further held that Chinese law enforcement vessels had unlawfully created a serious risk of collision when they physically obstructed Philippine vessels.”

### 4. Harm to Marine Environment:

“The Tribunal considered the effect on the marine environment of China’s recent large-scale land reclamation and construction of artificial islands at seven features in the Spratly Islands and found that China had caused severe harm to the coral reef environment and violated its obligation to preserve and protect fragile ecosystems and the habitat of depleted, threatened, or endangered species. The Tribunal also found that Chinese authorities were aware that Chinese fishermen have harvested endangered sea turtles, coral, and giant clams on a substantial scale in the South China Sea (using methods that inflict severe damage on the coral reef environment) and had not fulfilled their obligations to stop such activities.”

### 5. Aggravation of Dispute:

“The Tribunal found... that China’s recent large-scale land reclamation and construction of artificial islands was incompatible with the obligations on a State during dispute resolution proceedings, insofar as China has inflicted irreparable harm to the marine environment, built a large artificial island in the Philippines’ exclusive economic zone, and destroyed evidence of the natural condition of features in the South China Sea that formed part of the Parties’ dispute.”

According to UNCLOS Annex VII (Article 11), “The award shall be final and without appeal... It shall be complied with by the parties to the dispute.” In consequence, the award of the Tribunal now forms part of International Law.

## LIST OF ACRONYMS

<b>A2/AD</b>	anti-access/area-denial
<b>ADIZ</b>	Air Defense Identification Zone
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>CSBA</b>	Center for Strategic and Budgetary Assessments
<b>DFAT</b>	Department of Foreign Affairs and Trade
<b>EEZ</b>	Exclusive Economic Zone
<b>IISS</b>	International Institute for Strategic Studies
<b>LNG</b>	liquefied natural gas
<b>NATO</b>	North Atlantic Treaty Organization
<b>NIAS</b>	Nordic Institute of Asian Studies
<b>nm</b>	nautical mile
<b>OSD</b>	Office of the Secretary of Defense
<b>PLA</b>	People's Liberation Army
<b>PRC</b>	People's Republic of China
<b>RMB</b>	renminbi (Chinese currency)
<b>SWOT</b>	strengths, weaknesses, opportunities, and threats
<b>TPP</b>	Trans-Pacific Partnership
<b>UNCLOS</b>	United Nations Convention on the Law of the Sea







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