

## ICAS Bulletin

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### A Bimonthly Survey of Research and Analysis on China-US Relations

*Twice a month, the ICAS Bulletin updates a global audience on American perspectives regarding the world's most important bilateral relationship. Research papers, journal articles, and other prominent work published in the US are listed here alongside information about events at US-based institutions. To receive the ICAS bulletin via email, please notify us at [icas@chinaus-icas.org](mailto:icas@chinaus-icas.org).*

#### **Publications**

##### **US-China Economic Relations: The Propeller Needs Oil**

Claire Reade

CSIS Blog post, August 25, 2015

Reade argues that at a time when global attention is focused on China's handling of its financial sector and monetary policy, its real economy is in need of serious reform and opening. She argues that the list of service sectors with barriers to foreign competition is "shockingly long" and that giving global companies access to sectors like insurance, banking, construction, air travel and professional services would benefit China's economy and global growth. A "bold and widespread" market opening should be on the docket for Obama and Xi's summit, and only such action can properly allow the market to play a "decisive role" in China's economy.

##### **Cybersecurity: All China's Fault?**

Greg Austin

*The Globalist*, August 30, 2015

Austin discusses some of the ways in which the problems between China and the United States on cyber issues are something of a two-way-street. He points out that China and the European Union "get along quite well" on cyber policy, and China and Russia have signed an agreement to limit hacking against one another. While according to Austin, China is not without fault, he presents a list of reasons for why the US government and private sector exaggerate the Chinese cyber threat in comparison to that presented by other state and non-state actors. For one, the US government has

no net assessment of cyber capabilities readily accessible, and officials from one department to another may not have a complete picture of capabilities and vulnerabilities. The private sector has incentives to exaggerate cyber threats, and compensates for its inability to stop them by focusing attention on what appears to be the most sophisticated of them—China. Moreover, in Austin’s eyes various political constituencies within the United States use China to deflect anger about economic dislocations at home. Overall Austin finds “cyber-détente” to be possible, but only when US officials put Chinese espionage activities in perspective.

### **America Must Take a Stand in the South China Sea**

Patrick Cronin

*The National Interest Online*, September 5, 2015

Cronin argues that the “pivot” strategy is underfunded and insufficiently implemented. In order to preserve what he calls the “post-WWII rules based order,” the United States needs to take more concrete actions in support of its rhetoric. As he contends, China is impressed by deeds, not words. Consequently, the US should bolster security ties with South China Sea littoral states and step up freedom of navigation activities to a daily basis. Cronin casts Chinese activities as opportunistic moves into a perceived power vacuum. As such, he states, “to call out Chinese assertiveness...is not to demonize China, but to underscore the principles on which we relied to create the existing order [that] China has benefitted enormously from[.]”

### **China Recreating the American “Hub and Spoke” System**

Lee Jaehyon

PacNet #57, CSIS Pacific Forum, September 9, 2015

The author contends that China’s quest to build a new Asian security and economic architecture is following a “hub and spoke” plan similar to the Asian order currently centered upon the United States. The AIIB and other Chinese initiatives are largely focused on strengthening bilateral relationships between China and each of its neighbors rather than building a multilateral network. The author notes that China’s efforts are welcome in Asia, but also that Asia needs leadership as well as development financing from China.

### **Xi Jinping on Chinese Foreign Relations: *The Governance of China* and Chinese Commentary**

Michael Swaine

*China Leadership Monitor 48*, Fall 2015

Michael Swaine analyzes the foreign policy of Xi Jinping as presented in last year’s anthology *The Governance of China*, a collection of speeches by the Chinese president. He finds that by and large, the policies suggested in the book comport with long-standing Chinese foreign policy traditions. Swaine does note some new rhetorical patterns and policy directions as well: a “routine and consistent pairing of the desire for peaceful development...with an assertion of the resolute defense of China’s core interests;” an articulation of the Two Centenary Goals; a clear articulation of large-

scale economic development plan (notably through OBOR and AIIB); the concept of the “New Model” of major country relations. Swaine assesses some of the ways in which these policies are articulated and observes the discussions that they have elicited among Chinese commentators. He finds that there are potential tensions within this latest presentation of Chinese foreign policy. Most notably, China’s commitment to cooperation and development can conceivably come into conflict with its desire to press its sovereignty claims and alter the “Cold War era” security architecture in Asia. Swaine suggests that neither Xi’s policy statements nor Chinese commentary on them help shed any light on how these goals might be reconciled.

### **The US-China Summit: Decoding a Tower of Babel**

David Lampton

*China-US Focus*, September 11, 2015

Lampton writes that the upcoming summit between Obama and Xi will be a challenge given that it has been a “terrible summer for US-China relations.” He argues that both the US and China have been consistent in sending one another mixed and confusing messages. This is perhaps fitting, given the complex layers of cooperative and competitive relationships between multiple constituencies and interest groups in each nation. On the US side, Lampton faults Obama for being unclear on the meaning of the “pivot” to Asia and in articulating its security priorities and commitments. He notes the tendency of both the administration and Congress to use China as a “punching bag” (for example, Obama’s opposition to the AIIB or Congress’ preoccupation with “currency manipulation”) which undermines cooperation. On the Chinese side, he observes some of the contradictions inherent in China’s attempts to open up its economy while simultaneously indicate it will make its civil society more closed to foreign influences. Like Obama, Xi Jinping has been unclear about his overall vision of Asian order according to Lampton. On the one hand he has argued for an “Asia for Asians” security architecture, while on the other he has indicated that there is room enough for both China and the United States in the Pacific.

To Lampton, the focus of the September summit must be to clear up these contradictions and promote a shared vision of a path forward—articulated in “something like a fourth communique.” In this agreement, the two sides would mutually acknowledge the “redistribution of influence” presented by the rise of China without establishing a “spheres of influence” model. The two nations would focus their energies on intensifying interdependence by accelerating the Bilateral Investment Treaty discussions, and work towards enhancing cooperation in areas like Afghanistan. Lampton argues that these outcomes would be difficult to achieve, but the consequences of not being able to move cooperative relations forward would be even more difficult.

## Events at US-based Institutions

### Joint Subcommittee Hearing: China's Advance in Latin America and the Caribbean

US House of Representatives, September 10, 2015

This hearing assessed China's increased role as financier and trading partner in Latin America (broadly considered as South and Central America and the Caribbean). Members of Congress were interested in whether the United States has become too disengaged from the region. Expert witness Evan Ellis testified that overall increased Chinese activity in Latin America was a negative development for the region and the US because it has given China a greater stake in the internal affairs of several countries. He contended that Chinese investments undermine good governance, that China was interested in developing a multilateral trade regime that specifically excludes the US and Canada, and that Chinese military activities in Latin America were significant and growing. Other experts testified about the United States losing export market share to China in the Western Hemisphere and motivations for both China and Latin American states to enhance their trans-Pacific relationships.

### Strait Talk: Taiwan's 2016 Elections and the United States

CSIS, September 14, 2015

This day-long conference included panels on Taiwan's domestic policy, the upcoming elections, and the US' Taiwan policy going forward. Keynote speaker Shelley Rigger discussed scenarios under which cross-strait relationships might become more challenging: a situation in which Beijing feels it is running out of time to fulfil its goal of peaceful unification, or a severe internal or external crisis involving the mainland that would compel Beijing to demonstrate resolve at Taipei's expense. In the panel on the United States' Taiwan policy, Alan Romberg and Michael Green engaged in a lengthy exchange regarding possible issues following an electoral win by Tsai Ing-wen. Romberg expressed confidence that US and PRC policy would remain unchanged, and articulated the central points of US policy. To Romberg, the US must (and does) maintain a policy of refraining from pushing either Beijing or Taipei in any particular direction, but must simply uphold the principle of no unilateral changes to the status-quo. Michael Green emphasized the United States' interests in Taiwan's freedom of self-determination, its role as a part of the overall security structure of the First Island Chain, and Taiwan's economic integrity and success. He called upon Taiwan to do more to provide for its own security needs and for the US to refrain from taking sides or appearing to take sides in the upcoming election. Green expressed concern that it was possible, though not likely, that a DPP win might inspire a demonstration of force from Beijing, whereas Romberg argued that the PRC was unlikely to change its behavior on the basis of the election results alone.

## Commentary

### Maritime Security Cooperation in Asia: Visions and Realities

by Mark Valencia

Many meetings on the South China Sea are presented with a plethora of proposals for multilateral security cooperation. However, few have ever been implemented, and of those that have, even fewer have been effective. We should accept this reality and examine why this is so.

The 2002 ASEAN-China Declaration on Conduct of Parties in the South China Sea (DOC) was supposed to “enhance favorable conditions for a peaceful and durable solution of differences and disputes among countries concerned.” It has failed to do so. Claimants were supposed to exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability [.]” They did not do so. The agreement was supposed to be a precursor and foundation for a binding robust Code of Conduct for the South China Sea (COC). This has not happened and a COC appears dead in the water.

In 2005 then US Chief of Naval Operations, Admiral Michael Mullen proposed a multination “thousand ship” navy under US tactical command to provide maritime security in the 21st century. It has not been realized. In 2004, the U.S. proposed a Regional Maritime Security Initiative (RMSI). This proposal was ignored by Indonesia and Malaysia, and faded away.

Undaunted, the U.S. has this year announced a US\$425 million Southeast Asia Maritime Security Initiative as part of the U.S. rebalance to Asia and its vision of stronger regional security architecture in which it presumably wants to play a major role. This proposal may suffer the same fate as the RMSI. Most Southeast Asian nations will be happy to accept capacity building but may be unwilling to sign on to any regional scheme that could be taken as ‘siding’ with the U.S. against China or as endorsing a security role for external military forces.

Throughout the 1990s, Japan sought to organize regional initiatives to combat piracy in Southeast Asia. One proposal was for Ocean Peace Keeping which envisioned a standing maritime force of naval contingents from regional states. In 1999 then Japanese Prime Minister Keizo Obuchi proposed a regional coastguard for Southeast Asia. These proposals were publicly opposed by China and received a non-committal reception from Southeast Asian states.

In November 2011, China announced a US\$500 million China-ASEAN Maritime Cooperation Fund intended to implement the cooperative measures specified in the DOC and also support the development of infrastructure along the Maritime Silk Road. Because proposals must be sent to the Chinese Foreign Ministry, some Southeast Asian countries are leery that doing so for projects in the South China Sea might be construed as recognition of China’s claims there.

China has also proposed a Treaty of “Good Neighborly and Friendly Cooperation’ with Southeast Asian countries. But some see it as superfluous to the Bali Treaty to which China has acceded, and are concerned that a new China-led treaty would undermine ASEAN centrality in regional security.

In May 2015, Chinese Taipei’s president, Ma Ying-jeou announced a South China Sea Peace Initiative that calls for shelving disputes and negotiating resource-sharing agreements. Ma’s Initiative is the latest effort to distinguish Taipei’s strategy for handling the disputes from that of China. The response from Beijing and ASEAN claimants has been less than enthusiastic. Beijing may be concerned that Taipei will soften its stance on its nearly-identical claims thus undermining Beijing’s claims. The fact that Taipei is not recognized as a nation by China, Asia and the U.S. is a significant diplomatic political obstacle to its implementation.

The Joint Marine Seismic Undertaking was an agreement between China, Vietnam and the Philippines to explore defined areas in the South China Sea. Analysts initially had high hopes that it would be a successful multilateral venture circumventing the maritime conflicts. But it was not to be. The agreement was criticized as undermining ASEAN claimants’ claims and ASEAN unity, as well as the juridical position of the Philippines. Moreover, it was alleged to be a violation of the constitution of the Philippines and tied to corruption in the leadership. It was not renewed. Not only did this agreement not build trust and confidence between the claimants, it arguably decreased it, and the security of the Philippines.

Factors that would seemingly compel cooperation and the origination of cooperative regimes include the absence of natural boundaries at sea and thus the efficiency of shared environment and resource management as well as common problems and threats like piracy, pollution, ecosystem deterioration, smuggling, illegal fishing, search and rescue, and disaster response. Why then is the construction of effective multilateral Asian maritime security regimes so difficult? The simplest answer is that most countries calculate that their security will not be improved by such regime building. For them the costs outweigh the benefits. The key questions for most countries are what or whom is the security cooperation for or against, and why? Is it in my country’s national interest to participate? Will we be giving up our options of deterrence and reaction? For the South China Sea where such cooperation and regimes may require endorsement by ASEAN, reaching consensus on such a sensitive topic is nigh impossible.

More specifically, there are both conceptual and practical obstacles to such cooperation and regime building.

Most Asian countries have obtained independence since World War II and suffered through bitter internal and international struggles to do so. They jealously guard their sovereignty and any perceived undermining thereof. Most have only recently extended their maritime jurisdiction to 200nm or more and tend to view the areas gained as part of their national heritage. This perspective overwhelms proposals for

‘shared security’ management and UNCLOS provisions encouraging maritime cooperation.

Now many national frontiers are maritime in nature, which transforms boundary disputes into symbols of national pride and legitimacy. Considering the tenuous or even hostile relations between many of the states in the region and the likelihood of petroleum in disputed EEZ and continental shelf areas, maritime issues are treated with extreme caution. This makes the ‘leap of faith’ required for security cooperation and regime building particularly hazardous and difficult.

The scales of territory, population, military capacity and economy among Asian countries are quite asymmetric. Given limited resources and capabilities many countries do not have the luxury to commit to cooperation to meet threats that are low priority to them – like piracy, trade in WMD, non-commercial freedom of navigation concerns and maritime domain awareness (MDA) that are in the greater interest of maritime powers. Most countries in the region are still ‘developing’ and are unwilling or unable to think and act long-term at the perceived expense of short-term interests.

The region has now come under the influence of the China-U.S. rivalry. As Singapore’s Foreign Minister K. Shanmugam has said, “I’m not sure if we have the luxury of space as we had in the past [...] Major powers...will soon be talking to us in terms of ‘either you’re with us or against.’” Maritime security cooperation with one is often seen as taking a stand against the other. This is reinforced by China and the U.S. themselves—sometimes publicly and often behind the scenes.

Moreover, many Asian nations harbor deep, historically based suspicions of each other making security cooperation all the more difficult. Then there is the perennial problem of involving Beijing and Taipei in a multilateral marine policy regime covering areas claimed by both. Finally, most big powers prefer to avoid multilateral regimes in which the smaller nations can form blocks against them.

Whether it is modernization or an arms race, there is undeniably an increasing effort being made by Asian countries to protect the resources and rights in their extended maritime jurisdictional zones. As a result, encounters between naval assets are increasing. This together with myriad island sovereignty and jurisdictional disputes reinforces the bias against maritime security cooperation.

As Palmerston and Kissinger believed and practiced “there are no permanent friends or enemies—only permanent interests.” All countries’ decisions are influenced to some degree by the thinking behind this dictum. Maritime security cooperation favors the more powerful who can display the superiority of their technology, assets and weapons and thus tacitly intimidate their potential opponents while observing and detecting the latter’s weaknesses.

So if you can’t solve a problem, talk it to death. There is an array of talk shops in which multilateral maritime security cooperation and regime building can be and is

discussed—probably too many. There was also a great effort within the Council for Security Cooperation in Asia and the Pacific to foster greater maritime security cooperation. Yet in the words of one of the organizers, “there is no indication that any of their recommendations have actually been adopted.”

At the last ARF Inter-Sessional Meeting on Maritime Security held in Honolulu in April, a common theme throughout the discussions was the lack of trust among states. This was seen as the key impediment to developing effective co-operative mechanisms in any and all areas. This speaks volumes regarding the result of the many confidence and security building efforts so far. Indeed, the talk shops could be viewed as a snare and a delusion or are used as such by some countries that would rather delay or avoid effective multilateral cooperation.

Nevertheless, several more grand visions have been recently proposed. They include joint peacekeeping forces, coordinated air patrols over the South China Sea, guidelines for military activities in EEZs, and a multilateral incidents at sea agreement. Most are either premature or unrealistic, or both.

It now seems obvious that Asian multilateral maritime security regimes can be fully successful only if there is a common high priority threat perception and both China and the U.S. are willing and able to encourage Asian participation against this threat. Even then, the smaller countries must first become more equal in capacity and their strident nationalism and suspicions regarding transparency and sharing of information must have been mitigated. This will take time and effort. The graveyards of diplomacy are littered with proposals and efforts that did not take this reality into account.

Of course there is the ever present danger of multilateral maritime security regimes being co-opted by one power and used against another to contain or constrain it. De facto alliances may also form with a particular power against another. Alternatively the big powers will simply continue building their webs of bilateral security arrangements aimed at each other. But this is not the type of maritime security cooperation and regime building many would hope for. Indeed, there is still hope that a more inclusive vision of a greater common good will supplant such narrow nationalist perceptions of reality.

Idealists have faith that cooperation and regime building in non-traditional security sectors will build trust and confidence and spill over into cooperation on ‘hard’ security issues. This has seldom if ever been demonstrably the case in Asia. Multilateral maritime security regimes in Asia are not robust, fully formed or fully effective. All can be greatly improved. But what exists is a start—a shaky foundation—that hopefully can be firmed up and built upon.

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