A long-standing territorial dispute in the South China Sea between China and its Southeast Asian neighbors has attracted global attention. The claimants engaged in a strategic conflict over the sea’s substantial oil and fishery reserves, but also in a larger conflict — involving outsiders — over the structure of regional security and economic institutions. The potential for a new set of these institutions in Southeast Asia, with China at their center, has worried some Southeast Asian states and raised the stakes of the South China Sea territorial disputes. Outside players have taken a renewed interest in the conflict due to the possibility that China will be the first country to truly challenge U.S. hegemony (albeit regionally) since the end of the Cold War. This paper outlines the strategic and institutional conflict, provides projections for how it might be resolved in the future, and outlines policy prescriptions for the United States.

Key Words: South China Sea, Changing Power Dynamics, Southeast Asia

Introduction

A long-term conflict of strategic importance to the United States and its allies is simmering in the South China Sea. The disputes are territorial, and the contested territory is miniscule and almost uninhabited, but nonetheless the conflict and the way in which it is resolved will shape the security of China, Southeast Asian states, and the United States and its regional allies for the foreseeable future. Half of all global shipping passes through the South China Sea en route to its final destination; the sea floor holds as many as 130 billion barrels of oil; and the sea possesses substantial fishery reserves. But conflict over these tangible resources only partially captures the importance of the disputes. The disputes mask a larger conflict for influence and power between the United States and China. China hopes to establish a buffer in the region to protect against possible U.S. containment efforts and the United States hopes to deny China the ability to establish a new hegemonic order in the region, diluting or
A Sea Change or a Wave of Backlash? The South China Sea and Changing Power Dynamics in Southeast Asia

altering the structure and influence of Western-led norms like the UN Convention on the Law of the Sea (UNCLOS) and institutions like the International Monetary Fund (IMF) and the World Bank.4 5

Consequently, the sporadic conflict that has dotted the last 40 years of Chinese-Southeast Asian relations has taken on increased importance as a signaling mechanism in the context of an emerging but veiled great power conflict.6 Southeast Asian states have a strong interest in the outcome of the conflict. The major Southeast Asian claimants (Vietnam and the Philippines, in particular) have a tangible interest in preserving their claims on the Paracel and Spratly island groups and deriving economic benefits from their surrounding waters.7 The claims of Indonesia, Malaysia, and Brunei smaller, and they have had fewer disputes with their neighbors. But all of the states in the Association of Southeast Asian Nations (ASEAN) are watching the disputes closely, as the way in which they are resolved will signal the character of rising Chinese power in the region. Some Southeast Asian states, in an attempt to reap the benefits of China’s continued growth, have chosen to deepen their security and economic ties with their northern neighbor. Others, fearing China’s rise, have chosen to affiliate more closely with the United States. But most Southeast Asian states have pursued a hedging strategy, in which they simultaneously attempt to improve ties with multiple powers.8 The region, with its 600 million people and $1.5 trillion in economic output, has rapidly taken on new strategic importance as a geopolitical ‘pivot point’ in U.S.-Chinese strategic competition.9

The uncertainty regarding the character of China’s emerging military and economic might and underlying shifts in the distribution of military power in the region makes the South China Sea a potential flashpoint for interstate conflict (in addition to a hotbed of non-traditional security issues).10 Southeast Asian states that have pursued hedging strategies have simultaneously increased trade and investment ties with China, and increased security ties with the United States. Some Southeast Asian states fear China’s growing influence and its People’s Liberation Army’s (PLA) newfound military might, but are unable to deny the economic benefits that come with relations with the emerging giant. They see the U.S. military as a stabilizing force in the region.

---

In response to China’s rising influence, the United States has attempted to become a credible security balancer in the region. Its ‘pivot’ to the Asia Pacific region has included new bases in Australia, but also renewed military ties with the Philippines, a major South China Sea claimant. The United States must provide a credible security alternative for Southeast Asian states in order to remain influential in the region, but it must do so without antagonizing China, which itself is a vitally important U.S. economic partner. But any strategy to counter China must balance the need to limit Chinese influence with the need to prevent the emergence of an antagonistic U.S.-China relationship. While U.S. and Chinese interests in values collide in many areas, their bilateral economic relationship is a global economic engine that both rely on to maintain economic growth.

This paper will provide a brief history of the conflicts in the South China Sea, and describe the various actors in the disputes and their interests. It will then make predictions about short-term and long-term changes that will occur in the region as a result of changing power dynamics, and how those changes will affect the possible resolution of the disputes. Finally, it will provide some specific policy prescriptions for the United States.

History/Background

The territorial disputes in the South China Sea center around two major island groups. The Parcels, located South of China’s Hainan Island and east of Vietnam’s coast, are contested by China and Vietnam. The Spratlys, located west of the Philippines and north of Malaysian Borneo, are contested by China, Vietnam, Malaysia, and the Philippines. The United Nation’s Convention of the Law of the Sea (UNCLOS) provides guidelines for resolving such maritime territorial disputes. It is based on the principle of the Exclusive Economic Zone, a 200-mile area in which countries enjoy limited sovereignty. But UNCLOS’s provisions are interpreted in wildly different ways by each of the claimants, allowing each to provide an UNCLOS-based justification for their incompatible claims. Most claimants use a mix of history-based and UNCLOS-based arguments to justify their claims. UNCLOS’s dispute settlement mechanism is voluntary, and China in particular is unlikely to allow for international arbitration of the disputes.

China has claimed the entirety of the South China Sea as its own since before the Chinese Communist Party (CCP) assumed power in 1949. A 1947 Kuomintang map shows a ‘nine

---

dashed line’ that demarcates China’s claim. China has not altered this claim to this day. It encompasses the entirety of the Spratly and Paracel island chains. China has used open military force twice to enforce these claims, once in 1974 when it seized the Crescent island group in the Paracels, and once in 1988 when it seized Johnson Reef in the Spratlys. When China drew its Nine-Dashed Line, it did not occupy any of the South China Sea islands. The battles in 1974 allowed China to seize the entirety of the Paracels, and the 1988 conflicts gave China a foothold in the Spratlys. (citation) Dozens of Vietnamese mariners were killed in the conflict over Johnson Reef. The passage of the Territorial Sea Law by China’s National People’s Congress reaffirming China’s claims to the South China Sea, a high-profile conflict over Mischief Reef in the Spratlys with the Philippines in 1995, and the Taiwan Straits Crises in 1995 and 1996 severely harmed China’s image in Southeast Asia, and China consequently faced significant temporal blowback for its actions. (citation) Since then, China has avoided using force to resolve the conflicts. It has instead deployed a strategy of ‘delaying,’ in which it deliberately defers resolution of the disputes in order to enhance its bargaining power. Its strategy is predicated on the assumption that increased economic influence and heightened military power will allow for an eventual resolution on favorable terms.

In 2002, China and ASEAN agreed to the Declaration on Conduct of Parties in the South China Sea. The document calls for bilateral resolutions to territorial disputes, and renounces violence as a tool through which to strengthen claims. But since then, tensions have reemerged in the sea. China has consistently objected to foreign companies involvement in exploration and development projects in the sea, and has harassed these exploration efforts by cutting cables in recent years. China has also consistently seized Vietnamese fishing vessels in its claimed waters since 2005. China uses non-military agencies to undertake these activities, and applies the same rules to foreigners as it does Chinese commercial fisherman. Their actions promote de facto sovereignty, as China applies its own laws to its claimed territories.

China has also attempted to enhance its soft power in the region through diplomatic and cultural engagement and strengthened military ties with Southeast Asian states. China is building Confucius Institutes, educational facilities meant to spread Chinese language and

---

culture, across Southeast Asia. Southeast Asian students increasingly study in China, and China is a member of numerous regional institutions (most of which exclude the United States). Military collaboration between China and Southeast Asian states has increased as well. Chinese and Southeast Asian defense ministers and military leaders meet with increasing frequency. Southeast Asian military officers also now frequently attend Chinese military education programs. China has undertaken bilateral military exercises with Thailand and Singapore, and has participated in regional exercises.

Despite these increased diplomatic, military, and cultural ties, ASEAN states have responded to China’s increased assertiveness. Vietnam has increased the number of patrols in its claimed territory and has attempted to modernize its military, acquiring six Russian Kilo-class submarines that will enter service in 2013. If used effectively, the submarines might impose significant costs on Chinese surface assets in a conflict contingency. Vietnamese defense spending has increased from 1.9% of GDP in 2005 to 2.5% in 2009. The Philippines has also responded significantly. The country symbolically renamed the South China Sea the West Philippine Sea, and has undertaken naval expansion efforts. In 2010, the country also pledged to double its defense budget to $2.4 billion. ASEAN defense spending, however, pales in comparison to that of China and the United States. The United States spent $687 billion on its military in 2010, and China spent $114 billion. All ASEAN states’ defense expenditures combined totaled just over $25 billion for the same year. ASEAN’s expenditures had increased rapidly in the five years preceding this measure, however. Southeast Asian states weapons acquisitions doubled between 2005 and 2009. If tensions in the South China Sea continue to increase, Southeast Asian states will be forced to drastically increase military spending, increase security ties with outside powers, or fall into a Chinese sphere of influence.

The PLA’s larger military strategy, referred to by some analysts in the United States as Anti-Access/Area-Denial (A2/AD), is focused on attaining the ability to deny the U.S. military


30 Cronin and Kaplan, 17.


32 Buszynski, 142.


A Sea Change or a Wave of Backlash? The South China Sea and Changing Power Dynamics in Southeast Asia

the ability to operate in China’s peripheral regions. Amongst other capabilities, the strategy is headlined by China’s newly developed anti-ship ballistic missile (ASBM), which could destroy or significantly damage a U.S. Nimitz-class aircraft carrier. The land-based missile has the range to strike any target in the South China Sea.  

The United States, which has traditionally been unwilling to take sides in the disputes, raised the issue at the July 2010 ASEAN Regional Forum. The United States has treaty alliances with two Southeast Asian countries, the Philippines and Thailand, and collaborates militarily with Indonesia, Malaysia, and the Philippines. The United States’ Navy’s 7th Fleet, its largest, remains constantly forward-deployed in the region.

The economic dynamics of the region have been changing rapidly. All Southeast Asian states’ GDP growth exceeded 6% last year. China’s trade with all ASEAN countries totaled $193 billion in 2008, and has been expanding by over 20 percent yearly for more than 15 years. U.S. trade with ASEAN totaled $181 billion that same year. The United States invests more into the region however, with $12.8 billion of foreign direct investment into ASEAN states, in contrast to China’s $3.7 billion. Southeast Asian states are dependent on both the United States and China for their continued economic vitality. These economic ties limit smaller Southeast Asian states’ freedom of action, but also bring much-needed investment and trade to the region.

Additionally, China’s foreign aid to the region has rapidly increased. In 2002, Chinese aid to Southeast Asia totaled just $36 million. By 2007, that number had ballooned to $6.7 billion. U.S. aid to the region, at merely $452 million in 2007, is dwarfed by this number.

Actors and Interests

China

37 Buszynski, 148.
43 Shear
44 Bower, Ernest Z. (Senior Advisor and Director of the Southeast Asia Program, Center for Strategic and International Studies) “Testimony on China’s Activities in Southeast Asia and the Implications for U.S. Interests before the U.S.-China Economic & Security Review Commission.”
China’s security interests in the South China Sea are twofold. The first set of security concerns revolve around providing resource security. China’s rapidly growing population, in combination with growth and instability in other regions, is increasing global energy demand and prices. The China National Offshore Oil Corporation, on the assumption that upward of 130 billion barrels of oil exist in the South China Sea (this estimate varies wildly cross-nationally), has invested $20 billion in exploration efforts.\(^{45}\) China is also concerned with ensuring the security of its oil imports. Eighty percent of Chinese oil imports travel through the South China Sea, and a high-ranking PLA officer said that a single day of disruption of these shipments might be enough to cause social unrest in China.\(^{46}\)

China also has a direct interest in creating a region of friendly or client states and shaping the regional security architecture in Southeast Asia to protect against possible U.S. intervention in its affairs. The U.S. Navy is still a predominant force in the region, and U.S. allies Japan and South Korea already enclose China’s east coast. While China has benefited from the rules-based U.S.-led institutions (the IMF, the World Trade Organization (WTO), and the World Bank) that have defined the post-World War II world order, those institutions still preponderantly represent the United States and Europe. China has already shown a propensity to defy this rules-based order with its foreign aid policy and trade policy. Its ‘no strings’ foreign aid policy can give it increased influence over regimes that are denied U.S. or international aid due to instability, poor human rights records, or violations of international law.\(^{47}\) In the long-run, if China continues to feel marginalized by global institutions, and the United States fails to credibly commit its power to Southeast Asia, China might look to create a laboratory of hegemony in the region. It is unlikely that China would ever choose to create an isolated Chinese-led bloc, as it and its neighbors are dependent on uninterrupted global trade and financial flows. But China might rewrite some of the rules of the current U.S.-led world order or demand policy changes of Southeast Asian states under its regional hegemony.

China must undertake a balanced and long-run approach to accomplish its goals. An overtly aggressive strategy will frighten ASEAN states, and give them reason to deepen their security ties with the United States. ASEAN states are dependent on China for their growth now, but this may not be the case in the future. ASEAN is growing rapidly, and will steadily gain market power (and possibly military power) if its growth continues. If the states begin to see China as more of a threat than a partner, their military spending will takeoff and they might be willing to sacrifice growth for increased security. Aggression will also increase the likelihood of U.S. intervention in the region. Signs of aggression or fundamental shifts of strategy will play out in the disputes over the Spratlys and the Paracels.

But increased Chinese military presence in the region will inevitably give it more influence, allow it to settle territorial disputes favorably, and influence the actions of Southeast Asian states. China therefore has an interest in building its military presence steadily, while reassuring Southeast Asian states through cultural and diplomatic outreach. If it maintains this balance, China will be more likely to prevent outside intrusion and settle the disputes on favorable terms.

\(^{45}\) Cronin and Kaplan, 9.
\(^{46}\) Cronin and Kaplan, 12.
\(^{47}\) Scher
The United States

The United States and China are not locked in a zero-sum game in the South China Sea. In fact, the United States shares many of China’s primary security interests. As a nation reliant on global seaborne trade, the United States has a strong interest in ensuring that shipping through the South China Sea remains uninterrupted. Consequently, the United States has no interest in the militarization of the territorial disputes, and also hopes to confront nontraditional security threats in the region (terrorism and piracy primarily).

The United States’ treaty ally, the Philippines, is intensely involved in the disputes, and it is obliged to protect it in the case of open aggression. But the United States also has an interest in preserving its diplomatic and economic relations with all ASEAN states and protecting the legitimacy of international institutions in the region.

The United States has for years provided global public goods for all regions of the world, including Southeast Asia. It protects sea lines of communication (SLOCs) through the South China Sea, and provides resources to many Southeast Asian states for counterterrorism efforts. But China now has a growing capacity to regionally provide some of these global public goods itself. While both countries could feasibly oversee these commons without harming the other, neither has the capacity to credibly commit to pure defense of those commons. And while both states are dependent on an open and rules-based global order, their ideal orders differ, particularly in Southeast Asia. As China’s economy grows and its interests spread across the globe, its propensity to rely on the United States to protect those interests and guarantee global stability will diminish. China therefore desires the ability to unilaterally protect the South China Sea, a region of particular strategic importance. The United States also cannot credibly commit to preserving peaceful relations in the region. If U.S.-China relations were to deteriorate significantly, the United States could presently threaten to blockade the Indonesian straits and other sea lanes in order to enhance its bargaining power in the conflict. While China’s intentions for the region may be benign, the United States has an interest in preventing any anti-hegemonic efforts by China and preserving its influence and ties with Southeast Asia states.

ASEAN

ASEAN interests are not a monolith. Only a handful of states are heavily invested in the South China Sea disputes, but the all ASEAN states have an interest in protecting their freedom of action, strengthening trade and investment ties with larger economies, and obtaining development assistance. ASEAN states have adopted varying strategies to attain these goals,

49 Scobell, Andrew (Associate Professor of International Affairs and Director of the China Certificate Program, Texas A&M University) "Testimony on China’s Activities in Southeast Asia and the Implications for U.S. Interests before the U.S.-China Economic & Security Review Commission."
generally applying variants of the ‘hedging’ model to counterbalance the influence of the United States and China and preserve their sovereignty while pursuing economic growth.

Southeast Asian states that have little interest in the South China Sea, and have some ideological disputes with the United States have tended to allow greater Chinese influence. Until this year, the best example of this kind of state was Myanmar (Burma). Myanmar was considered by many to be a client of China, with significant political and economic dependencies. But after political reforms, the United States began normalizing diplomatic relations with the country this year, presenting the possibility of renewed U.S. interest and influence. Cambodia, Laos, Thailand, and Malaysia also fit this categorization. These states have the least to lose from China’s rise. With the exception of Malaysia, none claim any territory in the South China Sea (Malaysia has not been particularly aggressive in contesting China’s claims). They have gained economically from China’s rise, share some parts of its ideology, and their regimes gain legitimacy from their strong ties with China.

States that have a greater interest in the disputes, and are less ideologically aligned with China have taken a more aggressive stance. Vietnam and the Philippines have the most to lose from an unfavorable settlement of the territorial disputes, and Singapore is extremely dependent on trade security. Vietnam and the Philippines have consequently taken the most dramatic military modernization steps, and Singapore has welcomed large-scale U.S. military presence in its territory. The Philippines is also dependent on the U.S. military, but Vietnam’s cooperation with the United States is limited by Congressional restrictions. While colder relations with the United States has pushed other ASEAN states closer to China, Vietnam’s historical conflicts with their northern neighbor, Paracel claims, and anti-Chinese nationalistic sentiment have produced a regime that seeks independence. Vietnam’s Kilo-class submarine purchases demonstrate its ability to develop the capacity to defend itself.

Indonesia is wary of Chinese aggression and influence. As Southeast Asia’s most populous state, Indonesia considers itself a natural leader in ASEAN. Indonesia has consequently attempted to moderate the conflicts and work toward their peaceful solution. China’s rising power threatens to limit Indonesia’s ability to lead an independent and sovereign ASEAN. U.S. military ties with Indonesia had been restricted for more than a decade due to

52 Percival, Bronson (Senior Advisor with the Center for Strategic Studies, CNA). “Testimony on China’s Activities in Southeast Asia and the Implications for U.S. Interests before the U.S.-China Economic & Security Review Commission.”
54 Kuik, 177-178.
55 Buszynski, 149.
A Sea Change or a Wave of Backlash? The South China Sea and Changing Power Dynamics in Southeast Asia

human rights abuses, but those restrictions were lifted in 2010 and the U.S. military began training exercises with Indonesia’s special forces unit. Latent conflict between Indonesia and China revolves around attempts to establish regional hegemony.

Outside Players

A handful of other states also have an interest in the South China Sea disputes. India’s long-standing conflicts with China have spilled over into the South China Sea, as India’s Oil and Natural Gas Corp has undertaken exploration activities near the Paracels. China condemned those actions. India has also undertaken joint-exploration efforts with Vietnam, which it sees as an ally against China. India’s semi-involvement in the disputes further internationalizes them and complicates China’s attempts to resolve them on its terms. India, though not as a strong of a player as the United States, nonetheless puts a great deal of economic and military might behind Vietnam.

South Korea and Japan are also players. The two states, with China, make up the +3 in ASEAN +3, a regional organization that extends membership to East Asian powers in addition to the ten ASEAN states. They share China’s dependence on open South China Sea SLOCs. Their large economies make them influential trade and investment partners for ASEAN states, and both are strong U.S. allies and military partners. Japan in particular worries that China might use its potential future control over the seas to threaten Japan’s energy imports and international trade. China has waged such economic warfare against Japan in the past, when it cut off rare earth exports to Japan over territorial disputes in the East China Sea. Japan and South Korea strongly prefer U.S. dominance in the South China Sea and the larger region to Chinese.

Prospects for the Future

The conflicts are not likely to be resolved in the near future. Events in the region are likely to take one of two divergent tracks (or some middle ground between these two poles) over the next 20 years. On one hand, China’s economic growth, its military strength, and influence in Southeast Asia might continue to grow, and outside players might gradually find themselves shut out of the region (including the United States). Lacking committed allies and facing the inability to build up a credible military deterrent, Southeast Asian states might succumb to Chinese power, settle the South China Sea disputes on Chinese terms, and accede to some form of ‘Finlandization’ (referring to Finland’s compromised sovereignty to the Soviet Union during the Cold War) in the form of weakened sovereignty. Some form of new hegemony would be likely to emerge in the form of a new China-centric regional order. This path would represent a victory for China, and a defeat for Vietnam, the Philippines, and Indonesia (although not necessarily all of ASEAN) and the outside players competing for influence in the region.

59 Buszynski, 142-143.
The disputes could take a very different path, however. Continued aggression by China, or continued fears about the consequences of its rise might unite ASEAN against their northern neighbor. This contingency has some historical precedent. Although ASEAN members have divergent interests and their own conflicting claims in the South China Sea, China’s occupation of Philippines-claimed Mischief Reef in the Spratlys in 1994 united the regional organization against China’s aggression. ASEAN’s collective strength, and the commitment of diplomatic, economic, and military support from outside players would limit Chinese influence, and continue the multipolar competition for influence in the region.

The disputes are likely to take a path between these two poles, which could take many forms. The players may find enough political capital to allow international law to resolve the conflicts, greatly reducing (but probably not eliminating) internal and external tensions in the region. The claimants could also agree to bilateral or multilateral treaties that resolve the conflicts in a mutually beneficial manner, or agree to establish a multilateral institutional framework to govern these commons. This framework might include joint regulation of fishing and oil exploration efforts, provide an international law enforcement mechanism, or allow for joint naval patrols of the sea. This section of the paper will explore under what conditions the disputes might follow one track over another.

Changes in military power balances, economic influence, and the structure and coherence of multilateral institutions and bilateral treaties will ultimately shape the type of resolution that occurs in the South China Sea. China’s rapidly developing economy and military is changing the balance of power in Southeast Asia, shaping the responses of ASEAN states, and drawing outside players into the region.

The Future of Development, Trade, and Influence

China’s economic might has and will continue to shape outcomes in the region by itself. China’s growth has necessitated closer institutional ties between itself and neighboring Southeast Asia. It also provides an incentive for the creation of regional free trade agreements and other economic ties. China and all of ASEAN agreed to a well-developed and comprehensive free trade agreement that came into effect in 2010. China has also proposed that three separate free trade agreements between ASEAN and South Korea, Japan, and China be combined into a single East Asia Free Trade Agreement. These agreements have been propelled by the failure of the WTO to conclude the Doha Round and promote further trade liberalization worldwide. While none of these agreements are antithetical to U.S. interests, they represent further Asian integration that increases interdependencies between regional economies. U.S. efforts at creating regional trade agreements in East and Southeast Asia have struggled in recent years.

---

A Sea Change or a Wave of Backlash? The South China Sea and Changing Power Dynamics in Southeast Asia

If China’s economy continues to develop at its current rate, interdependencies between China and ASEAN will continue to increase. This will increase the costs of antagonism between the two sides, and consequently increase the likelihood of an agreement on the South China Sea disputes, whether or not such an agreement is beneficial for all Southeast Asian states. Japan, South Korea, and the United States, as mature economies, will see their pure economic influence diminish in the face of China’s 10 percent growth rates. This does not mean that any of these countries are likely to be shut out from Southeast Asian markets, even if high levels of Chinese influence rule in the region. Unless nationalistic, anti-U.S. sentiment emerges and constrains policymakers ability to remain open, the U.S. and its firms will retain access to Southeast Asia.

But U.S. ability to influence Southeast Asian policymaking (and consequently the South China Sea disputes) through sheer market power will wane under high levels of Chinese growth. These constraints are exacerbated by gridlock in the WTO and the current lack of success in negotiating an expanded Trans-Pacific Partnership. This agreement would cut import tariffs to zero across a variety of countries in North and South America, East and Southeast Asia, and Australasia. It conspicuously does not include China.

U.S.-Chinese competition for influence will drive ASEANs growth as well. The large amounts of foreign aid and proliferation of free trade agreements that include ASEAN states will contribute to their high levels of growth. Currently, ASEAN states are being used as pawns in a larger strategic competition between the United States and China. Sustained high levels of growth, continued political and economic integration, and some military growth might give ASEAN states enough market power to end their dependent relationship with larger states.

The Balance of Military Power and Realist Politics

China’s military growth, if unchecked by changed policies by ASEAN states or the U.S. and its allies, will inevitably compromise ASEAN states’ freedom of action. China’s military, while growing rapidly, lacks the capacity to project power into Southeast Asia with its current force structure. Under a Southeast Asian inter-state conflict contingency, the United States’ military could defend the region from aggression for the next 20 years, according to a RAND Corporation study.

But if China does attain that unchecked power protection capacity, ASEAN states sovereignty, and their ability to settle the South China Sea disputes favorably, will be compromised. It is unlikely that China would need to actually use force to attain this settlement. With no credible deterrent from the United States or within ASEAN, China could simply use veiled coercion to strengthen its claims. China’s navy and domestic law enforcement agencies have already undertaken some sovereignty-enforcing exercises in the South China Sea.

---

China’s South Sea Region Fisheries Administration Bureau and Maritime Surveillance Force enforce China’s domestic laws in some disputed territory in the South China Sea. These are non-military agencies, but they have nonetheless come into conflict with Vietnamese ships. China’s military generally stays out of the South China Sea disputes, but these enforcement activities can be seen as attempts to promote de facto sovereignty in its claimed zone.

While ASEAN states’ military modernization attempts might impose some costs on China’s military in the event of conflict, ASEAN’s freedom of action in the long-run ultimately depends on the willingness of the United States and its allies to commit themselves to balance China’s rise. If the United States loses the capacity to defend its allies in Southeast Asia directly, it will have to increasingly rely on deterrent capabilities to protect its interests in the region. While the United States’ direct defense capabilities might be enough to prevent China from using coercion to settle the South China Sea disputes, the United States probably cannot credibly threaten to attack China in response to aggressive or coercive acts in the region. If the United States begins to rely on a strategy that stresses deterrence over direct defense, its credibility will wane and it will assume higher risks of escalation.

But China’s growing A2/AD capabilities make any U.S. attempt to recommit its military to the region costly. Chinese possession of ASBMs means that under current technology, U.S. carrier strike groups assume large risks within 1500 kilometers of China’s coast. China’s land-based air force is also equipped with an arsenal of anti-ship cruise missiles (ASCMs) that can strike other U.S. capital ships. PLA missiles can also strike and immobilize U.S. and allied bases in the region. China’s land-attack cruise missiles (LACMs) would be able to damage Kadena Air Base in Okinawa, Japan and Andersen Air Force Base in Guam amongst others. The PLA refers to its anti-access strategy as its ‘Assassin’s Mace’ concept. Under this strategy, China hopes to impose high costs on the United States at the outset of any war contingency. The strategy assumes that U.S. morale would precipitously decline as a result of these early losses and the United States would not be willing to engage in a long-run conflict, where it retains a strategic advantage. The strategy exploits U.S. dependence on space-based communication networks with anti-satellite (ASAT) capabilities, engages in cyber and electronic warfare to limit U.S. communications capacity, and targets U.S. bases and naval forces with overwhelming missile barrages. Such a strategy greatly limits U.S. power projection capabilities.

While the U.S. military remains the world’s largest and most powerful, China’s focused strategy could deny the United States access to its periphery for enough time to accomplish

---

A Sea Change or a Wave of Backlash? The South China Sea and Changing Power Dynamics in Southeast Asia

military objectives in that periphery (which includes the South China Sea). Under this asymmetric strategy, China’s navy, while growing rapidly, does not need to possess the ability to control blue waters for an extended period of time (China’s People’s Liberation Army Navy (PLAN) does not possess this capability currently). China simply needs to prevent the U.S. Navy from interfering for enough time to achieve its goals. Such a capability limits U.S. credibility in committing to assist Southeast Asian countries, almost all of which fall within the range of most Chinese A2/AD capabilities. The U.S. military is spread around the world, and it would take a significant amount of time to harness all aspects of U.S. military power to the region. A study on the U.S. Defense Department’s new AirSea Battle concept by the Center for Strategic and Budgetary Assessments predicts that current U.S. force structure could not preserve a stable military balance in the region after 2020.

This prediction has enormous consequences for events in the South China Sea. If China can deny the U.S. access to the South China Sea even for a limited period of time, U.S. security commitments to Southeast Asian states would lose credibility, and China would gain bargaining power in the territorial disputes. This reality would also provide an incentive for ASEAN states to bandwagon with China, as the United States would no longer be a dependable security partner. Although U.S.-China conflict is unlikely, thinking about the consequences of such a conflict is important in determining the outcome of non-military events like the South China Sea disputes. Defense planners must run real-life simulations in order to determine whether their current defense structures protect them from potential inter-state conflicts. If the United States cannot come to the defense of Southeast Asian states, it loses the ability to influence outcomes in the region.

Despite gloomy predictions for the efficacy of U.S. military power in the region in the future, the U.S. does possess some ‘force multipliers’ that might allow it to remain relevant in the South China Sea. If China were to declare war on the United States, it would also in all likelihood be declaring war on Japan, South Korea, and Australia. While lacking the power of the United States or China, these states would nonetheless complicate the PLA’s war planning efforts. Additionally, the global reach of the U.S. navy allows it to pursue a strategy of economic strangulation in a war contingency, choking China’s strategic imports (namely oil) and its export machine.

Conclusions

The way in which the South China Sea disputes are resolved will be largely dependent on the growth trajectories of China’s economy and military. If the United States and its allies in the region fail to develop a cogent counter-strategy to ‘Assassin’s Mace,’ China will be able to coerce its weaker neighbors and possibly establish a new zone of regional hegemony that usurps the influence of western-led global institutions. China’s economic growth will also give it inherent influence in Southeast Asia, and the United States has struggled to develop similar economic dependencies with ASEAN states.

---

75 Van Tol, 44.
These trajectories are not forgone conclusions, however. China’s economic growth is precarious, as it rests on a political system that is constantly dealing with internal security threats. An economic shock might shake the foundations of that political system and consequently limit China’s growth prospects. Additionally, the United States military’s pivot to the Asia-Pacific region and investment in capabilities to counter China’s A2/AD strategy might allow it to regain the strategic initiative in the region and redefine the implicit bargaining table in the South China Sea.

**Policy Prescriptions for the United States**

The United States should not presume that China’s growth or increased influence in Southeast Asia are necessarily antithetical to its interests. China has benefited from U.S.-provided stability in its region and by the U.S.-led, rules-based world order. But China has obvious incentives to try and limit the influence of the U.S. military on its periphery and redefine the global rules and norms in Southeast Asia. The United States, like Southeast Asian states, should hedge against these potentialities. U.S. policy should be balanced between assuming the worst of China’s intentions, and promoting an amicable and cooperative between the two powers. A successful strategy for the South China Sea will prohibit China from attaining regional hegemony and settling the disputes using coercion, while protecting the fragile U.S.-China bilateral relationship.

The United States should:

- Think creatively about strategies to counter China’s A2/AD capabilities. The AirSea Battle concept requires large-scale investment that may be politically untenable. The United States military should consider operational options that limit the need to project power into China’s immediate periphery, like a distant blockade.
- Find new bases in the Western Pacific. This should be done through implicit access agreements rather than permanent bases to avoid antagonizing China. If China continues on a destabilizing track in the region these agreements can become explicit. Potential partners: The Philippines, Singapore (U.S. forces already have some access), Australia (potential expansion of existing marine base or proliferation of bases), Vietnam, and India (if relations warm considerably).
- Continue to improve bilateral relations with Vietnam, and roll back Congressional restrictions on foreign aid to Vietnam and Congressional sanctions regimes on Vietnam. Replace these restrictions and sanctions with a steady and predictable stream of aid, part of which is contingent upon improvements in human rights.
- Reform Vietnam policy while continuing to stand for human rights in the region and pressuring ASEAN states with human rights abuses to reform. This strategy has had success in Burma. U.S.-ASEAN interests are more likely to converge when both sides share ideological traits.
- Encourage the further integration of ASEAN and pressure South Korea and Japan to represent U.S. interests at the ASEAN +3 forum. The United States should support efforts to align intra-ASEAN interests.

---

A Sea Change or a Wave of Backlash? The South China Sea and Changing Power Dynamics in Southeast Asia

- Ensure that the Trans-Pacific Partnership becomes a reality. China should not be denied participation in the partnership if it desires.
- Pursue bilateral free trade agreements with ASEAN states.
- Recommit U.S. diplomatic capital to ensure the continued significance of international institutions like the WTO, IMF, and World Bank, and allow China a greater role in their decision-making structures.

This set of policies will allow the U.S. military and its allies to balance against China’s rise and limit its ability to use coercion in the South China Sea. It will also increase U.S.-ASEAN diplomatic and economic ties, making it more likely that U.S. and ASEAN interests converge.

Defense Policy

On the military side, limited bases and limited counter-A2/AD capabilities constrain the ability of the United States to balance China’s military growth. The United States needs to undertake a series of changes in defense policy in order to negate the detrimental effects of these constraints. These policy changes should focus on allowing U.S. forces in the region to sustain a strong, coordinated first strike by China while seizing the long-run strategic initiative.

The PLA’s ‘Assassin’s Mace’ strategy is heavily dependent on its missile arsenals. Missiles are expendable assets, however, and the United States can therefore employ a series of strategies to reduce the effectiveness of these missiles and force China to use more of them to achieve its objectives in the event of military conflict. The United States should continue to equip its Western Pacific bases with kinetic missile interceptors, but should also invest in technologies that electronically generate false targets for PLA missiles targeting U.S. capital ships. Additionally, the United States should harden key assets at its bases (such as hangars and runways) to increase the number of missiles needed to neutralize these assets, and investing in the ability to rapidly repair the damaged sustained in a potential attacks.77

The United States must also proliferate the number of bases that China must strike to neutralize its forces in the region. The United States is currently heavily dependent on its forces at Guam and Okinawa and consequently China can target these bases with heavy missile barrages under any wartime contingency. The implicit or explicit ability to station U.S. forces at other bases will force China to expend a larger portion of its missile arsenal accomplish its area denial objectives. The United States recently opened a new marine base in Australia, and the United States has had permission to station forces in Singapore since 1989. Singapore’s Changi Naval Base can accommodate U.S. aircraft carriers.78 After the announcement of renewed defense ties this year, the Philippines might be another future partner in providing the United States basing opportunities.

These policy changes would not eliminate the high costs that the United States would pay in a China war contingency. China would retain the ability to heavily damage U.S. bases, and possibly its naval assets. But by proliferating the number of U.S. explicit or implicit bases in the

77 Van Tol, 39.
78 Kuik, 178.
region and increasing costs on China’s missile arsenal, the United States would increase the costs of China’s first strike, and increase the efficacy of its long-run efforts to regain the strategic initiative.

If the United States did survive this first strike, it could then establish a ‘distant blockade’ outside the range of China’s A2/AD capabilities.\(^7\) This blockade would slowly take its toll on the trade-dependent Chinese economy and allow the United States to regain the upper hand in the conflict. Over time, the larger U.S. military would slowly erode China’s ability to deny U.S. forces access to its periphery. If the United States retains the ability to impose this blockade, it lessens the need to escalate the conflict by attacking the Chinese mainland.

The world has not yet seen a major war between thermonuclear powers. As China is such a power, U.S. leaders should put a premium on strategies and operational concepts that reduce risks of escalation. While AirSea Battle is a worthy model for military investment and a valuable deterrent, the U.S. should pursue strategic options that preclude direct attacks on China. Such strikes are called for under the AirSea Battle concept, but might force China to escalate the conflict rapidly. A blockade, backed by the ability to impose such costs would both deter conflict and limit escalatory scenarios.

**Diplomatic Policy**

The United States’ relations with ASEAN states vary greatly. ASEAN states have disparate levels of development and view human rights through different ideological lenses. The United States should not compromise its ideals in order to gain allies in the region. The United States should highlight differences in ideals between itself and its partners. The United States values are a strong source of power, as they usually are attractive to foreigners. Therefore the United States should still allow human rights to play a role in policymaking in Southeast Asia, and should continue to pressure ASEAN states with human rights abuses to reform (like it did with Burma).

But human rights abuses in ASEAN states (or historical prejudices) should not preclude U.S. relations with those states. With regards to Vietnam, Congress currently restricts U.S. foreign aid and imposes putative sanctions on Vietnam in response to some human rights violations. Rather than using sticks to change Vietnam’s human rights policy, the U.S. should craft a policy that uses carrots, making some aid contingent upon improvements in human rights. Vietnam has the most to lose from China’s potential coercive actions, and therefore should be a U.S. strategic partner in the region. While too much U.S.-Vietnam cooperation might provoke China, the United States should nonetheless retain the ability to strengthen ties with China’s southern neighbor. This ability is currently constrained by Congressional legislation.

The United States should also encourage the further integration of ASEAN. ASEAN is already becoming more economically integrated, particularly through a blueprint that hopes to lead to the

\(^7\) Van Tol, 53.
A Sea Change or a Wave of Backlash? The South China Sea and Changing Power Dynamics in Southeast Asia

formation of a “single market and production base” by 2015. The United States already does and should continue to cooperate with ASEAN states in counterterrorism efforts, maritime security initiatives, and anti-piracy raids. The United States should also strengthen cooperation with ASEAN states in the economic realm.

\[ \text{Trade and Economic Policy} \]

The United States needs to deepen economic integration with ASEAN states. The most comprehensive current initiative to accomplish this goal is the Trans-Pacific Partnership. The free trade area would include four Southeast Asian states: Brunei, Singapore, Malaysia, and Vietnam. The United States should encourage these economic interdependencies and also look to find opportunities to negotiate bilateral free trade agreements with other Southeast Asian states. Free trade agreements, particularly in the last few years, have been difficult to negotiate due to domestic political constraints. Therefore, it is likely that high-level officials will need to dedicate political capital to encourage these types of agreements.

The United States should also commit political capital to ensure the continued legitimacy of international institutions, particularly the WTO. The failure of the WTO’s Doha Round has pushed states to look for alternatives to the global free trade regime in further liberalizing trade, and consequently created asymmetries in global trade rules, particularly in East and Southeast Asia’s export-oriented economies. If organizations like the WTO continue to fail to deliver, and the norms of the World Bank and IMF are subverted by China’s aid and development policies, these institutions will lose credibility. This loss of credibility will invite anti-hegemonic efforts by China in Southeast Asia. The United States should condemn China’s lack of regard for these international norms, while trying to further integrate China as a leader in global institutions.

\[ \text{Conclusions} \]

The South China Sea disputes are more than a simple dispute over a handful of uninhabited islands. The islands, the resources surrounding them, and the strategic advantages derived through control of those islands are not unimportant sources of conflict. But a larger conflict for regional hegemony and freedom of action is behind the South China Sea squabbles. The proliferation of outside players in the disputes and the growing economic clout of Southeast Asia magnify the importance of the conflicts.

Changing balances of military and economic power in the region will shape the end outcome of the disputes. If China’s A2/AD strategy gains credibility and its economic clout

---

80 Plummer, Michael G. "How (and Why) the United States Should Help to Build the ASEAN Economic Community." The East West Center, 2008.
81 Holmes, James R. "Rough Waters for Coalition Building." 110.
grows, it will inevitably gain the ability to use coercion to settle the claims if it wishes, and potentially ‘Finalandize’ some of its Southeast Asian neighbors. An ‘all fronts’ integrated response by the United States and its allies in the region might mitigate these effects however. Diplomatic, economic, and military efforts to reshape the balance of power in the region might succeed in denying China the ability to establish a new regional hegemonic order.

These conflicts will not be resolved in the near future, because China and the Southeast Asian claimants are fighting about more than fish and oil. They are fighting to decide who will write the rules of the road in Southeast Asia.
A Sea Change or a Wave of Backlash? The South China Sea and Changing Power Dynamics in Southeast Asia

References


Bower, Ernest Z. (Senior Advisor and Director of the Southeast Asia Program, Center for Strategic and International Studies) “Testimony on China’s Activities in Southeast Asia and the Implications for U.S. Interests before the U.S.-China Economic & Security Review Commission.”


Plummer, Michael G. "How (and Why) the United States Should Help to Build the ASEAN Economic Community.” The East West Center, 2008.


