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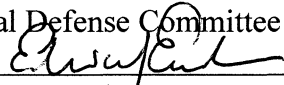
China's Power Play and the Risk of Destabilization

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Executive Summary

Title: China's Power Play and the Risk of Destabilization

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Thesis: This paper seeks to demonstrate that China is utilizing all means it has at its disposal in its quest for power – military, soft power/cultural influence, and economic interdependency– but suggests that it is not willing to destabilize the Southeast Asian region, as doing so would be counterproductive to its quest for power.

Discussion: The rise of China has been ever present in the political, economic, and military discussions, especially over the past few years. There is little doubt that China warrants attention on the international stage, if not for the simple fact that the country has 1.4 billion people, or roughly 20 percent of the world's population. China has made clear through economic development and dialogue with the US and regional partners that it seeks recognition on the global stage. The recent claims to territory in the South China Sea (SCS) have seemed overly aggressive to some, whereas the Chinese frame their actions as legal and necessary for economic development and security. China wants to assure security for its maritime interests and strengthen coastal security by widening its buffer zone against potential aggressors; secure oil, natural gas, and minerals; safeguard established trade routes; and expand its reach for partnerships within the region and beyond. China is attempting to gain this international recognition through building both hard (coercive) and soft (attractive) power. China's actions have been viewed differently from the smaller ASEAN nations in the region and has prompted some to either strengthen their relations with China, with the US, or both. Whether or not China will risk destabilizing the region in pursuit of power and international recognition remains to be seen. What is clear thus far, is that China is not unwilling to ruffle a few feathers to get what it wants.

Conclusion: Despite the rhetoric and outward displays of military aggression in the SCS, China is not likely to intentionally risk a conflict that would destabilize the region. There is a degree of interconnectedness which exists between China, the US, ASEAN partners, and other potential adversaries, which makes a military conflict destabilizing and counterproductive to China's long-term strategy. Though China may push the boundaries and patience of its neighbors with territorial claims, it is likely to continue seeking power and international status by furthering economic gains through bi-lateral and multi-lateral agreements, cooperative dialogue, and peaceful security expansion.

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Preface

China has been and will continue to be at the forefront of discussion in military circles as we progress into the twenty-first century. As a military community, we need to become more informed to better differentiate between potential threats and simply different views and approaches to nations' pursuits of their own self-interests which are not necessarily a threat to the US. China is a difficult dilemma and necessitates continued examination and study of what could or could not be the next major regional conflict. It is of great interest to me to further understand the South China Sea situation, as new layers seems to be unfolding daily.

I want to thank my advisor, Dr. Erickson, for his guidance through the drafting process, as well as the resources provided by the Gray Research Center staff. Further, I want to thank my wife, Megan for her unending patience throughout this year of study and her keen eyes and ears as a sounding board. Without her patience and the support of my sons, Jack and Ethan, my pursuits would not be possible or of value.

Author's note: *For the purposes of this paper, “China” will be used to reference the Chinese government, not the geographical area. Further, it is also recognized that there is a “two-level game,” representing the entanglement of domestic and international politics, which complicates the view of the Chinese government being viewed as a unitary-actor on the international stage.¹ The inter-related nature of domestic and international policies creates a dynamic of each having the potential to affect the outcome of the other.² Undoubtedly, there are internal factions within China’s political system that have competing goals and vantage points that factor into its international relations equation. Due to page constraints, this paper will treat China as a unitary-actor, and will not delve into the internal domestic considerations that are inherently present within China’s political system, which may have unforeseen international manifestations.*

Introduction

China’s hunger for power and global prominence are common themes in today’s headlines – *China vs. US: The Nuclear Edition;*³ *China’s Land Reclamation in South China Sea Grows;*⁴ *China Triggers Regional Anger with Test Flight.*⁵ Since WWII, China has been slowly building its economy, developing bilateral partnerships, and increasing its soft power to assure the energy, resources, and trade avenues needed for it to become a superpower. It has also made steady advances in technology and military growth, which it is using to enforce its territorial claims, particularly in the South China Sea (SCS). China’s president, Xi Jinping, has voiced the desire to establish China as a maritime power as an important part of “global competition in the spheres of politics, economic development, military, and technology.”⁶

Considering that China has a population of 1.4 billion people,⁷ some Asia-Pacific experts theorize that China is pursuing power as a means for geopolitical influence and to ensure the security and resources necessary to support its burgeoning population. However, the situation

surrounding China's rise is more complicated than that, as the desire of its leadership to become a respected superpower may be motivated as much by a desire to right past wrongs as it is to address current security and economic concerns. China's increasing power, and the way in which China is seeking it, are worrisome to many Southeast Asian countries, including those along the SCS, as well as the US. Some fear that China's strategic rise to power may destabilize the SCS region.

Given these concerns, it is important to ask – By what means is China pursuing its goal of becoming a superpower and will this pursuit destabilize the region? This paper seeks to demonstrate that China is utilizing all means it has at its disposal in its quest for power – military, soft power/cultural influence, and economic interdependency– but suggests that it is not willing to destabilize the Southeast Asian region, as doing so would be counterproductive to its quest for power.

Historical Background

In order to truly appreciate China's long-term strategy, it is important to consider its often antagonistic history with its neighbors near and far. Given that China's history stretches back over 4000 years, for the purposes of brevity and clarity in this paper, the focus shall begin just prior to 1839 with a few key regional relationships and will also touch on how past imperialist countries' zones of influence have shaped how China behaves today.

Prior to the first Opium War of 1839, China was known as the Middle Kingdom, a name it used to represent both its geographical position as well as its place at the top of the hierarchy in its own world view. Sustaining this self-important view was China's practice of the tributary system which required envoys from European countries as well as from neighboring countries to perform a "kowtow of three kneelings and nine prostrations [with] foreheads to the ground,"⁸

effectively appearing to submit to the Chinese emperor and thereby “acknowledg[ing] the overlordship of the Son of Heaven,”⁹ which served to reinforce the Chinese view of their place at the top of world standings.¹⁰ During this time China was rather isolationist and its trade agreements were skewed heavily in China’s favor.

China’s loss of the first Opium War of 1839-1842, which ended with the Treaty of Nanjing, resulting in China being forced to open four additional ports for trade, to concede Hong Kong to the British, and to pay concessions of gold to Great Britain resulted in a major swing in the opposite direction.¹¹ Soon several other wars followed. Combined, all these wars resulted in what became known as the unequal treaties – a series of treaties between China and Russia, Great Britain, the U.S., Germany, France, and Japan, which mandated that China cede several territories, acknowledge Korea’s independence, relinquish sovereignty over areas of mainland China, allow foreign soldiers to maintain a presence on Chinese soil, and open several additional ports for trade.¹² Thus began what many Chinese consider the “century of humiliation.”¹³ Although the U.S., British, and French relinquished their privileges in 1946, Hong Kong was not restored to China until 1997 and Macau until 1999.¹⁴ Given China’s history, former Deputy Assistant Secretary of State for East Asian and Pacific Affairs, Thomas J. Christensen said it best when he wrote, “China is extremely sensitive to the idea that it might again be bullied as it was in the nineteenth and twentieth centuries.”¹⁵ When taken in this context, it is easy to see why China feels compelled to expand its presence in the SCS, develop a stronger military, and grow its economic power and influence in an attempt to regain the regional and global influence it once enjoyed while preventing another “century of humiliation.”

Sino-Japanese Relations

Considering China's interactions with Japan, and the resultant complicated and lengthy history between the two nations, helps shed some light on China's actions against Japan in the East China Sea. Modern history has seen tensions between the two nations ratcheted up following the Chinese embarrassment at the hands of the Japanese during the Second Sino-Japanese War. Despite having a much larger, stronger, and supposedly better trained army, the Chinese surrendered to the Japanese in May 1895. Not only did China not expect to lose, but in doing so it was forced to sign the Treaty of Shimonoseki which required China to "recognize Korea's independence...pay the equivalent of \$133 million in indemnities, cede Taiwan, the Penghu Islands, and the Manchurian Liaodong peninsula to Japan...and allow the Japanese to run factories in China."¹⁶ For much of the previous centuries, China had considered itself to be the leader of eastern Asia, and given that Japan had learned much from China, including adopting its Confucian culture and style of writing, the defeat was perceived by the Chinese much like a child revolting against a parent – unexpected, humiliating, and a slap in the face.

Then in 1905, the Chinese were again disgraced when the Russo-Japanese War was fought on Chinese soil and its subsequent peace treaty was signed in the United States, without any Chinese involvement in either part.¹⁷ Adding insult to injury, the Japanese later invaded China in 1937, beginning with the Nanjing Massacre and, unable to effectively defend themselves, the Chinese were forced to beg for assistance from a reluctant US.

Eventually, WWII ended and the Japanese were expelled from China and China was able to reclaim Taiwan. However, this set the stage for today's disagreements over the Senkaku Islands (known as Diaoyu Islands in Japan). Japan has claimed them since 1971 from the post-WWII return of Okinawa to Japan, while China maintains that the islands should have been

returned to China in the WWII Cairo and Potsdam declarations, overturning Japan's gains in the Treaty of Shimonoseki, one of the unequal treaties, in 1895.¹⁸

Instead, the islands continue to be a point of contention between China and Japan. A dispute over the islands in 2010 resulted in a Japanese coast guard ship pursuing and colliding with a Chinese vessel that was in Japanese-claimed territorial waters. The Japanese detained the captain of the Chinese vessel, which prompted China to stop all sales of raw materials used in electronics to Japan.¹⁹ Then, in 2012, the Japanese government began purchasing parts of the Senkaku Island chain from private ownership, prompting China to display its displeasure by sending an average of 19 Chinese Coast Guard ships into the territorial waters each month.²⁰ In the following months, tensions escalated as Japan scrambled eight F-15s to intercept a Chinese surveillance aircraft flying over the islands claimed by Japan. However, this did not deter China from using its military to pursue its interest in the disputed territories. In early 2013, a Chinese frigate allegedly acquired a Japanese Maritime Self-Defense Force ship with its fire-control radar, but did not take any further action. Finally, the latest action in this long-contested territorial dispute occurred in December 2015, when for the first time ever, an armed Chinese Coast Guard vessel entered the territorial waters and came within 18 miles of the Senkaku Islands.²¹

Even more provocatively, it declared an air defense identification zone (ADIZ) over the East China Sea, which includes the air over and around the Senkaku Islands in November 2013.²² This is very concerning because China claims the ADIZ allows it to take “‘emergency defensive measures’ against aircraft not complying” with the Chinese airspace clearance requirements, which challenges the Japanese ADIZ over and around the Senkaku Islands as well as any Japanese or US military craft flying in the area.²³

However, while China is clearly very serious about (re)claiming the Senkaku Islands, it is important to note that each time it has stopped short of engaging in military action against Japan. It appears that China is trying to “erode the notion that Japan has uncontested control of the islands”²⁴ without causing instability in the SCS region. Despite however badly the Chinese want to control the Senkaku Islands, they appear to understand that a long-term perspective of maintaining regional stability is more beneficial to them in their quest for power.

Relations with Taiwan

Although WWII ended in 1945 with the Japanese being expelled from China and China reclaiming Taiwan, the years of hardship and fighting both external enemies and from internal division proved to be too much for China’s now-tenuous unity. Tensions between the Nationalists and Communists under Chiang Kai-shek and Mao Zedong, respectively, rose until they resulted in the Chinese civil war and the establishment of Chiang Kai-shek’s “Republic of China” in Taiwan in 1949, when mainland China was split from the island,²⁵ creating another embarrassment for mainland China.

Taiwan’s independence was and continues to be problematic for China. Ultimately, China would like to re-unify Taiwan with the mainland, both to remove the humiliation it experienced from the split and also for security and economic purposes.²⁶ Despite Taiwan’s resistance to reunification, China maintains a deep historical tie to the island nation and abhors any outsider interference to what it considers an internal matter that was born from the 1940s civil war.

Today, Taiwan is very important to China as a natural security measure, given its geographic location within the first island chain in the China Sea.²⁷ China wants to control Taiwan both to protect itself from any Pacific-borne threats as well as for freedom of navigation

through the Taiwan Strait, which is a vital avenue for trade and investment.²⁸ China views an independent Taiwan's position in an island chain with Japan, Korea, and the Philippines to be a potential security threat,²⁹ and considering that China would suffer economically if Taiwan (with US assistance) were to limit navigation in attempts to limit China's trade activity, China is affronted by any US-Taiwan military cooperation. China's aversion to the US treating Taiwan like an autonomous nation entitled to serving its own self-interests is evident in China-Taiwan relations.

China has taken great offense to past arms deals done under the Taiwan Relations Act between the US and Taiwan, under which the US provides "defense articles and defense services," ensuring "sufficient self-defense capability" for Taiwan.³⁰ These agreements provided 114 Patriot missiles, 60 Black Hawks, upgrades to F-16 communication suites, and other primarily defensive systems valued at 12.3 billion dollars in 2010,³¹ and more recently sold two Navy frigates, a number of amphibious vehicles, Javelin anti-tank missiles, and Stinger anti-aircraft missiles to Taiwan in December 2015 for 1.83 billion dollars.³² In response, China temporarily ceased military interactions with the US,³³ threatened to impose economic sanctions against the US companies involved,³⁴ and has positioned missile batteries along its mainland shore aimed at Taiwan, as a warning that China is ready to defend itself should military action be warranted. It also added the *Liaoning*, its first aircraft carrier in 2012, and announced that it had developed the first Chinese-made aircraft carrier and has been working to establish carrier-borne aviation in December 2015.³⁵

While mainland China will likely remain calm if Taiwan does not move further diplomatically or otherwise from the mainland, any perceived intrusion into China's affairs by the US or signs that Taiwan is moving away from a "One China" mantra will allow the potential

for armed conflict between the US/Taiwan and China.³⁶ To further protect its claim, China passed an anti-secession law in 2005, which allowed for the potential use of force against Taiwan.³⁷ However, despite the threat of military action against Taiwan, its current president continues to hold to “no unification, no independence, and no use of force” in maintaining the status quo with mainland China.³⁸

In spite of its inflamed rhetoric concerning Taiwan over the past 60 years, China does not appear to wish to engage in a military conflict over the matter. It is this author’s opinion that such a conflict would threaten the stability of the SCS region; therefore it would be counterproductive to China’s ultimate goals. China appears to understand this, which is likely why it never followed through with the threatened economic sanctions on the American companies producing military goods to sell to Taiwan.³⁹ Further indicating that China wishes to maintain stability within the SCS, Taiwanese President (Ma Ying-jeou) and Chinese President (Xi Jinping) met for the first time since the end of the Chinese civil war, in November 2015.

Disputed Islands

China claims ownership to a swath of roughly 1.2 million square miles of the South China Sea (SCS), including the Paracel and Spratly Islands, and the oil, natural gas, and other resources therein, which have overlapping claims by the Philippines, Vietnam, Taiwan, Malaysia, and others.⁴⁰ China’s strategy is to build up and hold territory out to the furthest island chains for national and economic security, and with this claim China can deny access of Freedom of Navigation (FON) of the sea and sky within 12 nautical miles of the islands. The problem is that the “islands” are not congruent with the United Nations Convention on Law of the Open Seas (UNCLOS) definition which states that “An island is a naturally formed area of land,

surrounded by water, which is above water at high tide,”⁴¹ and therefore claims of exclusivity for economic means and preventing outside nations from FON are illegitimate.

Ignoring this, China has been building up the Fiery Cross, Subi, and Mischief Reefs, in the disputed Spratly Islands, through dredging activities to create more landmass and construct airfields. To date, several test flights have successfully landed at the Fiery Cross Reef and development of the other two airfields continues.⁴² It is doing so to increase its security by providing forward staging areas, secures sea lines of commerce, and also for control of the natural resources contained in and around the islands, which would be granted to it under the Exclusive Economic Zone (EEZ) if the islands were to be recognized internationally as actual islands. The EEZ extends from the edge of the continental shelf of a territory, giving that nation exclusivity to all resources therein, including energy, raw materials, and fishing.⁴³



Figure 1: South China Sea Disputed Islands⁴⁴

If China continues to build up this string of islands and seeks to enforce the 12 nautical mile territorial waters and airspace from the new reference point, there will be a large chunk of the SCS that is no longer open to FON by other nations. China has increased its naval presence and patrols within the 200 mile EEZ off the shores of the disputed islands. These patrols are troubling and raise fears amongst China's neighbors that they will be unable to freely navigate the seas to secure resources within their EEZ and trade openly without facing potential aggression from China. Exacerbating those fears, is a US study which found that "China will have so many aircraft carriers by 2030 that the SCS will be "virtually a Chinese lake."⁴⁵ China has also warned that they will take "defensive emergency measures" if aircraft violate the airspace. However it has not defined what that means, nor did China take any action when two US B-52s transited the airspace above the Subi Reef in December 2015 after the US Secretary of Defense declared "There should be no mistake: the United States will fly, sail, and operate wherever international law allows" which includes within 12 nautical miles of Subi Reef by sea and air.⁴⁶ This may become increasingly contentious, as China has placed an HQ-9 Surface to Air missile system on Woody Island (in the Paracel Islands) to deter overflight of their self-proclaimed sovereign territory.⁴⁷

While this is a still-developing problem with the potential to cause military conflicts, the fact that China did not challenge the US's planes indicate that perhaps China will push as far as it can to get what it wants without actually causing a military escalation. China has much to gain if it can use saber-rattling to enlarge its EEZ without the destabilization of the SCS a military engagement would cause. China appears willing to press its advantage but aware that inciting a military conflict, particularly with the US, would be devastating for China and would ultimately

derail its attempted rise to global superpower. As Tom Doctoroff states in *What Chinese Want*, in the end “[China] will not upset the apple cart.”⁴⁸

Mahan Influence on China

A nineteenth century US naval strategist, Alfred Thayer Mahan, appears to have influenced China’s strategic view of its surroundings and its interpretations of principles. Mahan wrote that “commercial value cannot be separated from military in sea strategy, for the greatest interest of the sea is commerce.”⁴⁹ It seems to follow naturally that China is seeking to build outposts, develop its naval presence in order to secure strategic sea lines of communication and demonstrate a power projection capability, in support of security and economic interests in the region.⁵⁰ Mahan believed that it was a logical conclusion that nations with maritime commerce interests would seek to increase their naval power in order to pursue expansion and security of their sea lines of communication.⁵¹

The commerce lanes which pass through the Strait of Malacca, the East China Sea, the SCS, and the Taiwan Strait are essential to connecting China to its trade interests. Approximately twenty-five percent of the world’s maritime trade and eighty percent of China’s oil imports rely upon passage through the Strait of Malacca.⁵² Without the naval capability to provide freedom of navigation and security, China’s economy could conceivably be vulnerable. Developing naval power and presence in these key areas is essential to ensure continued economic growth, and presents a great challenge, as there are few opportunities for forward basing.⁵³ Part of China’s solution is to create sovereign territories with airfields at strategic locations in the SCS in order to protect its maritime commerce and project power. In line with Mahanian thoughts, China knows that there is an advantage to pursuing this peacefully, since trade only suffers during conflict,⁵⁴ which would be detrimental to China’s long-term strategy to gain international

legitimacy and power. The ability to peacefully project naval power for economic means is not necessarily discordant with a desire to build military capability. In fact, Mahan calls for a powerful navy in protection of commerce, as much as for support of security. Strategically placed forward bases, naval development, and economic strength combine to permit maritime security of a nation.⁵⁵

As such, some suggest it is natural for China to build its military and seek forward bases in an effort to create a “500-mile sea area superiority” from its mainland to protect itself from outsiders infringing upon its coastal interests and dealings with Taiwan.⁵⁶ From China’s perspective, it should be able to exert its sovereign interests unimpeded and without undue influence of the US or any other nation. To this end, China has deployed new aircraft carriers; modernized its coast guard; established shore-based Anti-Access and Area-Denial systems; and further developed anti-ship cruise missiles, ballistic missiles, tactical aircraft, submarines, and naval patrol craft.⁵⁷ China contends this military development is of a defensive posture and is of utmost importance to preserve their security and national interests.⁵⁸ Others view China’s military build-up and expansion into the SCS as a course towards potential conflict.

China’s actions to protect commerce and establish security will arguably reduce the ability of the US to both influence and access the region economically and militarily.⁵⁹ Close allies of the US, including Japan, South Korea, and Taiwan are all in competition with China for the same resources and trade avenues, and none of them want to see those resources solely dominated by China. The concern is that the rising-Chinese military capability and forward basing in the SCS would limit access to a finite number of resources and limit FON to the point of conflict, resulting in a Mahanian “sea battle” to settle the score.⁶⁰ This is dismissed by those who see no immediate threat, as the Chinese naval capability is still relatively weak compared to

the US and Japan, and even rivaled by South Korea and Taiwan.⁶¹ Further, Chinese strategists indicate that they do not intend to engage in a maritime conflict against the US in pursuit of naval supremacy, and their goals of gaining naval power to establish security and maritime interests are still a distant goal to continue working towards through 2050 or beyond.⁶²

All considered, China appears committed to securing its maritime interests in its neighborhood at this time – in the Yellow Sea, the East China Sea, and the SCS – with a defensive, security-based mindset. Establishing naval capabilities and forward basing is in line with what Mahan espoused for the US or any other nation with coastline security and maritime commerce interests. Moreover, China’s efforts in this direction seem to mirror those of the US from 1890-1940, a period when American naval policy was clearly hemispheric and defensive. Essential to economic growth, the sea lines of communication are vital to China’s trade. The desire to establish a stand-off zone of security from the mainland is just as important to China’s growth and ability to operate without outsider interference. The inherent build-up of military might and naval power projection does not necessarily constitute a deleterious motive. As Mahan conveys, it is natural in the peaceful development of commerce and security to pursue naval power projection.⁶³ China’s rise in international power demands economic growth and security, both of which are enhanced by their pursuit of Mahanian sea power.

China’s Growing Soft Power

While the Chinese are wise enough to stop their military actions just short of provoking another country into a military engagement, this does not mean that China is not still seeking superpower status through other means. One of its most-often used ways of seeking global influence are through the development of Chinese “soft power.” Soft power, as described by international relations theorist Joseph Nye, occurs when a nation convinces another to “*want*

what it wants” – it is “the ability to affect others to obtain the outcomes one wants through attraction rather than coercion or payment.”⁶⁴ There are three resources upon which a country’s soft power rests: culture, values, and policies.⁶⁵ Soft power is significantly different than hard power which forces or coerces another to act in a certain way,⁶⁶ i.e. through military force.

China appears to desire international respect, to be treated like a powerful country, to conduct international relations without outside interference, and to be viewed in a positive international light. One way it is attempting to do so is through the Confucius Institute – a cultural component of soft power. The main objectives of the Confucius Institute are to teach Chinese, promote cultural exchange, and to facilitate business activity.⁶⁷ While some Chinese academics claim that the Institute is strictly academically focused and has no bearing or intent to influence politics, one of its key objectives is to increase China’s soft power through cultural enhancement, which helps to transform foreign opinion of China into a more favorable, respected, and trusted nation.⁶⁸

The Chinese have been trying to reach as many people as possible through the Confucius Institute. In 2008, the Confucius Institute had over 326 locations in 81 countries across Asia, Africa, North America, Middle East, and Europe, of which 70 locations were in the US.⁶⁹ But as of early 2016, the Confucius Institute website shows 500 locations worldwide, of which 109 are in the US.⁷⁰ This indicates a commitment to spreading Chinese culture abroad as an approach to building a positive public opinion abroad.

In addition to using the Confucius Institute to enhance global opinion of China, it has demonstrated policies that lend a helping hand in various nations to build good will toward China. This has been particularly successful in Africa, where Chinese investments exceed 49 billion dollars across 50 African states, with plans for another 25 billion dollars on projects

ranging from education to infrastructure development.⁷¹ This cooperative development has roots back to the 1950s when China was still a developing country and has been successful at establishing a decades-long partnership wherein most Africans view China as more respectful of Africa than the “paternalistic Westerners.”⁷² So far, the policy of cooperative approach is working in pockets of Africa, Latin America, Eastern Europe, and parts of Asia. This activity indicates a long-term commitment and strategy to build international ties, legitimacy, and acceptance as a power on the international stage.

China’s positive messaging and active marketing to other nations is part of a long-term strategy to position itself as a global leader alongside, and perhaps intending to eventually replace the US in global influence. China is bringing ideas, influence, and money to countries in South Asia, Africa, Latin America, Russia, Kazakhstan, Uzbekistan, Turkmenistan, and others. In order to do so, China has created the “Beijing Consensus,” which promotes a development model that is based upon innovation, sustainability and equality as priorities, and self-determination in foreign policy.⁷³ This is an appealing model to countries which have an unstable political, economic, and social structure. This development model is gaining interest and building hope in underdeveloped nations. But most importantly to China, it is also replacing the “Washington Consensus” in some of these countries, which was viewed as more forceful and imposing than the approach Beijing has implemented.⁷⁴

China’s diplomatic initiatives such as the “new security concept,” “peaceful rise and development,” and the propagation of national policies through the “Beijing Consensus” are all efforts to show its ASEAN neighbors (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) and the world that China is being responsible and peaceful as it develops into a global power. This indicates it does not want to cause

destabilization in its quest for power, but instead seeks a peaceful rise and peaceful development using diplomatic strategies to gain global power.⁷⁵ These policies show that China understands it needs to not be viewed as threat, but as a responsible globally engaged nation it is to achieve its long-term goals.

China's Use of Economic Power

China has been developing and wielding its significant economy in its quest to achieve superpower status. It has been steadily building up its economy and could surpass the US in the next 10 to 15 years to claim the world's largest GDP, but currently it lags 6.5 trillion dollars behind the US.⁷⁶ The picture is a bit worse for China when viewing GDP per capita. With a population of 1.4 billion, the per capita income is a fraction of that in other developed countries, giving China a ranking 80th in per capita income.⁷⁷ This is not to diminish the remarkable feat that China's GDP has grown at an average rate of 10 percent annually from 1978 to roughly 2011,⁷⁸ enabling China to become an influential player in the global economy.

As an indicator of how cash rich a nation is, just 10 years ago, China held only 146 billion dollars in foreign capital reserves.⁷⁹ Today, China holds more than 3 trillion dollars in foreign capital reserves, putting it at the top of the list and in a prime power position over less cash-rich nations.⁸⁰ The significance of a large reserve is key for China to ensure that its trade activity will not be impacted as heavily as other nations by a downturn in the global economy, which puts it in a stronger position over nations with a less robust reserve.

China's economic growth is aided by the significant fact that it is the US's largest creditor, owning around 1.3 trillion dollars of US debt.⁸¹ Industrial and manufacturing capacity rivals that of the US, but largely the economic gains are from state-owned entities in a tightly controlled state-run market.⁸² With a growing economy largely state-owned, China has been able

to advance its military and increase its security posture regarding its claims in the SCS. It is second only to the United States for oil imports and relies upon African oil imports, among others to meet their demand.⁸³ However, recently China’s economic growth has slowed, but still occurred at a rate of 7.3 percent in 2014,⁸⁴ compared to 2.4 percent in the US.⁸⁵

Despite recent slowed economic growth, China has been able to use its sizeable economy to increase and develop trading agreements and has quickly become a top trading partner worldwide, as many countries are looking towards China for economic opportunity (Figure 2).

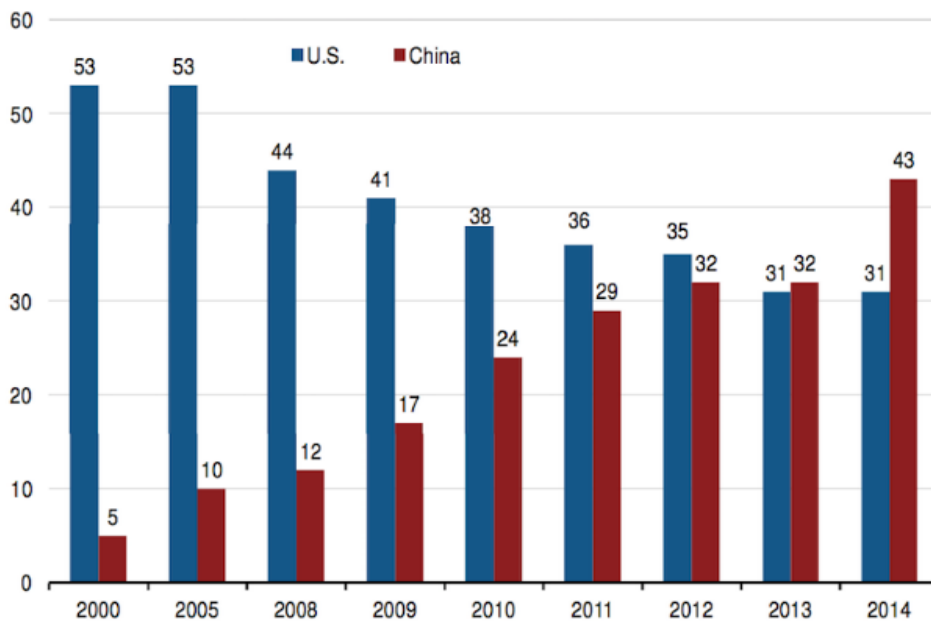


Figure 2: Countries with US and China as Top Export Partner⁸⁶

For example, in 2013, China launched the One Belt, One Road (OBOR) initiative aimed at connecting European and Asian economies by improving infrastructure connectivity, trade, and investment.⁸⁷ The “Belt” is envisioned to be a modern-day silk road or overland network of roads, railways, oil and gas pipelines, and infrastructure projects stretching from central China through central Asia, Moscow, and into Eastern Europe.⁸⁸ The “Road” will be the maritime network of ports and coastal infrastructure enabling economic connectivity throughout Southeast Asia, to East Africa and into the Northern Mediterranean Sea.⁸⁹ An interconnected network of

over 60 countries owning almost 40 percent of the global GDP⁹⁰ has the potential for economic growth which China desires. It also has the potential to build bi-lateral relationships and forge long-term agreements which would further secure China's trade and security interests.

Through the OBOR initiative, China seeks continued economic growth, which will rely upon cooperation and bi-lateral agreements with countries along the planned development route. To date, along the planned OBOR routes China has free-trade agreements with Singapore, Pakistan, Switzerland, Hong Kong, and Taiwan and negotiations with Japan, Korea, Australia, Sri Lanka, Norway, ASEAN, and others.⁹¹ The overall plan involves investment within China and abroad totaling about one trillion dollars, or roughly twelve times that of the Marshall Plan post-WWII.⁹² The initiative is multi-faceted to include economic policy coordination and development, establishing international agreements for infrastructure standards, removing barriers to free trade and investment, and growing cultural and academic exchanges.⁹³ In this sense, China is reaching out to develop countries that do not have an influx of outside interest or opportunity. The good neighbor policy to grow the countries along the new Silk Road benefits both the host nation and the investing nation, China.



Figure 3: China's One Belt, One Road Initiative⁹⁴

While Beijing is selling this as a soft power play to improve its image as a responsible global partner investing in their neighbors, others are concerned that OBOR may become a means for China to create a one-way dependency which puts a significant portion of power in Beijing's hands.⁹⁵ Also, thriving economic partnership tends to also foster a solid foundation for political and security cooperation amongst nations.⁹⁶ If China could help improve the economic situation for some of the 60 countries involved, there is a possibility that once dependent upon trade with China, these nations might be asked to deny the US or another nation access to ports, for example.⁹⁷ Could this hidden power play be the impetus for China's OBOR initiative?

As another means of gaining influence and power on the international stage, OBOR has the potential to provide numerous economic opportunities for China. Whether it is the neighborly economic investment or the desire for power which is the impetus, the end result is the same – a gain of influence and power for China. OBOR investments promise to modernize railways, roads, pipelines, trade, and overall connectivity in efforts to boost economies. If China can deliver on these investments and the anticipated economic boosts become a reality, China will likely be viewed as the kind neighbor and find themselves in a position of power, which is exactly what it wants.

International and Bilateral Agreements

China has brokered multiple bi-lateral and multi-lateral agreements with its neighbors in the SCS region over the past 25 years, such as the ASEAN-China Free Trade Area (ACFTA). The ACFTA is an agreement between the 10 ASEAN nations and China, which took effect in 2010, and eliminated over 90 percent of tariffs on goods exported to signatories of the agreement. The population base of the signatory nations is over 1.9 billion people, all of whom rely upon trade to sustain the income and resources for their economy. Partly enabled by

ACFTA, China is consistently in the top five trade partners for ASEAN member nations, which indicates a degree of dependency for the big and small ASEAN members.⁹⁸ For example, Malaysia's bi-lateral trade with China grew from \$910 million to over 18.7 billion dollars in 2004⁹⁹ and exceeded 57 billion dollars in 2015.¹⁰⁰ Malaysia is one of the largest ASEAN trade partners with China. In comparison, Cambodia is much less reliant upon China, and sent over 60 percent of their exports to countries other than China in 2013, but did imports with China totaling around \$3 billion (33 percent of Cambodia's imports).¹⁰¹

Touted as beneficial for ASEAN members and China, there are signs that China is the prime beneficiary to date from the ACFTA, as there is a total deficit of goods traded with China of over 45 billion dollars from 2010-2013.¹⁰² This indicates that China has been selling much more to its neighbors than it has been buying. Looking at individual trading partners, China outpaced the US as the top ASEAN trading partner. Of all ASEAN trade, 14 percent was with China compared to 8 percent with the US.¹⁰³ Were it not for the diversified trade agreements that the ASEAN members have, China could potentially have been even more successful in gaining trade relations with countries which have typically relied upon the US in the past. These economic ties to ASEAN indicate an increased economic interdependency in the region, upon which China seeks to build in order to gain international status.

In 2013, over 75 percent of ASEAN's trade was with countries other than ACFTA signatories, including the US and European nations. Concerns regarding China's intentions in the region have resulted in many of the ASEAN nations employing an engagement-hedging strategy against China by maintaining trade with China while simultaneously keeping a close, but quiet, relationship with the US.¹⁰⁴ These smaller nations realize the advantages of doing business with China – regional stability and economic growth – but do not entirely trust China. This mistrust of

China leaves nations like Malaysia, Vietnam, Japan, South Korea, and the Philippines feeling vulnerable to a rising China – hence their reliance upon a US relationship to maintain freedom of navigation, open trade lanes, and intervene as needed with an emboldened China.¹⁰⁵ ASEAN members have developed strategies that benefit from working with China, while keeping the US tied-in to maintain a balance to China’s rise.¹⁰⁶ More developed ASEAN members tend to see more opportunities with China’s growing economy and feel less threatened by China; whereas, smaller ASEAN members lean closer to the US out of fear of losing vital resources in territorial disputes with China.¹⁰⁷ These different strategies are borne out of past history with China and from the uncertainty about China’s intentions.

With uncertainty about how China will use its growing power comes tension between China and its regional neighbors – and uneasiness in the US. However, China has indicated a willingness to cooperate towards creating regional stability thru building economic strength and creating a peaceful coexistence through dialogue. It appears to understand that a natural avenue to sustaining future growth and economic strength lies in the bi-lateral and multi-lateral agreements which will help sustain a growing population of 1.4 billion people and the energy, food, and other raw resources they need.

This has been the sentiment echoed from Chinese Premier Wen Jiabao in 2003 to current Premiere Li Keqiang. There is a recognized benefit for all parties to bring China closer with its neighbors. A transparent, friendly, rules-based China will be predictable and interwoven into the economics, security, and stability of the region. The idea of intertwining China within the economic, security, and political fabric of the region drives most ASEAN nations to continue building bi-lateral agreements and staying actively engaged with China¹⁰⁸ so its regional

neighbors may rely upon an interdependence which goes both ways and that China will act in a manner congruent with regional stability.

Analysis

What can be inferred through China's actions about its intentions and regard or disregard for regional stability? After considering the discussion presented in this paper, this author has concluded that China is intentionally trying to achieve recognition on the global stage as a top-tier power nation, and its ability to do so is predicated on stability in Southeast Asia. China's history with its neighbors and on-going island disputes will likely always lead to heightened tensions and suspicion of the other's intentions. However, these tensions have existed over the past 60 years without major conflicts erupting. The relative peace has allowed continued economic growth in China, ASEAN, and other Southeast Asian nations. China's naval expansion, though gaining capability, is not a threat to other nations given the US presence, and it would be to the detriment of China's growing power status to instigate a losing military engagement with the US. Knowing this, China will likely use its expanding naval capabilities in-line with Mahanian principles – to secure maritime interests, strengthen coastal defense, and pursue peaceful economic growth.

Coupled with its soft power approach, China is developing trade, bilateral and multilateral agreements, and investing in countries through OBOR. The seeming intentionality with which this is being done, leads this author to believe that China has a long-term strategy which necessitates stability. China knows that by growing and strengthening the economic opportunities of their neighbors, it seeks to gain power and influence on the global stage. With such an economic foundation being laid, China would be unwise to disrupt the stability necessary for co-prosperous partnerships. Though China may push the boundaries and patience

of its neighbors with territorial claims, it is very unlikely that it will intentionally instigate or antagonize another nation into in a military conflict which could destabilize the deep economic threads supporting the entire region.

Conclusion

The rise of China will continue to be at the forefront of international economics, politics, and military discussions for the foreseeable future. It seems that China is utilizing all possible avenues in its quest for power – military, soft power/cultural influence, and economic interdependency – with some success and some controversy. While China may be willing to ruffle a few feathers to get what it wants, it is doubtful that it will risk the big picture by intentionally destabilizing the region. There is a degree of interconnectedness which exists between China, the US, ASEAN partners, and any other potential adversary, which makes a military conflict destabilizing and counterproductive to all parties. The time and money being committed by China towards building relationships throughout the region suggest that China is not willing to lose what it has gained over the past 60 years by engaging in actions which would threaten the stability of the region, and ultimately derail China’s long-term strategy to gain international power.

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Acronyms

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|--------|---|
| ACFTA | ASEAN-China Free Trade Area |
| ADIZ | Air Defense Identification Zone |
| ASEAN | Association of Southeast Asian Nations |
| EEZ | Exclusive Economic Zone |
| FON | Freedom of Navigation |
| GDP | Gross Domestic Product |
| OBOR | One Belt, One Road |
| SCS | South China Sea |
| UNCLOS | United Nations Convention on Law of the Open Seas |