

# NOREF Report

## China's regional security relations and interaction with the U.S.: trends, challenges and possible scenarios

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### Executive summary

This paper provides a brief overview of current developments relevant to Sino-U.S. security relations, and to China's involvement in regional security issues, in East and South-East Asia. The most fundamental challenge with regard to regional stability is how the roles of China and the United States in the Asia Pacific can be reconciled. While the U.S. is concerned that a rising China will eventually push American influence out of East and South-East Asia, China in turn fears that the U.S. will try to retain its leadership role by exploiting and amplifying tensions between the Chinese and their neighbours. Currently

the Sino-U.S. rivalry is threatening unity within ASEAN, which poses an immediate risk for regional stability. A substantial improvement in regional stability – whether in South-East or in East Asia – is unlikely unless the U.S. and China manage to stabilise their bilateral relationship. It is important for all interested parties, inside Asia but also outside (including in Europe), to contribute to a move away from a scenario in which regional stability continues to deteriorate, and in the direction of a scenario that involves a cooperative arrangement between China and the U.S. in a stable multilateral setting.

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## Introduction

In the months prior to the leadership transition of November 2012, several incidents occurred that appear to be signs of serious tensions within the leadership of the Communist Party. Little is known about the policy plans of the new political leader, Xi Jinping. Although substantial policy changes appear to be necessary to improve governance, social stability and economic growth, it is far from certain that major reforms or policy changes will take place in the near future. Also with regard to the foreign policy domain, major shifts are at this point not expected.

## The inter-regional level

The most important current development relevant to China's security position is the so-called U.S. pivot to Asia, i.e. the strategic rebalancing of the U.S. from Europe and the Middle East to East/South-East Asia. Shortly after the recent re-election of President Obama, he himself as well as State Secretary Clinton and Defense Secretary Panetta travelled to Asia to underscore the administration's intention to keep up its strategic focus on the region. The U.S. pivot to Asia is directly affecting the international context in which China operates. While there is a high level of continuity with the U.S. policy towards Asia of previous administrations, the Obama administration has been giving this policy increased emphasis since 2009. The first term of the Obama presidency saw a broad range of measures aimed at strengthening U.S. influence in the region. In the diplomatic sphere, there have been frequent high-level visits to East and South-East Asia. The U.S. joined the East Asia Summit (EAS) and the ASEAN Defence Ministers' Meeting Plus (ADMM+). Secretary Clinton has consistently attended the annual meeting of the ASEAN Regional Forum (ARF). The U.S. leadership has used these various platforms to declare its intention to be a lasting great power in the Asia-Pacific, its strong commitment to its regional allies, and its stake in regional security affairs. The U.S. and China also initiated the Strategic & Economic Dialogue, a high-level bilateral mechanism that also involves a civil-military dialogue and the Strategic Security Dialogue.

In the military sphere, the U.S. has made it clear that, despite budget cuts and troop withdrawals from Europe and the Middle East, the military presence in the Asia-Pacific will not be reduced. On the contrary, the region will see a greater military presence. Marines have been deployed to Australia, and up to four littoral combat ships will be stationed in Singapore. In these and other countries, such as the Philippines and Indonesia, there will be increased troop 'rotations', as a result of which there will be various visiting troops, ships and aircraft present throughout the region at any given point in time. The Pentagon also announced that it is developing a so-called Air-Sea Battle strategic concept, which is intended to bolster the ability of U.S. forces to intervene militarily throughout East and South-East Asia, despite Chinese growing military power. Finally, in the economic sphere the U.S. joined negotiations for the Trans-Pacific Strategic Economic Partnership (TPP) agreement. The TPP is aimed at liberalising economic relations between various Asia-Pacific countries, mainly in the Americas, South-East Asia, Australia and New Zealand. While Japan announced that it is interested in joining the negotiations, it is unlikely that China – given its economic system – is able to participate in a liberal economic initiative such as the TPP.

The increased U.S. activities in the Asia Pacific point at increasing competition between China and the U.S. for regional influence. Whereas in the past China's rise and the United States' traditionally strong position in the Asia-Pacific did not seem to be mutually exclusive, the picture has now changed. Washington appears to feel that China's rise requires a stepped-up U.S. presence in East and South-East Asia. The U.S. pivot has not led to a change in the direction of China's foreign policy, which, as before, is aimed at a steady build-up of influence throughout the region. Since around 2008 there have been increased tensions between China on the one hand and the U.S. and various Asian countries on the other hand. It is unclear to what extent the growing Chinese 'assertiveness' in its regional policies predates the U.S. pivot, and to what extent it is a response to increased pressure from the U.S. Currently the various steps taken by the two major powers to gain a better position with regard to each other contribute to increased regional tensions. China

seems increasingly intent on pushing back what it perceives as growing U.S. pressure. Still, despite the rivalry, Sino-U.S. interdependence remains very strong. The two powers cooperate in various fields, and wish to avoid a serious deterioration of their bilateral relations.

The active U.S. participation in the ARF and its joining of EAS and ADMM+ have given these security mechanisms a major boost. Not only are both the U.S. and China among their members, so are Japan and India, while ASEAN is the basis for each of them. These mechanisms have produced various working groups that focus on specific security issues. The EAS may develop into the main regional security platform, with the ARF and the ADMM+ as major supporting structures. However, at the same time it seems clear that the enhanced prominence of these mechanisms cannot compensate for the decrease in regional stability that results from the growing Sino-U.S. rivalry.

## East Asia

The territorial dispute between Japan and China (and Taiwan) over the Senkaku/Diaoyu Islands has emerged as the most visible security issue in East Asia at this moment. In particular the 2010 incident involving the Japanese coastguard taking into custody of a Chinese fishing boat captain, and last September's purchase by the Japanese government of several of the islands (from their Japanese private owner) have led to a marked deterioration in Sino-Japanese relations. During the 2010 incident, China halted the export of rare earth elements to Japan. The most recent incident resulted in a Chinese consumer boycott of Japanese cars and other products, as well as anti-Japanese demonstrations in various Chinese cities. Moreover, China initiated a coastguard-style maritime presence near the islands to mirror Japan's long-standing coastguard patrols. As the islands are uninhabited and unoccupied, there is a danger of severe escalation if either side were to establish a human presence on one or more of the islands. Taiwan's involvement as claimant party further complicates but does not significantly alter Sino-Japanese relations.

The role of the U.S., although in the background, is of great significance. The main air force and Marine Corps bases of the U.S. military in East/South-East Asia are located on the Japanese island of Okinawa, which is roughly 400 kilometres from the Senkaku/Diaoyu Islands. The U.S. government has stated that it does not take sides in the territorial dispute, but that – under the U.S.–Japan security alliance – it would protect Japan if the latter were attacked. China accuses the U.S. of encouraging the Japanese government to take provocative actions with regard to the islands, and sees the U.S. government as a major player since it is Japan's ally and in the process of enhancing its strategic influence in Asia. Meanwhile, the Japanese government has pointed out that it purchased the islands in order to prevent trouble arising from a Japanese nationalist governor's intention to buy the islands. Many observers in Japan and the West believe that China's current approach to this issue is at least partly a result of its internal political instability and the rise of nationalism as a popular force in China.

Partly as a result of growing tensions between China and Japan, the Japanese Self Defence Force is focusing more explicitly on defence of its southern maritime region and on its missile defence programme with the U.S. To relieve some of the pressure on the U.S.–Japan relationship caused by the heavy presence of U.S. troops on Okinawa, the two countries have agreed in 2012 to redeploy some 9,000–10,000 marines to Guam without first waiting for a controversial Marine air base to be constructed on Okinawa. Meanwhile, the other main security hot spots in East Asia, the Taiwan Strait and the Korean Peninsula, remain primary focus areas for China's regional security policy. In both instances, the U.S. pivot is seen by China as a destabilising and threatening element. This is thought to be exemplified by, respectively, U.S. arms sales to Taiwan and exercises by a U.S. aircraft carrier in the Yellow Sea in response to tensions between the two Koreas.

## South-East Asia

In South-East Asia, too, China is experiencing a less favourable international environment partly on account of territorial disputes over small islands. Numerous incidents have taken

place between China and Vietnam, and China and the Philippines, in recent years. The most notable incident in 2012 was a stand-off between a Philippine warship and Chinese surveillance vessels. As a result of the incident, Chinese tourism to and imports of tropical fruits from the Philippines declined. The disputes relate not only to ownership of the islands but also to economic exploitation rights with regard to fish, oil and gas. As the Philippines are a military ally of the U.S., such incidents have the potential for dangerous escalation. Here, again, Beijing seems to regard the U.S. as partly responsible for the approaches taken by Vietnam and the Philippines. In addition, China and the United States have conflicting views regarding the right of the U.S. to conduct military (intelligence-gathering) activities in China's exclusive economic zone, including in the South China Sea. This has led to serious incidents in 2001 and 2009.

Besides Vietnam and the Philippines, Taiwan, Malaysia and Brunei also dispute parts of China's (and each other's) territorial claims in the South China Sea. Interestingly, there have been no significant incidents between China and these other claimant parties in the South China Sea. This points to the fact that China's relations with South-East Asian countries are highly diverse. The South China Sea disputes and rivalry between China and the United States are factors that undermine coherence within ASEAN. This became obvious when – for the first time since ASEAN's establishment – this year's annual foreign ministers meeting failed to produce a joint communiqué. The insistence of the Philippines and Vietnam on including a reference in the draft communiqué to disputes in the South China Sea was countered by Cambodia, which holds the rotating ASEAN chair, resulting in the absence of a joint document. It seems likely that Cambodia's approach was influenced by its close relations with China. According to some observers, China aimed at issuing a warning to ASEAN that its unity is at stake if it becomes involved in disputes between China and other parties – including the U.S., Vietnam and the Philippines.

The political reform process in Myanmar has resulted in a rapid development in Myanmar–U.S. relations. In November 2012, President Obama was the first U.S. president ever to visit Myanmar.

Whereas the country has long been regarded as part of China's diplomatic sphere of influence, this is now changing. Myanmar seems to be shifting to an international position that resembles that of most other East and South-East Asian countries, i.e. having important relations with both China and the U.S. (as well as Japan and India).

## South Asia

Despite the relevance for Pakistan and India of developments in Afghanistan – the withdrawal of U.S. and other Western troops from Afghanistan and the continuing instability – events in South Asia seem to be of less immediate concern for Chinese security. The main concern for Beijing is the presence of Uyghur separatists in Pakistan, which continues to be a close security and diplomatic partner of China, and the uncertain future of Afghanistan after the withdrawal of the U.S. and NATO in 2014.

In 2012 China strengthened its diplomatic and economic bilateral relations with Afghanistan, which became an observer to the Shanghai Cooperation Organisation. Relations with India remain largely unaltered, although the Chinese naval presence in the Gulf of Aden since 2009 has increased the strategic concerns in India with regard to China. The U.S. has been trying to strengthen its strategic cooperation with India, but for now India remains far from being the type of close security partner for Washington that Japan and Australia are. Although there are advocates in India of expanding India's strategic presence east of the Malacca Straits in response to China's growing influence in the Indian Ocean region, so far the Indian attempts to do so remain very modest.

## Concluding remarks: challenges and possible scenarios

The most fundamental challenge with regard to regional stability is how the roles of China and the U.S. in the Asia Pacific can be reconciled. While the U.S. is concerned that a rising China will eventually push U.S. influence out of East



and Southeast Asia, China in turn fears that the United States will try to retain its leadership role by exploiting and amplifying tensions between the Chinese and their neighbours. Currently the Sino-U.S. rivalry is threatening unity within ASEAN, which poses an immediate risk for regional stability. A substantial improvement in regional stability – whether in South-East or in East Asia – is unlikely unless the U.S. and China manage to stabilise their bilateral relationship. A major question for the future is how regional security in South Asia relates to the security situation in East/South-East Asia, and how India's rise relates to the China–U.S.–Japan relationship.

A strongly negative scenario for the future involves a further increase in Sino-U.S. rivalry, a collapse of ASEAN unity within Southeast Asia, and a high risk of conflict between China and Japan, between China and some of its other neighbours, or between China and the U.S. over Taiwan, North Korea or one of the United States' regional allies. Not only would regional stability be undermined, but global governance would also suffer from the inability of Beijing and Washington to cooperate. The worst possible scenario would involve a build-up of strategic tensions to such a degree that a military conflict between China and the U.S. would eventually erupt. According to some experts, including Henry Kissinger and Hugh White, the risk of a major war involving the U.S. and China must be taken very seriously.

A strongly positive scenario would include the following elements (based in part on suggestions put forward by such people as White and Kissinger). First, the U.S. and China would come to an understanding about each other's main interests. The U.S. would be accepted by China as a lasting great power in Asia, while the U.S. would accept China as an equal power – both regionally and globally. Second, the U.S. and China would arrange with Japan, India and Indonesia a five-power approach to security in the 'Indo-Pacific' region. This would involve, amongst other measures, the termination of the U.S.–Japan security alliance. Third, the roles of these five great powers would be firmly integrated in a regional multilateral structure that has evolved from ASEAN and the EAS, and that encompasses all mid-size and small countries in South, East and South-East Asia.

Future developments will probably be somewhere in between these two scenarios. Currently the first scenario seems to be the more likely of the two. It is important for all interested parties, inside Asia but also outside (including in Europe), to move away as much as possible from the first scenario and in the direction of the second one.

## Further reading

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