

CHINA'S NEW FOREIGN POLICY

Military Modernisation, Multilateralism and the 'China Threat'

Tilman Pradt



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To Emma

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ABBREVIATIONS

ABM	Anti-ballistic Missile
ABMI	Asian Bond Markets Initiative
ACC	ASEAN-China Cooperation
ACFTA	ASEAN-China Free Trade Area
ACJCC	ASEAN-China Joint Cooperation Committee
AEC	ASEAN Economic Community
AIIB	Asian Infrastructure Investment Bank
AIMO	ASEAN Integration Monitoring Office
AIP	Air-Independent Propulsion
AMM	ASEAN Ministerial Meeting
AMRO	ASEAN+3 Macroeconomic Research Office
APEC	Asia-Pacific Economic Cooperation
APSCO	Asia-Pacific Space Cooperation Organisation
ARF	ASEAN Regional Forum
ARF-SOM	ASEAN Regional Forum Senior Officials Meeting
ASAT	Anti-satellite (Weapon)
ASBM	Anti-ship Ballistic Missile
ASCM	Anti-ship Cruise Missile
ASEAN	Association of Southeast Asian Nations
ASEAN-ISIS	ASEAN Institute of Strategic and International Studies
ASW	Anti-submarine Warfare
AWACS	Airborne Warning and Control System
bbl	Billion Barrels of Oil
CARAT	Cooperation Afloat Readiness and Training
CATOBAR	Catapult-Assisted Takeoff but Arrested Recovery
CBM	Confidence-Building Measures
CIDA	Canadian International Development Agency

CIS	Commonwealth of Independent States
CMC	Central Military Commission
CMI	Chiang Mai Initiative
CNOOC	China National Offshore Oil Corporation
CNPC	China National Petroleum Corporation
CPAF	Chinese People's Association for Friendship with Foreign Countries
CSEAS	Centre for Southeast Asian Studies
CSTO	Collective Security Treaty Organization
CTBT	Comprehensive Nuclear-Test-Ban Treaty
C4ISR	Command, Control, Communication, Computers, Intelligence, Surveillance and Reconnaissance
CWC	Chemical Weapons Convention
DDG	Guided-Missile Destroyer
DF	Dongfeng
DOC	Declaration on the Conduct of Parties in the South China Sea
EAPC	Euro-Atlantic Partnership Council
EAS	East Asia Summit
EASG	East Asia Study Group
EDSM	Enhanced Dispute Settlement Mechanism
EEZ	Exclusive Economic Zone
EIA	Energy Information Administration
ESCSC	Eastern South China Sea Company
FTA	Free Trade Area
FTZ	Free Trade Zone
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GEM	Group of Experts Meeting
GPS	Global Positioning System
ICJ	International Court of Justice
IRBM	Intermediate-Range Ballistic Missile
ISM	Inter-Sessional Meeting
ISG	Inter-Sessional Support Group
JMSU	Joint Maritime Seismic Undertaking
LACM	Land-Attack Cruise Missile
LPD	Landing Platform Dock
MFN	Most Favoured Nation
MFSO	Macroeconomic and Finance Surveillance Office
NACC	North Atlantic Cooperation Council
NPT	Nuclear Non-Proliferation Treaty
PLA	People's Liberation Army
PLAAF	People's Liberation Army Air Force

PLAN	People's Liberation Army Navy
PMC	Post-Ministerial Conference
R&D	Research and Development
SAM	Surface-to-Air Missile
SCS	South China Sea
SRBM	Short-Range Ballistic Missile
SSN	Ship Submersible Nuclear
STOVL	Short Take-Off/Vertical Landing
STOBAR	Short Take-Off but Arrested Recovery
TAC	Treaty of Amity and Cooperation
TWG	Technical Working Group
UAV	Unmanned Aerial Vehicle
UNCLOS	United Nations Convention on the Law of the Sea
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNSC	United Nations Security Council
VSTOL	Vertical/Short Take-Off and Landing
VTOL	Vertical Take-Off and Landing
WMD	Weapons of Mass Destruction
WPNS	Western Pacific Naval Symposium
WTO	World Trade Organisation

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Introduction: China's New Foreign Policy

China's profile in international relations underwent a decisive change in the aftermath of the Tian'anmen Square incidents of 1989 and the Taiwan Strait Crisis of 1995–1996. China's resulting isolation further intensified perceptions of the country as a rising global power that did not fit into the existing system of international institutions and posed a potential threat to its Asian neighbours. China's efforts to modernise and aggrandise its armed forces further fostered these perceptions. Starting from this humble position, China has become increasingly active in multilateral fora and, following its successful applications for access to international institutions such as the International Monetary Fund (IMF) and the World Trade Organization (WTO), China has expanded its relations with the global system, benefiting both its economy and its reputation. In the first decade of the new millennium China was treated as a 'responsible stakeholder' of the established (Western-style) international system.

But how substantial has the shift in China's foreign policy been? How reliable is China's approach towards multilateral regional political institutions? Have the reasons for the 'China threat' perception basically changed? The commissioning of China's first aircraft carrier as an expression of its growing military capabilities, together with recent activities to artificially enlarge occupied islets in the disputed South China Sea have again aroused suspicions among China's neighbours about the country's future behaviour in resolving conflicts.

We are witnessing the beginning of a Chinese century! Given its population, economic importance, and steadily growing political (and military) might, future developments of the global (political/financial/economic/security) system can only be sustained with the cooperation of China. China has emancipated itself from being a junior partner of the USA for the economy's sake – the *de facto* alliance with Russia is an expression of the new level of Chinese self-esteem in foreign affairs.

The understanding of China's new foreign policy, its tactics within multilateral organisations, and its approaches to conflict resolution are elementary requirements for any scholar or policymaker seeking to grasp the new realities of international relations. Knowledge of the newly established institutions of the evolving Asian political system is essential for analysing the politics of this continent. Underlying these observations of the political realm are the hard facts of *realpolitik* – military capabilities.

This book offers a detailed analysis of the status quo of China's armed forces, the People's Liberation Army (PLA) and the new strategic options for China based on these new military capabilities. Accurate analysis of China's military modernisation programme enables an objective assessment of the basis for a 'China threat' perception. However, (threat) perceptions are never unemotional but the result of a highly subjective estimate. They include expectations of future behaviour and are therefore, like all prognoses, prone to individual misjudgements. Threat perceptions are based on previous behaviour and past experiences – once reached, a judgement about an actor and its benign/malign attitude is hard to alter and this can only be achieved by a long-term process of positive signals. But China's disastrous reputation in the mid-1990s has dramatically improved in less than a decade. The process of the repair of this reputation and the development of China's new foreign policy are the subjects of this book.

The aspects of China's behaviour analysed in this book are evaluated in a qualitative rather than a merely quantitative manner. Therefore, China's military modernisation programme is analysed in detail to provide answers to question about the nature and overall scale of this build-up (offensive/defensive), and the strategic options for the Chinese armed forces. The qualitative development of China's armed forces is analysed in respect of its potential impact on the 'China threat' perception. Whether China focuses on the development of main battle tanks or frigates is of huge importance for the security analysis and threat perception of neighbouring countries. In a more detailed analysis, whether China's navy purchases

diesel-powered or nuclear-powered submarines has a decisive influence on military capabilities and thus impacts on strategic threat assessments. To understand the nature of the PLA's modernisation efforts and their impact on the regional security structure, Part I of this book provides a detailed analysis of the main aspects of China's military modernisation programme. The purpose is to evaluate how threatening China's military build-up has really been and whether its military modernisation programme justifies concerns about a growing 'China threat'.

Security analysts evaluate the modernisation programme of the PLA in isolation from China's participation in multilateral organisations, while political analysts evaluate China's new multilateral policies and economic cooperation in isolation from security concerns. As a result, the assessment of China's foreign policy in the aftermath of the Tian'anmen Square incidents depends on the focus of analysis (e.g., focus on economic cooperation, military modernisation or political participation in multilateral organisations). What is lacking is a combination of the results of these studies which separately analyse China's growing economic and military capabilities, the country's participation in multilateral organisations and the impact of its foreign policy on regional institutions and regimes. China's policymakers conceptualise a grand strategy for the country's future development, implemented in concert by diplomats, state-owned companies and the armed forces. A proper analysis of China's new foreign policy has thus to respect all three realms.

Part II, therefore, analyses the political realm, namely China's new foreign policy and its approach towards resolving conflicts. For this purpose, a qualitative analysis of China's participation in initiatives led by the Association of Southeast Asian Nations (ASEAN) is conducted. China's participation is analysed not only by quantitative measures (i.e., number of attendances at summits, number of joint declarations and statements), although these data are also considered, but also by indicators which go beyond mere activity to analyse the degree of substantial (multilateral) collaboration in these institutions. For this purpose, the reports and assessments of other participants, organisers and scholars are evaluated. The quality of China's participation is evaluated by defined indicators (such as progress reached in institutionalisation, economic cooperation, security cooperation and in regard to territorial disputes).

Several indicators allow an assessment of the quality of China's participation in international organisations after the Tian'anmen incidents. An analytical concept measuring the performance of a regional organisation

in accordance with Stockholm International Peace Research Institute (SIPRI) analysis is also used. The criteria encompass:

- (a) avoiding, containing or sublimating armed conflict;
- (b) positive military cooperation both for 'old' (allied defence) and 'new' (peace missions) tasks;
- (c) the promotion of security sector reform and democracy or good governance in general; and
- (d) the combating of non-traditional security threats, including those that arise at the interface between the worlds of security, the economy and society. (Bailes and Cottey 2006)

To operationalise the question of the quality of participation, participation will be measured in an output analysis of the following indicators:

- *Institutionalisation*: periodical meetings, the establishment of a proper secretariat, the appointment of a chair and supporting staff, legally binding agreements and treaties as a result of the multilateral collaboration, establishment of new regimes, norms and rule-sets.
- *Economic cooperation*: development of trade relations, cooperation in energy security, establishment of common markets, foreign direct investment (FDI), free trade areas (FTAs).
- *Security cooperation*: binding security agreements/treaties, transparency, confidence-building measures (CBMs) including transparency, exchange of military personnel, joint military exercises, weapon systems deliveries (plus joint development, technique transfer), joint forces (non-traditional security).
- *Territorial disputes*: demilitarisation, cooperation projects in disputed territories, resolution of border disputes.

The analysis of these indicators of China's participation in ASEAN-led activities results in an evaluation of the quality of its participation in this multilateral organisation. Overall, this analysis contributes to answering the question of whether it is China's foreign policy that has substantially changed (towards multilateralism) in the aftermath of the 'Tian'anmen incident', or merely the performance of it. The territorial disputes in the South China Sea are indicated as a major conflict between China and some ASEAN member states: therefore, special attention is paid to the efforts towards and progress achieved on this issue.

During recent decades, China has emerged as a powerful actor within international relations, its ascendancy from developing country to major power occurring at an impressive pace. Naturally, many scholars have analysed this development, especially China's behaviour in international

relations and its foreign policy in the aftermath of 1989. Of heightened interest is the character of China's foreign policy, and whether China will behave as a 'responsible stakeholder' (Zoellick 2005) in the international system or a proponent of a multipolar system and thus threaten the existing order. China's participation in international organisations is analysed in a qualitative manner, to provide answers to the question of whether and how China's behaviour in international relations has changed. An analysis of China's participation in international organisations since the opening up of the country in the early 1990s is therefore appropriate to evaluate the quality of this participation in respect of China's acceptance of multilateralism. The analysis of China's relation to ASEAN provides further insights into the development of China's foreign policy.

The analysis of approaches to territorial disputes in the South China Sea (SCS), a main obstacle for deepened China-ASEAN relations, provides insights into China's behaviour in discussions about territorial disputes. Finally, given the recent shift in the focus of US strategic considerations to the Asia-Pacific region (known as the 'US Pivot to Asia') and the many stakeholders of the SCS disputes with US backing, these disputes are a prime example of how the USA and China deal with conflicts of interests.

By analysing China's participation in the cooperation efforts of the multilateral organisations of Southeast Asia, this book contributes to an understanding of the development of China's foreign policy and provides information about the progress achieved through cooperation in the realms of politics, economics, and security. China's new approach towards international relations is illustrated by an analysis of the history, character, and status quo of these territorial conflicts and (failed) resolution efforts.

The two parts of this book are intertwined and written in consecutively but can also stand alone and be read independently from each other. Part I analyses the emergence and development of a 'China threat' perception, China's military development, the invention and progress of indigenous weapon systems and the military exercises conducted during the past two decades. Part II analyses the political aspects of China's new foreign policy, its approach towards Asian institutions, China-ASEAN relations, the territorial conflicts of the SCS and China's role in efforts to resolve (or at least ease) them.

This book offers a toolbox for grasping China's new foreign policy; used appropriately it can forestall over-optimistic expectations as well as anxious misperceptions of China's behaviour in international relations. With this background knowledge and introduction to Asian political mechanisms, a better informed and more profound assessment of China's behaviour in current and future political and security crises is possible.

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The ‘China Threat’

The origins of the ‘China threat’ discussion are rooted to some extent in China’s economic growth during the 1980s and 1990s. This economic rise in combination with the initiation of China’s military modernisation programme and the fact that China was the largest remaining communist power in the world, ruled by an authoritarian political system, were the preconditions for China to become the successor to the ‘Soviet menace’ that had vanished with the end of the Cold War.

This chapter outlines the emergence of ‘China threat’ discussions in the early 1990s and highlights the main drivers of this perception of threat. The following chapters provide a more detailed analysis of the development of China’s armed forces and military capabilities until 2010 and question how substantive the ‘China threat’ perception is.

THE TIAN’ANMEN INCIDENT: 1989

When Chinese armed forces brutally suppressed the student revolt on Tian’anmen Square (天安门广场 – *Tiān’ānmén Guǎngchǎng*) in Beijing on 4 June 1989, China’s image in the West was profoundly damaged.¹ The military defeat of the peaceful protests mainly initiated and conducted by Chinese students but supported by huge sections of Chinese society dramatically changed the perception of a rising China. The real number of casualties remains vague due to limited media coverage of the incident, therefore estimates vary greatly:

It was impossible to count the number of dead, partly because of a news blackout imposed by the martial law command. At first, the United States estimated the number of fatalities to be 3,000; the BBC guessed 7,000 casualties, with perhaps a thousand troops killed by beatings, burnings, and stray bullets. Weeks later, a careful estimate, incorporating ‘leaks’ from Beijing hospitals, put the civilian casualties at 400-800, and the police and army casualties near a dozen. Amnesty International later determined there were over 1,300 fatalities. Of course, the number of wounded must have exceeded the number of dead by a great many. (Stavis 1990, p. 56; see also Kristof 1989)

The brutal suppression of a peaceful protest transformed the West’s perception of China overnight and motivated congressional leaders to call for sanctions (Ross 2009, p. 231). The impact on China’s foreign relations, both in the political and economic realm were immediate and immense:

Foreign corporations began withdrawing personnel. President George Bush cut off military sales to China and ensured that Chinese students residing in the United States would not have to return to China. ... Japan suspended a \$5 billion economic aid program. Most European countries announced diplomatic or economic measures that would distance them from the horror. The World Bank suspended loans to China. (Stavis 1990, p. 58)

As a result of the Tian’anmen Incident, the United States and the European Union imposed military embargoes on China, restricting the country’s military modernisation programme which relied heavily on US imports. The condemnation of the Tian’anmen Incident, however, was not universal. Russia and Malaysia remained silent and did not criticise the Chinese leadership, while Laotian Prime Minister Kaysone Phomvihane even expressed his pleasure at the suppression of a counter-revolutionary insurrection. The impacts of the Tian’anmen Incident – political isolation (from the West) and an arms embargo (again, from the West) – were pre-conditions for a Sino-Russian rapprochement and reinforced China’s arms acquisitions from Russia in the aftermath.

MISCHIEF REEF: 1995

In the early 1990s and following the Tian’anmen Incident, China established a more assertive policy in regard to its territorial claims in the South China Sea (SCS).² In 1992, the Chinese National People’s Congress (全国人民代表大会 – *Quánguó Rénmín Dàibiǎo Dàhuì*) passed the

Territorial Law of the Sea,³ China granted a concession for oil exploration in an area disputed with Vietnam,⁴ and People's Liberation Army (PLA) forces occupied the Da Lac Reef, claimed by Vietnam.

An even more concerning move was China's occupation of Mischief Reef (美济礁 – *Měi jǐ Jiāo*), an islet within the Spratly archipelago located only 215 km off Philippine territory. When the buildings that China erected on Mischief Reef were discovered by the Philippines in 1995, there was strong condemnation because the islet was not only claimed by the Philippines, but was also well within the 200 nm Exclusive Economic Zone (EEZ) of the Philippines. The Chinese violation of the national rights of littoral states defined by the United Nations Convention on the Law of the Sea (UNCLOS) united the members of ASEAN in condemnation of the Chinese actions in the SCS for the first time. However, ASEAN's united condemnation did not force China to leave Mischief Reef. Instead the structures were steadily expanded over the following years and still exist to this day.

TAIWAN STRAIT CRISIS: 1995–1996

The visit of Taiwan's then president Lee Teng-hui (李登辉 – *Lǐ Dēnghuī*) to the United States and especially the speech he delivered at Cornell University in 1995 triggered sharp Chinese reactions and a display of military force that later became known as the Taiwan Strait Crisis. Perceiving the speech as a move towards Taiwanese independence from Chinese policymakers, Beijing conducted missile tests in the vicinity of Taiwan a month later. These missile tests were followed by military exercises off the coast of Taiwan conducted twice in the second half of 1995. As a response and to demonstrate support for Taiwan, the USA sent two carrier battle groups to the vicinity of Taiwan in March 1996, which provoked another show of force by Chinese armed forces, this time including 150,000 troops.⁵

The reactions the Taiwan Strait Crisis caused in the region and the West (specifically the USA) have to be understood in relation to the former Chinese occupation of Mischief Reef and the overall grim Chinese image after the Tian'anmen Incident. ASEAN's response to the Tian'anmen Incident was not as condemnatory as the West's reaction; in fact, China–ASEAN relations even improved in the early 1990s, as Part II of this book will demonstrate. China's assertive moves in respect of the South China Sea disputes and Taiwan, however, upset SCS littoral states and intensified the 'China threat' discussion.

DEVELOPMENT OF THE ‘CHINA THREAT’ DISCUSSION

The discussion of an emerging ‘China threat’ started in the USA in the aftermath of the Tian’anmen Incident and was fostered by perceptions of China’s growing military capabilities and behaviour towards its neighbours in the early 1990s. Additionally, China proposed a change of the global order from a hegemonic US-dominated system towards a multi-polar system and pursued a problematic alliance policy with North Korea, Myanmar, and increasingly, Russia.

Many recognised publications of that time with titles such as *The Coming Conflict with China* (Bernstein and Munro 1997) led the discussion and, especially in the USA, the discussion of a rising ‘China threat’ focused on China’s military development. An article from 1996 summarised the concerns of Western security analysts:

Chinese defence spending has risen significantly in recent years (a 21 % increase was budgeted for 1995), prompting many analysts to ask why military funding is increasing when external threats to the PRC’s security are at an all-time low. Furthermore, China’s military modernisation has included acquisition of weapons systems that boost the PLA capability to project power beyond China’s shores – Russian Su-27s, Russian kilo class submarines, inflight refuelling technology, and a continuing in buying or building one or more aircraft carriers. (Roy 1996, p. 759)

The heated debate was fuelled by theories of power shifts among great powers that historically caused major fighting. Within this discussion, the question was no longer if war between the USA and China was inevitable but whether the rising state would attack the declining state or vice versa. Distinguished experts in international relations predicted a rising rivalry between China and the USA: “In short, China and the United States are destined to be adversaries as China’s power grows.” (Mearsheimer 2001, p. 4) More conciliatory assessments such as the Assistant Secretary of Defense for International Security Affairs during the Clinton administration Joseph S. Nye’s plea for a more balanced evaluation of China’s rise were less widely recognised. (Nye 1998)

One factor driving the ‘China threat’ discussion in the USA was presumably the interest of parts of the security-related sectors in the US Congress, military, and research institutions to define a new ‘big one’ threat after the disappearance of the ‘Soviet menace’. The depiction of China as the coming threat to world peace and to the global order was probably motivated

in a part by the struggle for budgets and contracts. After the end of the Cold War, the justification for a US military budget designed to meet the requirements of a great-power adversary waned and therefore, the occurrence of a new great-power opponent was highly appreciated by parts of the US security-related sectors. Depictions of China as a rising threat were emphasised and multiplied by various publications:

If China fulfils its expected potential, it will soon be a power in the class of the 19th century Britain, the Soviet Union, Nazi Germany, Pacific war Japan, and 20th century America. Each of those countries used its superior power to establish some form of hegemony to protect and promote its interests. There is no convincing reason to think China as a great power will depart from this pattern. If the opportunity arises to establish a dominant role in the region, China can be expected to seize it. (Roy 1996, p. 762)

In the 1990s, the perception of China in the USA was determined mainly by the impressions of the Tian'anmen Incident and the Taiwan Strait Crisis, Chinese acquisitions of former Soviet military technology, and China's request for the restructuring of the global order, making it possible for the rise of China to be aligned with those of Nazi Germany and the Soviet Union – the great-power adversaries of the USA in the past.

The perception of China distinctly improved in the aftermath of the September 11 terrorist attacks on the World Trade Center and the Pentagon in 2001 (9/11). The attacks carried out by the Al-Qaeda terrorist network changed the threat perception within the USA and unleashed an anti-terror campaign labelled the 'Global War on Terrorism'. China aligned with the USA and supported counter-terrorist measures; Zhao Suisheng observed that the "Bush administration's policy toward China has moved from treating China as a threat to as a partner in the recent years." (Zhao 2008, p. 18).

China's decision to join the USA in its 'war on terror' has to be understood as part of China's new foreign policy approach. Part II of this book analyses this new foreign policy and its first steps in the 1990s towards the Southeast Asian organisation ASEAN in detail. To briefly summarise the development of the 'China threat' discussion, Sino-US relations improved in the aftermath of 9/11, the US security perception was focused on terrorism and thus discussion of the 'China threat' was declining at the beginning of the new millennium. In recent years, however, there has been a revival of the 'China threat' discussion in the USA due to China's anti-satellite

(ASAT) missile test in 2007, its attempts to deploy an aircraft carrier group, the artificial enlargement of occupied islets and occasional skirmishes with claimants about the disputed territories in the South China Sea.⁶

THE ‘CHINA THREAT’ DISCUSSION IN ASIA

Within Asia, China was not necessarily perceived as a rising threat. As we have seen, the Southeast Asian states’ reaction to the Tian’anmen Incident was very moderate and not as condemnatory as the West’s. China and the Southeast Asian states actually experienced a period of rapprochement in the early 1990s but this was disrupted by the occupation of Mischief Reef and the Taiwan Strait Crisis.

According to the former US National Security Advisor Henry Kissinger, ASEAN accepted Vietnam as a member in 1995 to counter a rising China. Vietnam, in return, saw its membership in ASEAN as a strengthening of its position in regard to the open territorial disputes with China. The perception of a rising Chinese threat was probably a motivation for Vietnam to join ASEAN, but this perception was not shared unanimously throughout Southeast Asia, as Ralf Emmers noted:

Though all the Southeast Asian nations were confronted in the early 1990s with China’s rising power, it is important to note that the “China threat” thesis was not a source of equal concern in all the ASEAN capitals. Disparities and differential relationships with the PRC developed for various reasons. These included contrasting historical experiences, ethnicity, and economic relations as well as domestic and international conditions. Hence, while some Southeast Asian states were openly worried about the rise of China, others were eager not to antagonize the PRC or to over-emphasize the South China Sea question in their bilateral talks with Beijing. (Emmers 2010, p. 98)

China’s occupation of Mischief Reef in 1995 was the first occupation of an island claimed by an ASEAN member state. The incident heightened the suspicions of ASEAN member-state claimants over the SCS disputes, including Indonesia, which feared that China might also claim its Natuna gas fields.

Singapore and Malaysia, on the other hand, maintained a more conciliatory stance towards China, although Malaysia as a claimant to the SCS had an explicit interest in condemning the occupation of Mischief Reef. Economic interests as well as inter-ASEAN rivalries might explain why Singapore and Malaysia behaved in this manner at the cost of a united ASEAN position. The remaining ASEAN non-claimant members,

namely Myanmar, Thailand, Laos, and Cambodia, were not interested in sacrificing their relations with China in the interests of the claimants (i.e., a united ASEAN position). Nevertheless, in March 1995, the ASEAN foreign ministers reached agreement on a united condemnation of China's occupation of Mischief Reef.

In 1996, the then Malaysian defence minister Syed Hamid Albar stated in regard to the 'China threat' theory that "we in Southeast Asia generally feel that China has so far been a sober and responsible regional player" (Liow 2000, p. 681).

In reality, most Southeast Asian nations, especially the SCS claimants, became suspicious of China's future intentions in regard to the military modernisation programme of the PLA. The occupation of Mischief Reef and the military exercises in the Taiwan Strait were clear evidence that China was willing to use force to reinforce its political demands.

After this short overview of the emergence and development of the 'China threat' discussion and the historical background in which it originated, the following chapters analyse in more detail the important facts of this discussion. For this purpose, China's military modernisation programme is analysed in depth, China's potentially threatening moves, including the already cited occupation of Mischief Reef and the Taiwan Strait Crisis are revisited and the strategic possibilities inherent in China's military build-up are evaluated.

This three-pronged approach will allow us to determine to what degree a perceived 'China threat' is conceivable. Because the counter-argument, advanced mostly by Chinese experts, is that the whole 'China threat' discussion was a construction of the USA and its allies designed to contain China's rise.

NOTES

1. In this book, the term Tian'anmen Incident refers to the suppression of demonstrations in 1989 and not the historical Tian'anmen Incident in 1976.
2. The territorial disputes in the SCS and China's claims are analysed in more detail in Part II of this book. The relevant events are only briefly summarised here for the purpose of outlining the development of the 'China threat' discussion.

3. By passing the Territorial Law of the Sea, China emphasised its claims to almost all of the SCS, based on historical rights and a famous ‘Nine-dashed Line’ map.
4. The so-called ‘Crestone concession’ named after the US oil company Crestone which obtained the contract.
5. The development of the Taiwan Strait Crisis is also analysed in more depth in Chap. 3.
6. Please see Chap. 3 for more information about these developments.

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China's Military Modernisation Programme

Since the early 1990s, China's military modernisation process has gained remarkable speed. The acquisition of weapon systems was boosted by both the former USSR's decline and its need to realise profits by selling military equipment,¹ and the new economic strength of China which allowed unprecedented levels of acquisition. China was interested early on not only in importing state-of-the-art technology but also in trying to push its Russian partners to accept some knowledge transfer, resulting in co-production and licence agreements. This Sino-Russian co-production and the improvement of the Chinese military production sector resulted in the development of increasingly sophisticated indigenous weapons systems. Especially during the years 2006–2010, Chinese weapons system imports were declining while at the same time its domestic production was expanding and already attracting heightened attention from security experts abroad.

It is arguable whether China's waning imports of foreign weapons systems is clear proof of its new-found confidence in its domestic production. One possible scenario is that China is currently testing and trying to adopt new weapons systems but that further acquisitions of state-of-the-art technology will be needed to narrow the gap between the People's Liberation Army (PLA) forces and Western armies' equipment. It follows from this assumption that it makes sense to buy several samples of a weapons system and test them for some time. After a few years, an updated model will

be available and the specifications and improvements can be adapted to home-grown designs. Therefore, a short-term decrease in weapons systems acquisitions should not be overrated, but an analysis of long-term developments seems more appropriate.

ARMS ACQUISITIONS: MILITARY BUDGET

In the years 1992–1996 China spent US\$ 4.671 billion on arms imports, nearly all from Russia. These massive acquisitions, accompanied by the military exercises which led to the Taiwan crisis, caused the emergence of the already noted ‘China threat’ perception in the mid-1990s and accordingly, China halted the acquisition of huge weapons systems in the second half of the 1990s. In 1998 China allegedly purchased the carrier *Minsk*, but it never entered service. It also bought the *Varyag* and *Kiev* for training purposes. Eventually, the *Varyag* was refitted and commissioned by the PLA navy in September 2012, and renamed *Liaoning* to become China’s first operational aircraft carrier.

In the late 1990s, China only realised minor arms acquisitions, but this policy fundamentally changed at the beginning of the new millennium and was further intensified after 9/11. China’s arms imports continued at a permanently high level in the following years (minimum US\$ 2 billion/year), reaching their peak in the years 2004–2006 with imports of weapons systems amounting to US\$ 9.774 billion over these three years. In subsequent years (2007–2014), China’s annual arms acquisitions were only in the region of approximately US\$. 1–1.5 billion.

Obviously, arms imports only decreased for a short time in the 1990s, probably due to political concerns after the Taiwan Strait Crisis in 1995–1996. But in the new millennium, and especially with new opportunities as a US ally in the ‘war on terror’ after 9/11, the amount of China’s arms acquisitions exceeded the numbers at the peak of the ‘China threat’ debate many times over.

Since the peak in 2005, China’s military imports have again been decreasing, but this time it may be due to improved domestic and joint-venture production capabilities. The same can be said for the development of China’s military budget (arms imports are not included but have a separate budget). Depending on the sources, the numbers differ enormously, but it is fair to state that China’s military budget has at least tripled over the last 15 years, causing more than a few raised eyebrows in the region.

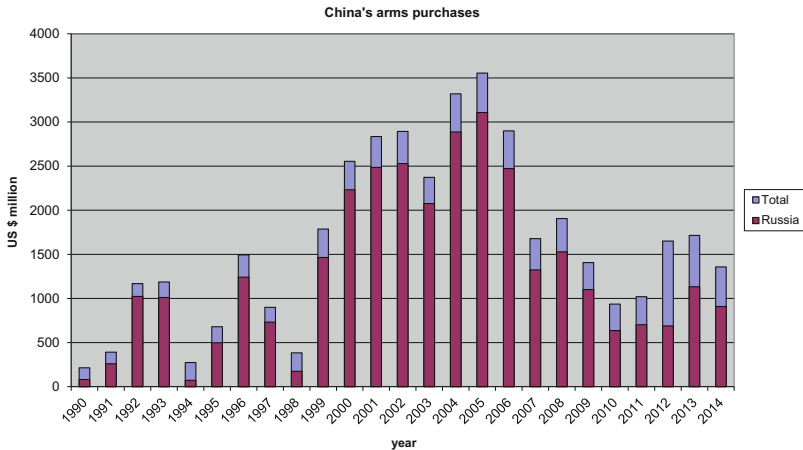


Fig. 3.1 China's arms purchases (Data from SIPRI, available at: <http://www.sipri.org/databases/armstransfers> (accessed October 10, 2015))

A brief overview of China's weapons acquisitions over the past 25 years is illustrated in Fig. 3.1.²

The enormous amount of foreign arms imports over the last two decades was probably only intended to bring in the necessary technology to foster indigenous developments. According to David L. Shambaugh, it was never China's strategy to rely on foreign imports over a protracted period:

With an adamant preference for developing indigenous capacities or seeking to import the means of production instead of establishing a dependent relationship with a supplier, China has pursued a self-imposed path of autarkic development. (Shambaugh 2002, p. 248)

MILITARY BUDGET: NUMBERS AND ESTIMATES

It has always been difficult for security experts to collect reliable data about the Chinese military budget. The problem is not only to assess the right numbers but also to weight them in terms of purchasing power.³

Security expert Richard A. Bitzinger describes the problems in assessing the PLA's budget as follows:

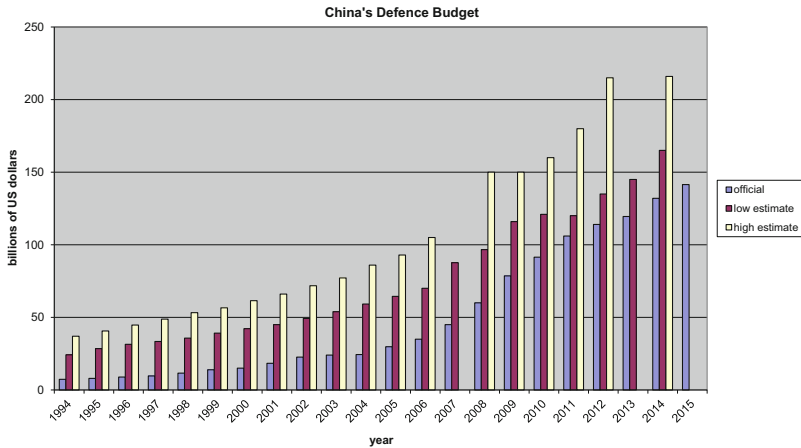


Fig. 3.2 China's defence budget (*Source:* Office of the Secretary of Defense (OSD), Annual Report to Congress: Military Power of the People's Republic of China; additional estimates by CSIS, SIPRI, and Global Security)

The dilemma with exploiting Chinese defence budgets as an analytic tool is that it is a highly data-dependent approach forced to work with a near-absence of usable data. Consequently, Western analysis of Chinese military expenditures has been forced to rely heavily upon extrapolation, inference, conjecture and even gut instinct in order to come up with “reasonable” guesses as [to] how large China's actual defence budget might be – an approach fraught with many pitfalls. (Bitzinger 2003, p. 164)

He further remarks that military research and development (R&D) funding is excluded from the official defence budget. Nevertheless, by comparing the official Chinese military budget numbers with high and low estimates from American sources, some coherence can be observed in view of the pace of the budget's increase.

While official Chinese data shows a steady increase in the budget from 1994 to 2015, estimates vary greatly between low and high assessments (see Fig. 3.2).⁴

Another problem in assessing China's real military budget and the amount of weapons systems it purchases lies in the fact that China increasingly produces weapon systems domestically. Unlike weapons acquisitions from abroad, these home-grown weapons systems are difficult to monitor.

Although not every acquisition was immediately confirmed, these arms transfers were noticeable. When China ordered a new batch of fighter aircraft, too many people were involved for it to be kept secret, and thus it was possible to monitor China's military modernisation process. The improved quality of indigenous Chinese weapons systems creates a problem in the evaluation of China's military process. First, it makes it harder to evaluate the actual standard of PLA forces. Consequently second, in the absence of proper knowledge of current military developments, it becomes less possible to predict changes in China's defence strategy. Since the estimation of the potential military threat posed by a country depends hugely on the transparency of its military programmes, less information causes more worries.

The following sections list Chinese arms acquisitions from Russia which are confirmed by at least two independent sources. Further, only main weapons systems are included, which by its nature could change the security architecture in the Asian region. Only Russian imports are listed, simply because there have not been any significant arms acquisitions during the past 20 years other than Russian (discarded aircraft carriers from Australia and Ukraine being the notorious exception). Additionally, Chinese indigenous weapons system developments that really improve the country's military forces are included to allow a comprehensive analysis of the process of China's military modernisation since the early 1990s, when the discussion of a 'China threat' was common among security experts and journalists.

An analysis of the process and progress during this time allows us to understand whether the apparent easing of Sino-Western and intra-Asian relations is due to waning military expansion. If this is not the case, the 'China threat' theory would be bolstered and confirmed.

PLA GROUND FORCES

The PLA troops have traditionally been the backbone of Chinese military strategy. Dating back to Chairman Mao Zedong's (毛泽东 – Máo Zédōng) 'People's War' followed by decades of precarious border arrangements with the Soviet Union and, although with lower potential for conflict, with India, Chinese military strategists have concentrated their efforts on strong army forces and long-range missiles for nuclear deterrence uses.

Therefore, the ground troops have not experienced upgrades comparable to the air force or navy. The number of PLA ground troops even

decreased from 2.3 million soldiers in 1990 to around 1.6 million in 2007, although a huge number of these soldiers have become part of the People's Armed Police (PAP) troops. The PAP is China's paramilitary police and is concerned with internal security threats. It is tasked with border control and guarding sensitive buildings like government departments, foreign embassies, and large airports. Additionally the PAP consists of non-combat troops for fire-fighting and transport tasks. Overall, the PAP is an organisation of 660,000 persons.

In September 2015, Chairman Xi Jinping announced that the overall PLA establishment would be reduced by 300,000 by the end of 2017. Since the majority (over 70 %) of PLA personnel belongs to the PLA ground forces, and the focus of the reduction is on troops with outdated armaments, the vast majority of this troop reduction will occur in the PLA ground forces. In total, the number of active personnel in all PLA services will be cut to two million. (Xinhuanet, September 3, 2015).

There are several explanations for this relative neglect of the PLA army forces.

First, having resolved border disputes with its neighbours in the 1990s, China was able to reduce the number of its troops and the level of its focus on the Sino-Russian border as well as on borders with former USSR states (Kazakhstan, Kyrgyzstan, and Tajikistan). The massive amount of troops stationed on these borders lost its significance after agreements on territorial borders were signed, meaning China could comprehensively downgrade its border control forces.

Second, as will be shown later, a shift in the Chinese defence doctrine emphasised the need to augment the capabilities of the PLA air force and navy. The newly determined security threats were not clearly locally defined, so forces with high mobilisation capabilities were needed. China decided to upgrade its air force in order to be able to respond immediately to any uprisings on its vast mainland.

And third, due to the former concentration on the ground forces, they were already in a much better state than the other services and received only marginal attention within the military modernisation programme. Ground forces have actually been kept to a minimum over the past two decades.

Nevertheless, the PLA acquired Russian battle tanks and succeeded in the development of an indigenous Chinese version of this weapons system. This programme is noteworthy, first as the only acquisition of an important weapons system by ground forces in the last two decades. Second, the

acquisition of a Russian weapons system for training and research purposes and its use as a model for Chinese indigenous weapons development has occurred in all the different PLA services. Finally, the acquisition of main battle tanks in the early 1990s, the development of indigenous Chinese battle tanks during the 1990s and the termination of the battle tank programme in the new millennium exemplifies a change in Chinese military doctrine and threat perception.

T-72 Main Battle Tank

In 1992 China bought fifty T-72 Russian-made main battle tanks. The T-72 had entered Russian service in the late 1970s and was probably used by the Chinese to further develop and improve their ZTZ98 main battle tank, thus helping to revive an apparently unsuccessful Chinese project.

Research and development of the ZTZ98 (based on the German Leopard 2 tank) began in 1978. During the development phase, the design changed from one based on Leopard 2 to the T-72 design (in the early 1980s, China obtained some T-72s from the Middle East) due to technical problems. From 1996, the PLA started to receive the first ZTZ98s for testing purposes but it never entered service. Despite this, a further improved variant was designed and developed, the ZTZ99 main battle tank.

ZTZ99 Main Battle Tank

An indigenous Chinese main battle tank, the ZTZ99 (another designation is Type 99) entered service in 2001. The ZTZ99 is based on the Russian T-72 model but with several modifications and improvements. Its hull is about one metre longer than the T-72's, the turret is very similar to Western designs and the diesel engine is based on German technology (under license from MTU, the aero engine manufacturers). The Chinese added some minor improvements. The engine generates 1,500 hp compared to the T-72's 840 hp and the front armour suite is replaceable. Although the development of the ZTZ99 marked a significant step for the PLA's ground forces, only approximately 200 units entered service due to the high costs per tank (US\$ 1.9 million). Another explanation could be that the PLA's preference is to further test the ZTZ99 and develop a successor model, in which case a small number of tanks would be sufficient for both training and testing purposes.

The ZTZ99, being a light amphibious tank, was probably designed and developed for use in a possible Taiwan scenario (Shambaugh 2002).

How Threatening?

In sum, the PLA's ground forces have hardly benefited from China's military modernisation programme. Its troops have been decimated and apart from a batch of Russian tanks, there have been no important arms acquisitions. However, China's mastery of the development of an indigenous main battle tank has enabled it to base further development on a not too outdated model. The threat posed by these modernisation efforts is very limited. Overall, China's army possesses over 9,000 main battle tanks, most of them outdated models. The small number of newly purchased tanks does not qualify as a substantial change in capability, especially when compared to India's military modernisation programme.

SECOND ARTILLERY

China's strategic missile forces are organized as a special service within the PLA known as the Second Artillery. The Second Artillery consists of approximately 100,000 personnel and is commanded directly by the Central Military Commission (中央军事委员会 – *zhōngyāng jūnshì wěi yuánhùi*). Initially, the Chinese nuclear weapons programme was crucially supported by Soviet experts, but due to political disputes the Soviet Union ceased its assistance in the late 1950s. China has steadily developed, tested and improved its ballistic missiles, particularly the Dongfeng (东风) missile programme which was started in the 1960s. The first successful test of a medium-range surface-to-surface ballistic missile (Dongfeng 2 or DF-2) was conducted in 1966. During the 1970s and 1980s, this missile was succeeded by the DF-3, DF-4, and DF-5 ballistic missiles.

The Second Artillery is the PLA's counter to a nuclear attack from outside China, therefore it was important to gain the capabilities to pose a credible nuclear response to potential aggressors. With the unresolved situation of the Taiwan Strait in mind, it was important for China to possess a PLA nuclear strike capability that could reach targets within the USA in order to defend itself from nuclear missile attacks.

In addition to its own ballistic missile programme, China purchased Russian S-300 PMU-1 and PMU-2 surface-to-air missiles (SAMs) for defensive purposes. The first contract was signed in 1994 and by 2010

China is thought to have received a total of 1,000 S-300 missiles from Russia. These missiles are considered highly capable and are designed to intercept short-range ballistic missiles (SRBMs) as well as intermediate-range ballistic missiles (IRBMs).

Strategic Missiles

In recent decades, China steadily improved both the range and the performance of its strategic missiles. Especially during 1992–1996, China tested its more recently developed ballistic missiles, called DF-21 and DF-31.

China deploys the intercontinental ballistic missile Dongfeng 31-A (DF-31A) carrying nuclear warheads and with a range of 8,000 km and Dongfeng 41 (DF-41), an intercontinental ballistic missile with a range as much as 12,000 km. These indigenous missile programmes provide China with a second-strike deterrence strategy with regard to the United States and targets in continental America are within its range. However, the development of short-range ballistic missiles (SRBMs) with a view to a possible Taiwan scenario was also accelerated during the 1990s. These missiles, called Dongfeng 15 (DF-15) and Dongfeng 11 (DF-11), are considered capable battlefield weapons and are of concern to the US government with respect to tensions in the Taiwan Strait. It is no coincidence that it was a DF-15 missile test in 1996 that triggered the Taiwan Crisis.

In 1996, China signed the Comprehensive Nuclear Test Ban Treaty, which banned any tests of nuclear missiles, although it has yet to ratify it.⁵

In 2002, security expert David Shambaugh assessed the Second Artillery as the highest developed of all the PLA services: “China’s latest rockets, guidance systems, and warheads only lag about 10 to 15 years behind those of the other nuclear powers” (Shambaugh 2002, p. 243).

Anti-ship Ballistic Missiles

The latest model in China’s Dongfeng programme, DF-21D, is considered to be designed for anti-ship purposes. This medium-range ballistic missile could have been converted into an anti-ship ballistic missile (ASBM) with a range of 1,500–2,700 km, which would make it the only anti-ship ballistic missile in the world that can potentially threaten aircraft carriers.

The commander of the US forces in the Pacific, Admiral Robert Willard, is reported to have said that “China had begun the initial deployment of what could be a carrier-killing anti-ship ballistic missile” (Pomfret 2011).

According to Chinese sources, the DF-21D is still in the development and testing phase and is not deployed. The PLA's ambitious aim is to develop a ballistic missile with the ability to strike moving targets, including aircraft carriers, while the missile itself is hard to intercept.

In addition to the Moskit anti-ship missiles and Shkval anti-ship torpedoes, the PLA potentially possesses a range of sophisticated weapons for area-denial operations which also could threaten a carrier strike group.

Submarine-Launched Ballistic Missiles

Especially noteworthy is the development of the submarine-launched ballistic missile Julang-2 (JL-2, NATO codename CSS-NX-4). This ballistic missile is technically a version of the Dongfeng 31 but is designed to be carried and launched by Jin class nuclear-powered submarines. The Julang-2 has a range of 8,000 km and would complete China's submarine-based nuclear deterrence strategy. Today, little is known about the *de facto* development status and specifications need to be confirmed.

Space Programme

China's space programme is enabled by the Second Artillery's rocket capability. Its main aim is to establish a satellite-based network and, recently, manned moon missions including a space docking station named Tiandong 1 (天宫一号 – *tiāngōng yīhào*).

The space programme was accelerated with the launch of the Changzheng 2 rocket (based on the DF-5) in 1990. This carrier rocket is a prerequisite for any space launches and has been steadily refined and advanced, although in 1996 it suffered two devastating launch failures. A turning point in the Chinese assessment of space-based communications systems was probably the observation of the US military's performance during the First Gulf War of 1990–1991. This was the first time that the US military had demonstrated its precision strike capabilities supported by its space-based reconnaissance and communications system. This awareness was further manifested during the Taiwan Strait Crisis in 1995–1996 when China realized that it was not able to track the *USS Nimitz* as it approached the area from its previous location in the Persian Gulf. The result was a boost for the Chinese space programme in general, and the satellite-based reconnaissance system in particular gained both appreciation and speed.

Changzheng (长征) rockets are the backbone of China's space programme and launch its satellites into orbit. Besides the intended launch of 35 high-resolution Earth observation satellites for the Beidou (北斗) network, China announced its ambition to send people to the moon in a paper published in December 2011. (The Economist 2012)

At the beginning, the Chinese space programme was heavily supported by Russian technology but China has now reached a higher state of self-reliance. With respect to training personnel, the first 'taikonauts' (Western observers' name for Chinese astronauts) were able to conduct training at the Gagarin Space Center in Moscow.

Additionally, as Yuan Jing-dong noted, "China has signed cooperation agreements with Argentina, Canada, Malaysia, Pakistan, Singapore, and Ukraine and has exchange programs with Algeria, Chile, Germany, Italy, Japan, and Peru. China was instrumental in launching the Asia-Pacific Space Cooperation Organization (APSCO) in late October 2005, which includes eight countries."⁶ (Yuan 2008)

China is developing its own satellite-based positioning network called Beidou (literally 'Big Dipper' but sometimes referred to as the 'Compass Navigation Satellite System'). The first Beidou satellite was launched in 2000. Scheduled to become fully operational in 2020, Beidou will provide China with its own navigation system comparable to the US Global Positioning System (GPS). The development of an indigenous satellite network will give the PLA improved accuracy to guide missiles and smart weapons; currently, only the less accurate civilian version of GPS and its Russian counterpart Glonass are available to the PLA.

Security expert Richard A. Bitzinger (2003) remarks that it is hard to distinguish between satellites intended for commercial use and those explicitly for military use. In general, Chinese telecommunications satellites are basically commercial in nature, he argues, but they might serve military purposes as well as providing real-time imagery to an increasingly high standard of resolution.

China's ambitions to establish its indigenous satellite network have speeded up during the past decade. Between 2002 and 2005, the number of its satellites in orbit increased from nine to nineteen.

In 2006, China launched a new fleet of high-resolution reconnaissance satellites, named Yaogan (遥感). These satellites are believed to be naval observation satellites, gathering intelligence about ships and aircraft. By the end of 2010, China had launched a total of twelve Yaogan satellites, illustrating the high priority of this satellite programme.

During 2006–2010, China again increased the number of successful launches from 24 to 67, of which 19 were carrying remote-sensing satellites. 2010 saw China launching for the first time the same number of rockets as the USA (fifteen),¹ and in 2011 its launches exceeded even those of the USA. In December 2011, the Beidou system began operational service in and around China. By the end of 2015, the total number of Beidou satellites launched rose to 19 with a target of a total of 35 satellites by 2020.

How Threatening?

From a security point of view, the anti-ballistic missile (ABM) and anti-satellite (ASAT) technologies are particularly noteworthy. Both technologies were developed within the Chinese national high-tech research and development plan (known as the 863 programme or Project 863) which was initiated in 1986. The 863 programme was intended as a response to the United States' Strategic Defense Initiative (better known as the 'Star Wars' project during the Reagan administration) and focused on interceptor rockets. Although it began in 1986, development intensified as late as 2000, and the first flight test was conducted on July 7, 2005. Project 863 became notorious after the successful interception of decommissioned Chinese satellites in January 2007 and January 2011.

In general, China's space-based communication and surveillance capabilities will potentially improve the performance of all the PLA services by improving the PLA C4ISR capabilities.⁷ The potential of satellite-based communication and reconnaissance systems is accompanied by the construction of a national fibre-optic communications network and allegedly by unmanned aerial vehicles.

PLA AIR FORCE

The PLA Air Force (PLAAF) has been in transition for the last 20 years, modernising its aircraft fleet mainly through foreign acquisitions. The main goal has been to replace the obsolete J-6 fighters (MiG-19 Farmer) and to upgrade older models of its fighter fleet with new technology. The modernisation of China's air force fleet started in the early 1990s with the acquisition of Russian fighter aircraft and even attracted increased attention at the end of the 1990s. Especially due to the impact of the Kosovo war in 1998 and 1999, Chinese security analysts became aware

that in future conflicts, integrated air coverage was needed to support both ground troops and naval forces.

The following sections focus on the standard of the Russian aircraft China has imported over the last two decades and on how it has upgraded Chinese military power. The possible utilisation of these aircraft is also evaluated, and questions about possible application in the PLA forces are addressed.

Su-27/Su-30 Fighter Aircraft

In 1991 China ordered twenty-six Sukhoi Su-27 fighter jets plus surface-to-air missile systems (NATO reporting name 'Grumble'). The import of surface-to-air missile systems (SAMs) is notable because they allow air coverage of a certain area and thus avoid the entry of foreign aircraft. The really impressive acquisition was, however, the Su-27s.

The twin-engine fighter aircraft (NATO codename 'Flanker') is considered a match for such fighters as the US F-14 and F-15. In 1995 and 1996, China ordered an additional fifty-two Su-27 fighter jets (including four trainer jets) with several modifications which included an increased fuel load giving a combat radius of 1,400 km. The in-flight refuelling capability adds an extra 500 km of combat radius. Since China's fighter divisions are located in the coastal area (the only exception being the 37th fighter division which is stationed at Urumqi, in China's north-western Xinjiang region), the combat range is sufficient to cover the First Island Chain.

The delineation of island chains off China's east coast dates back to former commander of the PLAN and then Vice-Chairman of the Central Military Commission, Liu Huaqing. In Liu's definitions, the First Island Chain stretches from Japan over Taiwan and the Philippines to Indonesia, while the Second Island Chain is located roughly 2,000 km off the Chinese coast stretching from Japan over Guam to the Indonesian island West Papua.

In 1996, China arranged a licence agreement with Russia about the co-production of 200 modified Su-27s (Su-27SK), called J-11 (or F-11) in China. This arrangement enabled China to successfully initiate a substantial transfer of knowledge rather than a mere acquisition of technology. In April 2015, China's first J-11 fighter jet made its successful maiden flight. Based on the design of the Su-27, which was originally built for interceptor missions, the J-11 is not suitable for ground attack and lacks the capability to deliver precision-guided weapons.

Between 2000 and 2004, China received a total of 100 Sukhoi Su-30s, 76 Su-30MKKs and 24 units of the upgraded version, Su-30MKK2. The Su-30 is the follow-on model to the Su-27, an interceptor aircraft fighter with an enhanced combat radius compared to the Su-27. The fighter possesses both ‘beyond-visual-range’ and precision strike capabilities and is designed for long-range missions. Its refuelling capabilities enable it to operate over a combat radius of 3,500 km, thus targets as far away as Guam, Australia, the Indian Ocean, or the South China Sea are within its range. This extended combat radius is important because the possession of Su-30 fighter aircraft potentially provides China with air-cover capability within the ‘Second Island Chain, far beyond its coastal area.

The modified Su-30MKK2 has an entirely new C4ISTAR⁸ system, and is specifically able to deliver the Kh-31 long-range supersonic anti-ship missile (NATO name: ‘Kh-17A Krypton A’).

The Su-30, especially the modified version Su-30MKK, is designated for naval combat missions, with special anti-ship capabilities. It is estimated that by now China possesses a total of 400 Su-27s/Su-30s, a huge effort to modernise the PLA Air Force that has been achieved in less than 20 years. The C4ISTAR capabilities of the modified Su-30 are of note because this weapons system forms part of China’s state-of-the-art integrated military strategies, described by Chinese security strategists as ‘warfare under high-tech conditions’.

Tu-22 Bomber

Since 1993, China has been trying to modernise its bomber fleet with the acquisition of the Russian Tu-22 long-range bomber. China’s possession of these bombers would potentially change the security situation across the whole Asian region because its combat range of 4,000 km would allow air coverage in areas as far away as the disputed islets in the South China Sea or areas in the Indian Ocean. The Tu-22 bombers would upgrade China’s bomber fleet dramatically and replace its older models. But, except for reports that the arms deal has already taken place, there is no confirmation as to whether Russia has finally agreed to the purchase request and delivered the bombers. India is reportedly also pledging to import Tu-22 bombers from Russia. This would lead to further deterioration of the security situation in the region. Currently, only China and North Korea have bombers in their air force (Taiwan, Japan, South Korea, India, Pakistan, and Vietnam do not), but these models are technically obsolete. China’s

H-6 bomber, for example is a copy of the Russian Tu-16, a model that has now been in service for at least three decades.

In sum, the acquisition of Tu-22 bombers by China (or India, or even both) would dramatically change the situation in the region, probably prompting further arms acquisitions by their neighbours.

Due to the improbability of acquiring Russian Tu-22s, China has set out to modernise its H-6 bomber, designed for long-range missions, with different models for specific purposes. The H-6H bomber carries land-attack cruise missiles for long-range strike purposes. The H-6M model seems to have been in service since 2005 and was presumably developed to meet naval requirements but little is known about it. Finally, the H-6K bomber, redesigned and equipped with higher-performing Russian engines, was introduced into the PLA for training purposes in 2007. It is assumed the bomber finally entered service in 2013 and that by now 15 H-6Ks are operational. Common to all these indigenous Chinese bomber developments, which pose a potential threat to aircraft carrier groups, is the scarcity of accessible information.

IL-76/IL-78

During the 1990s, China ordered a total of 14 Russian IL-76 MD transport aircraft. This aircraft is able to carry 190 troops (or three armoured vehicles) over a distance of 6,100 km. In 2005, China purchased an additional 30 IL-76s plus 4 IL-78 aerial refuelling tankers. The IL-78 (NATO designation: 'Midas') will allow China to refuel its Su-27/Su-30 fighter aircraft in flight, thus expanding their operation radius. Although China had indigenously developed an aircraft tanker based on its H-6, it decided to purchase the technically superior Russian model.

It is presumed that China is trying to adopt some of the IL-76 and IL-78 specifications for domestic development because it has not acquired enough transport aircraft to substantially increase its airlift capabilities.

J-10/J-20

The most interesting aircraft to be developed domestically by China are the J-10 fighter and the J-20 stealth fighter.

While the J-10 multi-role all-weather fighter aircraft entered service in 2003, and the first 100 samples were delivered to the PLAAF between 2004 and 2006, the J-20 only became public knowledge after its alleged first flight (coincidentally?) during US Secretary of Defense Robert Gates'

visit to China in January 2011. Some experts speculate that the J-20 could become fully operational in 2018.

China started developing the J-10 in the 1980s to counter US F-16 and Russian MiG-29 fighters. Crucial support for the jet fighter program was at first provided by Israel, and China benefited from the abandoned Israeli Lavi project. This Israeli support was tacitly tolerated and even backed by the USA in order to assist China's technology development against the then-common menace, the former Soviet Union. The political background changed substantially, and in the aftermath of the Cold War, it was the USA which urged Israel to abandon its cooperation with China, and so the Chinese found a new partner in Russia. China experienced support from Russia in the 1990s in the form of Russian jet engines to boost the jet. Although it has had a variety of foreign support, the J-10 is China's first home-grown fighter, and its surface attack capability marks a leap forward for Chinese research and development (R&D).

Although China's aircraft fighter programme is still in development, the fifth-generation fighter is expected to enter service in 2020. Some neighbouring countries like Japan are already alarmed by both the capabilities of China's J-10 and the speed and success of Chinese indigenous developments.

Little is known about the J-20 stealth fighter although there are videos available on the internet showing an alleged prototype in flight. The sheer fact that China is developing an indigenous stealth fighter is unsettling its neighbours as well as Western security analysts. It is a demonstration of the advanced capabilities of Chinese aircraft engineers and an indicator of the massive efforts China is putting into modernising its air force.

How Threatening?

In sum, China made remarkable progress in modernising its air force fleet between 1990 and 2010. The acquisitions of Russian-made Sukhoi Su-27 and Su-30 fighters signify a substantial upgrading of China's air force, especially in view of the long combat range of the modified Su-30s. These fighters enable China to react quickly at any location within the second island chain, a huge improvement in Chinese power-projection capabilities. This development is especially noteworthy in regard to the SCS territorial disputes. The improved capabilities of the PLAAF allow more rapid and improved surveillance of the disputed areas in the SCS and are a precondition for any future control of the waters and seaways.

The IL-76s and IL-78s China has acquired do not substantially improve its airlift capacity but rather are intended to meet training and testing requirements and provide for in-flight refuelling.

Overall, China has taken impressive steps towards a modern air force. The acquisition of substantial numbers of modern fighters and the domestic development of fighters and perhaps even bombers have significantly upgraded PLAAF capabilities, particularly in regard to operation range. Compared to the situation in the early 1990s, China now possesses a quite modern fighter aircraft fleet which allows it to operate within an extensive combat range. The improved PLAAF capabilities are also important with respect to China's western provinces, specifically the situation in Xinjiang, the insecure border with Afghanistan, and potential border disputes with India. For a country like China, with a vast territory and over 20,000 km of borders, an air force capable of quick reaction to possible security threats is a precondition for and assurance of sovereignty over its territory.

The air force seems to be the most advanced service within the PLA in terms of engineering capabilities. It is possible that in the future China will rely completely on aircraft production at home, avoiding the complications associated with the acquisition of sensitive aircraft such as long-range bombers. The problems of assessing indigenously developed Chinese aircraft will, however, give rise to further anxieties and suspicions among security experts in a number of interested nations.

PLA NAVY

The focus of China's current defence strategy in terms of external threats is on its maritime borders, the east coast and the adjacent islands. In order to secure Chinese territorial claims in the South China Sea, especially the still smouldering Taiwan conflict, and to defend its sea lines of communication (SLOCs), the PLA Navy (PLAN) has been intensively modernized and upgraded during the past two decades, having started from weak foundations. Its operational requirements range from defending the highly populated coastline in the event of an outside attack, preventing the Taiwanese from *de jure* independence through viable deterrence,⁹ to avoiding the interference of external powers in Chinese internal affairs (i.e., the Taiwan conflict), and therefore possessing sea denial capabilities¹⁰ within the Second Island Chain, or at least within the First Island Chain.

To fulfil all of these requirements, China's navy aims at blue-water combat capabilities.¹¹ In the following sections, the most important new acquisitions and indigenous Chinese developments are presented and analysed.

Destroyers

Sovremenny Class

Following the intervention of the USA in the mid-1990s Taiwan Strait Crisis, Chinese strategic planners became convinced that in the future the PLAN must possess some countermeasures against a carrier strike group intervention in Chinese waters. Therefore, in 1997 China purchased two Sovremenny class destroyers from Russia, with a further two in 2002. The price of a single Sovremenny class destroyer is estimated at US\$ 400–700 million, depending on the ship's technical equipment and weapons systems.

These missile destroyers are considered to be a potential threat to Aegis cruisers, the backbone of a US carrier strike group, and are designed for anti-ship and anti-submarine warfare (ASW). The Sovremennys are equipped with Moskit anti-ship cruise missiles (NATO codename: SS-N-22 Sunburn) capable of striking targets as far away as 120 km. The Moskit missile is remarkable because it reaches a speed of Mach 2.5 and engages in evasive manoeuvres as it nears its target, causing problems even for the US Navy.

Possessing these huge destroyers meets a number of different objectives for the PLAN. The Sovremenny class destroyers are a powerful weapon in Chinese defence and sea denial operations, and an impressive tool for demonstrations of power (in naval jargon this is called 'showing the flag') when calling in ports. Finally, by mastering the use of a destroyer of this class, the PLAN gains both tactical and technical insights.

The Sovremenny class destroyers are the largest and most capable warships ever operated by the PLA Navy, and provide new and valuable opportunities for training and strategic considerations. However, as several security analysts have noted, these ships are not state-of-the-art, but are based on the Soviet cruisers of the 1960s. It can be assumed, therefore, that China is using the Sovremennys as a template for indigenous developments and for training purposes for the time being.

Luhai Class (Type 051B)/Luzhou Class (Type 051C)

Chinese indigenous destroyers are based on the Luda class (Type 051), which was built between 1970 and 1991 for purposes such as sea control in offshore waters (in a Taiwan scenario), defending PLAN submarines against enemy anti-submarine forces, and protecting PRC interests in the South China Sea. The Luda class was criticised for its poor performance in endurance sea operations and its inadequate air defences.

The successor ship, the Luhai class (Type 051B) was designed with a reduced radar cross-section profile but the ship's weapons systems were only marginally improved compared to its predecessor, therefore only one ship was commissioned in 1998.

Finally, in 2004 the third indigenous Chinese destroyer class, the Luzhou class (Type 051C) was launched. The Luzhou class is a further improvement with respect to air defences and is especially designed to defend a fleet against air attack. It is equipped with S-300F missiles (NATO codename: 'SA-N-20'), the equivalent of the land-based S-300PMU missiles. Although the Luzhou class was a clear improvement on its predecessors, only two ships were commissioned in 2006 and 2007, respectively.

Luhu Class (Type 052)/Luyang Class (Type 052B, Type 052C, and Type 52D)

The Luhu class, developed as a successor to the Luda class (Type 051), is designed to meet requirements for air defence, anti-submarine warfare, and surface strikes. However, only two ships were launched, in 1994 and 1996, respectively, one of them playing a notorious role in the PLAN's 1996 naval exercises near the Taiwan Strait that triggered the Taiwan Strait Crisis. The successor Luyang class (Type 052B) is indigenously built but resembles the Russian Sovremenny class and is equipped with Russian missile systems. Two ships were commissioned in 2004 and a further improved version, Luyang-II class (Type 052C) was commissioned in 2004 and in 2005. In contrast to its predecessor, the Luyang-II class destroyer is equipped with indigenously developed Chinese surface-to-air missiles (HG-9, supposedly adapted from the Russian S-300 missile) and C-602 anti-ship cruise missile systems. In 2015, two 'Type 052C destroyers, regarded as technically equivalent to US Aegis class guided-missile destroyers (DDG), entered service. These destroyers are designed for anti-ship operations and are especially important as the centrepiece of an air-craft carrier's accompanying carrier strike group (CSG).

The Luyang-III class (Type 052D) destroyers, in regard to technical capabilities the successors to the Type 052C, were developed at the same time and probably entered service in 2014. Equipped with anti-ship cruise missiles (ASCMs), land-attack cruise missiles (LACMs), surface-to-air missiles (SAMs) and anti-submarine rockets (ASMs), they are designed as multi-role destroyers and are probably the standard destroyer of the future PLAN.

The PLAN's indigenously developed destroyer programme has made steady progress over the past two decades. It is obvious that this modernisation programme is heavily influenced and supported by Russian technology, with the purchase of Sovremenny class destroyers marking a significant breakthrough. Furthermore, it is noteworthy that the PLAN commissioned only two ships of each new class of destroyer, with each successor model including new insights and weapons developments. This procedure has also been adopted for other PLA services. Foreign (i.e., Russian) weapons system purchases are analysed and adapted to indigenous designs while only small numbers of units are produced to continue the research process. The indigenously developed Luzhou class (Type 051) and Luhu class (Type 052) destroyers were not designed to replace their predecessor, the obsolete Luda class destroyer, as formerly assumed.

Rather, China delayed replacement of the obsolete destroyer and gathered experience with prototypes based on Soviet technology until it was in a position to produce an indigenous destroyer of satisfactory quality, the Luyang-III class.

Frigates

Jiangwei Class (Type 053)

The Jiangwei class multi-role missile frigate is designed for coastal patrol, surface strike and anti-submarine warfare missions. The first Jiangwei class frigate was launched in 1990. A total of four ships had been commissioned before the development of the successor ship, Jiangwei-II, began in the mid-1990s. The frigate was equipped with improved weapons systems and between 1998 and 2005 a total of ten ships were launched. Due to the limited capabilities of the Type 053 technology, China started selling used frigates. In 2012, Myanmar and Bangladesh each acquired two decommissioned Type 053 frigates from China; Pakistan has bought four Chinese Type 053s so far. In the meantime, China is developing

follow-on models to this coast patrol ship, equipping the class with advanced surveillance technology and missile systems.

Jiangkai Class (Type 054)

Another indigenously developed missile frigate is the Jiangkai class (Type 054), first launched in 2003, and its successor Jiangkai II. Both models are designed with stealth features to reduce radar visibility. Designed for anti-ship and anti-submarine tasks, the Jiangkai frigates are equipped with a range of cruise missile and rocket launchers. Jiangkai class frigates have a helicopter landing deck suitable for medium-sized helicopters (such as the Russian Ka-28 Helix, or the Chinese Harbin Z-9C), extending the spectrum of possible operations.

These indigenously developed frigates, equipped with SAMs, significantly improve the PLAN's air-defence capabilities at sea. In January 2015, the Jiangkai II class follow-up model (Type 054A) guided-missile frigate was introduced with improved anti-air warfare capabilities.

Currently, a total of twenty Jiangkai class frigates are in service, and with target numbers envisaged as 22 frigates of this class, the modernisation programme is well advanced.

Frigates are mainly designed for coastal patrol missions and to provide air cover at sea for the fleet. The newly launched Jiangkai class frigates are therefore being carefully observed by the other littoral states, especially with respect to the disputed islands in the SCS.

Houbei Class (Type 022)

Another Chinese indigenous development that has been carefully watched is the Houbei class (Type 022) fast attack missile craft. This missile-carrying catamaran, designed and developed in a joint venture with an Australian ship-building company, is believed to be the world's first combat catamaran. It is equipped with anti-ship missiles and stealth features, making it hard to detect either by radar or sonar. Houbei class attack catamarans are mainly designed for littoral defence missions but their performance on the high seas has been improved, potentially enlarging the combat radius. In the words of two Singapore-based security analysts:

The Type 022 has the capacity of being armed with eight YJ-83 anti-ship missiles and possesses a data link antenna for receiving target information from sea- or air-based sensors, which enables an "over-the-horizon" strike capability against surface targets, among others. These ultra-fast catamarans

are designed to fire cruise missiles at aircraft carriers in “hit-and-run” attacks. The Type 022 is not an overwhelming capability but rather an asymmetric one that can be used in an offensive capacity, possibly in a first strike to paralyse high-value enemy targets. (Clarke and Zhu 2010, p. 98)

The International Institute for Strategic Studies (IISS) estimated that in 2010, the PLAN already possessed more than 60 Houbei class attack catamarans. According to Taiwanese sources, this number had grown to over 80 by 2015.

Landing Platform Dock (Type 071)

The Type 071 landing platform dock (LPD) is the PLAN’s largest indigenously built ship; the first one was launched in 2006. This LPD can carry a marine corps including 500–800 troops, 15–20 amphibious vehicles and logistics supplies. It is thought that the Type 071 would play a role in a Taiwan Strait scenario, especially supporting attacks from the less fortified Pacific side of the island, but this is not its only purpose. The Type 071 could also serve as a fleet command-and-control centre and, with its large helicopter flight deck, could provide a sea-based platform for helicopters. The Type 071 is notable for its power projection and capable of performing over a distance of several thousand nautical miles. In 2015, four Type 071s out of a planned total of six were completed and fully operational.

China’s surface fleet vessels fall into two groups according to their capabilities. The so-called ‘high confidence fleet’ includes the newest and most capable ships, which are the Sovremenny class, Luzhou class, Luhai class, and Luyang class destroyers, Jiangwei class and Jiangkai class frigates, and Houbei class fast attack craft. The Yuan class, Song class, and Kilo class submarines complete this group. This ‘high confidence fleet’ is dedicated to “the most important, highest visibility, most politically sensitive operations, exercises, and movements”. The ‘limited capability fleet’, consisting of Luhu class and Luda class destroyers, obsolete frigates (e.g., Jianghu class) and submarines (e.g., Romeo class, Xia class, and Ming class), is mainly dedicated to lower-level operations and training purposes. (Carrigan 2010, p. 4)

In the complex scenario of an attack, the newly developed surface ships could potentially deny air superiority, as Professor William S. Murray of the Naval War College’s War Gaming Department argues: “China’s new area air defense surface destroyers, such as the two 052Cs and the pair of

051Cs, could seriously challenge Taiwan/U.S. air superiority.” (Murray 2007, p. 68)

Retired US Navy Rear Admiral Eric A. McVadon describes the progress of the PLAN's surface-vessel programme as follows:

To capture succinctly the scope of modernization of the surface combatant force, it can be said that the Chinese are now building and dramatically upgrading more *classes* of modern destroyers and frigates (these combatants clearly outmatch those of Taiwan) than previous rates suggested they might acquire *ships* in this decade. (McVadon 2007, p. 12; emphasis in the original)

AIRCRAFT CARRIER

At 5:40 AM local time on Wednesday, 10 August 2011, more than eighty years after the idea was originally proposed, China's first carrier disappeared into the fog under tight security from Dalian harbor's Xianglujiao Port, in northeast Liaoning Province, to begin sea trials in the Bohai and northern Yellow Seas. (Erickson et al. 2012, p. 15)

The aircraft carrier described is the previously named *Varyag* purchased by China from Ukraine in 2002, allegedly to be turned into a casino. Eventually, *Varyag* was rebuilt and entered PLAN service in August 2012 under the new name *Liaoning*.

Before China's first aircraft carrier finally set sail, the PLA had been struggling for years to acquire a foreign aircraft carrier suitable for refit. As early as 1985, China purchased a light aircraft carrier from Australia: the Majestic class carrier HMAS *Melbourne* was dismantled and used by Chinese naval architects and engineers in support of the PLAN's research and development (R&D) programme. Its deck was used as a training platform for PLAAF pilots to simulate take-offs and landings on aircraft carriers.

After several failures to acquire a properly functioning aircraft carrier in the 1990s (including a pledge to purchase the retired French aircraft carrier *Clemenceau*), China's new strategy appears to be the acquisition of outdated carriers in order to learn, adapt and eventually develop and produce an indigenous aircraft carrier.

In 1998, China acquired the former Soviet Fleet aircraft carrier *Minsk*, a little later the *Kiev*, and in the year 2002, *Varyag* from the Ukraine.

The *Minsk* and the *Kiev* eventually became parts of theme parks and in 2005, it seemed unlikely that the *Varyag* would ever become operational again, as it was only 70 % complete, possessed no engines or rudder and in the decade before it was purchased by China, its condition had further deteriorated.

Aircraft Carrier Classes

While Kiev class carriers are able to carry twelve small fighter aircraft (such as the Yak-38 Forger) and twenty helicopters, the *Varyag* belongs to the Kuznetsov class, which is capable of carrying fixed-wing fighter jets like the Su-27. The different sizes of aircraft carrier classes are important not only for their symbolic power value but also in very practical ways. In general, aircraft carriers can be grouped into four categories depending on their abilities to handle different types of aircraft.

The lightest carrier type, known as ‘vertical take-off and landing’ (VTOL), has a fully loaded displacement of only 13,950 tons and cannot accommodate any type of conventional fixed-wing aircraft because it lacks the required landing deck. It can therefore only carry aircraft with vertical landing capabilities.

The next biggest group of carriers is called ‘short take-off/vertical landing’ (STOVL), which, when fully loaded, displaces 16,700 tons. This type enables a rolling take-off, often assisted by a ski-jump ramp at the bow, but is limited to vertical landings due to the short length of the deck.

A distinctly bigger group of aircraft carriers is known as ‘short take-off but arrested recovery’ (STOBAR), displacing 67,500 tons when fully loaded. Aircraft carriers of this type also use a ski-jump ramp at the bow to support take-off but because of their larger deck size and arrested recovery system, fixed-wing aircraft are capable of landing. The Chinese carrier *Liaoning* belongs to this category.

Finally, the biggest category of aircraft carriers is called ‘catapult-assisted take-off but arrested recovery’ (CATOBAR), displacing more than 80,000 tons when fully loaded. This group of aircraft carrier is the only one that can handle heavy aircraft such as precision strike fighter aircraft, refuelling tankers and intelligence-collecting airborne early warning (AEW) aircraft.

Aircraft Carrier Requirements

There are a number of issues to be considered before the aircraft carrier can become a valuable part of security strategy.

First, aircraft-carrier operations require not just a single carrier, but a group of support ships. Second is equipment and training for personnel, especially aircraft pilots, who have to master landing manoeuvres at sea. And third, on the political level, these operations would lead to further deterioration of China's image as a benign rising power.

Security analysts at the US Naval War College argue that it might be possible to run a carrier strike group (CSG) with decidedly fewer support ships than are conventionally used by the US Navy – at least in times of peace. US Navy CSGs are customarily supported by a group of frigates and destroyers, a supply ship, and submarine protection. But security analysts also mention the example of an Indo-French naval exercise where “the French *Charles de Gaulle* carrier was accompanied by a destroyer, a submarine, and a supply ship during an exercise with the Indian carrier *Viraat*, which was accompanied by two frigates and a submarine” (Erickson et al. 2012, p. 44).

As far as training is concerned, in addition to the training deck built from the former *Melbourne*, China was provided with a training facility for carrier pilots at the Ukrainian *Nitka* and invited to visit the Brazilian aircraft carrier *Sao Paulo* for training purposes.

It is difficult to estimate the real value of these training efforts and how adept PLA personnel already are at running an aircraft carrier in a challenging situation, such as in heavy weather or under combat, but independent training on an aircraft carrier was only started in late 2011 during the *Liaoning* sea trials of. The *Liaoning*'s main purpose is to act as a training facility under realistic conditions, enabling PLAAF pilots to train for take-offs and arrested landings on an aircraft carrier. It is assumed that a crew requires approximately five years of training before an aircraft carrier is fully operational. Nonetheless, the commissioning of the *Liaoning* is an impressive demonstration of the growing capabilities of China's navy. At over 300 m in length, the sheer appearance of the *Liaoning* in any water or harbour is a statement of China's new status as a growing superpower – even more since no navy in any of China's Southeast Asian neighbours possesses an aircraft carrier.¹²

Submarines

The PLA Navy's submarine forces are of newly paramount importance for China's military strategies because of the versatility of their deployment for different operations and different tactical reasons. Since the PLA Navy's fleet is not capable of competing with other developed Asian navies, such as the Japanese, let alone the US Navy, the submarine forces are seen as suitable for surprise attacks and sea denial operations. In the often debated scenario of an asymmetric conflict, submarines are the preferred weapon of the inferior opponent. Leading naval security experts estimate that submarines are now the centrepiece of China's current naval strategy.

Kilo Class (Project 636)

The core of China's submarine force is the Kilo class ship which was acquired from Russia in 1994, 1996, and then in 2002, when eight more were ordered. Six of these submarines belong to the improved follow-on model known as Project 636 which has a reduced noise level and increased underwater speed.

The Kilo class diesel-electric submarines are regarded as the main threat to potential outside attackers, and are designed for anti-submarine warfare and anti-surface warfare, water-mine laying and patrol missions. A further improved variant of the Kilo class submarine is the Project 636, which is equipped with Klub-S anti-ship, land-attack missiles, and is particularly suited to anti-submarine warfare and access denial missions.

William S. Murray highlights the importance of these Kilo class submarines:

In 2002 China signalled satisfaction with these four ships by signing a contract for an additional eight model 636 Kilo submarines, with final delivery due in 2005. These eight Kilos are especially noteworthy since they are being sold with the Klub fire control system and the one-hundred-and-twenty-nautical-mile-range, supersonic homing SS-N-27 ASCM. As of October 2006, all eight Kilos had been delivered. (Murray 2007, p. 61)

The Kilo class is a threat to carrier strike groups because it can launch torpedoes while submerged and over a hundred miles away, making it less vulnerable to anti-submarine weapons. The new generation of supersonic missiles is difficult to intercept and by some estimates even able to

defeat the US Aegis missile defence system, the central element of Western carrier-group defence.

Some security analysts believe that the Kilo class submarines may already be equipped with the Russian supercavitating Shkval torpedo. The Shkval has a combat range of 6–12 km with a maximum depth of 400 m. The term ‘supercavitating’ expresses the torpedo’s ability to move through water at a very high speed of 200 knots (or 100 m per second). An advanced version of the Shkval is reportedly capable of reaching 300 knots. These speeds are achievable “because they form an air bubble, or cavitation, around the structure. Once launched, there is little defense against such high-speed underwater weapons.” (Fisher 2008, p. 88) Accordingly, China purchased a batch of 40 Shkval torpedoes from Kazakhstan in August 1998.

Although the Kilo class diesel-electric submarines are modern ships, they are no match for nuclear-powered submarines in respect of underwater performance, speed, and maximum submerged time. However, their acquisition has substantially upgraded Chinese submarine capabilities by comparison with the former of Ming class and Romeo class submarine fleet, especially since the Kilos have been equipped with sophisticated Russian anti-ship missiles. They provide the PLAN with a means to patrol its coastal waters and to establish at least a modest access denial capability in shallow waters such as those in the Yellow and South China Seas.

An advantage of the smaller Kilo class submarines compared with bigger nuclear-powered submarines is their lower visibility. Kilo class submarines are 70–74 m long and displace around 4,000 tons when submerged. The Los Angeles class (SSN-688), the main nuclear-powered submarine of the US Navy is 110 m long and displaces around 7,000 tons.

Song Class (Type 039)

The first of China’s home-grown Song class submarines (also known as Type 039) entered PLAN service in 1994, but it did not satisfy the PLAN’s requirements, especially in terms of underwater performance and noise levels. The redesigned and improved follow-on models, Type 039G and Type 039G1, entered service in 2001 and 2004, respectively.

The Song class has been especially designed for anti-submarine and anti-ship warfare and can be equipped with several torpedoes, mines and missiles. The indigenous development of the Song class represents a clear advance in Chinese submarine development capabilities. It is better equipped, the noise level has been reduced and underwater perfor-

mance improved. Today, the PLAN deploys 13 Song class submarines although according to the IISS, production has been halted in favour of the improved Yuan class diesel submarines.

The fundamental advantage of nuclear-powered submarines (SSNs) is the nearly boundless energy that they can generate. This energy is used for maintaining high speeds over prolonged periods of time and operating energy-consuming systems such as water purifiers, oxygen generators, and air conditioners. In contrast, diesel-powered submarines have to snorkel several hours a day to maintain their batteries, leaving themselves very exposed to anti-submarine warfare (ASW) attacks. However, the development of air-independent propulsion (AIP), which enables submerged travel for two weeks, can resolve this handicap. Although conventional diesel-powered submarines could be upgraded with AIP systems, it appears that the PLAN has decided to upgrade its submarine force with nuclear-powered submarines and indigenously developed diesel-powered submarines.

Yuan Class (Type 039)

The Yuan class is China's first indigenously developed diesel-electric powered submarine equipped with AIP. First launched in 2004, the Yuan class is considered to be a further development of the Song class, adapted and improved from the Russian Kilo class submarines. Its design and improved capabilities mean the Yuan class can carry out defensive tasks such as area-denial missions in open waters, and is therefore an important part of China's ambitions to develop a blue-water navy. Currently, four Yuan class submarines have been launched and are deployed in the PLAN.

Shang Class (Type 093)/Jin Class (Type 094)

Alongside the acquisition of Kilo class diesel submarines, China was conducting a parallel programme developing indigenous nuclear-powered submarines (SSNs).

SSNs are the first choice for deterrence purposes because they can be submerged over weeks and thus remain undetected, and they are therefore equipped with ballistic missiles. A nuclear-powered submarine carrying ballistic missiles (SSBN) guarantees credible second-strike deterrence in case of an attack. China has made immense efforts to develop an indigenous SSBN. The IISS reports that the first two Type 093 submarines were launched in 2004, followed by the first launch of the Type 094 submarine. Type 093 (Shang class) are attack submarines equipped with

anti-submarine and anti-surface vessel torpedoes, while the Type 094 Jin class are designed for nuclear deterrence missions. The two classes share many similarities and in view of their almost simultaneous first launch date, it is thought that these submarines originate from the same basic design.

Professor Murray reports that China successfully test-launched the Julang 2 strategic ballistic missiles in 2005. These submarine-launched ballistic missiles (SLBMs) are derived from the land-based Dongfeng 31 and have an estimated maximum range of 8,000–10,000 km (Murray 2007, p. 64). Thus, the Julang 2 outperforms the Julang 1, which was deployed in the Type 094's predecessor, by three times. The IISS reports that the PLAN had already developed five Type 094 submarines by the year 2007; other sources assume that China has three Jin class submarines in service today. This number of SSBNs would be sufficient to maintain a steady patrol at sea, which requires at least three, maybe four SSBNs to be in commission due to crew rotations and the ships' periodical overhaul. It seems that the PLAN aspires to have eight Jin class submarines in service by 2020. Please update page number. could not cite page number - deleted the cross reference

How Threatening?

In sum, China has made impressive progress in modernising its naval forces over the last two decades. Of particular note is the progress in indigenous developed naval weapons systems. China gained some technological insight from the acquisition of Russian destroyers and submarines which it seems have been effectively implemented in the development of Chinese ships. Especially in regard to the still unresolved territorial disputes in the South China Sea (SCS), the rapid improvement of China's naval capabilities is alarming the other parties to the disputes. The combination of advanced surface vessels and submarines is enabling the PLAN to develop totally new dimensions of naval strategy – defensive as well as offensive in nature. Today, the PLAN's capabilities already outperform the naval capabilities of any other ASEAN claimant to the disputed SCS territories, making these claimants dependent entirely on US support. In 2015, the PLAN had a total of 52 submarines in service, of which 39 were modern attack boats (Jin class submarines excluded). This development of naval capabilities has naturally impacted the threat perception of China's neighbours and heightened suspicions about China's future conflict management.

ASSASSIN'S MACE

The term 'Assassin's Mace' (撒手 锏 – *Sāshǒujiǎn*, which means trump card) describes the possibility of launching a surprise attack with devastating consequences that might change relative strengths in a given theatre of war. In the words of security expert Richard D. Fisher:

The 'Assassins' Mace' concept is from ancient Chinese statecraft, in which warring nobles sought secret weapons that would attack their enemies' vital weaknesses and bring about their rapid military collapse. (Fisher 2011)

The contemporary equivalent of an 'Assassin's Mace' is defined by Fisher as supersonic missiles, advanced naval mines, lasers, and anti-satellite weapons. The crucial point of the 'Assassin's Mace' concept is to concentrate on the enemy's vital weakness. Therefore, advanced military technology – weapons that are too new for any developed defence strategy – are especially useful as 'Assassin's Mace' weapons. Possible new technologies for this purpose might be radio frequency weapons, thermobaric weapons, electromagnetic weapons and so on.

However, China's military technology capabilities and its R&D programme are far inferior to those of the USA. China's use of an 'Assassin's Mace' concept would rather take the form of the unexpected deployment of already known systems. An example of this strategy might be the PLA's use of ballistic missiles as anti-ship weapons (so-called 'carrier killers') or the unconventional use of fishing boats for anti-submarine warfare missions.

INTERIM CONCLUSION

During 1990–2014, China upgraded and modernised its armed forces at an impressive pace. Foreign arms purchases are reported to amount to US\$ 40.6 billion.¹³ This figure is overwhelming especially when compared to China's arms purchases in previous decades and has only been possible due to the booming Chinese economy. Nevertheless, this number of Chinese arms purchases needs some relativisation.

First, given the huge size of the PLA, the amount of weapons purchased still only have a modest impact on transforming Chinese forces into a modern and capable army. This is especially true in regard to the obsolete condition of many PLA services in the early 1990s (i.e., the PLAN and PLAAF). China's much smaller neighbour, Pakistan, spent agglomer-

ated total of US\$ 18.6 billion on weapons in the same period.¹⁴ A simple comparison of the countries' sizes and the length of controllable borders highlights the disproportion of China's and Pakistan's arms purchases.

Second, compared to another emerging regional power, China's arms purchases are not excessive. According to SIPRI, arms purchases by India in the period 1990–2014 total US\$ 52.6 billion, surpassing even the Chinese figure. India's purchases of arms in relation to its size and border length seem high when set against China's numbers. In 2011, *Foreign Policy*, relying on SIPRI data, reported that India has become the world's largest weapons importer, "accounting for 9 percent of the world's international arms transfers – most from Russia – between 2006 and 2010".¹⁵ Apart from the perception in Pakistan, there is still no discussion of an 'Indian threat'.

Third, China's arms purchases are modest in relation to its economic size. Military expenditure did not exceed 2.5 % of gross domestic product (GDP) in the period 1990–2009, and during the mid-1990s, even fell to 1.7 % of GDP. On average, China spent 2.02 % of its GDP on military expenditure between 1990 and 2014. India's military expenditure rarely dropped below 2.5 % of GDP between 1990 and 2014, and was on average 2.7 %. Finally, Pakistan's average military expenditure was 4.5 % of its GDP between 1990 and 2014 and only lately (after 2008) has it managed to curb this figure to approximately 3 % of GDP.¹⁶

Such figures are not able to assess an army's progress in modernisation, nor its threatening nature for concerned parties. Military expenditure by a country only expresses the effort it has made to modernise and upgrade its forces. Over the last two decades, both China and its neighbours have constantly been modernising and upgrading their forces.

This chapter listed the most important arms purchases of China's PLA from 1990 to 2014, introduced the systems' capabilities, and analysed the meaning of these weapons systems for the modernisation process of the PLA. To what extent these arms purchases can continue or even animate the discussion of a 'China threat' is dependent on further variables, most of all, China's behaviour in international disputes and the military strategy of the PLA. The perception of a state as either friend or foe and the resulting expectations about its future behaviour (and intentions) are more important for a threat assessment than mere hard military capability facts. The next chapter, therefore, studies China's behaviour in disputes between 1990 and 2015 and analyses how this behaviour was meant to support or decrease the perception of a growing 'China threat'.

NOTES

1. Although, it has to be noted, much of it was barter deals.
2. Data from SIPRI, available at: <http://www.sipri.org/databases/armstransfers> (accessed October 10, 2015)
3. For further remarks see: “Calculating China’s Defence Expenditure” in IISS (2007) pp. 249–253
4. Source: Office of the Secretary of Defense (OSD), Annual Report to Congress: Military Power of the People’s Republic of China; additional estimations by CSIS, SIPRI, and Global Security.
5. See: <http://www.ctbto.org/the-treaty/status-of-signature-and-ratification/> (accessed 2015/11/12); it is also noteworthy that neither the USA nor Pakistan and India has ratified the treaty.
6. The member states of APSCO are: Bangladesh, China, Iran, Mongolia, Pakistan, Peru, and Thailand.
7. C4ISR = Command, Control, Communication, Computers, Intelligence, Surveillance and Reconnaissance, a term used to describe the efforts of the organisation of military operations.
8. C4ISTAR = command, control, communications, computers, intelligence, surveillance, target acquisition and reconnaissance.
9. For this purpose China also employs some 1,000 missiles directed at Taiwan.
10. For detailed considerations about Chinese maritime strategies and the extent to which they are derived from former Soviet strategies, see Cole (2007).
11. The maritime term ‘blue-water capability’ describes a navy’s capability to operate on the high seas, independent from support of its home ports. A blue-water navy is an oceangoing service.
12. The notable exception is Thailand’s *Chakri Narubet*, but this aircraft carrier is not an expression of Thailand’s military capabilities – rather the opposite. By design, the *Chakri Narubet* is the world’s smallest aircraft carrier and since 2006, Thailand has decommissioned its jets – leaving the aircraft carrier without aircraft.
13. US\$ at constant (1990) prices, data from SIPRI: <http://www.sipri.org>
14. US\$ at constant (1990) prices, data from SIPRI: <http://www.sipri.org/databases/armstransfers>
15. “The Stories You Missed in 2011” available at: http://www.foreignpolicy.com/articles/2011/11/28/the_stories_you_missed_in_2011
16. All data from SIPRI, available at: <http://www.sipri.org/databases/milex>

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Threatening Moves

Setting aside the sheer numbers and quality of China's military modernisation programme, it is far more important to analyse the strategic implications and actual use of these weapons systems. This chapter summarises the threatening moves on China's part during the years 1990–2015 which have contributed to the perception of a 'China threat'.

Chap. 5 will complement this assessment with an analysis of strategic considerations in regard to China's newly acquired or indigenously developed weapons systems.

China's behaviour in the South China Sea is monitored with suspicion by the other claimants to the Paracel and Spratly Islands, namely Vietnam, the Philippines, Malaysia, Brunei, and in some respects, Indonesia. This wariness towards China is founded in China's forcible occupation of the Paracel Islands in 1974 and the military attack on Fiery Cross in 1988 which also resulted in occupation by Chinese forces.¹

OCCUPATION OF MISCHIEF REEF

At the end of 1994, China began occupying the Philippine-claimed Mischief Reef (美济礁 – *měi jī jiāo*) and building structures on it which were discovered by Philippine fishermen in early 1995, and later confirmed by Philippine air-force reconnaissance flights. This occupation horrified the entire region, although no military fighting occurred. The harsh reaction

of the ASEAN members was based on three factors. First, the location of Mischief Reef is a mere 215 km west of undisputed Philippine territory, so it lies well within the Philippine's 200 nautical mile² exclusive economic zone (EEZ), the basis of any claim in the South China Sea (SCS).

Second, the occupation of Mischief Reef happened at the height of a series of 'Workshops on Managing Potential Conflicts in the South China Sea' which Indonesia initiated in 1990.³ While diplomats and experts from all claimant states to the SCS disputes gathered and discussed models and possible solutions for a peaceful resolution of the disputed territories in the SCS, China created a *fait accompli*. This behaviour was strictly unacceptable to the SCS littoral states which saw it as proof of China staking a unilateralist stance rather than seeking multilateral solutions.

Third, China's occupation of Mischief Reef was obviously military in nature, although this was repudiated by China. According to reconnaissance photographs, Chinese troops erected four octagonal concrete structures equipped with a radar station and claimed they were "wind shelters" for fishermen. The concrete platforms were multi-storey buildings, large enough to serve as landing pads for helicopters and manned by PLA military forces.

Further, although China and the Philippines signed a Code of Conduct in 1995, this did not prevent China from further upgrading its structures on Mischief Reef in 1998–1999. These new structures seemed to an even greater extent designed for permanent use and military purposes.

Recent developments suggest a future role for Mischief Reef as a naval base for the PLAN in the Spratly archipelago. It has been extensively redesigned, the southern entrance has been widened and additional structures on the islet erected. By the end of 2015, the seawalls had been fortified, nine loading piers had been completed and buildings for fishermen and the military erected.

FURTHER CHINESE MILITARY OUTPOSTS

In addition to its outpost on Mischief Reef, China has constructed a number of permanent buildings⁴ on Subi Reef, Fiery Cross Reef, Johnson South Reef, Cuarteron Reef, Gaven Reef, Hughes Reef and Chigua Reef, all located in the Spratly Islands archipelago. Many of these outposts have defensive capabilities and are equipped with anti-aircraft and naval guns. They also have landing pads suitable for military helicopters. Fiery Cross Reef, for example, was converted into an artificial island on which the PLA

established a supply base, a helipad, and an observation station. China intensified its efforts to develop the disputed islets dramatically at the end of 2014. The islets' surface was enlarged through dredging and facilities for permanent occupation were constructed.⁵

The principal function appears to be surveillance, with China equipping its islets with techniques for monitoring the surrounding waters. Not only are the airstrips on the islands capable of hosting surveillance planes, but China is also improving its ability to monitor the sea lanes of the SCS. Suspicious observers can (and do) assume that this is a first move towards controlling these sea lanes. A major Chinese outpost has also been established on Woody Island, the biggest of the Paracel Islands. Woody Island is nearly 2 km² in size; it has a 350-metre-long pier and a concrete airstrip 2,600 m long and thus capable of accommodating all types of PLA aircraft including bombers, transport and aerial-refuelling tankers.

Between 1991 and 1998, 67 PLA fighters were deployed to the island which also has four concrete hangars. The island is also equipped with power plants, oil tanks, ammunition storage bunkers, and gun emplacements. On neighbouring Rocky Island, which is one of the highest points in the area, China has established an intelligence station capable of covering signal activity in the northern part of the SCS. Several security analysts thus conclude that "Woody Island appears to be designed as a staging point to support offensive operations in the Spratlys" (Baker and Wiencek 2002, p. 61).

STRING OF PEARLS

China has sought partnerships with littoral states along the sea lanes of the Indian Ocean to ensure refuelling facilities a long way from Chinese ports. In recent years, China has initiated port modernisation or has established completely new port facilities in Myanmar (Hianggyi, Akyab, and Mergui), Bangladesh (Chittagong), Pakistan (Gwadar), and Sri Lanka (Hambantota). This series of ports has been called China's 'string of pearls' and although Beijing sees it as entirely defensive, it has caused some nations in this region to feel encircled by China. From the Chinese point of view, these port facilities are necessary components of a bigger infrastructure project, the New Silk Road project (known as 'One Belt, One Road'), which requires port facilities along the Indian Ocean and the coast of East Africa in order to foster trade between China, Europe and the markets along this route. Nonetheless, for China's rival India, the

establishment of Chinese port facilities in the Indian Ocean, with possible supply functions for naval ships, is highly unsettling.

Especially unsettling in this regard are articles about a Chinese submarine base allegedly established in the Maldives. It was in 1999 that unconfirmed press reports began to circulate, mainly in India, about a Chinese monitoring station and later about the development of a Chinese submarine base just 400 nautical miles off the coast of India. Although the content of these reports is extremely dubious, they illustrate the high degree of suspicion about China's military activities common among Indian security analysts. For littoral states of the Indian Ocean like India, it is even more unsettling to recognise China's increased amphibious capabilities and power projection forces.

Thus, while China is upgrading its armed forces to secure its energy supply, at the same time, it causes security concerns in the region with the very weapon systems it considers defensive. China is about to establish a series of port partnerships in littoral states along the sea lanes connecting Africa and the Middle East with Northeast Asia. The pearls in this 'string of pearls' are harbours located in Sri Lanka, Pakistan, Bangladesh, Burma, and China's Sanya base on Hainan. These ports (except Sanya) are not military in nature but contribute to China's power projection capabilities through supply options, thus raising worries in states like India which feel increasingly surrounded and fear that these initiatives might translate into strategic partnerships.

TAIWAN STRAIT CRISIS: 1995–1996

In 1995, the relations between mainland China (PRC) and the Republic of China (ROC), better known as Taiwan (台湾), were seriously aggravated due to the increased struggle for independence of the latter. Taiwan's then president Lee Teng-hui (李登辉) was a supporter of an independent Taiwan, and thus perceived by Beijing as an opponent of the one-China policy. President Lee's ambition of overcoming Taiwan's international isolation was illustrated by his June 1995 visit to his alma mater, Cornell University, where he delivered a speech⁶ on the democratisation process in Taiwan. This speech is generally considered to be the trigger of the crisis that followed.

PRC policymakers were furious about both Lee's attitude, which was perceived as paving the way for Taiwanese independence, and the fact that the USA had granted him a visa, thus apparently supporting Taiwan's

independence policy. Beijing's desire to send a strong message and a warning in view of the forthcoming elections on Taiwan in 1996, led to large-scale missile tests in the vicinity of Taiwan and resulted in the largest deployment of US troops in the Asia-Pacific region since the Vietnam War.

On July 18, 1995, China announced that it would conduct missile tests and from July 21–23, the PLA launched two DF-15 missiles each day targeted at an area off the coast of Taiwan. In August 1995, the PLA conducted a live-fire test for ten days off the coast of Fujian, including naval vessels and aircraft. And in November of that year, the PLA continued its military exercises, this time on Dongshan Island (东山岛 – *Dōngshān Dǎo*) south of the Taiwan Strait. This simulated invasion of an island, including joint operations by PLA ground troops, the PLAN, and the PLAAF, was the largest combined exercise of ground, naval, and air units in PLA history.

On March 8, the USA, a guarantor of the status quo in the Taiwan Strait and a proponent of a peaceful solution to the 'Taiwan Question' as manifested in the Taiwan Relations Act (TRA) of 1972, announced the sending of two aircraft carrier battle groups to the area near Taiwan to monitor the situation.

In response, China deployed 150,000 troops to Fujian province bordering the Taiwan Strait, and conducted missile tests close to Taiwan's most important port cities of Keelung (基隆) and Kaohsiung (高雄). Further, the PLA conducted a military exercise with live ammunition and amphibious landing craft, raising Taiwanese fears of an imminent Chinese invasion.

China's coercive diplomacy in regard to Taiwan had three aims. First, to deter the increasingly powerful Taiwanese independence movement which was personified by President Lee. Second, in a show of force, to deter Taiwanese voters from electing Lee for a second presidential term in 1996.

Third, to warn the USA against further supporting President Lee. China succeeded in the first goal since no Taiwanese independence was declared, either in 1996 or afterwards. But the coercive diplomacy also had its shortcomings. The 1996 Taiwan elections resulted in the re-election of President Lee Teng-hui, who was arguably even boosted by China's actions of deterrence.

With the intervention of US forces, Taiwan was assured of US protection should China seek to take the island by force, a fact that formerly only existed on paper in the form of the TRA. In the aftermath of the Taiwan Strait Crisis, the USA strengthened its military ties with Japan, especially as regards logistical support in the vicinity of Taiwan, much to the displeasure

of China. The planned sale of US weapons to Taiwan, initiated in the aftermath of the 1995–1996 crisis, alienated China still further.

The Taiwan Strait Crisis of 1995–1996 followed on from the occupation of Mischief Reef by PLA troops in late 1994/early 1995. China's missile tests and military exercises during the Taiwan Strait Crisis were clearly interpreted by ASEAN members as a show of force. The message was that China would use its increasing military capabilities if it was unable to reach its territorial aims by diplomatic means. In regard to the still open territorial disputes in the SCS, China's behaviour in 1995–1996 was highly unsettling, if not downright threatening, to other SCS claimants. The events of 1995–1996, especially the Taiwan Strait Crisis, had several important implications for the security architecture in the region.

For China, the intervention of the US Seventh Fleet in the Taiwan Strait Crisis and its perceived interference in Chinese internal affairs highlighted the need for a PLA modernisation programme which would provide the capabilities to deny another US intervention in the Taiwan Strait in the future. This conclusion is congruent with the dynamic of China's arms purchases and the goal of acquiring weapons systems analysed in the preceding chapter.

For the ASEAN member states, the 1995–1996 Taiwan Strait Crisis simply confirmed their impressions of the 1995 occupation of the contested Mischief Reef. China would take advantage of its growing military power to resolve territorial disputes in its favour if it remained unconstrained by the United States. Therefore, in the aftermath of the 1995–1996 events, many ASEAN member states reinforced their military ties with the USA and initiated military modernisation programmes on an unprecedented scale.⁷

For the USA, the Taiwan Strait Crisis was a lesson about how important the Taiwan issue was to China's policymakers and a strong reminder of the potential costs of Taiwanese independence. As regards perceptions of China, the proponents of the 'China threat' theory saw China's threatening behaviour towards Taiwan as a confirmation. Texts with such revealing titles as "The Coming Conflict with America," by Richard Bernstein and Ross H. Munro were widely read and well received in the West.

MILITARY EXERCISES

China's military exercises are a demonstration of the growing capabilities of the PLA forces and are therefore observed attentively by security analysts and policymakers alike. Analysts seek to draw conclusions about the strategic aims of the PLA by studying the weapons systems it deploys

and its simulated military operations. China's military exercises have only recently received more widespread attention both from within China and abroad, probably because of the PLA's limited capabilities of the PLA prior to its military modernisation programme initiated in the mid-1990s. The most important and largest-scale PLA military exercises and its joint military exercises with foreign forces are summarised below to demonstrate the development of the PLA's military exercises activity.

China's Solitary Military Exercises

The exercises in Fujian province and the simulated invasion of Dongshan Island have been the largest combined military exercises of PLA forces. During 1996 and 2000, the PLA had already conducted military exercises with the invasion of an island (read Taiwan) as its goal. These annual exercises took place on and near Dongshan Island.

In November 2007, the PLAN conducted large-scale military exercises in the South China Sea involving warships, aircraft, and missile firing. This naval exercise in the vicinity of the Paracel and Spratly Islands is noteworthy insofar as it took place in relation to China's decision to formalise its claims to the Spratly Islands by elevating their administrative status to municipalities in December. These naval exercises thus had to be classified as an act of coercive diplomacy in regard of the other SCS claimants.

In 2010, China conducted major naval exercises in the South China Sea, obviously to emphasise its territorial claims in the SCS. The PLAN conducted three major exercises, the first in April and the following two in July. The most modern warships of the PLAN fleet participated, the live missile firings especially attracting attention.

The naval exercises were the largest of their kind and since the exercises in July were conducted before and after the 17th ARF summit on July 23, when the USA proposed resolving the question of the SCS disputes multilaterally, it can be argued that China used these exercises to send a distinct message. China's naval exercises became larger in scope and more sophisticated in regard to engaged weapons systems after 2010. 2014 marked heightened Chinese participation in (joint) naval exercises. In February, the PLAN conducted naval exercises in the Indian Ocean, including combat simulations. Naturally, these exercises triggered sharp reactions from India and raised suspicions about China's naval presence in the perceived domestic waters of its rival India. Prior to the exercises in the Indian Ocean, the participating PLAN vessels (an amphibious landing

ship and two destroyers) conducted patrols at James Shoal in the South China Sea. James Shoal, located south of the Spratly Islands, is claimed by China and Malaysia, so this naval patrol was as conflictual as the exercises in the Indian Ocean that succeeded it. In May 2016, China's PLAN conducted anti-piracy drills in the Indian Ocean, a taskforce of the South China Sea fleet trained emergency response capacities. For this simulation the fleet consisted of a guided-missile destroyer and a guided-missile frigate which provided escort for a transportation convoy. Before this exercise in the Indian Ocean, the taskforce conducted anti-submarine exercises in the SCS.

Sino-Russian/SCO Military Exercises

China conducted its first joint military exercises with a foreign army in October 1999. During the Russian Pacific Fleet's visit to China, it conducted joint naval exercises with the PLAN's Eastern Fleet. The exercises took place in the East China Sea near Shanghai and were limited both as regards the weapons systems involved and the scope of the exercises.

In 2001, the two armies conducted military exercises using Russian strategic bombers and in 2005, together with the members of the Shanghai Cooperation Organisation (SCO), China and Russia carried out a military exercise called Peace Mission 2005 on China's Shandong (山东) Peninsula in the vicinity of the two Koreas. The exercise combined air, sea, and ground forces.

In total, 8,000 Chinese and 2,000 Russian troops participated in this exercise, which was meant to simulate anti-terrorist operations but was classified by many analysts as more suited to conventional security threats. The exercises included major amphibious landing on a beachhead, air cover by Su-27 fighters, and cruise missile tests against naval targets. Some experts assumed, therefore, that these exercises were meant to demonstrate Russia's and China's interests in the Korean peninsula as well as China's ability to defend its territorial claims (e.g., in view of Japan). The simulations hardly fitted the requirements of terrorist threats:

Indeed, the supposed terrorists that were targeted in the operation possessed combat aircrafts – a very uncommon asset for any terrorist force – and

a major electro-magnetic operation took place, signaling a very intricate, large-scale, and even atypical counter-terrorism operation. These large-scale conventional exercises involving combined arms operations against terrorists in an urban setting, while deploying missiles, air assaults, aerial bombings, air defense forces and ground attack all point to the fact that these operations could easily be duplicated to scenarios extending beyond Central Asia. (Blank 2009, p. 8)

Reactions to Peace Mission 2005 illustrate third parties' fear of a change in the regional security structure. Some observers even interpreted the exercise as a message from China asserting its regional hegemonic power and thus unmasking China's true intentions: to aggressively expand its economic and strategic interests. These suspicions are not merely hysterical overreactions. The security architecture in the Asian region following the Cold War has been characterised by a militarily weak China and modest but sufficient security guarantees from the USA to its allies in the region. The growing military capabilities of China, especially in cooperation with Russia, would alter the established security balance.

Two years later, the same participants conducted Peace Mission 2007, this time on Chinese and Russian territory. This was a new experience for China's armed forces because for the first time in PLA history, large numbers of troops, combat and transport aircraft were transported thousands of kilometres and conducted combined land and air attack operations.

The exercises took place in China's Xinjiang Uyghur Autonomous Region and Russian's Chelyabinsk region and were designed to address the threats of terrorism, separatism, and extremism as outlined in China's defence white paper published the following year.

In 2009, Chinese and Russian naval forces conducted joint anti-piracy exercises in the Gulf of Aden off the coast of Somalia. The exercises, named Blue Peace Shield 2009, involved two Chinese missile frigates and a Russian missile destroyer and included helicopter missions to identify ships, coordinated resupply efforts and live-fire drills. In the same year, Peace Mission 2009 was again dominated by Russian and Chinese forces (although SCO partners were also involved), and apparently simulated operations beyond its publicised anti-terror purposes and even beyond the Central Asian region. To quote security expert Stephen Blank:

Experts debate the strategic implications of this military partnership, which arguably go beyond Russian arms sales to China, and appears to be clearly tied to an anti-American military scenario, and probably connected to Taiwan or ousting the United States from Central Asian bases, or to a common opposition to U.S. missile defenses. A less discussed but increasingly plausible scenario includes the possibility of joint military action in response to a regime crisis in the Democratic Republic of North Korea (DPRK). (Blank 2009, p. 7)

In 2010, Peace Mission 2010 military exercises took place in Kazakhstan and all SCO member states participated with the exception of Uzbekistan which withdrew at short notice. China's PLA sent approximately 1,000 ground-force soldiers and an air-force combat group. More than 1,000 armed vehicles, over 50 military aircraft and large numbers of artillery, rocket launchers and further ground equipment were deployed, most of them Russian forces. The aim was to demonstrate the SCO's capabilities in fighting terrorist and separatist uprisings. China and Russia also wanted to assure their fellow SCO members of help in managing their security challenges.

Between 2002 and 2010, China participated in over 20 joint military exercises with SCO members, either bilaterally or multilaterally. Further Peace Mission military exercises continued to focus on anti-terrorism cooperation and were meant to strengthen the SCO's anti-terrorism branch, the Regional Anti-Terrorist Structure (RATS) headquartered in Tashkent (Uzbekistan).

The scope of these multilateral exercises has seen a steady expansion. Peace Mission 2014, involving 7,000 personnel from army and air-force units as well as 'special ops', was again focused on the so-called 'three evils': terrorism, separatism, and extremism.

In 2012, China and Russia held a joint naval drill called 'Joint Sea 2012' which has since become an annual bilateral military exercise. The 2012 exercises off the Chinese coast in the Yellow Sea were dominated by anti-submarine operations and maritime air defence exercises. In total, 16 PLAN vessels and four Russian warships took part, demonstrating the willingness of China and Russia to perpetuate the Peace Mission land-based military exercises at sea.

In July 2013, 19 Chinese and Russian surface ships, including destroyers and frigates, a submarine, and naval aircraft participated in the Joint Sea 2013/Naval Interaction 2013 in the Bay of Peter the Great, off the

Russian coast near Vladivostok, participating in the exercise belonged to the Luyang-II class (Type 052C) and Guangzhou class (Type 052B) PLAN ships as well as Luzhou class (Type 051C) and Jiangkai-II class (Type 054A) destroyers were deployed. The joint naval exercise was an impressive show of force that demonstrated the capability of China's most sophisticated indigenously developed naval systems.

The Joint Sea 2014 exercises were dominated by combat simulations and demonstrated a high degree of interoperability of the two naval forces. The venue was the northern part of the East China Sea, an area where China is occasionally engaged in skirmishes with Japan over the disputed Senkaku/Diaoyutai islands.

Two naval exercises took place in 2015: Naval Interaction 2015 in the Mediterranean, and Joint Sea-2015 II in the Sea of Japan. Joint Sea-2015 II, the largest ever naval exercise in the Pacific, involved more than 20 ships simulating anti-submarine and air defence combat as well as troop landing on a beach. Joint military exercises with Russian forces are important for the PLA because its Russian partners' deployment and mastery of the weapons systems China has purchased enable it to adopt their strategies and tactics. Furthermore, many of the SCO military exercises have taken place in Central Asian locations that are of crucial importance for China's anti-separatism struggles (e.g., Tibet and Xinjiang). Finally, joint military exercises with Russia are improving overall Sino-Russian relations and preventing China's comprehensive military modernisation programme being perceived as a threat. Joint military exercises foster transparency and thus dilute suspicion among security analysts of the participating nations.

On the other hand, the same joint military exercises that mitigate threat assessments among SCO members might increase threat perceptions among concerned nations that do not participate in the SCO. The Peace Mission exercises have fostered suspicions among Western analysts about the possible establishment of an anti-NATO organisation. And although these exercises are declared to be counter-terrorist simulations, the scale and nature of the weapons systems deployed raise doubts about their real intentions.

In 2014, exercises by China's military forces, and especially the PLAN, reached a new level, in regard to both sheer number and participating forces. The messages sent by these exercises were mixed. On the one hand, China demonstrated a new quality of openness by participating in Pacific Rim exercises; on the other hand, exercises meant to send distinct messages to conflicted parties (i.e., naval exercises in the Indian Ocean, South

China Sea, and East China Sea) increased suspicions about China's growing military capabilities, contributing to a higher perceived 'China threat'.

China's Military Exercises with Pakistan and Iran

China and Pakistan share close political and military ties, originating in the wake of the 1962 Sino-Indian War. The relationship was fostered in the 1970s and 1980s as the two countries worked together to support the Afghan *mujaheddin* in the fight against the Soviet Union. Sino-Pakistani military cooperation included the transfer of nuclear technology, missile-related technology, and a range of conventional weapons. Therefore, when China reached out for joint military exercises partners in the new millennium, Pakistan's armed forces were an obvious candidate.

In 2003, China conducted its first joint exercise with the Pakistan Navy off the coast of Shanghai. The exercise involved some 700 Pakistani sailors as well as helicopters and airplanes, and was meant to showcase the Sino-Pakistani strategic partnership in defence matters. Chinese Navy Rear Admiral Xiu Ji Wen, clearly ignoring the Sino-Russian exercise of 1999, declared the exercise to be the first China had conducted with a foreign country.

In 2004, China and Pakistan conducted a joint counter-terrorism exercise in the Chinese region of Xinjiang. And in 2005, the navies of China and Pakistan conducted a second bilateral joint military exercise in the Arabian Sea. In 2007, Pakistan invited the PLAN to join a multilateral naval exercise, again in the Arabian Sea, this time off the coast of Karachi. Besides Pakistan's navy and the PLAN, warships from Bangladesh, France, Italy, Malaysia, the United Kingdom, and the United States participated. This was the first comprehensive naval exercise the PLAN had conducted in the Arabian Sea, and was followed by further exercises in 2009 with 19 foreign naval ships. Between 2011 and 2015, China and Pakistan conducted a total of four joint air drills called Shaheen (Eagle).

China and Pakistan have also cooperated in simulated disaster relief operations. In 2014, Peace Angel 2014 joint exercise took place in Pakistan, simulating rescue operations after an earthquake in the region.

In September 2014, China conducted its first naval exercises with Iran in the Strait of Hormuz, historically a location of high geopolitical importance. The exercise demonstrated China's growing capability to deploy PLAN forces far away from home ports – important for the 'One Belt, One Road' project and its maritime part (the Maritime Silk Road).

Although small in scope, with only two PLAN vessels participating, the event embodied symbolic significance and a political message

Sino-US/Sino-ASEAN Military Exercises

In 2002, Chinese officers participated as observers in naval exercises conducted by the United States, Singapore, Japan, and Thailand in the western Pacific.

Beginning in 2005 with the China-Thailand Friendship 2005, China conducted annual Special Forces exercises with Thailand. The Blue Assault 2010 Sino-Thai drill was the first time that China's marines had trained with another country's forces. The joint training involved more than 100 marines from each side and was focused on anti-terrorism missions. However, some observers assumed that the exercises were also designed to address a potential scenario in the Taiwan Strait.

In 2006, the PLAN conducted its first joint search and rescue exercises with the US Navy in San Diego Bay and the South China Sea. Bilateral USA-China naval exercises continued and in 2014, the third joint maritime anti-piracy exercise took place in the Gulf of Aden.

In 2007, the PLAN participated in Western Pacific Naval Symposium (WPNS) exercises organised by Singapore in the South China Sea. Besides Singapore, China, and the United States, six other navies participated in joint naval exercises such as mine clearing.

In 2013, China and Indonesia began annual anti-terrorism drills called Sharp Knife Airborne.

In the Maritime Cooperation 2014 multilateral naval exercise the PLAN was joined by Brunei, Indonesia, Malaysia, Singapore, Bangladesh, India and Pakistan. The exercise only lasted for five hours and included joint rescue and joint anti-hijacking exercises.

In the same year, China took part for the first time in the Rim of the Pacific multilateral naval exercise (RIMPAC). Organised by the US Third Fleet, this joint naval exercise is attended by members of 22 nations including Australia, India, South Korea, the Philippines and Singapore. China's participation in the world's largest naval exercises alongside the navies of the USA and some of its allies suggests a normalisation of relations and a greater transparency in military affairs. Ni Lexiong, a Chinese military expert, characterised the nature of military relations as follows:

The rule of the game now is that we can argue, we can quarrel, but at the same time, we can work together. And everybody has shown respect for that rule. (*The Guardian*, 10 June, 2014)

In 2015, the PLAN and the US Navy conducted joint naval drills including surface rescue simulations, and training began on a new communications protocol. The Code for Unplanned Encounters at Sea (CUES) was adopted in 2014 and should enhance maritime security in the Asia-Pacific. In November, joint naval exercises with Australia were conducted, another demonstration of China's new openness towards its perceived rivals in Asian waters (in regard to the US Pivot to Asia). However, as some observers assume, this could have been meant in response to China-Russia naval exercises in the SCS, scheduled for 2016.

In 2015, China initiated bilateral military exercises with Malaysia (Peace and Friendship-2015 took place in the Strait of Malacca) and future annual joint exercises are scheduled.

Also in 2015, a milestone year in China's policy of conducting joint military exercises with ASEAN members, China's PLAAF and the Thai air force conducted their first joint training, a measure designed to deepen trust and build confidence. In May 2015 China and Singapore conducted bilateral naval exercises for the first time (China-Singapore Cooperation-2015). The ground forces of the two countries had already conducted three joint military exercises between 2009 and 2014, but in view of the disputed territories in the SCS, the joint naval exercises have sent a far stronger message.

Military exercises in general are not threatening *per se*. Especially when conducted multilaterally, they can build confidence and demonstrate transparency. In the case of the PLA's military exercises, it is interesting to study its choice of partners. Apparently, there is a preference for conducting exercises with member states of the SCO (Pakistan's membership was approved in July 2015 and Iran inherits observer status in the SCO) rather than with navies of the ASEAN. While the USA conducts joint military exercises on an annual basis with ASEAN member states (e.g., Cooperation Afloat Readiness and Training (CARAT), and Cobra Gold), until 2010, China had only participated in the Singapore-led WPNS and conducted joint naval exercises with Thailand.

SATELLITE DOWNING

China has demonstrated its progress in missile technology and precision strike capabilities with the testing of a direct-ascent anti-satellite (ASAT) missile, much to the disgust of US policymakers, particularly as China did not announce this test in advance.

On January 11, 2007, China successfully hit a decommissioned weather satellite in polar orbit with a DF-21 missile and destroyed it. The successful testing of ASAT missiles caused huge concern because of the increasing reliance of US high-technology forces on space-based communication assets, hence their vulnerability to ASAT missiles.

Not only the USA, but India and Japan sharply criticised China's ASAT missile test, calling it a violation of international law and contradicting China's rhetoric of a "peaceful use of outer space".

One result of China's ASAT missile test was the end of any prospects for Sino-US cooperation in space; rather, it led to calls for tighter controls on technology transfers to China. It might be argued that China's ASAT test has to be seen in the context of the series of space war games held by the US Space Command since 2001 and that China's action was thus defensive. Nevertheless, the successful 2007 test of China's ASAT missile highlighted the impressive progress of Chinese indigenous missile technology, causing doubts about the viability of the US-Japanese defence missile shield then being planned. Further, given the increased dependence of modern weapons systems on satellite-based communications and intelligence systems, ASAT missiles are the weapon of choice for any technologically inferior army. They belong to the category of asymmetrical warfare weapons known as 'assassin's mace' considered by some analysts as the cornerstone of China's military strategy in the event of a future Sino-US confrontation.

China's successful ASAT missile test demonstrated that (US) satellites are vulnerable to ground-based missiles and thus drew attention to the defence of these strategically important systems.

MINOR INCIDENTS

In the South China Sea, skirmishes between littoral coast guards and foreign fishermen occur occasionally and are in general not too serious. However, during the past two decades, there has been a series of more precarious incidents, which can be broadly distinguished as of three types:

clashes between fishermen and coast guards who believe that the fishermen are intruding on their waters; incidents between survey ships and coast guards/naval vessels in disputed waters; and incidents between the armed forces of two nations.

Fishermen and Coast Guards

The most common cause of trouble in the South China Sea is alleged violations of territorial waters bringing fishermen into conflict with another nation's coast guard. Unresolved disputes over islands and lines of demarcation periodically cause fishing boats to be forced out of a claimant's alleged territorial waters. Occasionally, these incidents lead to the short-term detention of the fishing boat's crew but in general, their conflict potential is rather low, although from time to time they can excite national sentiments and trigger vivid protests and demonstrations in the fishermen's country.

A more serious incident that illustrates the volatility of these events and how quickly they can turn into deadly accidents occurred in July 2007. Vietnamese fishing boats shipping in the Spratlys were attacked by Chinese patrol vessels. The Chinese opened fire resulting in the sinking of one ship and the death of one fisherman (Emmers [2010](#), p. 75).

Survey Ships and Coast Guards/Naval Vessels

Incidents between survey ships and coastguard or naval vessels are a recent phenomenon.

In 2014, China's deployment of an oil rig for exploration off the Vietnamese coast unleashed the most serious diplomatic crisis between these two states since the end of the Cold War. In May 2014, the China National Offshore Oil Corporation (CNOOC) moved its *Haiyang Shiyou 981* (HYSY 981) oil rig into waters near the Paracel Islands for exploration works. The rig's location was a mere 120 nm off Vietnam's coast and thus well within Vietnam's 200 nm EEZ.

However, since the location of HYSY 981 was also only 180 nm south of China's Hainan Island, the location marked an overlap of the two countries' EEZs. China deployed 40 maritime vessels to escort and secure the state-of-the-art oil rig (worth approximately US\$1bn). At the peak of the resulting stand-off 63 Vietnamese vessels were deployed in the area trying to prevent HYSY 981 from carrying out its work. The stand-off led to the

sinking of a Vietnamese boat that had been rammed by a Chinese vessel, and the arrest of 13 Vietnamese fishermen. Fierce protests in Vietnam further fuelled the conflict. Security experts assessed this stand-off between China and Vietnam as the most conflict-prone and dangerous clash of recent decades.

CHINA–USA AND CHINA–JAPAN

Incidents between the armed forces of China and the USA naturally attract more attention than minor incidents between fishing boats and coast guards, due to the political implications and the scale of the forces involved. Similarly, incidents between Chinese armed forces and Japanese forces are often related to the Sino-Japanese dispute over the Diaoyutai/Senkaku Islands. The nature and origin of these incidents cannot be analysed here in detail, but to complete the picture of any threatening actions by China's armed forces, they are briefly described here.

The first reported incident between the PLA and US forces took place in 1994, when a Chinese Han class submarine approached the USS *Kitty Hawk* aircraft carrier in the East China Sea. The Chinese submarine chased the US warship and surfaced in its vicinity undetected, demonstrating both its own capability and the shortcomings of US anti-submarine surveillance.

In April 2001, a US EP-3 reconnaissance plane collided with a Chinese J-8 jet fighter in an apparent attempt to force the US plane out of Chinese airspace. The US plane was forced to make an emergency landing on Hainan Island and its crew, accused of spying activities, detained for eleven days. This The Chinese effort to deter the USA from conducting intelligence flights over China's EEZ triggered a tense crisis in Sino-US relations and created the first tension in the Taiwan Strait since the Taiwan Strait Crisis of 1995–1996.

In March 2009, a skirmish occurred between the US surveillance ship USNS *Impeccable* and Chinese vessels off Hainan Island. The *Impeccable* was accused of illegal activities in China's EEZ, and similarly to the 2001 incident, China resorted to the use of force to illustrate its territorial claims. Unlike the 2001 incident, however, this time PLA forces did not harass the US ship, but Chinese fishing vessels forced the *Impeccable* to leave the waters. This incident was the most serious in a number of minor confrontations between Chinese vessels and US surveillance ships in March 2009. In July 2009, another incident occurred off the coast of the Philippines'

Subic Bay, far distant from Chinese territorial waters by any definition. A Chinese submarine, which was apparently on a surveillance and training mission, collided with the towed sonar array of the USS *John S. McCain*. The *John S. McCain* is stationed in Yokosuka, Japan, and belongs to the US Seventh Fleet. As a guided-missile destroyer it is equipped with anti-submarine weapons and Aegis systems. The Chinese submarine was not detected by the *John S. McCain* despite diving in its very vicinity, a further demonstration of how greatly PLAN capabilities had improved.

In 2015, the US Navy conducted a freedom of navigation operation through the disputed waters of the SCS in response to heightened security suspicions around China's enlargement of artificial islands in the SCS. In an unequivocal message the USA sent a guided-missile destroyer (*USS Lassen*) through the disputed waters of the Spratly Islands. The destroyer passed a mere six miles off Subi Reef, a recently enlarged artificial island occupied by China. This action was meant to send China, as well as other claimants to the disputed islands in the SCS a clear message that the USA would uphold the right of free passage and freedom of navigation in these waters. The USA urged China to stop the artificial enlargement of occupied islets and to resolve the disputes peacefully.

Minor clashes between fishing boats and the SCS claimants' coast guards occur occasionally; they are neither a threat to regional security nor do they prove any assessments of a 'China threat'. As regards incidents between survey ships and coast guards/naval ships, it has to be noted that violations of claimed territories and the granting of oil exploration rights in these disputed waters are mutual. Both types of incident only serve to highlight the need for a resolution of these territorial disputes and the lack of a regional institution to settle violations of territorial waters. Despite the Declaration on the Conduct of Parties in the SCS, signed in 2002 by China and the ten member states of ASEAN and considered a breakthrough agreement in terms of managing tensions related to the territorial disputes, the occasional outbreak of skirmishes has not been prevented.

Press reports about incidents involving US and Japanese forces attracted much attention in the countries concerned but the real conflict potential was negligible. All the parties have a vested interest in avoiding the outbreak of any serious fighting, and this is especially true in respect of the SCS claimants' disputes with China.

NOTES

1. The history of the South China Sea conflicts about the Paracel and Spratly Islands is analysed in more detail below and in Part II of this study.
2. 1 nautical mile = 1,852 metres.
3. This series of workshops will be analysed in more detail in Part II.
4. Chinese commentaries even speak of three generations of different island structures: first-generation “sheds” were built of bamboo; second-generation “octagonal pavilions” were built of iron sheeting; and the third-generation “permanent constructions” in the form of three-story white buildings on concrete platforms, which are referred to by the men who man them as “fortresses in the sea” or “sea bastions”. See Baker and Wiencek (2002).
5. The Center for Strategic & International Studies (CSIS) has initiated the Asia Maritime Transparency Initiative (AMTI) which tracks developments on the disputed islets of the SCS and publishes satellite surveillance of the developments: www.amti.csis.org
6. The original text of President Lee Teng-hui’s speech at Cornell University is available online at: http://www.news.cornell.edu/campus/Lee/Lee_Speech.html
7. The Asian Financial Crisis of 1997–1998 caused these military modernisation efforts to experience a substantial setback, but see Chap. 5 for a more detailed analysis of ASEAN members’ response to China’s PLA build-up.

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Strategic Considerations

China's military strategy underwent a decisive change under Chairman Deng Xiaoping, who abandoned the old paradigm of People's War 人民战争 – *rénmín zhànzhēng*) in favour of a more mechanised strategy. This strategic shift, decided in the 1970s, was the ideological driver of China's arms purchases and indigenous weapons system development throughout the 1990s and beyond. This chapter first assesses the fundamental change in China's military strategy, then evaluates several of its crucial scenarios before finally analysing the appropriateness of this new military strategy and its implementation to China's most urgent security issues.

MODERNISATION OF CHINA'S MILITARY STRATEGY

The modernisation process of China's armed forces, which began in the 1970s, underwent fundamental changes during the 1980s when the PLA demobilised one million of its four million troops due to changed threat perceptions. During the 1980s, Chinese strategic planners no longer identified the Soviet Union as the main threat to China but began to shift their focus towards the coast and offshore areas. This strategic shift brought with it an increased need to modernise the navy and air force.

The heightened focus on potential offshore theatres can be linked to Admiral Liu Huaqing's appointment as commander of the navy in 1982. Liu advocated a strong navy to address future scenarios of attacks from

the sea which he considered more probable than large-scale land wars. He developed an ‘offshore defence’ military strategy which required the modernisation and substantial build-up of China’s naval forces (PLAN and for air support PLAAF). Liu planned to achieve limited blue-water capabilities by 2000, acquire one or two aircraft carriers between 2000 and 2020, and finally become a global blue-water navy on the level of the US Navy by 2040.

A crucial part of Liu’s ‘offshore defence’ strategy was to defend the waters within the First and Second Island Chains. This ‘active defence’ strategic concept encompasses the Yellow Sea, East China Sea, South China Sea, and the Ryukyu island chain.

The First Island Chain is delimited by the Aleutians, the Kuriles, Japan, Taiwan, the Philippines, and Borneo, while the Second Island Chain is located to the east from north of the Bonin Islands, and southwards to the Marianas, Guam, and the Caroline Islands (see Fig. 5.1).¹ However, since the precise location of these islands chains has never been officially defined by the Chinese government, these delimitations are rather broad concepts for defence of the coastal waters (Yellow Sea, East China Sea,



Fig. 5.1 Map of First and Second Island Chains (*Source:* DoD (2006). Annual report to congress: military power of the People’s Republic of China. Washington, DC: Office of the Secretary of Defense)

South China Sea) as a first step and to project (naval) power even further eastwards in a second.

In this respect it is also important to differentiate between ‘area control’ and ‘area denial’ concepts which originate in Soviet naval strategy:

The Soviet’s [sic] innermost zone was called the “area of sea control”; the second was the “area of sea denial”; the third was a broad region for long-range reconnaissance and submarine interdiction. Liu Huaqing’s delin-eation of island chains almost certainly owes its origin to these “zones,” the first and second of which extended seaward two thousand kilometres, closely matching Liu’s lines, the second of which lies eighteen hundred to two thousand kilometres from China’s coast. (Cole 2007, p. 26)

The rationale of this ‘offshore defence’ strategy is, apart from military considerations, the importance of China’s coastal areas. China’s coastal land zone (defined as 200 km inland from the sea) accommodates 41 % of the country’s population and produces 70 % of its GDP and 90 % of its exports. The modernisation of China’s naval forces to meet the requirements of this ‘offshore defence’ strategy was Liu Huaqing’s long-term goal, which he pursued throughout his various posts in the army and communist party.

The new strategy established in the early 1990s focused on the need to develop armed forces equipped with high-quality and sophisticated weapons systems. The military capabilities demonstrated by the USA during the Gulf War of 1991 made China realise the need for highly modernised forces, particularly air-delivered weapons, and the importance of the PLA Air Force (PLAAF) was heightened. In 1992, the PLA adopted a new policy emphasising the importance of indigenous R&D efforts and a focus on key equipment rather than large-scale purchases. Modernisation of the air force to include surface-to-air missiles became a priority and focused on long-range, all-weather fighters, air-refuelling aircraft, ground-attack capabilities and airborne precision-guided cruise missiles.

China’s military planners became aware that the PLA had to comprehensively adapt its capabilities to the realities of modern warfare. This essential transformation was no less than a ‘revolution in military affairs’ (RMA), defined by security expert Bates Gill in the following way:

RMAs are not simply technological in nature, but concern significant progress and change in at least 4-5 important military-related areas: technology, systems, operations, organization, and strategy. (Gill 1996, p. 2)

Another definition by Andrew Krepinevich highlights the organisational value of an RMA when “the application of new technologies into a significant number of military systems combines with innovative operational concepts and organizational adaptation in a way that fundamentally alters the character and conduct of a conflict” (Krepinevich 1994, p. 30; see also Bitzinger 2010, p. 89).

Lonnie Henley explains the revolutionary character of an RMA in strategic relations:

‘Revolution’ in this case consists of being the first to develop and implement a new paradigm, a new concept of how to prosecute military operations. It does not necessarily require cutting edge technology; in an oft-cited example, the German blitzkrieg in the late 1930s employed the same technological components available to the other major powers, but applied according to a radically more effective operational doctrine. Without denigrating the technological sophistication of the German equipment, it was the doctrine, the innovative application of available technology, that constituted a revolutionary breakthrough. One could even argue that guerrilla warfare as developed by Mao, Guevara, and Ho in the mid-20th century represented an RMA based on a very low level of technology. (Henley 1996, p. 39)

This last definition points to a crucial element in China’s modernisation of its military strategy. As well as improving the technological standard of its weapons systems and the need to adopt modern information technology systems, China seems to deploy military tactics of asymmetric warfare, attacks of surprise, and is developing for this purpose what several analysts have termed ‘Assassin’s Mace’ weapons.²

In 1995, in a move that signalled the new direction in China’s strategic security thinking, the Central Military Commission (CMC) established a programme that fundamentally changed the military strategy of China’s armed forces. The ‘two transformations’ programme required the PLA, first, to change its strategy from preparing to fight local wars under traditional conditions towards fighting local wars under modern, high-technology conditions. Second, the PLA should be transformed from a personnel-intensive army relying on a large number of troops and rather static in regard to its mobility towards a technology-intensive army relying on sophisticated weapons systems and designed for rapid deployment in the event of a crisis.

The newly established military strategy focuses on three main pillars central to Chinese security: national unity, stability, and sovereignty. The

first pillar ‘national unity’ relates to smouldering conflicts of independence in the Xinjiang autonomous region and in Tibet, and the unresolved question of the status of Taiwan. The second pillar highlights the threat of insurgencies and terrorist attacks (possibly related to these independence struggles), and the overall necessity of maintaining a stable society to guarantee China’s continued economic and societal development. Third, the ‘sovereignty’ pillar refers to unresolved territorial disputes with Japan, India, and in the South China Sea; it also refers to the defence of Chinese territory from attack by sea, land, or air.

The modernisation programme of the PLA forces, which intensified in the early 1990s, was meant to prepare the PLA for changed security threats in the new security environment which followed the bloc confrontation of the Cold War years. The military modernisation schedule envisaged that in 2010, the basis of the modernisation would be established, while in 2050 the entire modernisation process would be complete. Within this schedule, the crucial development of ‘informationalisation,’ – the inter-connectivity of forces and weapons systems – would be realised during 2010–2020.

DEFENCE WHITE PAPERS

In July 1998, China published its first Defence White Paper (国防白皮书 – *guó fáng bái pí shū*) outlining the process of military modernisation and assessing the Chinese security environment. Although it was criticised for being superficial and vague in several respects, its release marked a milestone towards increased transparency of the PLA as a whole and its military modernisation programme in particular. (See the original white paper ‘China’s National Defence’ at: <http://www.china.org.cn/e-white/5/index.htm>.)

The general trend in China’s military strategy has been influenced by the improved international security environment that developed after the Cold War and the new focus on non-traditional security threats after the terrorist attacks of 9/11. Accordingly, China has reduced its traditional land-based army designed for large-scale border wars with conventional armies (e.g., the Soviet Union). The PLA has reduced its tank and artillery divisions and concentrated on building smaller and more agile units which better fit the requirements for quick responses to non-traditional threats. A 2010 study of China’s military modernisation programme draws the following conclusions:

Structurally China is reducing its dependency on heavy forces from the time of the Cold War, such as artillery, tank divisions and mechanised infantry.

Instead, lighter forces such as airborne, marine and normal infantry divisions have been expanded to successively increase strategic mobility following the American example. And the trend to smaller military formations is accelerating. Reorganizing divisions into brigade-sized units is a further example of copying US concepts (brigade combat team or BCTs). (Brune et al. 2010, p. 11)

Nevertheless, local rivalries and the number of unresolved border disputes, on land as well as at sea, have remained a core security concern among Chinese military planners and the country has retained conventional capabilities to counter these traditional security threats. Non-traditional security threats, however, were increasingly discussed after the publication of the defence white paper in 1998, at least by the general public.

NEW SECURITY CONCEPT

In the New Security Concept announced by China in 2002, the three pillars of China's security are defined in regard to the 'three evils' of terrorism, separatism and extremism. China's strategy to address these threats has obviously fostered its participation and engagement in the Shanghai Cooperation Organization (SCO) (formerly known as 'Shanghai Five'). The New Security Concept states:

The 'Shanghai Five' has taken the lead in making an unequivocal stand and proposition of combating terrorism, separatism, and extremism. Since the founding of SCO, the six member states have successively signed The Shanghai Convention on Combating Terrorism, Separatism and Extremism and The Agreement on Regional Counter-terrorism Agency.

In the aftermath of the 9/11 terrorist attacks on New York in 2001 and under the impression of a heightened threat of terrorism worldwide, China's new national security strategy focused increasingly on non-traditional security threats. The second section of the New Security Concept outlines this shift in strategic thinking:

After the cold war, the international situation has become characterized by relaxed international relations and growing world economy. ... The September 11 incident has glaringly demonstrated that security threats in today's world tend to be multi-faceted and global in scope.³

The New Security Concept was China's public declaration of a threat perception and the SCO was its visible institutionalisation. The fact that China and Russia further intensified their military cooperation via the SCO raised additional security concerns. The phrase 'NATO of the East' was coined to express a perception of a military alliance to counter Western security arrangements (i.e., NATO).

TRADITIONAL SECURITY THREATS

As far as external threats are concerned, strategists have identified the main sources of threat for the PLA. According to a study by the US think tank RAND Corporation entitled "Modernizing China's Military – Opportunities and Constraints", which analysed publications by Chinese military strategists, the threats perceived by Chinese include the US military, Japan, India, and border, coastal, and territorial water defence in general.

The United States

In the past, China's concern about the US military was mainly related to the dispute in the Taiwan Strait, which it was assumed would involve US forces if the dispute led to the outbreak of military fighting between the PLA and Taiwan's military forces, and continued US arms sales to Taiwan. In recent years, however, the deepened security alliance between the US and Japan, together with periodically conducted joint military exercises by the US and ASEAN member states, occasional minor incidents between the US and China,⁴ and overall increased US engagement in the region – all this has broadened and deepened the Chinese perception of a US threat. The 2011 announcement of the 'US Pivot to Asia' and the subsequent statement that the USA has a vital interest in ensuring freedom of navigation around the globe – including the SCS – further intensified the Chinese perception of US interference in China's core interests in foreign affairs.

Japan

The perception of Japan as a threat to Chinese security is related to Japan's military alliance with the USA, the US troops stationed in Japan, and USA–Japan plans to establish a missile defence shield in the region. Chinese doubts about Japan's benign behaviour are further rooted in

the still vivid memory of Japan's behaviour during World War II and the temporary occupation of Chinese mainland territory. Additionally, China and Japan are still involved in a territorial dispute about the Diaoyu (in Japanese, Senkaku) Islands (釣魚台列嶼 – *diàoyútái*) and the surrounding waters, which originates as far back as the World War II confrontation between them.

India

India and China have experienced an ambivalent relationship in recent decades, starting with the breakdown of diplomatic relations following the Sino-Indian border war in 1962, with relations decisively improving during the 1970s to the 1990s. The Sino-Indian border remained stable, economic relations and trade developed smoothly and on the diplomatic level, policymakers worked towards a solution to the border dispute. This positive trend in Sino-Indian relations received a severe setback when India successfully tested its nuclear missile in 1998, and relations were further aggravated when the then Indian defence minister announced the test to be in response to a growing Chinese threat.

China and India have since then put much diplomatic effort into ameliorating their relationship. However, apart from mutual declarations of a desired peaceful partnership there remain distinct strategic rivalries between China and India.

Both nations are modernising and upgrading their military forces at an impressive pace. The huge rise in China's military budget (although the actual figures remain opaque) and China's comprehensive purchases of Russian military technology have been analysed in detail in the Chap. 2. India's military budget is decidedly smaller but nonetheless India has become the world's biggest importer of weapons systems, predominantly of Russian origin. This accumulation of sophisticated weapons systems in the arsenals of two emerging powers engaged in territorial disputes is a cause for concern in both countries as it is in the whole region and beyond. Further, India's increasing investment in oil exploration activities in the South China Sea is regarded by China as interference in its territorial waters. On the other hand, China's active search for partners to provide port facilities along the Indian Ocean coast and its efforts to secure the sea lanes in these waters is regarded by India as Chinese interference in its sphere of influence.

In sum, China's border dispute with India is still unresolved, India poses a nuclear threat to China, engages in oil exploration activities in the SCS and potentially could interrupt the Indian Ocean sea lanes which are central to China's energy security. Thus, India emerges as the main cause for concern for Chinese strategists and as a rival for regional influence. On the positive side, China advocated India's accession to the SCO, which was accepted in July 2015. In 2016, India will become a full member (as will Pakistan) and cooperation on anti-terror programmes and joint military exercises organised by the SCO might function as a confidence-building measure (CBMs) for the relationship and improve the mutual threat perception.

NUCLEAR DETERRENCE

China's main strategy in regard of these major power threats is a strategy of nuclear deterrence, conducted via China's Second Artillery.

Finally, besides these three major threats (the US, Japan, and India), China faces a number of minor threatening actors along its vast land and sea borders, although the majority should be considered abstract only. In order to maintain its territorial sovereignty and to deny potential opponents access to Chinese territory, the PLA has focused on acquiring defence capabilities to protect its borders at land and sea.

The following section analyses the development of China's military strategy in view of a potential theatre in the Taiwan Strait, China's development of its power-projection capabilities in respect of securing vital sea lanes in the South China Sea, and China's area denial capabilities in the event of US interference. The aim of the section is to evaluate how appropriate the efforts of China's military modernisation programme are to addressing these scenarios.

TAIWAN STRAIT

Taiwan possesses importance for China beyond its significance in terms of Chinese national unity, outlined above as one of the three pillars of China's military strategy. The location of Taiwan along the seabed rim off China's coast qualifies it as a strategic port location for deep-water operations. This is important in view of clandestine submarine missions because submarines operating in ocean depths are much harder to monitor than

submarines operating in the rather shallow waters off China's coast. An analyst argues therefore:

Beijing's sovereignty over the island would enable its control over the strategic Taiwan and Luzon straits and extend its naval reach eastwards. Significantly, Taiwan would provide access to the deep waters of the Pacific Ocean, which would be ideal for operations of its nuclear submarines. (Khurana 2008, p. 159)

Other analysts also highlight the strategic importance of Taiwan, identifying the east coast of Taiwan as China's excellent access to the deep Pacific with huge potential for unobserved submarine missions.

China's strategy towards Taiwan has evolved from a stance of pure deterrence guaranteed by the establishment of hundreds of short- and medium-range ballistic missiles stationed on China's coast opposite Taiwan. In case of a unilateral declaration of Taiwanese independence, these missiles posed a retaliation threat and would thus prevent Taiwanese policymakers from declaring independence.

Over the past two decades, China has acquired weapons systems capable of invading the island rather than devastating it. Another potential strategy towards Taiwan is a sea blockade which would prevent an independence declaration by isolating Taiwan and interrupting vital energy supplies. As an island, Taiwan is highly vulnerable to any interruption of its energy or food and raw materials seaborne supplies. Some analysts have estimated that Taiwan's dependence on seaborne supplies accounts for more than 80 % of its food and most of its oil.

In this respect, three Taiwanese ports are of particular interest. The northern port of Keelung, Taichung in the west, and Kaohsiung in the south together handle some 90 % of all shipping entering and exiting Taiwan, and would therefore be the most likely targets of a Chinese sea blockade. And although these ports are located on Taiwan's west coast, and towards the Chinese mainland, their location is strategically rather unfavourable for China due to the shallow waters of the Taiwan Strait. According to military analysts, the complex underwater environment in the Taiwan Strait, combined with the high noise level in shallow waters would complicate both Taiwanese anti-submarine warfare (ASW) operations and the effectiveness of Chinese submarine operations.⁵

Another option for a sea blockade would be attempting to lay mines in the sea lanes towards Taiwan's important ports. However, since conventional mine-laying vessels would be highly vulnerable as long as China cannot obtain air dominance in the Taiwan Strait, the more likely scenario would be for submarines to lay mines, with all the attendant complications outlined above.

Even more important than defeating Taiwanese military forces would be preventing the USA from interfering in a Taiwan Strait scenario. China's newly overhauled aircraft carrier would have no additional strategic role, because according to military experts, "land-based aircraft can already cover the entire island, and attempts to use a single carrier of modest capabilities to deter or complicate the approach of an American naval task force would be ill-advised" (Erickson et al. 2012, p. 38).

China's acquisitions of Russian Su-27 and Su-30 fighter jets, and indigenously developed destroyers, frigates, and landing platform ships accord with these strategies for a potential invasion of the island. The Russian Kilo class submarines acquired and China's indigenously developed diesel submarines are designed for a blockade cutting the island off from sea-borne supplies. In both scenarios, the short- and medium-range missiles stationed on China's coast would play a supportive role.

China's strategy to avoid a unilateral declaration of Taiwanese independence is based on three military options. First, China poses the threat of devastating the island with a ballistic-missile airstrike. Second, China cuts Taiwan's supply lines via a sea blockade using its submarine fleet. Third, China forcibly takes over Taiwan in a military invasion of the island.

China's military modernisation programme of 1990–2010 strongly supports the view that Taiwan is one of China's main security concerns. Besides the acquisition and indigenous development of submarines, surface vessels, and fighter jets, China conducted military exercises simulating an invasion of Taiwan and applied political pressure to isolate Taiwan. The guiding principle of the One-China Policy (一个中国政策 – *yī gè zhōngguó zhèngcè*) was a precondition for deepening China–ASEAN relations and China was careful to keep the Taiwan question out of discussions in ASEAN-led organisations. China also tried to use its political clout to prevent further US arms sales to Taiwan, and militarily sought to gain area denial capabilities⁶ to eventually deter the USA from interfering in a military conflict over the Taiwan Strait.

Despite the military aspects of the China–Taiwan issue, on the political level huge progress has been made since the Ma Ying-jeou administration came to power in Taiwan in 2008. Economic relations between Taiwan and mainland China have been intensified and travel restrictions lifted, with direct flights established. The overall direction of the Ma administration’s policy was towards normalisation (and improvement) of relations with China. It remains to be seen how Taiwan’s policy towards China changes after the election of Taiwan’s president Tsai Ing-wen (Democratic Progressive Party) in 2016. Traditionally the DPP is an outspoken proponent of Taiwan’s independence and a critic of former president Ma’s policy of rapprochement.

SEA LINES OF COMMUNICATION IN THE SOUTH CHINA SEA

Sea Lines of Communication (SLOCs) is the strategic designation of sea lanes that are important in view of their viability for a single nation and for the global system as a whole. The importance of sea lanes for global trade is paramount. The United Nations Conference on Trade and Development (UNCTAD) report “Review of Maritime Transport 2010” states that over 80 % of global trade is carried by sea.

For most Asian states, besides the SLOCs’ importance for maintaining economic exchange, they are pivotal for energy security. The complex issue of energy security is defined by the UN Development Programme (UNDP) as “the availability of energy at all times in various forms, in sufficient quantities, and at affordable prices”. A recent report on the importance of SLOCs states:

The SLOCs through the South China and East China seas are already vital to the energy needs of the coastal states and their role is only likely to become more pronounced in the future. (Schofield et al. 2011, p. 8)

Two facts are crucial for understanding the importance of SLOCs for Asia’s energy security. First, most Asian countries (i.e., Japan, the Koreans, Taiwan, the Philippines, Vietnam, Laos, Cambodia, Singapore, Malaysia, Brunei, Thailand, New Zealand, Bangladesh, and Pakistan) possess almost no onshore energy reserves. Second, the transport cost per barrel per 1,000 kilometres is US\$0.163 by tanker, US\$0.793 by pipeline, and US\$7.19 by train (Cole 2008, p. 1; this example compares the transport costs for China). These countries are therefore highly dependent on energy imports and in rational economic terms there is no alternative to seaborne energy supply. As a result, these nations are very vulnerable in the event of an interruption of the SLOCs, and are concerned to avoid these scenarios.

The importance of the SLOCs is at least as high for China as for the other Asian nations. China has to maintain its economic growth to guarantee and avoid political disturbances. Among political experts economic growth of 8 % is considered the precondition for China to address its societal challenges, including demographic change, and the imbalances between (coastal) economically strong and (mainland) weak provinces. In 2014, economic growth slowed to 7 %, an expression of the complications China's economy is experiencing in transforming its industry.

China's dependence on international trade has continuously risen, reaching a percentage of international trade to domestic product of 73 % during 2006–2008. Although this percentage reduced to 55 % during 2008–2010, the development of China's economy requires uninterrupted connectivity to the global markets (data available at <http://stat.wto.org>). According to UNCTAD data, in 2009 six of the world's ten busiest ports were in China. 95 % of China's exports to Europe, Africa, and the Middle East, and almost 100 % of China's imports from Europe and the Middle East were shipped through the Indian Ocean and passed through the Strait of Malacca.

In 2014, China ranked 1 in merchandise world trade for exports and 2 for imports according to the WTO. In the period 2010–2014, Chinese exports of goods and services grew by 9 % while imports in the same period increased by 10 %. China is thus a definite beneficiary of the existing global trade system and its manufacturing industry (94 % of China's exports in 2014 were manufactures) is highly dependent on permanent access to vital sea lanes.

China is especially dependent on seaborne oil supplies from the Middle East transported through the Strait of Malacca. Because these oil imports account for approximately 80 % of China's total oil imports, the phrase 'Malacca Dilemma' was coined to highlight the dire problems that China would face in the event of any blockade of the Malacca Strait. The general importance of the Malacca Strait is assessed by Bernard D. Cole, retired captain of the US Navy and professor at the National War College, Washington, DC, as follows:

The Strait of Malacca is the most important shipping lane in the world, more important than either the Suez or Panama Canals in terms of both geopolitical significance and because of the numbers of ship amount of tonnage that pass through it. Malacca is the main ship route between the Indian and Pacific Oceans, directly linking Southwest, South, Southeast,

and Northeast Asia, including India, Indonesia, Japan, Korea, and China. (Cole 2008, p. 20)

Therefore, not only China but all the littoral states in the region are highly interested in guaranteeing free passage through the important sea lanes and in avoiding any interruption of the SLOCs. To address these security goals, virtually all Asian littoral states have increased their spending on armed forces.

At this point, it is important to identify the main threats to the SLOCs before evaluating the appropriateness of these build-ups. They include “military conflicts between regional nations, sovereignty disputes which threaten military conflict, terrorism, and international crime, usually falling under the rubric of ‘piracy’” (Cole 2008, p. 83).

Malaysia, Indonesia, and Singapore launched a project to monitor the waters around the Malacca Strait and to conduct patrols to counter piracy. This air surveillance project, known as Eyes in the Sky, was joined by Thailand in 2005 and is complemented by sea patrols. Both initiatives are part of an umbrella project called Malacca Strait Patrols, which is regarded as very successful and effective given the small number of forces involved, and which has (See: http://www.mindef.gov.sg/imindef/news_and_events/nr/2005/sep/13sep05_nr.html and: http://www.mindef.gov.sg/imindef/news_and_events/nr/2008/mar/28mar08_nr/28mar08_fs.html) deepened cooperation between the participants’ intelligence services (Indonesia, Malaysia, Singapore, and Thailand have formed the Intelligence Exchange Group (IEG) to improve anti-piracy and anti-terrorism efforts).

In a countermeasure to the rising tide of piracy attacks in Southeast Asia, Singapore has initiated radar surveillance to cover its coastal waters. Since 2014, a radar-equipped zeppelin has been flying at 600 m above Singapore and monitoring 200 km of the waters of the Malacca Strait and the SCS.

At the end of 2015, Vietnam presented its indigenously developed drone, or unmanned aerial vehicle (UAV) to improve aerial surveillance. The drone – which is supposedly based on Israeli and Belorussian technology given Vietnam’s former acquisitions – has an operational range of 4,000 km and is therefore able to monitor the waters off Vietnam’s coast as well as the disputed Spratly and Paracel Islands.

China’s strategy to secure the SLOCs has concentrated mainly on possessing a navy which is capable of patrolling critical SLOCs in times

of urgency. In general, China's strategic planners highlight the need to improve the power-projection capabilities of the PLA to interact quickly in the event of a threat arising in the SLOCs. All the main weapons systems acquisitions and indigenous developments of the past 20 years have at least partly been justified by the need to secure the SLOCs. The build-up of the PLAN with the acquisitions of Kilo class submarines, the indigenously developed frigates, destroyers, and even the aircraft carrier were intended to strengthen China's ability to secure the SLOCs. The acquisition of Russian Su-27 and Su-30 fighter aircraft as well as those developed indigenously allows a speedy reaction to a threatened interruption of the SLOCs.

However, evaluations of the success of China's efforts in respect of securing the SLOCs are ambivalent. Particularly in the event of a blockade of the Strait of Malacca, China's preparedness to project power into the area would face serious problems. First, its submarines would have little utility due to the shallow nature of most of the Malacca Strait preventing the sustained submerged operation of submarines. Second, China's surface vessels are unable to defend the SLOCs because they lack "guaranteed access to ports for refuelling, repairing, and replenishing as well as adequate numbers of at-sea-replenishment vessels necessary to support long-range missions" (Collins and Murray 2008, p. 80). To address these shortfalls, China is establishing partnerships with port facilities to gain supply facilities for its naval forces in the area, agreeing port modernisation projects or initiating the building of new port facilities with littoral states of the Indian Ocean. So far, such port partnerships have been established with Myanmar (Hianggyi, Akyab, Mergui), Bangladesh (Chittagong), Pakistan (Gwadar), and Sri Lanka (Hambantota).

The aircraft fighters that China has obtained during the past 20 years are in general a good means to instantly react to any given scenario. The Su-30s in particular provide the capability to fly missions far away from China's coastline over the South China Sea. IL-76 and IL-78 Russian refuelling tankers as well as indigenous developments based on these tankers allow the PLAAF to operate even in areas as distant as the Malacca Strait.

Finally, the aircraft-carrier programme is not appropriate for securing the SLOCs in the near future. While it provides the PLA with valuable options for deterring and attacking pirates or other threats to the SLOCs, even in areas far from the Chinese coast, intensive and time-consuming training for both ship's personnel and pilots is required before the carrier is fully operational. Additionally, for an aircraft carrier to become

operational, a group of escort, defence, and supply ships are required which China does not yet possess. Nonetheless, in the long term, China's aircraft carrier will solve some of these long-distance problems and could become a very valuable option for China in monitoring and controlling the SLOCs of the SCS, including the waters of the Strait of Malacca.

ANALYSING THE THREAT POSED BY CHINA'S MILITARY STRATEGY

China's overall security environment is quite harmonious, although there are unsettled territorial disputes about islets in the South China Sea and about some Himalayan regions, but no neighbouring country really threatens China's security.

Officially, the three main menaces to China's security are the so-called 'three evils' of extremism, terrorism, and separatism, and security threats are conceived in the same way by China's partners in the SCO.

It is questionable whether the acquisitions of huge Russian weapons systems are suitable for meeting these menaces. They are, rather, appropriate to counter a traditional attack. Below, possible strategies for which China's weapon acquisitions could be used are evaluated.

As we have seen, the main focus of China's defence strategy is on the maritime area off its east coast. Most of its weapon acquisitions were meant to build up the PLAN or, in the case of air fighters, to support naval forces. The question remaining is whether China has built up its forces with distinctively defensive systems or rather with offensive weapons systems. China's maritime forces make this a difficult distinction to draw. Bernard Cole evaluates it as follows: "China's maritime strategy is codified as 'offshore defense,' which has clear offensive implications." (Cole 2007, p. 35)

According to leading military theorists, the distinction between offensive and defensive weapons systems is never an easy task and it is especially hard in the case of naval forces, which are by their nature mobile and therefore always a possible means of projecting power beyond the range of the areas to be defended. Following the theories of eminent maritime security authorities Mahan, Corbett, and Castex, in regard to naval warfare, defence can only be assured by offence. This might be the essential difference between war at sea and war on land (Vego 2009).

The modernisation of China's PLAN is therefore inevitably a cause for alarm for neighbouring countries in the South China Sea. Taiwan will be the country most concerned about China's recent military build-up, as its security is directly threatened by the accumulation of Chinese naval forces.

Security experts note some logic in the direction of China's armed forces development to avoid a situation like the Taiwan crisis in the mid-1990s when US aircraft carriers intervened. Following this logic, the massive acquisition of submarines makes sense since submarines are the preferred means for gaining sea denial capabilities or upholding a sea blockade.

William S. Murray illustrates how diesel-electric submarines suit China's defence requirements as well as the need for a possible Taiwan scenario, while nuclear submarines would fulfil its deterrence strategies (Murray 2007). According to this interpretation China is preparing to master its coastal areas and to deny foreign interference in Chinese waters (and internal affairs, i.e., Taiwan). This theory is supported by official Chinese statements and the insights obtained from the military exercises on Dongshan Island.

The combination of indigenously developed naval forces displayed at the Dongshan exercises point to a concentration on a Taiwan scenario. The acquisition of Kilo class submarines further supports this interpretation since their foremost task would be to deny sea access (at least for a while) or maintain a sea blockade of SLOCs.

On the other hand, the acquisition of Russian aircraft and destroyers designed for long-range power projection do not fit in a Taiwan scenario. The island of Taiwan is a mere 100 km off the Chinese coast, and for a possible conflict over Taiwan, the PLA would not need air-refuelling tankers or other power-projection systems.

Robert S. Ross argues that to address the security threats which pirates pose to the sea lanes in the South China Sea and Indian Oceans, there are more appropriate means than an aircraft carrier. He points to the development of the Japanese naval forces which deploy a maritime helicopter platform (DDH-161, Hyuga class) that is both relatively inexpensive and better suited to anti-piracy missions than an aircraft carrier (Glosny et al. 2010, p. 173).

Therefore it seems that a single strategy is insufficient to explain the military modernisation efforts of China. Rather, a fourfold threat perception, from a Chinese point of view, seems plausible:

- to maintain national integrity, quick-response troops are needed (e.g., air-lift capabilities) to respond to regional uprising;
- to prevent Taiwanese independence, the already completed missile threat must be supported by the capability to deny US interference;
- to guarantee that vital SLOCs are not blockaded and to demonstrate strength in view of claims in the SCS, a blue-water navy's power-projection capabilities are necessary;
- to deter nuclear powers from attack, a second-strike capability is needed.
- These four scenarios require comprehensive forces of both material and manpower, and this is understandably disturbing nations which find themselves in any kind of conflict of interest with China.

NOTES

1. (DoD 2006).
2. See Chap. 3 for the concept of 'assassin's mace' weapons.
3. See original document at: <http://www.china-un.org/eng/xw/t27742.htm>
4. Including the EP-3 spy plane incident, the tracking of the USS *Impeccable*, and the US bombing of the Chinese embassy in Belgrade.
5. For more information concerning the characteristics of the Taiwan Strait and the resulting difficulties for submarine operations/anti-submarine warfare operations, see Shlapak et al. 2000; Edmunds 2000; Friedman 1995; and Longworth 1996.
6. For a more detailed analysis of area denial/anti-access strategies, see further below.

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Assessment of the China Threat

THE ‘CHINA THREAT’ PERCEPTION

The perception of a Chinese threat has experienced ambivalent development in security analyses during the years between 1990 and 2015. Beginning with Beijing’s political isolation after the Tian’anmen Incident in 1989 (see Chap. 1), China’s policymakers made various efforts to overcome this political isolation. In a first step, this chapter analyses the security-related background to these efforts – China’s military modernisation programme and military relations. This analysis of the development of China’s military capabilities serves as an evaluation of the threat perception related to military facts and prepares the analysis of China’s diplomatic approach towards ASEAN which constitutes Part II of this book.

China’s image reached its nadir in the mid-1990s, when thanks to various diplomatic efforts positive perceptions of China decidedly increased, experiencing an important impetus when China joined the US-led ‘global war on terrorism’ in the aftermath of 9/11.

In 2004, according to security analyst David Shambaugh, China’s efforts to improve its image succeeded comprehensively, and thus “[a]s a result, most nations in the region now see China as a good neighbor, a constructive partner, a careful listener, and a nonthreatening regional power” (Shambaugh 2004, p. 64).

China used increased diplomatic efforts to defuse the perception of a ‘China threat’ and through the responsibility and goodwill it showed towards its ASEAN neighbours (e.g., during the Asian financial crisis in 1998), China’s ‘peaceful rise’ as a great power became increasingly acceptable to ASEAN.

Relations between the USA and China were at an all-time high after 9/11. During the administration of President Bush (2001–2009), the perception of China changed from threat to partner. China–USA relations deepened, economic relations developed and communication between policymakers in Washington and Beijing substantially improved overall when compared with the early 1990s. However, the USA can hardly be evaluated as a single actor in this regard but must be divided into two camps. One is frightened by China’s economic and political rise, and by its military modernisation programme, and portrays China as the coming major threat to the USA. As noted before, this position might to some degree derive from the interest of security-related institutions and industries in establishing a substitute for the former ‘Soviet menace’. The other camp is in general more optimistic about integrating China into the existing global system which has enabled its impressive economic rise; this camp therefore emphasises opportunities to engage with China.

Despite the scepticism of some about China’s future intentions, the overall perception of China in the first decade of the new millennium was a positive one. For example: “Taken together with China’s improved position in Asia, China’s reputation in the world has never been better” (Shambaugh 2004, p. 66).

China’s image deteriorated after the unannounced interception of a weather satellite by Chinese DF-21 missiles in 2007, and following minor incidents concerning the territorial disputes in the SCS. The steady improvement of China’s military capabilities, its continued military cooperation with Russia and increasingly assertive stance towards the territorial disputes in the SCS heightened the security concerns of neighbouring states and Western observers. In particular, its unilateral occupation and enlargement of disputed islets in the SCS contributed to rising concerns about China’s future conflict-resolution policy.¹ However, the perception of China as a threat has never again reached the high of the mid-1990s and the discussion about a rising ‘China threat’ has remained comparatively muted.

Taking Indonesia as an indicator, China’s reputation among ASEAN member states has substantially improved. Indonesia has been one of

ASEAN's most suspicious members as regards China, and its perception of China was traditionally complicated, resulting in a pogrom against Chinese civilians in Indonesia in 1998 during the Asian financial crisis. Since 1998, Sino-Indonesian relations have steadily deepened and China has successfully improved its image in Indonesia. The improved perception has resulted in deepening cooperation in the economic realm and eventually in the sensitive security realm – the China–Indonesia Sharp Knife Airborne anti-terrorism drill of 2013 is an illustrative example. And improving perceptions of China are observable throughout the whole Southeast Asian region – even in Vietnam.

Vietnam is an especially suspicious observer of China's development and probably the strongest proponent of the 'China threat' theory within ASEAN. This is due to the very conflicted Sino-Vietnamese history, the direct vicinity and shared frontier (the demarcations of which have only recently been finally agreed on), and the conflicting claims over the Paracel and Spratly archipelagos with occasional serious clashes such as the confrontation over China's *HYSY 981* oil rig off Vietnam's coast. But even the problematic Sino-Vietnamese relations improved and the two countries have established several economic cooperation programmes.²

The main exception to China's efforts to improve its image is Japan.

Given the long-lasting rivalry of China and Japan, the experiences of World War II, remaining unresolved territorial disputes (i.e., Diaoyu/Senkaku Islands), economic competition and a thinly veiled struggle for regional leadership, China–Japan relations are traditionally complicated. Japan is one of the wariest observers of China's development and is especially suspicious about China's military modernisation programme. As the former Japanese defence minister Shigeru Ishiba stated: "There is no need for us to keep stressing that China is a threat. The China-threat theory in Japan has turgidly stirred unease among the people." (Xinhua News Agency, August 31, 2010)

Not surprisingly, the perception of China in Taiwan is fearful, given the threatened forcible conquest of Taiwan in the event of a Taiwanese declaration of independence. The show of force during the Taiwan Strait Crisis, the troops and missiles stationed in the vicinity of Taiwan and China's ongoing efforts to isolate Taiwan internationally (the One-China Policy) have hardened the perception of a 'China threat' in Taiwan.

However, also in Taiwan, China's image is advancing and especially during the administration of President Ma Ying-jeou (elected in 2008 and re-elected in 2012), China–Taiwan economic relations have deepened,

direct flights have started and overall relations are lightening up (though without any substantial change in regard to Taiwan's status).

How Threatening (Really)?

China has continued its military modernisation at an impressive speed over the last two decades. Impressive in two ways: both the amount of foreign (Russian) weapons system acquisitions and China's advanced indigenous development capabilities are remarkable. The comprehensive efforts to modernise and upgrade the PLA forces make it difficult to evaluate and validate their effects on the Asian security architecture.

The first point to note is that although China has acquired and developed weapons on a massive scale during the last two decades, this development started from a low point. According to security experts, the PLA forces are in general two decades behind the standard of Western weapons systems in terms of technology.

And since Western NATO countries, Japan and other Asian countries and in the first instance the USA are steadily improving and advancing their military forces, it will still be a long and expensive process for China to catch up with the state-of-the-art technology.

Second, China has acquired and developed some technologically advanced weapons systems, but these forces are still too small to form a real threat, especially in view of the US forces stationed in the region. China is not upgrading its forces in a comprehensive manner. It is rather credibly likely that China is still in the R&D phase, testing foreign technology and indigenous systems for adoption and further development. Therefore, so-called 'clusters of excellence' exist: small units of a few ships, tanks, fighter aircraft, or submarines testing techniques, training personnel and adjusting development to the requirements of experience. But in absolute numbers, the Chinese PLA is not sufficiently well equipped to pose a threat to technically superior armies such as the Japanese.

Assessment

To measure the scale of China's military modernisation programme and to evaluate whether this military build-up justifies the 'China threat' theory, a three-level approach is needed.

At base level is the amount of the military budget – the sheer (also opaque) numbers. The billions China spent over the period 1990–2010

and the steady double-digit increase in the official military budget are causing increasing worries, especially since China is obviously experiencing a benign security environment much more favourable than that of recent decades. Therefore, it is understandable that Asian countries (e.g., Taiwan, Japan, India, ASEAN) are suspicious of China's future intentions and attempt to somehow keep abreast of this military build-up. But remaining with the sheer numbers, it has to be stated that the amount of China's military budget is still modest in relation to both the country's size and its economy. To illustrate this, a simple comparison of 2014 military expenditure numbers might be helpful (See Table 6.1).³

This table is imprecise, as it does not allow for the relative values of currencies (i.e., the economic theory of purchasing power parity), and does not explain the categories of budget spending (e.g., loan costs, defensive infrastructure, arms acquisitions, or research expenditure). However, this table is useful in highlighting a discrepancy in China's military spending practice. On the one hand, China is only moderately invested in its military programme as a proportion of GDP, while on the other hand, it is the world's second biggest military spender in total numbers. This discrepancy confuses the discussion and evaluation of the nature of China's military programme because proponents of both camps (for and against the 'China threat' perception) can cite one of these two figures to support their case.

Additionally, as far as weapons system acquisitions are concerned, China has only acquired or indigenously produced small numbers, mostly one or two, of any particular unit (the Su-27 and Su-30 fighter aircraft being the exception). Thus, the military modernisation programme has not yet resulted in a substantial modernisation of PLA forces.

On the second level, which concerns the strategic possibilities China gains with the realisation of its military modernisation programme, the acquisitions and indigenous developments are in accordance with the

Table 6.1 Military expenditure

	<i>USA</i>	<i>China</i>	<i>India</i>	<i>Russia</i>
Million US\$	609,914	216,371	49,968	84,462
% of GDP	3.5	2.06	2.4	4.5

Source: All numbers in current US\$, data obtained from the Stockholm International Peace Research Institute (SIPRI), available at: <http://milexdata.sipri.org/>

stated purposes. Apart from the over-emphasis on non-traditional threats and the official definition of the 'three evils' as China's main security concern, as regards the nuclear deterrence strategy, a future scenario in the Taiwan Strait, and threats of interruption to the sea lines of communication (SLOCs), China's military modernisation programme makes perfect sense. The problem is that the weapons systems for these purposes also are deployable in other scenarios and for other purposes. The power-projection capabilities are a potential threat to any party in Asia, as are China's growing amphibious forces and nuclear missiles.

Third, judging from China's recent use of military forces in the SCS, a more assertive stance is observable and thus the assumption of future armed conflicts is possible. China is increasingly demonstrating its growing military prowess with military exercises or complicated operations (e.g., the shooting down of a weather satellite, the Peace Mission military exercises, China's manned space programme, expansionism via the String of Pearls). These growing capabilities in combination with the occasional use of force have given rise to suspicions about China's future behaviour and whether it will use its increasing military capabilities to solve disputes in its favour.

On the other hand, the lessons of history suggest that China has for centuries been a non-expansionist nation.

In sum, the overall state of China's military modernisation does not chime with the launching of a new 'China threat' discussion. The majority of the PLA's weapons systems are still obsolete and those that have been acquired are too small in number to fit the requirements of a country as huge as China. However, in the Asian regional context, China's military modernisation programme has the potential to nurture a 'China threat' perception, especially among littoral states, due to China's focus on modernising its naval forces.

Critical in this respect is the perception of China's military upgrade by its neighbours and other interested parties. As regards a comparison of China with rising powers of the past (e.g., Germany, Japan, the Soviet Union),⁴ it is noteworthy that China's behaviour in international relations is reserved. At similar stages of their rise, Germany and Japan competed with established imperial powers as far as their position allowed, and the Soviet Union created its own system within the global system (i.e., a military, economic, and ideological bloc). Compared with these rising powers, China's behaviour demonstrates acceptance of existing regimes and adaptation to the norms of the international system.⁵

Perception

The threat factor in the Chinese military modernisation programme has to be understood in the wider political context of the region. China's image is dominated by its centuries-long domination of the Asian region and its undemocratic and at times aggressive behaviour during the twentieth century. As already outlined above, the perception of China throughout Southeast Asia varies, as the quality of historical relations between single ASEAN member states and China differs vastly. Given this variety in historical backgrounds and relationships, it is natural that ASEAN members involved in military conflicts with China (such as Vietnam) assess China's rise differently from countries with a history of unproblematic relations with China (such as Thailand and Malaysia). The threat perception is therefore to an important degree determined by historical relations and is to some extent self-fulfilling, as Robert Jervis stated when he analysed how the threat perception influences a state's strategies and actions:

If the prophecy of hostility is thoroughly self-fulfilling, the belief that there is a high degree of real conflict will create a conflict that is no longer illusory. Overtures that earlier would have decreased tensions and cleared up misunderstandings will now be taken as signs of weakness. (Jervis 1976, p. 77)

If the intentions of a highly armed country towards its neighbours appear benign, no further military build-up can unnerve them. But if the perception is determined by suspicion about the opponent's intentions it is very hard to enhance this image and to decrease the suspicion.

The evidence from both psychology and history overwhelmingly supports the view ... that decision-makers tend to fit incoming information into their existing theories and images. Indeed, their theories and images play a large part in determining what they notice. In other words, actors tend to perceive what they expect. (Jervis 1968, p. 455)

In the regional context, China's military budget and arms acquisition spending might only be a small proportion of the US military budget, but it is still impressive as far as any of the ASEAN states are concerned. Also worrying is the offensive nature of some aircraft and naval ships which will allow the PLA to intervene in conflicts far away from its coast, which is especially alarming with regard to the territorial disputes in the South China Sea.

Perception of China's development and rise as a regional power can roughly be divided into two camps for the sake of clarity. Michel Oksenberg and Elizabeth Economy label these camps or schools 'accommodationists' and 'confrontationalists'. Broadly, the accommodationists suggest it is better to accept some of China's interests and to come to favourable terms with China now, so that it can be integrated into the existing system. On the other side, the 'confrontationalists' believe that conflict with China and its communist regime is inevitable and therefore recommend that conflict be waged now while the USA can extract maximum concessions.

These two camps are further separated into realists, economic liberals, and idealists on both sides, but the important division is whether China's development and rise is expected to be benign or malign for the concerns of a specific country or region, or for the global system as a whole. This fundamental decision determines the perception and assessment of information about China's military modernisation, political positions, participation in regional institutions, etc. that follows: "Where you stand is determined by where you sit." (Jervis 1976, p. 24)

With regard to the 'China threat' discussion, most ASEAN member states focus on the development of China's military capabilities rather than its future intentions. However, conjecture about an actor's intentions and future behaviour is always part of a threat analysis and this also holds true for China.

Insecurity about the opponent's intentions creates a 'guessing game' that is a precondition of an evolving 'security dilemma', with all its inherent consequences and problems. The misperception of the opponent's intentions is usually the source of inappropriate responses which make the situation worse:

In determining how he will behave, an actor must try to predict how others will act and how their actions will affect his values. The actor must therefore develop an image of others and of their intentions. This image may, however, turn out to be an inaccurate one; the actor may, for a number of reasons, misperceive both others' actions and their intentions. (Jervis 1968, p. 454)

Centuries-old images, misperceptions, and ignorance of new information, as well as the modest level of relations between China and the ASEAN member states in the early 1990s, are critical to an analysis of the situation in Southeast Asia and the perception of an emerging 'China threat'.

Following the Tian'anmen Incident, which caused heightened suspicions, especially in the West, the events of the mid-1990s (Mischief Reef and the Taiwan Strait Crisis) led to a climax in perceptions of a 'China threat' in the West as well as in the Asian region,⁶ which waned at the beginning of the new millennium and have been advancing again since approximately 2005.⁷

An elementary portrayal of the development of the 'China threat' perception in general terms is depicted in Fig. 6.1.

The second half of the 1990s was characterised by a decisive degree of the 'China threat' perception due to China's more open stance towards international organisations. After 9/11, China participated in the 'global war on terror', further advancing its reputation, hence the perception of a 'China threat' decreased. In recent years, however, the 'China threat' has experienced a revival, highlighted by China's anti-satellite missile tests in 2007 and 2009, its more assertive stance in the SCS disputes, and its aircraft-carrier programme. The resulting US Pivot to Asia announced in 2011, China's commissioning of its first aircraft carrier in 2012, and the activities enlarging artificial islands in the disputed Spratly archipelago which became public in 2014 mark the milestones of a 'China threat' perception on the rise.

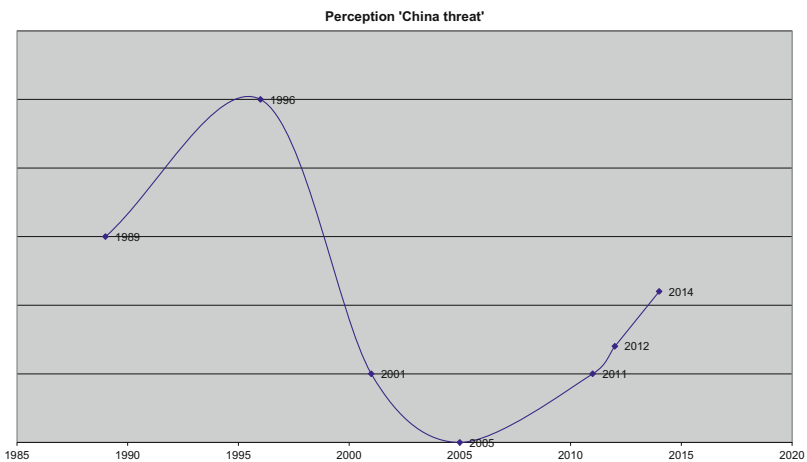


Fig. 6.1 Perception 'China threat'

Outlook

Given that China can sustain its economic growth, there will be no change in the policy of upgrading PLA forces or further narrowing the gap in view of the state-of-the-art technology. This process is bound to raise suspicions and concerns in the region and abroad about China's future intentions and how it intends one day to use its military might.

China is currently experiencing a secure and non-threatening environment unprecedented during the last century which has allowed it to concentrate on internal problems and projects instead of worrying about external threats or even being pulled into military conflicts. This peaceful environment and good relations with its Asian neighbours has been a crucial precondition for China's economic rise in recent decades. China is now benefiting from the huge progress made in various economic sectors, from industrialisation to investment banking. This strengthening in economic terms raises a nationalistic desire to demonstrate some power, most impressively displayed by military parades and military exercises. Naturally, these power demonstrations require modern equipment in order to impress, and here is where the dilemma begins. China's acquisition and development of weapons systems combined with comprehensive military exercises have already alarmed security experts and currently there are no signs of this process slowing down in the near future. Therefore, the modernisation and upgrading of China's military will probably further disturb the stable security structure in the Asian region and has the potential to unleash an arms race within Asia. Other Asian nations have themselves made significant weapons systems acquisitions, making the area heavily armed. According to data from the Stockholm International Peace Research Institute (SIPRI), military spending in Asia between 1990 and 2009 has doubled.

On the political level, the perceived threat of China's rise nurtures alliances to the discomfort of China (e.g., the newly enforced Japanese–South Korean alliance) and strengthens the support for US involvement in Asian affairs among interested nations. The latter fact creates even greater displeasure within China. There is a possible political solution to the current dilemma. If China can convince Asian nations of its benign intentions and foster alliances and cooperation in the region, the overall perception of China's strengthening can improve. There are plenty examples of smaller nations which are not frightened of the military power bigger nations possess. Even continuous upgrading of the superior armies does

not automatically trigger anxieties in the smaller nations, if there is belief in the good intentions of the great power.

China is undoubtedly on its way to again becoming a great power in the Asian region, but in contrast to the USA, China still has a long way to go to allay fears and to build confidence.

ASEAN'S RESPONSES

Despite the periodically stated good and stable relations between the members of ASEAN and China, China's military modernisation programme has prompted ASEAN members to modernise their armed forces too.

It is strategically significant that ASEAN members have concentrated on acquiring submarines, given the reported weakness of the PLA in respect of anti-submarine warfare. The PLA possesses less than a dozen maritime patrol aircraft, which are the backbone of any anti-submarine strategy. Therefore, other South China Sea littoral states have devoted their naval modernisation programmes to countering China's increased naval capabilities in terms of destroyers and its aircraft carrier.

This concentration on acquiring submarines and the associated strategic options (e.g., sea denial, asymmetric warfare) illustrates the growing concerns among ASEAN members about China's increasing naval dominance in the SCS. The facts concerning weapons system acquisitions do not concur with official statements about non-traditional security threats as current security issues in the region. On the contrary, these weapon systems acquisitions testify to a perceived 'China threat' more than can be denied by volumes of official statements about harmonious China-ASEAN relations.

ASEAN member states' responses to the 'China threat' discussion can be traced along a timeline of important threatening or reassuring moves by China. China's approach towards ASEAN and the signing of the Treaty of Amity and Cooperation in Southeast Asia (TAC) in the early 1990s eased suspicions and improved China-ASEAN relations. Following the occupation of Mischief Reef and the Taiwan Strait Crisis in 1995-1996, China-ASEAN relations suffered and the perception of a 'China threat' rose. As a reaction, in 1995, the Philippines announced the initiation of a military modernisation programme, while in the same year Indonesia signed a security agreement with Australia.

Vietnam

Vietnam, as the SCS claimant most strongly conflicted with China over the overlapping claims in the Paracel and Spratly Islands, concentrated its naval forces' modernisation programme on the acquisition of attack submarines. In 1998, Vietnam acquired two Sang-o class submarines from North Korea. These can be used for mine laying and are equipped with missile capabilities, which at that time made Vietnam only the second claimant after China to possess an underwater strike capability.

In 2007, Vietnam ordered two Gepard class frigates from Russia designed "to seek, track, and knock out surface, submarine and air targets both independently or in squadron formation, for escort purposes, patrol missions, and defence of naval sea borders and economic zones".⁸ In 2009, it purchased six Kilo class attack submarines and twelve Su-20MKK aircraft fighters from Russia which were directed at perceived Chinese threats and to defending Vietnam's claims in the SCS. Vietnam also ordered surface-to-air missiles (SAMs), another weapons system designed for traditional security threats (i.e., conventional aircraft fighter attacks).

In 2015, the acquisition of Russian anti-ship and land-attack missiles (Klub cruise missiles) for Vietnam's Kilo class submarines became public. This is especially noteworthy since Vietnam is the first Southeast Asian nation to possess land-attack cruise missiles for its submarines. The cruise missiles have a range of 300 km and pose a potential threat to coastal cities and vessels of all sizes (including aircraft carriers).

With regard to the acquisition of sophisticated US technology, Vietnam is interested in buying intelligence surveillance and reconnaissance platforms from the US company Boeing. Negotiations for the purchase of helicopters, boats and communications systems from BAE Systems, Lockheed Martin and Honeywell also began in April 2015.

Malaysia

In 2003, Malaysia ordered eighteen Russian Su-30MKMs, a further improvement of the already optimised version Su-30MKK. The Su-30MKM allows control of an extended airspace, is capable of close-up fights with opponent fighter aircraft, and can carry various weapons for surface attacks. The Su-30MKM is therefore poised to defend Malaysia's airspace and intervene in possible future SCS disputes. The acquisition of Su-30MKM fighter aircraft further improved and modernised Malaysia's

air-force capabilities after it had already ordered Russian MiG-29 fighters in the mid-1990s. Although the Mig-29's performance is considered inferior to that of its successor, the larger Su-27, the acquisition of Mig-29s marked an important increase in Malaysia's air-control capabilities.

In 2006, Malaysia ordered two French Scorpene class submarines, which "are designed for missions ranging from ASW and ASuW to special operations and intelligence gathering while out-performing current and anticipated threats".⁹ Malaysia's focus on seaborne threats was further emphasised by the opening of a submarine base on Borneo, in the direct vicinity of the disputed SCS islands.

Indonesia

Indonesia has steadily increased its military budget from a low point in the mid-1990s and a further reduction as a consequence of the Asian financial crisis in 1998. The focus of the country's arms purchases is on major weapons systems (i.e., fighter aircraft, submarines, and tanks), which also signifies a shift in its threat perceptions. During the 1990s and at the beginning of the new millennium, Indonesia was mainly concerned with terrorist threats and separatist movements (e.g., sectarian conflicts across the Maluku Islands during 1999 and 2002, the terrorist bomb attack on the island of Bali in 2002, and the declaration of independence by East Timor in 2002). And although these threats have not been fully resolved, Indonesia's weapons system purchases indicate a renewed focus on traditional security threats. The weapons systems purchased (i.e., submarines and fighter aircraft) are appropriate not for countering non-traditional threats (e.g., terrorist attacks) but for controlling disputed areas in respect of traditional security threats (i.e., another country's navy or air force).

In 2007, when Indonesia ordered Russian fighter aircraft, it chose, unsurprisingly, the improved Su-27 and Su-30 models which had already been delivered to China and Malaysia.¹⁰ The modifications improve the fighter's weapon-carrying capacity, weapon options, in-flight refuelling capability (and thus the radius of operations) and general performance. Indonesia ordered three Su-27SKMs and three Su-30MKK fighter aircraft and expressed its wish to additionally order Russian submarines, armoured vehicles, and armed helicopters. Although these purchases were never realised, in 2010 Indonesia ordered six additional Su-30MKK fighter aircraft which were delivered in 2011.

In 2009, Indonesia's president Susilo Bambang Yudhoyono declared his intention to increase the country's defence spending to 1.5 % of GDP during his administration. This would signify a steady annual increase in Jakarta's military budget of 20 to 25 % and an allocation of US\$14 to 15 billion to the defence budget in 2015.

Following this announcement, Indonesia strengthened its attempts to purchase US F-16 Falcon fighter aircraft, South Korean submarines, and South Korean T-50 fighter aircraft.

In 2014, Indonesia purchased Starstreak short-range air-defence systems from the British-French company Thales. These missiles are the fastest short-range surface-to-air-missiles in the world, suitable against ground-attack aircraft, helicopters, drones and cruise missiles. Indonesia also acquired light anti-tank weapons from Thales and requested a complementary medium-range air-defence radar system. However, the installation of these radar systems would take longer and was thus postponed.

The Philippines

In the past, the Philippine defence strategy had relied heavily on US forces. Since the withdrawal of the US Subic Bay naval base and Clark air base, the Philippines had had no opportunity to establish proper defence forces. In 2010, the newly elected Philippine president Benigno Aquino III announced a dramatic increase in the military budget and the initiation of a military modernisation programme. The average annual defence budget for the period of 1995–2010 was US\$ 2.53 billion. In the years 2011–2015, it rose to US\$ 2.98 billion.¹¹

Although the Philippines' had planned a military build-up and modernisation programme after China's occupation of Mischief Reef in 1995, the tense budget situation that followed the Asian financial crisis of 1997–1998 prevented the realisation of this programme.

Since the early 1980s the Philippines has lacked a credible air defense capability: modern fighters, anti-aircraft missiles, long-range air defense radar and the maritime patrol aircraft to monitor its vast maritime territory and economic zones. (Fisher 2012, p. 3)

The Philippine navy deploys outdated US coastguard vessels. It is common knowledge that the Philippines possess the weakest armed forces of all claimants to the SCS disputes and that the Philippines would not be

able to defend the islands they claim in the event of occupation by an opponent. To address this precarious situation, the Philippines signed the Visiting Forces Agreement (VFA) with the USA in 1999. The USA has also been engaged in improving the capabilities of the Philippine armed forces, with US monetary assistance tripling from US\$ 38 million in 2001 to \$120 million in 2010. The military exercises conducted by the US Navy provide important training opportunities for the Philippine armed forces (e.g., Exercise CARAT, bilateral US-Philippine exercises).

In 2014, the Philippines had ordered 12 light fighter jets from South Korea, and 21 navy helicopters and 10 patrol boats from Japan, all intended to improve border control along the Philippine archipelago with its thousands of islands and islets and were about to order frigates, maritime patrol aircraft and anti-submarine helicopters to maintain at least a minimum credible deterrent in view of the unresolved border disputes in the SCS. However, due to budget restrictions, most of the envisaged acquisitions of weapons systems were postponed in the past and eventually cheaper second-hand systems were purchased.

In 2015, the Philippines announced that the former US naval base at Subic Bay would be re-opened 20 years after US forces had left. The base is to be revived with the Philippines' own forces; aircraft and naval vessels will be stationed there to gain better access to the disputed areas of the SCS. Subic Bay lies 198 km east of the disputed island Scarborough Shoal in the Spratly archipelago, and is therefore a very strategic asset and a potential deepwater port suitable for submarine deployment.

Thailand

In 1997, Thailand received its Spanish-built vertical/short take off and landing (VSTOL) aircraft carrier *Chakri Naruebet*, which has a ski jump and is capable of accommodating Harrier-style aircraft. The Thai aircraft carrier is a relatively small carrier, has a displacement of 11,400 tons and is equipped with six helicopters and six aircraft.¹² The carrier was intended to patrol territorial waters and control local airspace operations; in times of crisis, the ship has the potential to act as a regional sea-control asset and support all maritime operations. When the aircraft carrier entered service in 1997, it was the first air-capable vessel in Southeast Asia, hence a landmark weapons-system acquisition for the region. However, the aircraft carrier has recently ceased operating and lacks suitable aircraft – thus the former symbol of Thailand's growing military capabilities has become an effigy of its demise.

Nonetheless, since 2004, Thailand's military spending has increased almost every year, rising from US\$ 3.09 billion in 2004 to reach US\$ 5.73 billion by 2015.

In 2007, Thailand ordered twelve Swedish JAS-39 Gripen fighter aircraft – a small, agile fighter carrying the latest technologies and weapons – along with two Saab Erieye airborne warning and control system (AWACS) aircraft at a cost of about US\$1.1 billion. The latter is capable of surveying a maximum range of about 450 km and is thus envisaged to monitor developments in the disputed waters of the SCS.

These aircraft purchases, replacing the aged fighters of the 1960s and 1970s, signify a decided improvement in Thailand's air-force capabilities.

In 2011, Thailand sought to acquire two retired German Type 206A diesel-electric submarines but the acquisition was never realised. In 2015, Thailand reportedly received Russian military hardware worth US\$ 160 million in exchange for Thai rubber, fruit and vegetables. The details remained confidential but it appears to have been Russia's tank producer Uralvagonzavod that passed equipment to Thailand.

US PIVOT TO ASIA

At the 2011 Shangri-La Dialogue in Singapore hosted by the IISS, US Defense Secretary Robert Gates announced that the US would station littoral combat ships in Singapore, expand cooperation with Australia in the Indian Ocean, and increase its exercises conducted in the region. He further declared that the Obama administration was willing to sustain its military presence in the region. This announcement was the US reaction to China's increasingly assertive behaviour in the South China Sea and the accumulation of incidents involving the PLAN during 2009–2010.

Later in 2011, President Barack Obama announced that the US would deploy Marines to Darwin, Australia. This was another robust argument for the new strategic orientation of US foreign policy which Secretary of State Hillary Clinton called "America's Pacific Century". The declared US 'Pivot to Asia' and the underlying developments that caused US policymakers to shift the strategic focus towards the Asia-Pacific region have to be addressed briefly. The US decision to withdraw forces from the Central Asian and Middle Eastern region (i.e., Afghanistan and Iraq) and to increase its (maritime) presence in the Asia-Pacific region is evidence for a rising 'China threat' perception among US policymakers. Secretary of State Hillary Clinton emphasised that this strategic shift was not directed

at China and that the imperative was to secure the important sea lanes in the region. However, this statement merely drew a thin veil over suspicions among US policymakers and the ASEAN member states involved in the SCS disputes about China's growing military capabilities and its future plans to use them for conflict resolution:

In a time of scarce resources, there's no question that we need to invest them wisely where they will yield the biggest returns, which is why the Asia-Pacific represents such a real 21st-century opportunity for us. (Clinton 2011)

Translated into the parlance of security experts: China is the biggest coming threat perceived by the USA, therefore US forces are increasingly concentrated in this region (approximately 60 % of the US Navy's ships are deployed to the Asia-Pacific region).

In 2015, the Pentagon announced funding of US\$ 425 million for the Pacific Partnership programme over the coming years. The funding will be shared between Indonesia, Vietnam, Thailand, the Philippines and Malaysia, and covers the fiscal years 2016–2020. It is meant to support coastguard patrol activities by ASEAN members and can be utilised for equipment, supplies, training and small-scale construction. However, five years' funding for five recipients is merely symbolic and does not change any military realities in the region.

CONCLUSION

The listed weapons system purchases by ASEAN member states corroborate the stated increase of a perceived 'China threat'. Most of the arms acquisitions took place after 2005, which to some extent reflects the limited possibilities caused by the Asian financial crisis of 1997–1998. The increase in ASEAN armies' military spending in the new millennium and especially since 2005 also supports the 'China threat' perception graph. As the 'China threat' perception reduced in the 1990s, so the weapons system acquisitions of ASEAN's member states decreased. The increase in arms acquisitions in the new millennium is closely related to an increased China threat perception around 2005, especially in relation to threatening moves by China in 2007 and since.

The weapons systems of choice are Russian-made submarines and fighter aircraft; virtually all ASEAN claimants to the SCS disputes, including Vietnam, Malaysia, and Indonesia, have ordered various versions of the Su-27/Su-30 fighter aircraft.

The first part of this book has analysed the emergence and development of the ‘China threat’ discussion. Following the Tian’anmen Incident, and fostered by China’s occupation of Mischief Reef and the Taiwan Strait Crisis, China decisively succeeded in the second half of the 1990s and especially in the aftermath of 9/11 to improve its image and thus to devitalise the ‘China threat’ perception. Following the satellite downings of 2007 and 2009, plus increasingly occurring skirmishes in the SCS, however, China’s reputation has suffered.

The intermittently dramatic improvement of China’s image is very interesting insofar as the principal source of China’s perceived threat – its military modernisation programme – has not changed. China has de-emphasised its stance towards the SCS disputes in both words and deeds, especially early in the new millennium. But the acquisition and indigenous development of weapons systems has continued at a rapid pace since 1999.

The second part of this book, therefore, analyses how China has successfully mastered the seemingly impossible task of defusing the perception of a threat while simultaneously continuing an arms build-up. Since military facts do not explain the reduction in the perceived ‘China threat’, the explanatory variable will either be a shift in China’s foreign policy in the direction of multilateralism – or the perception itself. To test these hypotheses, Part II analyses China’s participation in ASEAN-led activities and focuses especially on a protracted and complicated conflict between China and several member states of ASEAN, namely the territorial disputes in the SCS. An analysis of China’s behaviour in this respect will help us to understand whether China has substantively accepted the concept of multilateralism, reassuring concerned parties that it will resolve future conflicts with diplomacy rather than with the use of force.

NOTES

1. This aspect and China’s diplomacy in regard to the SCS disputes will be analysed in depth in Part II of this book.
2. For example, in 2006, China and Vietnam agreed to conduct joint oil explorations in the Gulf of Tonkin/Beibu.
3. All numbers in current US\$, data obtained from the Stockholm International Peace Research Institute (SIPRI), available at: <http://milex-data.sipri.org/>
4. See Chap. 1.
5. See also Part II of this book.

6. This assessment relates to the average threat perception in the region, considering both, the above-mentioned traditionally suspicious (i.e., Vietnam, Taiwan, Japan, India) and the traditionally benign (i.e., Malaysia, Thailand, Pakistan) China perceptions. This assessment is in accordance with a quantitative study of the Pew Research Center, available at: <http://www.pew-global.org/database/indicator/24/survey/all/response/Unfavorable/> and Lai (2013).
7. The reasons for this new revitalisation of the 'China threat' perception is due to China's more assertive stance towards the SCS territorial disputes, China's increasing demonstrations of military capabilities (e.g., downing of weather satellites, Peace Mission exercises), and China's continuous military build-up exemplified by the efforts to deploy an aircraft carrier.
8. http://www.globalsecurity.org/military/world/russia/1166_1.htm
9. ASW = Anti-submarine warfare; ASuW = Anti-surface warfare. See <http://www.globalsecurity.org/military/world/europe/scorpene.htm>
10. Designation: Su-27SKM and Su-30MKK.
11. All numbers: Stockholm International Peace Research Institute (SIPRI).
12. For a comparison, see 'Aircraft Carrier' section in Chap. 2.

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China's Approach Towards ASEAN

The second part of this book analyses China's approach towards ASEAN in the 1990s and its participation in ASEAN-led initiatives. To set these in context, a brief overview of China's policy towards international institutions in the early 1990s is appropriate. China's foreign policy changed with its opening up to international regimes (e.g., arms-control regimes) and international financial and trading institutions.

CHINA'S PARTICIPATION IN ARMS-CONTROL REGIMES

China's foreign policy underwent a visible change in the early 1990s, with the country reaching out to international institutions on a scale unprecedented in previous decades. China sought membership of regimes it had previously ignored, participating even in sensitive security-related regimes:

Beijing has been reluctant to endorse cooperative concepts of security and to accept the need to place real restrictions on its military capabilities. China backs measures that cost it little and enhance its image. At the same time, Swaine and Johnston also perceive a shift in Chinese perspective over the past 10 to 15 years from one that viewed arms control as largely irrelevant to Chinese concerns to one that recognizes that the nation could benefit from greater participation in international arms control regimes. (Oksenberg and Economy 1999, p. 16)

In 1992, China signed the Nuclear Non-Proliferation Treaty (NPT), a treaty designed to prevent the proliferation and thus armament of states with nuclear weapons. This treaty is globally accepted (with the notorious exceptions of India, Pakistan, Israel, and North Korea) and China supported its indefinite extension in 1995.

The first time China contributed actively to an important multilateral arms regime was its participation in formulating the terms of the Chemical Weapons Convention (CWC). The intention of the CWC is to ban the use of chemical weapons and to pursue the destruction of existing ones. In 2015, the organisation represented about 98 % of the global population and landmass, whereas Israel and Myanmar had signed but not yet ratified it. China participated in the process from the beginning, was an active contributor until the conclusion in 1992 and signed the convention on January 13, 1993.

In 1997, the Organisation for the Prohibition of Chemical Weapons (OPCW) was established to “achieve the object and purpose of the Convention, to ensure the implementation of its provisions, including those for international verification of compliance with it, and to provide a forum for consultation and cooperation among States Parties”. (Official self-definition, see: <http://www.opcw.org/about-opcw/>) The OPCW has established its headquarters in The Hague, manages a budget of €73.3 million (in 2014), and employs a secretariat staff of 500.

In 1993, China joined negotiations for a Comprehensive Nuclear Test Ban Treaty (CTBT), which bans all nuclear explosions for military as well as civilian purposes. On September 24, 1996, China signed the treaty and became a member of the regime, but the ratification of the treaty remains incomplete. China and the USA remain the only permanent members of the United Nations Security Council (UNSC) which have not yet ratified the treaty.

CHINA’S PARTICIPATION IN INTERNATIONAL TRADE REGIMES

China has been eager to improve its access to global trade regimes. One approach was to re-enter the General Agreement on Tariffs and Trade (GATT) in the mid-1980s. In 1991, China joined the Asia-Pacific Economic Cooperation (APEC), and in 1995, China applied for access to the World Trade Organization (WTO).

The motivation behind China's application for WTO membership was obviously the principle of Most Favoured Nation (MFN), which is the common standard among WTO members. The MFN guarantees all members access to all other members' markets under most favourable conditions that would otherwise require numerous rounds of negotiations. Thus, by gaining membership of the WTO, China immediately benefited from tariff reductions and access to the most important markets of the global trading economy. Granting a potential competitor with the economic clout of China this access provoked opposition from many (smaller) WTO members, which is why China's accession to the WTO took over fourteen years from 1987 to 2001.

At the same time, China was intensifying economic cooperation on the more regional level via APEC and had progressed to granting tariff reductions to its members:

In addition to earlier steps taken to reduce tariffs, Jiang Zemin at the Osaka meeting of APEC in the fall of 1995 made a surprise announcement that China would cut tariffs on 4,000 import items by 30 % or more. Other tariff reduction offers subsequently were made. (Pearson 1999, p. 176)

On the sub-regional level, China pushed for deeper economic cooperation with the member states of ASEAN. The first proposal for establishing a free trade area was raised in the mid-1990s. On November 4, 2002, China signed the ASEAN–China Free Trade Area Agreement, establishing a free trade area among the ASEAN member states and China by 2010.

Economic interaction in the Asian region with China as the driving force gained substantial momentum in the mid-1990s. The establishment of free trade areas (FTAs) was especially critical to fostering this economic interaction and improving trade relations in the region. Starting from a very low level without functioning FTAs in the early 1990s, by 2015 the Asian Development Bank listed 134 agreed FTAs within the Asian region and an additional 67 FTAs proposed – an impressive outcome of Asia's deepening economic integration.

CHINA'S PARTICIPATION IN THE INTERNATIONAL FINANCIAL SYSTEM

At the same time as intensifying its economic and trade relations, China became increasingly active in the international financial system – two realms that are interrelated and mutually dependent.

China intensified its cooperation with the World Bank in the 1990s and during the years 1992–1997, China emerged as the largest borrower from the World Bank, a role which India had filled for almost two decades. The pursuit of World Bank credits, however, was not (only) motivated by the desire to foster Chinese internal economic projects but to increase the country's foreign investments and thus intensify the interconnectedness of China's economy with foreign economies:

It is the World Bank's largest borrower, is a significant commercial borrower, and is one of only three transition economies with an investment-grade credit rating on its sovereign external debt. China's major state-owned banks all seek to expand their operations overseas. (Oksenberg and Economy 1999, p. 17)

The main focus of this opening to international markets was the US market, so most of China's efforts to deepen financial integration was directed at US institutions. During the 1990s, China accelerated its opening to the international financial system and intensified the efforts of Chinese state-owned banks to gain access to the US market:

The Industrial and Commercial Bank, the Agricultural Bank of China, and the Construction Bank of China, for example, all filed applications in 1993 or 1994 with the Federal Reserve Board and the Comptroller of the Currency to open branch banks in New York. And the Bank of China, which already operates two branch banks and a subsidiary bank in New York and a limited federal branch in Los Angeles, applied in 1995 to open an additional limited federal branch in San Francisco. In each of these cases the central rationale for the new branches was to provide financing for the growing volume of trade between China and the United States and otherwise to serve U.S.-based affiliates of companies that have their head offices in China. (Lardy 1999, p. 215)

This intensification of China's cooperation in the international trading and financial system was not coincidental, but was, rather, consciously designed by China's policymakers to improve their country's prospects for economic growth. Since most of China's major economic actors are state owned, concerted action by economic and financial actors (i.e., corporations and banks) was required to execute the plans to increase economic interaction and participation in foreign markets. Following strategies outlined by policy research groups and think tanks, China's state-owned banks and financial institutions carried out the economic agenda, working in

concert to access the international financial system. China's policymakers, always concerned with the need for continued economic growth, accepted and intensified this shift in economic dogma towards a market economy (with Chinese characteristics).

With regard to China's participation in international organisations, regimes, and institutions, Michel Oksenberg and Elizabeth Economy concluded in 1999:

It is worthy of note that China has had a minimal impact on the regimes in which it has participated. On the whole, it has been passive in most regimes it has joined. Only in the environmental and human rights sphere has China actively sought to shape the norms of the international regime (Oksenberg and Economy 1999, p. 23)

This assessment confirms the overall impression of China's foreign business strategy. Political differences must not be allowed to hinder economic exchange and the paramount doctrine in all foreign relations is to bolster China's economic development.

INTRODUCTION TO ASEAN

One characteristic of the Association of Southeast Asian Nations (ASEAN) is the style in which discussions and negotiations are conducted during ASEAN meetings. In general, interactions between participants are characterised by a high level of informality and official meetings of senior policymakers are preceded by a number of informal meetings of aides and assistants to prepare the official agenda. This high frequency of informal (Track II diplomacy) meetings enables the official meetings to be conducted in a unique form that has become known as the 'ASEAN Way'.

This incremental and consensus-backed approach contains no threat of obligations, setting of timetables, or other measures of pressure. The gradual moving towards consensus of the ASEAN Way requires many meetings on the formal as well as the informal level and is thus less effective than organisational forms based on majority decisions. The underlying logic of the ASEAN Way, however, is not to reach agreements in the quickest and most effective manner, but to influence the participants' attitudes during the discussion process. The essential idea, for example, behind the ASEAN Regional Forum (ARF) is to change member states' behaviour through periodical meetings and thus dissolve conflicts of interest, as well as create common interests.

Ralf Emmers noted:

ASEAN negotiations are characterized by informality. At the highest level, private talks, held during golf games, meals or other forms of social gatherings at the periphery of official meetings, are often seen as more appropriate by the participants than formal sessions or multilateral conferences. Thanks to a high level of informality, the members are expected to feel more comfortable when dealing with each other. (Emmers 2003, p. 23)

Further characteristics of the ASEAN Way are efforts to build cordial relations among political elites; to foster inclusiveness (rather than exclusion and isolation); to respect sovereignty and avoid interference in domestic affairs; to defuse conflicts rather than resolving them; and a general dismissal of excessive institutionalisation (permanent bodies and binding rule-sets) and, instead, a preference for non-binding and voluntary commitments.

The following chapters analyse China's participation in ASEAN-led meetings and initiatives, and focus on its qualitative outcomes. A short introduction to China's approach towards ASEAN (and ASEAN's approach towards China), is followed by analysis of cooperation efforts in the economic and political realm before the subsequent chapters study an important initiative for improvement in the territorial disputes around the SCS.

FIRST STEPS IN THE EARLY 1990s: CHINA–ASEAN RAPPROCHEMENT

In the early 1990s, after the disastrous impact of the Tian'anmen Incident on China's international reputation, China tried to overcome its international isolation by reaching out to Southeast Asian neighbouring states. The normalisation of relations with Indonesia in 1990 was regarded as a breakthrough in China's diplomatic field. Also in 1990, China established diplomatic relations with Singapore and intensified its efforts to establish official ties with ASEAN. Informal meetings, so-called Track II attempts, played an important role in this regard and are analysed in particular in Chap. 9 of this part of this book.

In 1991, China's foreign minister Qian Qichen attended the opening session of the 24th ASEAN Ministerial meeting as a guest of Malaysia and expressed interest in cooperating with ASEAN. In this context, it is

worth noting that Sino-Malaysian relations have been traditionally strong, and in 1974, Malaysia was the first ASEAN state to normalise relations with China. Malaysia therefore played an important role as facilitator for China's approach towards ASEAN.

In the first diplomatic result of the China-ASEAN rapprochement, in 1992 China adopted the ASEAN Declaration on the South China Sea. The acceptance of this declaration can be regarded as a precondition for the intensification of China-ASEAN cooperation. ASEAN members with claims in the SCS requested that China adopt this declaration, which urges all parties to exercise restraint and to explore possibilities for cooperation. The declaration also emphasises the need to resolve sovereignty issues without the use of force. The insistence of concerned ASEAN members on China's acceptance of the declaration was the first concerted step of ASEAN claimants in the SCS disputes.

Active Participation: Development Observer to Strategic Partner

China attended its first ASEAN meeting in July 1991, when it took part in the ASEAN Post-Ministerial Conference (PMC) as a 'consultative member'.

From 1992 to 1995, China attended the ASEAN Annual Ministerial Meeting (AMM) as the guest of the current Chair of ASEAN. These cautious first steps were followed by more confident participation.

In the mid-1990s, China slowly began to accept a multilateral policy towards ASEAN. Bilateral diplomacy maintained the policy of choice but in the aftermath of the Mischief Reef occupation and the resulting united ASEAN statement condemning China's action, policymakers in Beijing started to accept multilateral ASEAN-led forums as a diplomatic reality. The Chinese occupation of the Philippine-claimed Mischief Reef signifies a landmark in this development for two reasons. First, China's aggressive move was perceived as a violation of the declared will to resolve the Spratly disputes peacefully (e.g., 'ASEAN Declaration on the South China Sea') and led to an unprecedented united ASEAN foreign ministers' statement on the SCS disputes which supported the Philippines' claim.

Second, as a consequence of this united ASEAN stance, China accepted the discussion of Spratly disputes at the first China-ARF Senior Officials Meeting (SOM) at Hangzhou in April 1995. Although these were only informal discussions, this Chinese acceptance of multilateral discussions was a breakthrough in China-ASEAN relations. It paved the way for subsequent China-ASEAN meetings where the Spratly disputes were

discussed multilaterally. Further, China accepted the UN Convention on the Law of the Sea (UNCLOS) as a basis for negotiation. It seems plausible to interpret China's acceptance of multilateral discussions with ASEAN as the required concession for improved China–ASEAN relations. At this time (1995–1996), China was increasingly in conflict with the USA about the situation in the Taiwan Strait (the Taiwan Strait Crisis) and any aggravation of China–ASEAN relations in regard to territorial disputes in the SCS would only contribute to the emerging ‘China threat’ discussion. The ASEAN members were no longer willing to negotiate the Spratly disputes with China solely on a bilateral basis, and China was interested in dismantling the ASEAN phalanx against it, thus China accepted the discussion of the Spratly disputes in a multilateral framework.

In 1997, the China–ASEAN summits were established as an annual high-level platform for policymakers of ASEAN and China. In 1997, Chinese president Jiang Zemin delivered a speech on “Establishing Good-Neighbourly Partnership of Mutual Trust Oriented to the Twenty-First Century”. In 1998 vice president Hu Jintao participated in the summit and in 1999, premier Zhu Rongji attended the summit. This highlights the importance China ascribed to this summit right from its inauguration and China maintained the practice of sending only its most senior policymakers to this summit throughout the following decade. The high-level nature of the China–ASEAN summits led to important decisions. In 2001, China and ASEAN agreed on the establishment of the ASEAN–China Free Trade Area (ACFTA) and in 2003, China and ASEAN agreed to establish a Strategic Partnership for Peace and Prosperity.

The development of China–ASEAN relations has undergone an impressive improvement in less than a decade. However, as Saw, Sheng, and Chin noted with regard to the Strategic Partnership for Peace and Prosperity, “the word ‘strategic’ does not mean ASEAN and China are developing a defence alliance or a military pact” (Saw et al. 2005, p. 10).

The ‘strategic’ part of this partnership is its long-term development, envisaged to stabilise and thus secure the region to the (economic) benefit of both China and the ASEAN.

The latest manifestation of the various meeting and consultancy groups within the region is the East Asia Summit (EAS) established in 2005. After a proposal from the East Asia Vision Group (EAVG) to foster cooperation in the region, ASEAN leaders and the leaders of China, Japan, and the Republic of Korea agreed at the 2004 ASEAN+3 summit to create the EAS. In addition to the ASEAN+3 participants, the first EAS was attended

by Australia, India and New Zealand. The EAS was thus extended in scope in regard to the ASEAN+3 framework but was more inclusive than the broad ARF membership design. China in particular preferred this setting since non-regional actors (i.e., the USA) were excluded from the EAS, at least in the initial phase. This regional character of the EAS changed when the USA and Russia were eventually invited to join the EAS from 2011.

Economic Cooperation

In July 1996, China became a full dialogue partner of ASEAN, and in 1997 the ASEAN–China Joint Cooperation Committee (ACJCC) was established. The ACJCC is designed to foster China–ASEAN cooperation in the realms of political dialogue, economic trade, and technology cooperation, therefore several dialogue mechanisms have been developed to reach these goals. The volume of China–ASEAN trade has dramatically increased from US\$ 8 billion (in 1991) to over US\$ 443 billion (in 2013). Several newly established institutions fostering China–ASEAN economic cooperation contributed to this rapid increase in trade volume.

In the inauguration phase, China contributed US\$ 700,000 to establish the ASEAN–China Cooperation (ACC) Fund which was created to realise the ACJCC's projects. In 1997–1998, the first projects were implemented in the realms of personnel exchange, a workshop on ASEAN–China economic and trade cooperation, and ASEAN–China informal exchange.

The foundation of ACJCC demonstrates the development of China–ASEAN relations with its structure of five parallel dialogue mechanisms to provide regular institutional mechanisms for the deepening of the relations between the two.

The five parallel frameworks for China–ASEAN dialogue are: China–ASEAN political consultation at senior official level; the China–ASEAN Joint Committee on Economic and Trade Cooperation; the China–ASEAN Joint Committee on Scientific and Technological Cooperation; the China–ASEAN Joint Committee on Cooperation; and the ASEAN Beijing Committee.

The establishment of ACJCC and the associated ACC Fund marks the first time that China supported the creation of an ASEAN–China body and even funded its institutionalisation. On many other occasions, China had been reluctant to foster the institutionalisation of its relations with ASEAN and had vetoed the creation of offices and administrative bodies. A number of financial institutions were established in reaction to the

Asian financial crisis. Especially important were the Chiang Mai Initiative (CMI), a system of intra-Asian currency exchange to secure its members' liquidity, and the Asian Bond Markets Initiative (ABMI), another effort to stabilise Asia's economies in respect of external shocks.

These political efforts to strengthen China–ASEAN relations experienced strong support from the economic community. During the Asian financial crisis of 1997–1998, China gained substantial credibility as a benign rising regional power when it decided not to devalue the yuan which would have had dire consequences for the smaller Asian economies dependent on the Chinese market. China also announced the provision of US\$ 4 billion to stabilise the currencies of affected countries.¹

The risks of financial crises, as experienced in 1997–1998, led to the establishment of ASEAN institutions designed to forestall similar crises in the future. The first ASEAN surveillance process was initiated to monitor critical financial markets, resulting in the establishment of two intertwined ASEAN institutions: the ASEAN+3 Macroeconomic Research Office (AMRO) and the ASEAN Integration Monitoring Office (AIMO). Both bodies were designed to support the ASEAN Economic Community's (AEC) development. AIMO drew on the former Macroeconomic and Finance Surveillance Office (MFSO) and was created to foster regional financial stability and implement surveillance mechanisms under the CMI.

AMRO includes the ASEAN member states plus China, Japan, and South Korea and was established in 2011. As a surveillance unit of the Chiang Mai Initiative Multilateralisation (CMIM), AMRO was designed to provide sound analyses of regional economies and early risk warnings.

The financial crisis of 1997–1998 was a critical experience for the nascent Asian economies, the positive outcome of which was the mutual desire to create financial watchdogs to detect future crises. At the centre of all efforts to stabilise the Asian financial system stands the CMI multilateral currency swap agreement of the ASEAN+3, established in 2000. The core of this initiative is to avoid liquidity problems in one of the member states creating disastrous impacts for the whole Asian economic system. Financial stability – this was the lesson learned from the 1997–1998 crisis – is at the heart of increasing economic cooperation and resulting steady economic growth.

The establishment of an FTA between China and the ASEAN member states has been in discussion since 2000. At the China–ASEAN summit in 2001 a proposal was endorsed and in 2002, China and ASEAN signed the Framework Agreement on Comprehensive Economic Co-Operation.

This agreement outlined the implementation of an ASEAN–China Free Trade Area (ACFTA) within ten years and set a timetable for the elimination of tariffs and non-tariff barriers. An important decision in this regard was the division of ASEAN into two economic groups: ASEAN 6 (Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand) and Newer ASEAN Member States (Cambodia, Laos, Vietnam, and Myanmar). This split enabled a deepening of economic and trade relations between China and the powerful ASEAN economies in the short term (tariff elimination by 2010), while at the same time the less developed ASEAN economies would benefit longer from tariff protection (until 2015).

A so-called ‘early harvest programme’ reduced or eliminated tariffs on about 10 % of traded goods to provide some immediate benefits of the FTA. It was China, notably, that proposed the establishment of the ACFTA. China had already surprised participants when President Jiang Zemin announced at the 1995 meeting of the Asia-Pacific Economic Cooperation (APEC) that it would cut tariffs on 4,000 imports by 30 % or more.

The 2000 initiative to establish an ASEAN–China FTA marks the first substantial institutionalisation of Sino-ASEAN relations that was proposed by China. It can thus be argued that it is evidence for China’s high degree of acceptance of multilateralism in the economic realm at the beginning of the new millennium. China was active in establishing new forms of cooperation in the partnership with ASEAN, instead of merely participating in existing ASEAN-led activities.

In the period from 1990 to 2002, China–ASEAN trade increased at an average annual growth rate of 20.8 %. In 2003, the first year after the signing of the Framework Agreement on Comprehensive Economic Co-Operation and without any FTA measures in place, China–ASEAN trade reached a record high with a growth rate of 42.9 %.

In 2009, China’s total trade with ASEAN reached US\$ 178 billion followed by the EU-25 at US\$ 172 billion, Japan at US\$ 161 billion and the US at US\$ 150 billion. In the first month of 2010, when the ACFTA was implemented, trade between China and ASEAN increased by 47 %.

Compared with other economic trade arrangements, the ACFTA was not the best choice for China in respect of economic benefits. From an economic viewpoint, it would gain most by establishing a FTA with the developed economies of Japan and South Korea that excluded ASEAN economies. However, China opted for the ACFTA instead of a possible East Asian FTA for political and security reasons. According to economic

analysts, the ASEAN member economies benefit disproportionately from this trade agreement at China's expense. One observer noted: "China obviously hopes that the short-term generosity in economic cooperation will lead to long-term political and economic gains." (Kuik 2005, p. 112)

The establishment of the ACFTA can therefore be assessed as a (costly) effort by China to reassure the ASEAN members of its benign behaviour and as a counter-measure to fears over its economic rise. In the long term, however, the ACFTA might prove highly beneficial for China since it grants China's economy access to ASEAN markets (and related third markets) with decidedly weaker competitors. Studies on China's economic growth and the impact on related economies have shown that low-income countries (like most of ASEAN's member economies) will be negatively affected, while higher-income Asian exporters benefit from China's economic rise. In Indonesia, for example, strong Chinese competition has led to a decline of local manufactures (especially in the textile sector); Indonesia's trade deficit with China grew from a surplus until 2007 to a deficit of US\$ 4.7 billion in 2010. With the implementation of ACFTA in 2010, the removal of tariffs led to an influx of cheaper Chinese goods and increased the Indonesian trade deficit with China to an eventual US\$ 13 billion in 2015.

At the same time, China's policy of diversification of suppliers and markets led to reduced dependence on East Asian markets, from 55 % in the mid-1990s to less than 40 % in 2004. Over the same period, ASEAN exports to China increased fourfold in the 1990s and doubled in the decade after the Asian financial crisis.

DOC and TAC

The ACFTA not only increases the dependency of ASEAN economies on China but puts China in a potentially stronger position in negotiations over unresolved disputes. China has signed a series of agreements with ASEAN such as the ASEAN Declaration on the South China Sea. The most important agreement is the signing of the Declaration on the Conduct of Parties in the South China Sea (DOC) in 2002 to foster mutual confidence. It is the first multilateral agreement China has signed in respect of the SCS and marks a milestone in China-ASEAN relations. It took eight years of discussions and three years of negotiating a code of conduct before the DOC could be agreed on. By signing the DOC, China and ASEAN agreed to respect the UNCLOS in the resolution of the territorial disputes in the South China Sea. In particular, the signatories gave a commitment:

... to exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability including, among others, refraining from action of inhabiting on the presently uninhabited islands, reefs, shoals, cays, and other features and to handle their differences in a constructive manner. (Declaration on the Conduct of Parties in the South China Sea (DOC), Art. 5)

This agreement is a revision of a previous Philippine draft, which was strongly supported by Vietnam but rejected by China. This draft called on all parties to “refrain from action of inhabiting or erecting structures in presently uninhabited islands, reefs, shoals, cays and other features” (see: ASEAN’s Draft: Regional Code of Conduct in the South China Sea). The non-mention of “erecting structures” in the final DOC has important significance for the character of the disputes as the following chapter about the SCS disputes will demonstrate.

For China, signing the DOC was primarily motivated by a desire to prevent further US involvement in the Southeast Asian region and especially to limit military exercises between ASEAN and the USA. For the members of ASEAN and especially the claimants in the SCS territorial disputes, the DOC was an important agreement to prevent the use of military forces in disputes, especially having regard to China’s growing military capabilities. However, the DOC remains a declaration focused on building confidence among its signatories; it was not intended as a conflict-solving tool and does not have the legally binding character of a code of conduct.

In 2003, as a supplement to the DOC, the ASEAN member states issued the Declaration of ASEAN Concord II (better known as Bali Concord II). In this declaration, which was adopted at the ASEAN summit in Bali, the ASEAN member states agreed that:

Maritime issues and concerns are transboundary in nature, and therefore shall be addressed regionally in holistic, integrated and comprehensive manner. (Section A – ASEAN Security Community, item 5)

This statement sent a clear message to China advocating the multilateral discussion of SCS territorial disputes within ASEAN bodies, rather than bilaterally between the claimants.

The 2002 ASEAN–China summit later became known as the ‘landmark summit’ because of the scope and quality of three agreements signed there:

the Joint Declaration on Cooperation in the Field of Non-Traditional Security Issues; the Framework Agreement on Comprehensive Economic Co-Operation; and the Memorandum of Understanding on Agricultural Cooperation.

The Joint Declaration on Cooperation in the Field of Non-Traditional Security Issues initiated cooperation between ASEAN and China in such areas as trafficking of illegal drugs, people smuggling including the trafficking of women and children, sea piracy, terrorism, arms smuggling, money laundering, international economic crime, and cybercrime. The order in which these non-traditional security threats are listed reflects the priority given to them as stated in the declaration. In this respect, it is interesting to note that smuggling and trafficking were assessed as more urgent security threats than piracy and terrorism – at least in the realm of China–ASEAN security cooperation. In the aftermath of the 9/11 terrorist attacks and with the increasing menace posed by the Abu Sayyaf terrorists/pirates in the area of the Philippines and Malaysia, this prioritising seems elusive. China prominently joined the USA in the ‘global war on terrorism’ and it was in 2002 that fighting Abu Sayyaf became a mission of the US Operation Enduring Freedom.

Obviously, China–ASEAN security cooperation in the field of non-traditional security threats was rather dominated by criteria of practicability and convenience (i.e., border control) than by criteria of necessity (i.e., terrorism and piracy). On the other hand, studies have shown that piracy and terrorism mainly occur in the vicinity of harbours and are therefore less of a threat to SLOCs and also less suitable for international security cooperation efforts. Fighting terrorism and piracy, of course, requires a higher degree of cooperation and sharing of sensitive information, and cooperation over anti-piracy operations within the disputed areas of the South China Sea would be complicated. The prioritisation of the security cooperation fields thus highlights the difficulties and lingering suspicions surrounding China–ASEAN cooperation in this area.

In 2003, China became the first non-ASEAN member to sign ASEAN’s Treaty of Amity and Cooperation in Southeast Asia (TAC), declaring that China accepted the core elements of ASEAN’s 1967 charter. The signatories of the TAC accept, among others, the principles of non-interference in each others’ internal affairs, the settlement of differences or disputes by peaceful means, and the renunciation of the threat or use of force (see Article 2 of the TAC).

In 2004, a Plan of Action was adopted for the period 2005–2010 to implement the goals of the Strategic Partnership for Peace and Prosperity. A new Plan of Action for the period 2011–2015 was adopted in 2010. The Plans of Action were also designed to implement cooperation in the realm of security (and the objectives of the Joint Declaration of China–ASEAN Strategic Partnership). The focus, however, was on deepening economic cooperation.

Both DOC and TAC, despite their shortcomings and non-binding character, remain the most important agreements in respect of the SCS territorial disputes. Without them there could be no further progress towards a lasting solution or a conflict-management regime. The DOC especially is regarded as setting the framework for future negotiations towards a solution of the territorial disputes. However, recent activities on occupied islets, notably China's efforts to enlarge these islets artificially, raise doubts as to the DOC signatories' benign intentions.

China-ARF and CSCAP

The ASEAN Regional Forum (ARF) was established at the ASEAN PMC in 1994 as an institution for promoting cooperative security within the Asia-Pacific region. This first ARF working session was preceded by a meeting of the ASEAN member states' foreign ministers in July 1993, to which the foreign ministers of China, Russia, Vietnam, Laos and Papua New Guinea were invited in order to test the waters for such a security forum. A non-governmental, Track II diplomatic instrument had been established in June to enable the process of dialogue with preparatory and associated meetings. The Council for Security Cooperation in the Asia-Pacific (CSCAP) was designed as a network of research institutes from the participating ARF states to support security discussions with expert input.² The use of Track II diplomacy, also called 'supplement diplomacy', 'face to face diplomacy' or 'back-channel diplomacy' has helped facilitate negotiations in other severe and protracted conflicts.

ARF is a discussion group focusing on dialogue and confidence-building measures to set the preconditions for a cooperative security regime in the Asia-Pacific region. The ARF encompasses the ten foreign ministers of the ASEAN member states, plus China, Russia, the USA, Canada, the EU, Japan, North Korea, South Korea, East Timor, Australia, New Zealand, Papua New Guinea, India, Bangladesh, Mongolia, and Pakistan. Although

very far-reaching in terms of its participants, the focus is entirely on Asia-Pacific region issues.

The first meeting in Bangkok on July 25, 1994 can justifiably be termed a historic event since for the first time, senior representatives of the majority of states in the Asia-Pacific region were discussing security issues and possibilities for cooperation. At that meeting, the participants agreed to meet annually thereafter and to “convene, if necessary, informal meetings of officials to study all relevant papers and suggestions to move the ARF process forward” (Chairman’s Statement, the First ASEAN Regional Forum). Further, the TAC was accepted as a non-binding code of conduct for regulating regional relations.

At the second meeting in 1995, Cambodia was accepted as a participant and the ARF members agreed on a Concept Paper about the future development of the ARF. The Concept Paper calls for a gradual and incremental process to reach cooperative security. Three stages of successive progress were outlined:

1. Promotion of confidence-building measures;
2. Development of preventive diplomacy mechanisms;
3. Development of conflict-resolution mechanisms (see item 6 of the ‘Concept Paper’).

In the chairman’s statement of this ARF meeting, “conflict-resolution mechanisms” was revised to “elaboration of approaches to conflicts”. It seems that China, fearing too high a degree of institutionalisation of the ARF process, had demanded this re-phrasing.

The Concept Paper also introduced Track II activities to support the overall ARF discussion process and consolidated ASEAN’s leading role in regard to all organisational issues. ASEAN would provide the bureaucratic framework and the ARF would be based on ASEAN norms and practices. Decisions should be taken on consensus and, explicitly: “No voting will take place.” (see original text of the Concept Paper, especially item 20)

The ASEAN mode of negotiation, which became known as the ASEAN Way, has been maintained in ARF discussions. The ASEAN Way concept is a conversational model which seeks to reach common agreement instead of decisions taken by a majority. For this purpose, the participants meet frequently, also in informal settings, to discuss and negotiate until a solution is found which is acceptable to the whole group.

The ARF is committed to adopting only non-binding, voluntary agreements and to moving forward only at a pace which is acceptable to all participants. This step-by-step approach is designed to build trust among the participants and to ensure that no member is overburdened by the ARF's mode of discussion. No sanctions can be imposed on members and there is no procedure for suspension or expulsion of members who have violated ARF decisions.

The second ARF meeting also established working groups which were renamed Inter-Sessional Support Groups (ISGs) and Inter-Sessional Meetings (ISMs) as a concession to Chinese discomfort with any semblance of institutionalising the ARF process. These bodies met between the official annual ARF meetings and provided the participants at the official meetings with detailed information, as well as proposals, on given issues. Designed to be co-chaired by an ASEAN and a non-ASEAN participant, the first ISG was on confidence-building measures (CBMs), co-chaired by Indonesia and Japan.

CSCAP provides a structural non-governmental regional process (i.e., Track II) to support regional confidence-building efforts, and security dialogues and cooperation. The establishment of CSCAP was, crucially, prepared and supported by the ASEAN Institutes of Strategic and International Studies (ASEAN-ISIS) network. The founding study institutes were from Australia, Canada, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Thailand, and the USA.

To date, CSCAP consists of 21 national member committees represented by national study institutes. At the inaugural meeting in 1993 in Kuala Lumpur, a founding statement was issued describing the CSCAP's organisational structure, including a Steering Committee. In 1995, a revised CSCAP Charter was signed which further elaborated the workflow of CSCAP, its membership requirements, and the duties of the CSCAP Secretariat which is provided in rotation by the host of the Annual General Meeting. The Steering Committee establishes working groups on specific regional and sub-regional security problems. In December 2014 working groups were renamed 'study groups', a more appropriate reflection of their character. To date, four study groups have been established focusing on search and rescue, preventive diplomacy, energy security in the Asia-Pacific region, and non-proliferation and disarmament (NPD).

The study groups are designed to support the ARF. For example, special study groups are set up to provide the ARF's ISGs and ISMs with scientific input. CSCAP study groups publish occasional papers, reports and

monographs. Recently a paper on “Enhancing CSCAP’s Contribution to and Interaction with the ARF” and a memorandum “Towards Effective Regional Security Architecture for the Asia Pacific” were published. The reports highlight the confidence-building workshops organised by CSCAP and especially CSCAP’s role in strengthening ties between Track I and Track II organisations in the region. The conclusion of nearly two decades of CSCAP activities, however, is to set in relation with the policymakers’ will to implement prepared concepts. The reports and memoranda produced by the CSCAP’s study groups can only provide collected analyses and suggestions for conflict-resolution efforts. The necessary steps are to be taken on the political level. Without the necessary will of policymakers to implement the concepts, CSCAP’s study groups produce their papers merely for an interested academic audience.

The members of the national committees which constitute CSCAP are not Track II participants in the proper sense (i.e., mid-level officials, experts, scholars) but rather Track I-level officials participating in these Track II-level activities. Johnston notes that:

... 50 % of the board of directors of the US national committee of CSCAP have worked in government. The US CSCAP also has a category called observers who are current government officials (US CSCAP 1997). The Chinese CSCAP national committee includes an Assistant Foreign Minister, the senior specialist on American, European, and arms control affairs in the PLA General Staff Department, as well as the Foreign Minister’s senior functional level officer handling ARF affairs. (Johnston 1999, p. 300, fn. 34)

If too many Track I-level officials participate, Track II meetings lose much of their workshop character and strengths, namely:

... conveying the sort of image that will encourage the parties to begin to think in problem-solving terms; research instead of polemics; analysis in place of rhetoric; communication rather than bargaining. (Mitchell and Banks 1996, p. 87)

Since CSCAP is heavily influenced by and equipped with government staff, it lacks the neutrality of scholars and experts and can thus independently only produce Track II studies in a limited way. The role of CSCAP is, therefore, rather to collect and process academic and workshop papers for the Track I level than to fulfil a proper Track II role on its own. Another limitation of CSCAP is the participation of military officials. Sam Bateman argues that “The group is co-chaired by naval officers or former naval officers from CSCAP’s China, Japan and India, who are unlikely

to be attracted to recommendations that might threaten naval budgets” (Bateman 2011, p. 15). These limitations mean that CSCAP has fallen short of contributing really new approaches or documents to security issues in the Asia-Pacific region (i.e., ‘thinking out of the box’). The aim of Track II workshops is to provide a forum for informal and open-minded discussions attended by non-partisan experts to explore various concepts for given problems. If too many officials with certain agendas of their own or their institution participate, the Track II approach loses its main purpose, which is to support the Track I level with new ideas and concepts.

China’s membership of the ARF is significant because it participates in only one other regional security organisation in which representatives of national governments meet – the Shanghai Cooperation Organisation (SCO). Indeed, China’s attitude towards the ARF has changed from that of sceptic to observer to more active participant and dialogue partner. In 1996, China officially became a full dialogue partner of the ARF. Bates Gill evaluated China’s participation in the 1990s as follows:

... Beijing remained throughout most of the 1990s a reluctant player within the ARF itself. Chinese representatives read strictly from prepared texts and tried to deflect discussions on issues on which it stood alone. (Gill 2007, p. 32)

Nonetheless, in 1997 China co-chaired with the Philippines an ISG on CBMs. This is remarkable in that China and the Philippines were directly in conflict about territorial disputes in the SCS in 1995 when the Philippines discovered China’s occupation of Mischief Reef, an area which the Philippines had laid claim to. The co-chairing of a working group on CBMs only two years later (and the decision to organise this ISG was even made in 1996) is evidence for the success of the ARF in bringing parties in conflict to the discussion table. China’s participation in these CBM activities was mainly motivated by its desire to implement its ‘good neighbour policy’ and to dilute any ‘China threat’ theories.

With regard to the substantive value of the working groups, Chung Chien-peng concludes:

The ISG and ISM meetings have been little more than occasions for participants to discourse on every conceivable notion of security and reiterate the concerns expressed at the previous ARF general meeting. (Chung 2010, p. 53)

The double structure of the ARF is designed to allow steady progress in security cooperation while maintaining the ASEAN Way. Official Track I annual meetings are supported by informal Track II meetings which should foster the discussions about security issues. CSCAP and various working groups (e.g., ISGs, ISMs) are particularly designed for this purpose. To ensure that Track II discussions do not gain too much momentum and thus put pressure on the Track I process, the ASEAN Chair was installed as the main link between the two tracks. In this way, it is guaranteed that only Track II proposals convenient to the whole group will be discussed at Track I level.

The various bodies of supportive Track II groups have helped to develop Track I meetings and summits, and existing Track II groups have advocated the establishment of further, more specialised, study groups and working groups. The network of ASEAN research institutes (ASEAN-ISIS) was established in 1984 and it was from a proposal by this network that the CSCAP was founded in 1993. CSCAP itself was pivotal in the construction and establishment of the ARF in 1994, and it provided the ARF's ISGs and ISMs with input from its study groups. Out of the ARF (from a proposal by South Korean President Kim Dae Jung) the EAVG was developed (in 1998), itself was the precursor of the EAS (established in 2005). This mutually supportive and continually progressing network of ASEAN-initiated working groups and Track I meetings is depicted in Fig. 7.1 which shows the groups' year of establishment interrelations.

This process of ARF meetings and the non-binding character of agreements reached among the participants has led critics to believe that the

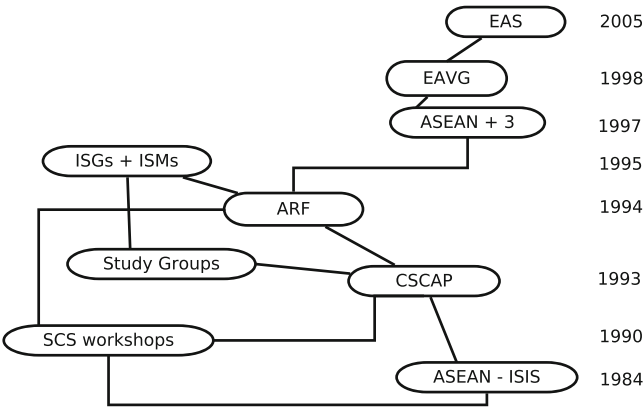


Fig. 7.1 ASEAN subgroups' universe

ARF is merely a 'talking shop' and "no more than a glorified cocktail party". After the establishment of the forum, Michael Leifer argued that the ARF's "means are limited, however, and the multilateral undertaking faces the same order of difficulty as the biblical Hebrew slaves in Egypt who were obliged to make bricks without straw" (Leifer 1996, p. 59). Given the need for a consultation forum in the Asia-Pacific region, however, Leifer added that "bricks made without straw are better than no bricks at all" (Leifer 1996, p. 59).

China succeeded in adapting its foreign policy to Southeast Asian conventions and benefited from this 'walking the walk and talking the talk' policy because it contributed to the improvement of China's image in the region. But the critique remains that ARF discussions were mainly designed to provide non-binding opportunities for an exchange of views with the aim of socialisation rather than a forum for real negotiations. As far as theories of socialisation are concerned, the ARF fulfils its role in bringing together the region's important actors, while bearing the critique of being merely a 'talking shop'.

In the theory of International Relations, the term 'Finlandisation' describes a country which constrains its foreign policy anticipatively in order to avoid provoking an overly powerful neighbouring country.³ With regard to ASEAN's policy towards China, Gerald Segal noted that "the states of Southeast Asia were 'ASEANized'" (Segal 1996, p. 122; see also Cronin and Kaplan 2012, pp. 7, 15). If no critical subjects are raised during discussions, no solutions to critical disputes can be reached. The ARF was thus self-limiting in its desire to accommodate everyone in general and China in particular and missed the opportunity to name and work on pressing security issues of the region. The process of confidence building and the ASEAN Way were preferred to the possibility of discussing security issues controversially and thus potentially making progress. In their analysis of several ASEAN organisations and ASEAN's norm of non-interference and non-binding consensus, David M. Jones and Michael L.R. Smith have reached the catchy conclusion that "ASEAN is making process not progress" (Jones and Smith 2007).

Institutionalising China–ASEAN Relations

The ARF's institutional process has been kept at the most basic level. It has no secretariat or staff of its own and is completely embedded in the ASEAN organisational structure. Only at the ARF Ministerial Meeting

in 2004 was it agreed to establish an ARF unit within the ASEAN secretariat in Jakarta (Chairman's Statement, the Eleventh Meeting of ASEAN Regional Forum, item 38). There is no central depository for ARF papers, reports, or decisions, and the ASEAN secretariat provides only minimal support.

In the beginning, China's ARF policy was handled by the Comprehensive Division (综合处 – *Zōnghé chù*) of the Asia Department of the Foreign Ministry. In 1999, Alastair Iain Johnston concluded that: "The Division had only about eight to ten (overworked) officers. A couple of these officers did the preparatory work for ARF meetings and Track II activities." (Johnston 1999, p. 308)

In January 1998, the Asia Department of the Chinese Foreign Ministry established a separate division to manage China-ARF relations, the Regional Cooperation Division (地区合作处 – *Dìqū hézuò chù*). This newly created division would monitor China's ARF and Track II policy and support Chinese participants with preparation for the meetings. In 2004 China established the (Chinese) China-ASEAN Association which was incorporated into the Chinese People's Association for Friendship with Foreign Countries (中国人民对外友好协会 – *Zhōngguórénmín duìwài yǒuhǎoxiéhui*) in Beijing.⁴ The purpose of the China-ASEAN Association is to foster cooperation between China and ASEAN member states, therefore the Chinese Association promotes cooperation programmes in the areas of politics, culture, business, technology, and sport. The Chinese People's Association for Friendship with Foreign Countries is officially a civilian organisation so it is the appropriate association to deal with other Track II institutions such as CSCAP.

The reluctance to foster any institutionalisation of China-ASEAN relations is shared by both China and the ASEAN member states. The small ASEAN member states fear that institutionalisation would eventually lead to some kind of supra-national organisation which would interfere in their internal affairs and thus curb their sovereignty. China, for its part, fears that involvement in ASEAN and institutionalisation of these relations would internationalise its territorial disputes (e.g., Spratly and Paracel Islands). Therefore, mutual insistence on respecting national sovereignty and non-intervention in internal affairs unites China and the ASEAN member states in rejecting further institutionalisation of their relations.

ASEAN has established two entities for conflict resolution. The establishment of the High Council was incorporated in the TAC (1976) and in 2004 ASEAN created the Enhanced Dispute Settlement Mechanism

(EDSM), especially designed to deal with disputes of economic concern. The High Council is composed of a representative at ministerial level from each of the ten ASEAN member states plus representatives from non-ASEAN states which are directly involved in the given dispute – in theory. To date, the High Council has never been used by the ASEAN member states to settle any tensions or conflicts.

The ASEAN Protocol on Enhanced Dispute Settlement Mechanism, better known as the Vientiane Protocol, is an advance on the previous ASEAN Protocol on Dispute Settlement Mechanism, signed in 1996 and also known as the Manila Protocol. Both Protocols describe in detail how the dispute settlement mechanism should work to resolve economic disputes, especially with the participation of third parties. However, to date, neither mechanism has been utilised by ASEAN members.

The institutionalisation process of ASEAN in general and of China–ASEAN relations in particular is in sharp contrast to other forms of organisations such as the European Union (EU). While the EU is an organisation based on bureaucratic structures and supra-national institutions and aims at a high level of political and economic integration, ASEAN and the ASEAN Way is based on informal diplomacy, is process oriented and prefers national sovereignty to political and economic integration. Brian L. Job observes:

an extreme form of Asia Pacific allergy to formal institutionalization. Reluctant, in the first instance, to create Track 1 institutions with any independent authority or sovereignty-restricting powers, Asian states appear even less willing to give their Track 2 counterparts any decision-making or investigative or monitoring capabilities. (Job 2003, p. 273)

The organisation and institutionalisation of both ASEAN and ARF present alternative models to the EU and its mode of organisation. ASEAN Way consensual decision making presents an alternative to the EU's model of majority decisions. And although the EU's workflow apparently leads to quicker decisions, an analysis of the viability of these decisions in the long term, or of the acceptance of the EU's decisions compared to ASEAN's decisions would be highly interesting but is beyond the scope of this book. (For integration studies concerning the impact of increasing the number of participants in a multilateral institution on the effectiveness of this institution, see Downs et al. (1998) and Huntington (1968).)

In general, ASEAN's member states eschew too deep an integration and the establishment of supra-national institutions for fear of the loss of their national sovereignty. However, ACFTA might be a first step towards deeper intra-ASEAN as well as China–ASEAN economic integration.

INTERIM CONCLUSION

In 2003, Alice D. Ba described the development of China–ASEAN as a procession through four phases since 1967:

- (1) a period of domestic political consolidation during which ASEAN concerns about China were largely internal (1967–78);
- (2) a period of de facto Sino-ASEAN alignment against Vietnam's intervention into Cambodia (then Kampuchea) (1978–89);
- (3) a period of mutual engagement "after Cambodia" (1989–97); and
- (4) the current post-economic crisis stage of relations (1998–present). (Ba 2003, p. 623)

After the initial phase of rapprochement in the early 1990s, China and ASEAN established consultations at senior official level. In 1996, China received full Dialogue Partner status and in 1997, five parallel frameworks for dialogue between China and ASEAN were established. At the end of 1997, China and ASEAN held their first informal summit (ASEAN+1) and issued a joint statement of partnership and good neighbourliness.

This positive dynamic of Sino-ASEAN relations was further fostered by China's benign role towards the Southeast Asian nations during the Asian financial crisis of 1997–1998. The noted Chinese scientist Zou Keyuan, who analysed China's relations with ASEAN, especially the legal aspects, concluded: "In the overall China-ASEAN relations, the most rapidly developed area is the economic cooperation" (Zou 2009, p. 10). This observation accords with similar processes of community building, such as the EU. Economic relations precede and generate spill-over effects for political cooperation. And only after a deepening of cooperation in these two areas and a phase of confidence building, can cooperation in security matters follow, concluding this triangle of cooperation dimensions.

China's participation in ASEAN-led discussions and multilateral security arrangements has evolved over two decades of interaction. A sceptical participant in the early 1990s motivated mainly by fear of being left out, China later became more active. Especially in the new millennium, China's participation in the ARF and related ISMs demonstrated the growing commitment of its policymakers to multilateralism. However, as Chung

Chien-peng notes, China's "comfort level for participating in regional institutions, and hence its behavior in these organizations, still depends on its ability to maximize its relative power, interest, and autonomy within these bodies" (Chung 2010, p. 52).

China could be assured that ASEAN-led meetings and discussions would not put too much pressure on China or isolate it on any given problem. As Sheldon Simon phrased it: "The ARF reflects ASEAN's preferred strategy of consensus diplomacy, which manages problems rather than solves them" (Simon 2008, p. 279).

Liselotte Odgaard is even more explicit in her assessment of ASEAN's priorities:

ASEAN's meagre results indicate that implementation of agreements is not a priority. Priority is given to maintaining a cushion between the problems that recurrently arise between states and the tendency for states to act without considering the interests of other states. ...

The focus on dialogue rather than results permits ASEAN to adopt a conciliatory approach to diplomacy. (Odgaard 2002, p. 167)

In general, China has accepted the need to be part of international regimes if it wishes to wield influence. With this intention, China has become a member of more than 130 international inter-governmental organisations and has signed more than 250 international multilateral treaties. In these organisations, China's level of participation varies greatly from mere presence to highly active contribution. In his study of participation in the WTO, Håkan Nordström shows that China has been the most active developing country, judging by the number of written submissions. According to this study, China was the third most active participant only behind the EU and the USA (Nordström 2005).

As far as China's participation and the ARF's performance in general are concerned, the discrepancy between ambition and reality is obvious. The ARF was established as the forum for nations involved in the Asia-Pacific to address security issues. But to date, the ARF has focused on non-traditional security threats and has neglected traditional security issues among its participants due to its non-confrontational approach. The ARF is under-institutionalised and therefore hardly capable of organising forums to discuss complex issues, and due to the non-permanent character of its working groups (ISGs and ISMs), the ARF lacks continuity and has not yet developed an indigenous workflow.

Judged by its own criteria, the ARF was not able to implement the mechanisms outlined in its Concept Paper of 1995. In the following 20 years, the ARF members were not able to proceed from Stage I (Promotion of confidence-building measures) to Stage II (Development of preventive diplomacy mechanisms), thus remaining far from the desired Stage III (Development of conflict-resolution mechanisms). The reluctance to implement preventive diplomacy measures was also shared by ASEAN members afraid of interference in domestic affairs, but mainly opposed by China.

As regards establishing rule-sets and regimes to increase safety in the region (and to manage the territorial disputes in the SCS), the performance of both the ARF and related ASEAN bodies was unsatisfactory. The bodies and mechanisms that have been established (e.g., the High Council and the Enhanced Dispute Settlement Mechanism (Vientiane Protocol)) have never been used for conflict settlement. So ASEAN's greatest success has been the incorporation of the various Track II meetings into CSCAP and ARF working groups, which reached a peak in 1994. Through this institutionalisation, ASEAN succeeded in channelling some Track II proposals into the Track I-level policy-making process. The most important China–ASEAN agreement in respect of the territorial disputes in the SCS, the DOC, falls short of a legally binding code of conduct but remains a declaration. It cannot serve as the predecessor to a legally binding code, but it has helped to ease tensions and took effect as a confidence-building measure even in the absence of formal implementation.

Confidence-building measures and extended consultations between defence officials have been conducted in the areas which seemed the least controversial and thus the most promising to implement. These areas included marine environmental protection, marine scientific research, and safety of navigation and communications. As the following chapters will demonstrate, after the signing of the DOC, China–ASEAN relations improved in general and specific cooperation projects in the disputed territories could be realised.

However, despite the adoption of the Declaration on the Conduct of Parties in the South China Sea, individual claimants have intensified their attempts to consolidate their territorial claims by unilateral actions. In the following chapters, the territorial disputes in the South China Sea, which are crucial to China–ASEAN relations, are analysed in depth. First, a background summary of the history of the territorial disputes and the various claims provides an introduction to the subject, followed by an analysis of

the most important attempts to resolve these disputes – particularly the ASEAN-led Indonesian workshop series. An analysis of China's participation in these discussions serves to examine whether China's foreign policy towards ASEAN has substantially adopted the norms of multilateralism.

NOTES

1. It has to be noted, however, that critics point to China's precedent devaluation of the yuan in 1994, which substantially decreased the ASEAN economies' export competitiveness.
2. See official CSCAP homepage: <http://www.cscap.org/>
3. The example of Finland's foreign policy with regard to the former Soviet Union gave rise to this expression.
4. See official homepage: <http://en.cpaffc.org.cn/>

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The South China Sea Territorial Disputes

THE SOUTH CHINA SEA: DESCRIPTION AND RELEVANCE

The South China Sea (南海 – *Nánhǎi*) spans from the south coast of China to the north of Indonesia and from Malaysia to the Philippines. It includes four groups of islands: the Pratas Islands (东沙群岛 – *Dōngshā Qúndǎo*), the Paracel Islands (西沙群岛 – *Xīshā Qúndǎo*), the Spratly Islands (南沙群岛 – *Nánsā Qúndǎo*), and the Macclesfield Bank (中沙群岛 – *Zhōngshā Qúndǎo*). Chinese sovereignty over the Pratas and the Macclesfield Bank has not been contested. The Paracel and Spratly Islands are of special importance due to their size and the presumed resources in the surrounding waters.¹ For detailed geographical information about the location of the various islands see Chao 1991, pp. 75–80. Figure 8.1 depicts the many islets of the South China Sea.²

The SCS is dotted with a number of islands and especially small features such as rocks, reefs and shoals, most of which are located within the Spratly archipelago. Estimates of numbers vary from 148 (Hancox and Prescott 1995, pp. 3–30) to over 400 (Cole 2008, p. 102) depending on the definition of islets. Of heightened interest are the islets and rocks that are above sea level, which number around thirty.

The large number of registered features in the Paracels (cluster next to the Chinese Island of Hainan) and the Spratlys (cluster next to Malaysia and the Philippines) can be seen in Fig. 8.1, which also provides an impression of the widespread dimension of the Paracel and Spratly archipelagos.

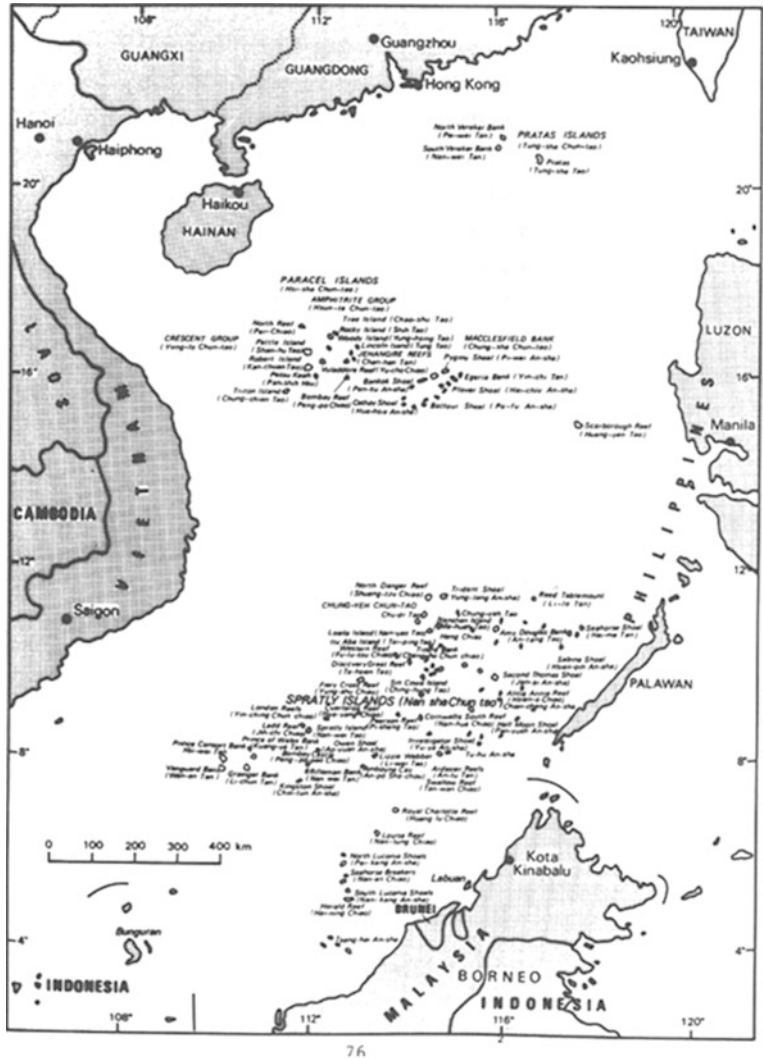


Fig. 8.1 Map of the South China Sea (Source: Chao (1991) p. 76)

The islands in the SCS are in general uninhabited, apart from military outposts which consist mainly of basic buildings and structures. The islands do not provide basic requirements for human survival: food and drinking water must be delivered from littoral states.

Important Sea Lanes: Strategic Significance

The SCS is especially important because some of the most frequented sea lanes for global trade and more than two-thirds of the annual merchant fleet tonnage pass through it. The SCS connects East Asian economies (China, Japan, South Korea) with Europe and the Middle East (via the Indian Ocean). The guaranteed flow of energy (i.e., oil) through the sea lanes of the SCS is a crucial precondition for the continued performance of China's and Japan's economies. It is estimated that roughly three-quarters of the annual world oil and natural gas trade passes through the SCS, and 80 per cent of China's crude oil imports arrives via its sea lanes.

The 'Malacca Dilemma' (erroneously attributed to China's President Hu Jintao in 2003) is a catchy phrase for China's high dependency on one single oil supply route. However, imported oil represents only 10 % of China's total energy consumption. Nonetheless, China's transport and some industrial sectors are completely dependent on oil imports.

The reason why seaborne oil supply has become so overwhelmingly essential for China's economy illustrates the following comparison of transport costs. Accordingly, for China the transport cost per barrel per 1,000 kilometres is \$0.163 by tanker, \$0.793 by pipeline, and \$7.19 by train. (Cole 2008, p. 1; Collins and Erickson 2007, p. 2) Bearing the high investment costs and political difficulties of pipelines that cross several countries in mind, seaborne oil supply is naturally the transport method of choice.

China shares its high dependency on oil tanker supply with two other Northeast Asian economies, Japan and South Korea. Accordingly, "these three countries dramatically lead the world in large oil and LNG tanker capability and production" (Cole 2008, p. 81).

Given the problematic history between these three countries, China's support of the North Korean leadership, and Sino-Japanese economic rivalry and protracted territorial disputes (e.g., the Senkaku/Diaoyu Islands dispute) – any effort to secure the SLOCs in the SCS is perceived by an opponent party as a threat to its use of these sea lanes.

Three important straits build the entrances to the SCS from the west: the Strait of Malacca which is located between Malaysia/Singapore and the Indonesian Sumatra Island; the Sunda Strait between the Indonesian Sumatra and Java Islands; and the Lombok Strait between the Indonesian islands of Bali and Lombok (Ho 2009, pp. 158–159). Of these three straits, the Malacca Strait is by far the most frequented sea lane, roughly one-third of the world trade passes it annually which is, by comparison, twice the amount of annual passage through the Suez Canal and many times the amount of the Panama Canal. Figure 8.2 illustrate the trade flows and important sea lanes of the SCS.

In addition to these important sea lanes but also in regard to securing free passage through them, the islands in the SCS possess a strategic value.

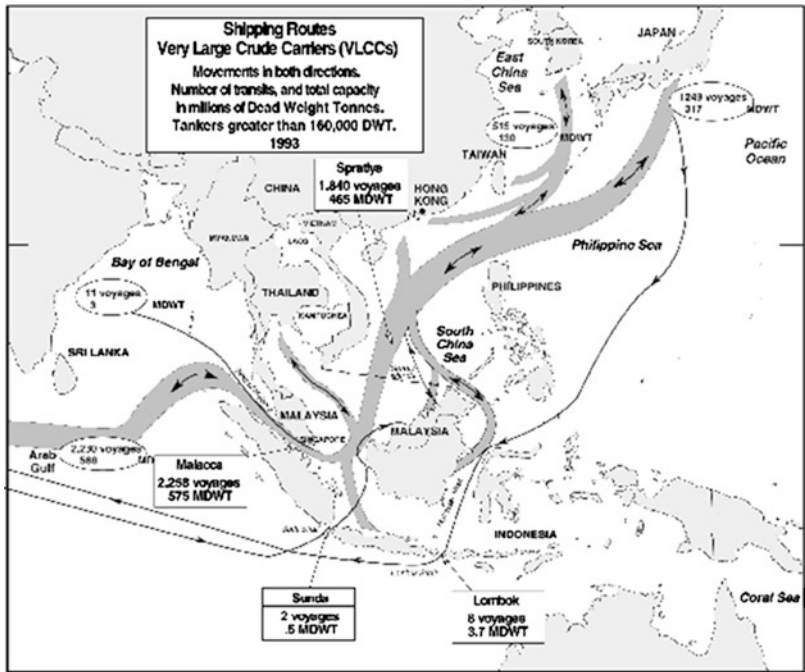


Fig. 8.2 Map of trade flows and sea lanes of the South China Sea
(Source: Center for naval analyses and the Institute for National Strategic Studies, available at: <http://www.globalsecurity.org/military/world/war/spratly-ship.htm>)

During World War II, the Japanese navy established military outposts in the Spratly Islands to control the shipping lanes in the region and for maritime invasions into Southeast Asia. In this respect, a submarine base established on Itu Aba Island (太平島 – *Tàipíng Dǎo*), the largest island in the Spratly archipelago, was especially significant.

The combination of the importance of the SLOCs in the SCS and China's difficulties in securing them explains the strategic value of the SCS islands. The Spratly Islands in particular, which are located in the middle of the SCS, would allow the establishment of reconnaissance outposts to monitor the sea lanes. For some analysts, this is the key reason why China seeks control of these archipelagos.

Fishing Grounds

Besides the strategic value of the islands in the SCS in being located on important SLOCs, significant fishing grounds exist in the SCS. These fishing grounds are crucial to the nutrition of the littoral populations and the main source of protein for the 500 million people living in the coastal zones of the SCS. Fish is traditionally central to the diet of Asian households. The UN Food and Agriculture Organisation (FAO) found that in 2007, the consumption of fish in Asia accounted for two-thirds of global fish consumption. China has experienced a particularly “dramatic growth in its per capita fish consumption, with an average growth rate of 5.7 per cent per year in the period 1961–2007” (FAO 2010, p. 66).

Following the logic of the UNCLOS, the fishing grounds within the EEZ of an island belong to the nation which inherits the island. If the disputed islets in the SCS were given the status of an island (itself disputed among naval law experts), these islands would include *de jure* 200 nm (=370 km) of EEZ including the fish stocks within them, although in practice this is impossible due to the small dimensions of the SCS and the assumed overlapping EEZs of the disputed islands.

Assumed Resources in the SCS

The SCS is believed to contain raw material reserves, especially oil and natural gas. Estimates of the amount of these reserves, however, differ widely among geologists and extractive-industry experts. Chinese estimates of existing energy resources in the SCS are generally more optimistic than Western ones and have been as high as containing 105–213 billion barrels

of oil (Wu and Hong 2006, pp. 147–148). The top of this range, 213 billion barrels, is probably an exaggeration, and more modest Chinese estimates assume lower amounts of reserves. Nevertheless, these estimates have led to the perception that the SCS might be a “second Persian Gulf” (Zou 2009, p. 186).

The US Energy Information Administration (EIA) estimates the oil resources in the SCS to be less substantial and questions whether the region is an oil-rich area. A report by the US Geological Survey (USGS) estimated the total of discovered reserves and undiscovered resources in the offshore basins of the SCS at 28 billion bbl (EIA 2008, p. 4).³ In 2003, an EIA study estimated the proven oil reserves of the SCS at only 7 bbl and current oil production in the region at 2.5 million barrels per day. A 2010 study by the USGS estimated the undiscovered oil reserves in Southeast Asia at 21.6 bbl. However, this study included areas outside the SCS (e.g., reserves in the Java Sea), so the number for the SCS proper is even lower.

A study by Russia’s Research Institute of the Geology of Foreign Countries estimated in 1995 that the Spratly archipelago alone might contain 1.8 bbl. Recent estimates by oil companies estimated the amount of petroleum reserves in the SCS at 26 billion bbl. The Spratlys are considered to have the highest potential for energy resources in the SCS.

In general, it should be noted that any estimates of the oil reserves in the SCS remain speculative because very little exploratory drilling has been conducted in the Spratly or the Paracel Islands. The issue of assumed oil reserves in the SCS is therefore a high-conflict aspect of the territorial disputes. As long as no reliable data exists about the real amount of oil resources (and more importantly, the amount of extractable resources), the issue is open to speculation. The higher the anticipated oil reserves, the higher the stakes for the claimants to the SCS territories.⁴ Joint exploration and exploitation efforts of the SCS oil resources are therefore key to mitigating the territorial disputes and a precondition for any lasting resolution.

In addition to the assumed oil resources, natural gas resources are already being exploited, for example, south of China’s Hainan Island is the Yacheng gas field which via a pipeline transports gas to Hong Kong and Guangzhou. Additional important gas fields in the SCS are located in the Gulf of Tonkin and in the northwest of Palawan (Malampaya gas field); the most productive gas field is considered to be Indonesia’s Natuna. The Indonesian government has granted the US oil and gas company Exxon

Mobil a concession to exploit the gas field due to the country's own Pertamina company lacking capabilities to exploit the offshore area itself. The location of the Natuna gas field in the very north of the Indonesian archipelago has led to Sino-Indonesian territorial disputes about the area. Indonesia is not a claimant to the SCS islands and islets disputes, so the Natuna gas field dispute set a precedent for Indonesia's involvement as a claimant to the SCS disputes.⁵

HISTORY OF THE CONFLICT

The origin of the territorial conflicts in the SCS may be dated as far back as the second century when Chinese fishermen are believed to have discovered the Spratly Islands and used them as transit points during the Han Dynasty (汉朝 – *Hàn cháo*). (For an excellent overview of the history of the SCS territorial disputes, see Emmers 2010.) Naturally, these historical occupations are impossible to prove or disprove. However, as the description of the various claims below will demonstrate, 'historic rights' and the related discovery of the islands and islets in the SCS are a crucial aspect of the discussion of sovereignty in the SCS.

During the nineteenth century, several European nations, Japan, China, and Vietnam claimed sovereignty over and placed markers on the islands in the SCS. In 1887, China signed an agreement with France which stated that the islands belonged to China. During the 1930s, China lost the islands to colonial powers and in 1933, France obtained the islands and subordinated them to its colonial administration over Vietnam. In 1939, as a consequence of World War II (WWII), Japan occupied islands in the SCS for strategic purposes to exercise control over Southeast Asia. Most important in this respect was Japan's submarine base on Itu Aba Island. Following Japan's defeat in WWII, Japan left the Spratlys and the archipelago remained unoccupied.

Afterwards, several islands and islets in the SCS were occupied by various groups, which led to the current confusing situation. Beginning in 1947 with the Chinese nationalist government of Chiang Kai-shek's occupation of Itu Aba Island and Woody Island in the Spratlys, and the Philippine citizen Thomas Cloma's 'discovery' of parts of the Spratlys, a run on SCS territories was unleashed in the second half of the twentieth century. The littoral states' claims are summarised below with an analysis of occupations and military presence in the SCS.

UNITED NATIONS CONVENTION ON THE LAW OF THE SEA

The establishment of the United Nations Convention on the Law of the Sea (UNCLOS) in 1982 was meant to set the legal basis for international disputes about maritime rights and claims.⁶ However, as many experts argue, the boundary delimitation concepts within UNCLOS raised fresh territorial disputes instead of solving old ones. The concepts of “territorial boundaries” (Article 15), “exclusive economic zone boundaries” (Article 74), and “continental shelf boundaries” (Article 83) in particular led to new claims among the littoral states of the SCS.

The Exclusive Economic Zone (EEZ) of a littoral state extends 200 nautical miles off its coast of a littoral, provided this area is not overlapping another state’s EEZ. (For the definition of an EEZ and its rights and duties see Articles 55–59 of UNCLOS.) An island possesses its own EEZ, therefore the possession of islands within the SCS is important for claims concerning the assumed resources (fish stocks, oil, natural gas) in the surroundings. The distinction between an island and an islet (or a ‘rock’) is therefore crucial to any solution of the SCS territorial disputes.⁷ UNCLOS is very clear in its definition of an island. Article 121 states:

1. An island is a naturally formed area of land, surrounded by water, which is above water at high tide.
- ...
3. Rocks which cannot sustain human habitation or economic life of their own shall have no exclusive economic zone or continental shelf.

As Emmers noted in regard to the UNCLOS definition:

Features that cannot sustain human life and artificial islands are only entitled, respectively to a twelve-nautical-mile territorial sea and a 500-meter safety zone. These terms of the 1982 Convention seem to apply to most topographical features in the South China Sea. (Emmers 2010, p. 70)

In this context, the (military) presence of claimant states on disputed islands and islets is important. The permanent occupation is meant to demonstrate the feature’s qualification to ‘sustain human habitation’, thus manifesting its status of an ‘island’ instead of merely a ‘rock’. Another objective of this ‘effective occupation’ is to create a *fait accompli*, a material possession of the islets which can only be removed by military force. In legal terms, the action of ‘effective occupation’, a strategy pursued by most of the claimants, should turn the *de facto* occupation into *de jure* sovereignty over the disputed islands.

China's Claim

China claims most of the SCS, including all of the Paracel and Spratly Islands as depicted in its famous 'U-shaped' or 'nine-dashed lines' Fig. 8.3.⁸

In addition to China's claimed discovery of the Spratly Islands in the second century BCE, and the Chinese jurisdiction subsequently exercised over them for more than 1,000 years, China argues that several expeditions by Admiral Cheng Ho (郑和 – *Zhèng Hé*) during the Ming Dynasty in the fifteenth century were sent to the Spratlys and the Paracels. Furthermore, the islands have been referred to in maps and records up to the seventeenth century. This Chinese argumentation highlights two aspects important for any dispute about sovereignty rights: discovery of and control exercised over the disputed territory. Chinese historical sources abundantly support the assessment that the Chinese were the first to discover and use the Paracel and Spratly Islands. However, in international law, claims based on historical rights are not considered promising, as various experts have noted. Nonetheless, in 1994, a study conducted by 400 (Chinese) scholars over ten years of research was completed which "proved historically that China discovered and developed the Spratly islands" (Marley 1997, p. 202).

As early as 1948, the Taiwanese (Republic of China, ROC) Ministry of the Interior officially published a map depicting a U-shaped claim on territories of the SCS.⁹ During the government of Chiang Kai-shek, the Republic of China was the most active claimant, setting up naval expeditions and sovereignty markers. The published map, which is depicted below, later became the basis for identical claims by both China and Taiwan (i.e., one Chinese claim).

Due to China's lack of a capable navy, the SCS claim was a low priority throughout the second half of the twentieth century. This assessment changed in 1987 when a shift in China's foreign security policy heightened the importance of the SCS islands. In February 1992, China published its Territorial Waters Act which, in accordance with China's U-shaped map, claimed most of the SCS as Chinese territorial waters and stated that China would defend its territorial claim with military force if necessary.

Despite vigorous protests, especially in Vietnam, in December 2007, China established a Sansha administration (belonging to Hainan province), which subordinated all disputed islets of the SCS to Chinese administration.



Fig. 8.3 Map showing the Paracel and Spratly Islands in the South China Sea (Source: Adapted from Tønnesson (2000), p. 310)

Vietnam's Claim

Vietnam claims the entire area of the SCS including all islands of the Paracel and Spratly archipelagos, a policy that emerged only as recently as 1975. The former Democratic Republic of Vietnam accepted that both the Paracels and Spratlys belonged to China. Vietnam's claims are historically based as are China's. Vietnam argues that it contacted the Paracel Islands in the sixteenth century and that by the country's unification in 1802, the Paracels had been incorporated into Vietnam. According to Vietnam's claims, the Spratlys had been administrated in the fifteenth century by then Vietnamese King Than Tong. Vietnamese maps referring to the islands first appeared in the seventeenth century.

However, as noted above, the meaning of historical records and subsequently assumed historical rights has to be related rather to national audiences than to its importance for international law-based negotiations about sovereignty.

The Philippines' Claim

The Philippines' claim encompasses islands, cays, shoals, and reefs in the Spratly archipelago which are located in the proximity of the undisputed Philippine archipelago. The Philippines therefore bases its claims on the proximity of the Spratly Islands and the discovery of part of these islands by Thomas Cloma in 1956.

A group of Philippine activists under the leadership of Thomas Cloma and encouraged by the Philippine's vice-president conducted an expedition to occupy a number of islands in the Spratly archipelago. The activists named the islands *Kalaya'an* (Freedomland) and based their claim on the fact that the islands had become *res nullius* after the Japanese abandonment. This action was strongly opposed by other claimants and Taiwan sent naval forces to expel the activists, who had already left by the time the Taiwanese arrived. Nonetheless, in 1974, Cloma transferred sovereignty over *Kalaya'an* to the Philippine government, and in 1978 a presidential decree declared the area to be Philippine territory.

The Philippine claim still encompasses the fifty features in the Philippine-named *Kalaya'an* area, located 230 nautical miles west of Palawan. The Philippine claim is therefore in conflict with the Chinese/Taiwanese claim because *Kalaya'an* is located within the U-shaped Chinese map. It is also in conflict with Vietnam, which claims the whole Spratly archipelago.

Malaysia's Claim

Malaysia became a claimant to the SCS disputes in 1978. In contrast to the strategy of China and Vietnam, which base their claims on historical facts, and to the Philippines' claim based on the 'discovery' of unoccupied islets, Malaysia's claim is based on geography. Malaysia claims twelve islets and reefs in the southern part of the Spratly archipelago which are arguably located on the extension of its continental shelf. This strategy is based on Article 83 of the UNCLOS ("Delimitation of the continental shelf between States with opposite or adjacent coasts"). However international law experts doubt that the principle of 'continental shelf boundaries' can support sovereignty claims over islands. Robert W. Smith and Bradford Thomas conclude: "To make such a claim to an island by citing the LOS Convention as a source of law is not correct and distorts the provisions and intent of the LOS Convention" (Smith and Thomas 1998, p. 67).

Brunei's Claim

Brunei established an exclusive fishing zone in the maritime area off its coast in the 1980s and thus became a party to the SCS disputes. Brunei does not claim any islands in the Spratly archipelago but only a reef within its territorial waters. Like Malaysia's strategy, Brunei's claim is based on an 'extended continental shelf' argumentation.

Except for China, all littoral states of the SCS have claimed exclusive economic zones (EEZs) including the waters 200 nm off their coastlines, in accordance with UNCLOS. The combination of EEZs, extended continental shelf claims and claims based on historical facts have led to the overlapping of territorial claims in the SCS (Fig. 8.4).¹⁰

Since the Paracel Islands are only claimed by Vietnam and China (in concert with Taiwan) and are entirely controlled by China, the genuinely multilateral territorial dispute is located in the Spratly archipelago and is the focus of the following section. An analysis of the claimants' actions in pursuit of their sovereignty claims and diplomatic efforts employed to reach a solution enables the acceptance of multilateralism among the parties in conflict to be assessed.

MILITARY PRESENCE

The claimant states to the SCS territorial disputes have increasingly tried to emphasise their territorial claims through permanent military presence on disputed islands. With the exception of Brunei, which is the only

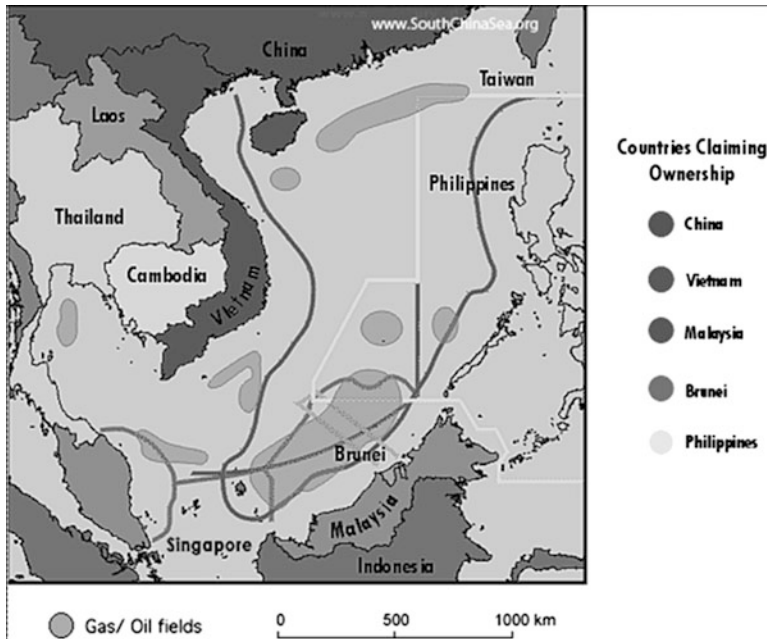


Fig. 8.4 Map showing overlapping territorial claims in the South China Sea (Source: <http://www.southchinasea.org/maps-images-territorial-claims>)

claimant without any occupation of a feature in the Spratly archipelago, all claimants possess permanent outposts in the Spratlys. As well as various efforts to maintain the status quo and to refrain from the establishment of new outposts or the upgrade of existing ones, the claimants were active in fortifying their occupations in the SCS during the 1990s and have continued this policy in the new millennium.

China

Since China's clandestine occupation of Mischief Reef in 1994–1995,¹¹ the conflicting parties have restrained from occupying further disputed features in the Spratly archipelago. However, the upgrading of existing outposts and the gradual settlement on marked islets is part of the so-called 'creeping occupation' strategy.

The Chinese structures on Mischief Reef were upgraded between March and May 1996, further outposts in the Spratlys exist on Subi Reef,

Fiery Cross, Johnson Reef, and Chigua. In this respect, the occupation of Fiery Cross Reef (永暑礁 – *Yǒngshǔ Jiǎo*), on which China established a permanent base in 1988, is of particular significance. On Fiery Cross Reef, China constructed an oceanographic observation station, a helipad and a 300 m pier which is capable of accommodating ships of 4,000 tons. Fiery Cross Reef was thus regarded as China's headquarters in the Spratlys, to be developed into an 'unsinkable aircraft carrier'. Following this logic, additional military outposts in the SCS have been erected. China has established identical structures on Johnson Reef, Chigua Reef, and Gaven Reef. On each island a three-storey building has been constructed, each building equipped with machine and naval guns and possessing a helipad.

In 2014, China's activities to establish military outposts on occupied SCS islets gained new momentum. On February 15, 2015, *Jane's Defence Weekly* released a report about the ongoing dredging works on China's occupations in the SCS – despite negotiations to ease the conflicts and reiterated appeals to the claimants to restrain from the tactic of 'creeping occupation'. In its report, *Jane's* listed a protocol of the dredging works which dated the first observation of land reclamation works (on Johnson South Reef) to February 26, 2014. Of course, China was not seizing new islets and thus was not increasing its number of occupied features in the SCS. The enlargement of China's presence is an ongoing process to artificially increase the islets' size and to erect military facilities on the additional land gained. China's island-building activities took place on the disputed Cuarteron Reef (华阳礁 – *Huáyáng Jiǎo*), Fiery Cross Reef, Gaven Reef (南薰礁 – *Nánxūn Jiǎo*), Hughes Reef (东门礁 – *Dōngmén Jiǎo*), Johnson Reef (赤瓜礁 – *Chìguā Jiǎo*), Mischief Reef (美济礁 – *Měijì Jiǎo*), and Subi Reef (渚碧礁 – *Zhǔbì Jiǎo*). All of these islets are located in the disputed area of the Spratly Islands and are claimed by several of the littoral states.¹²

The enlargement activities on Gaven Reef are assumed to have been initiated in April 2014 and were detected by surveillance images on August 7, 2014. The small feature had been substantially redesigned, with more than 100,000 square metres of new land having been artificially created so far. The PLA has stationed a troop and supply garrison on Gaven Reef, the islet possesses a large platform and can berth supply ships. A new building has been erected with radar and communication facilities, presumably for anti-aircraft purposes.

On Hughes Reef, enlargement works were probably initiated in summer 2014. The natural size of Hughes Reef has been substantially aggrandised

by approximately 75,000 square metres. Today, China has erected four defensive towers, coastal fortifications, and military buildings including a radar facility, a port, lighthouse, and a helipad.

Johnson Reef is one of the most fortified islets of China's occupations in the SCS. Recent activities resulting in more than 100,000 square metres of additional landmass are believed to have been initiated at the end of 2014. Johnson Reef is now equipped with several defensive facilities but the focus is infrastructure buildings. China has erected a concrete plant, desalination devices, a petrol station, a port, and two helipads. Additionally, Johnson Reef is equipped with communications facilities such as radar and satellite antennas.

Mischief Reef is the disputed islet in the SCS with the most notorious history of conflict. Located in the vicinity of occupations from other SCS claimants, Mischief Reef is the theatre for occasional clashes. By early 2015, China's works to artificially enlarge Mischief Reef had resulted in more than 5,500,000 additional square metres of land. Mischief Reef possesses several military facilities, a number of temporary landing piers and cement factories as well as various satellite communication antennas. The islet has been redesigned by China's recent dredging activities, and the access channel has been deepened and widened. This has led to speculation that China widened the entrance to this ring-shaped reef in preparation for the eventual creation of a naval base in the SCS.

Subi Reef (which is also shaped like a ring) has been subject to China's enlargement activities since July 2014. So far, almost 4,000,000 square metres can be additionally reclaimed. Subi Reef is equipped with several military buildings that can host up to 200 soldiers and surveillance facilities. It possesses several temporary landing piers and concrete factories. Currently, a 3,000 m airstrip is under construction, a length that would allow most of the PLAAF aircraft to land and take off. Subi Reef therefore seems to be being prepared for its future role as China's airport in the SCS.

The recent artificial island enlargement activities of China seem to be arranged with certain purposes in mind. Currently, most of the occupied islets are simply enlarged and supply facilities erected. But the works on Subi Reef, Mischief Reef, and Johnson Reef in particular hint towards the future purpose of these islets. China is implementing a plan to create SCS headquarters for its PLAAF and PLAN with additional islets for supply and surveillance purposes. Naturally, these activities raise increasing suspicions among the littoral states and especially among the other claimants to the Spratlys.

Taiwan

The complicated relationship between China and Taiwan is not covered in this book in detail, and for the purpose of analysing the SCS disputes both claims are treated as one Chinese claim. However, as regards physical presence in the SCS and especially in the disputed Spratly Islands, the occupations and military outposts of Taiwan have to be distinguished from those of China.

Taiwan controls the Pratas Islands (东沙群岛 – *Dōngshā Qúndǎo*) which are located 340 km southeast of Hong Kong and 450 km southeast of the Taiwanese city Kaohsiung. Taiwan occupied the Pratas Islands in 1946 and established a permanent outpost on Dongsha Island, the largest island of the Pratas and also the largest island of the SCS. In 2000, it replaced its Marine Corps stationed on Dongsha Island with coast-guard personnel to de-emphasise the military character of its occupation. Between 100 and 200 persons are stationed on the island.

Taiwan also controls Itu Aba Island (太平島 – *Tàipíng Dǎo*) which is the largest island of the Spratly archipelago. Apart from its size, Itu Aba Island is important because it is the island with the most sophisticated military outpost in the Spratlys. Taiwan has constructed more than 50 military buildings on Itu Aba Island, housing more than 500 troops. The island is equipped with more than 20 coastal guns and a helipad, and in 2006 a 1,150 meter-long runway was begun, completed in 2008. This airstrip is capable of accommodating transport planes such as the C-130 Hercules. Philippine aerial surveillance discovered in 2009 that Taiwan had established a new three-storey building on Itu Aba Island.

During World War II, the Japanese navy stationed a submarine base on Itu Aba Island, a fact that contributed to the perceived strategic value of the Spratlys in general and of Itu Aba Island in particular.

Vietnam

Vietnam occupies at least 20 islands and islets in the Spratlys (the number varies depending on the source). It is, therefore, the claimant with the greatest number of occupations in the Spratlys. The most sophisticated Vietnamese outpost is established on Spratly Island (南威島 – *Nánwēi Dǎo*), where a runway was built over most of the island, in addition to a pier, 35 buildings and 20 storage tanks. The island has been fortified with over 20 gun installations and several battle tanks. Construction continued even

after the signing of the DOC, as aerial surveillance from the Philippines detected two new two-storey buildings on the island in 2009.

Further Vietnamese outposts on the Spratlys seem to be constructed in a standardised manner, according to an analyst:

South Reef, Pentley Reef, Discovery Great Reef, Collins Reef, Pearson Reef, Lendao Reef, West Reef, Ladd Reef, Central London Reef, East Reef, Cornwallis Reef, Pigeon Reef, Allison Reef, and Barque Canada Reef have identical structures featuring a golden-painted three-storey concrete building with built-in light house on top, gun emplacements on both sides, T-type pier, solar panels, parabolic disc antennas, and garden plots. (Banlaoi 2010, p. 55)

Southwest Cay (南子島 – *Nánzi Dǎo*) had been occupied by the Philippines since 1968 when Vietnam obtained the islet in 1975 by ploy. The Philippine forces stationed on Southwest Cay had been off the islet to celebrate and when they returned, they found it occupied by Vietnamese troops. Since then, Vietnam has erected a building and a harbour on Southwest Cay and uses it as its northernmost military outpost in the Spratlys.

Further islets occupied and militarily used by Vietnam include Sin Cowe Island, Sand Cay, Namyit Island and Amboyna Cay. Amboyna Cay is noteworthy because it is strongly fortified. Being a small feature of only 1.6 hectares, almost all of its surface is covered by buildings including a lighthouse and a helipad.

Vietnam has also been active in land reclamation works on some of its occupied islets – namely on Sand Cay and West Reef. Sand Cay has been artificially enlarged since 2011, so far 21,000 square metres have been reclaimed and military buildings have been constructed. West Reef has been artificially enlarged by 65,000 square metres and also hosts military buildings. The military facilities on both islets qualify for manned demarcation claims.

The Philippines

The Philippines is the claimant to the Spratly disputes which occupies the second-largest number of islands and islets (after Vietnam). All of these occupations are located in the area which the Philippines claim as *Kalayaan*. The most important Philippine outpost is on Thitu Island

(中业岛 – *Zhōngyè Dǎo*), the second-largest island in the Spratlys and in direct proximity to (Chinese-occupied) Subi Reef. In addition to the municipal hall (called *Kalaya'an* Hall), a police station, and an observation tower, the Philippine Air Force has established a runway on Thitu Island and the Philippine Navy maintains a naval detachment.

In 2008, the Philippines announced that the runway would be repaired and expanded and that military outposts on the island would be upgraded. Further Philippine military outposts in the SCS exist on West York Island, Northeast Cay, Nanshan Island, Loatia Island, Flat Island, Lankiam Cay, Irving Reef and Second Thomas Shoal.

Malaysia

Malaysia has developed Swallow Reef (弹丸礁 – *Danwan Jiāo*), which it has occupied since 1983, as a resort with a hotel and diving centre (called *Layang-Layang*) but as well as the holiday infrastructure, military barracks and a helipad have also been established there. The island is fortified with several anti-ship and anti-aircraft guns and Malaysian soldiers operate a Starburst air-defence system, the predecessor of the Starstreak missile which Indonesia has recently purchased. Starburst is suitable for a minimum air-defence capability, and its surface-to-air missiles can be launched from the shoulder.

On Ardasier Reef, Erica Reef, Mariveles Reef and Erica Shoal, Malaysia has established identical structures. Each island possesses a helipad and a control tower equipped with gun emplacements. The structures on Erica Reef date from 1999; in the same year, Malaysia built an outpost which was then towed over 700 nm towards Investigator Shoal. Further military outposts of Malaysia in the SCS exist on Dallas Reef and Louisa Reef.

Creeping Occupation

The underlying logic of the policy of ‘creeping occupation’ is to create a precedent as long as a final solution for the SCS disputes is lacking. The claimants expand their outposts and man their features to demonstrate permanent possession with the expectation that a legal claim to the sovereignty over the features will result. This strategy, called *fait accompli* in legal terms, is often conducted by stealth, potentially increasing suspicion among the claimants. Acceptance of the status quo of occupations in the Spratly archipelago and a curb on further ‘creeping occupations’ are

therefore regarded as preconditions for the establishment of an environment in which negotiations can take place. This was acknowledged in the Declaration on the Conduct of Parties to the South China Sea (DOC) in 2002. China, which earlier had no occupation of any islands in the Spratlys, has been particularly active in this strategy, which has been called a “talk and take” tactic (Storey 2012, p. 56).

Current State of Occupations

China was a latecomer in respect of occupying islands in the Spratly archipelago, only starting in 1988. The most significant act of occupation since 1990 was China’s clandestine seizure of Mischief Reef and the construction of military outposts on it in 1994–1995. Mischief Reef is located only 135 nm off the Philippine coast and thus within the Philippines’ 200 nm EEZ. In 1997, the Philippines discovered another newly built Chinese structure established on a reef six miles off the Philippine-occupied Kota Island.

However, as several analysts have noted, China’s actions in the SCS are no more aggressive than those of other claimants, especially if their behaviour in the 1970s and 1980s is taken into consideration. Further, as Greg Austin concludes, China’s behaviour has not been “more irresponsible than other states in the region in its international legal practices with respect to offshore jurisdiction” (Austin 1998, p. 179).

The current state of occupation in the Spratlys either by nation or in total varies, depending on the source. Undisputedly, Vietnam is the claimant possessing the most occupations in the Spratlys. Some sources count as many as 25 Vietnamese occupations but it is a broad consensus that Vietnam controls at least 20 features. Second to Vietnam in number of occupations is either China or the Philippines, again depending on which sources are cited. The Philippines possess at least 8 islets in the Spratly archipelago, but it is also assumed that the Philippines possess 9 or even 11 features. China is believed to have 8 or 14 occupations in the Spratlys, while the Taiwanese occupation of one single island is undisputed. The number of Malaysia’s occupations varies between 10 and 3.

This confusion is caused by the fact that many islets (i.e., cays, reefs and shoals) consist of two or more features which are labelled as one islet. By satellite surveillance, the number of islets in the Spratly archipelago is as high as 74 while it remains unclear how many of these islets provide the basic requirements for a physical presence (i.e., occupation).¹³

OCCASIONAL CLASHES

The history of this conflict, the seemingly contradictory claims, the geographical proximity of the disputed occupations and the increasing military presence in the disputed areas are factors that aggravate the conflicts and have led to a number of minor and some more severe incidents.¹⁴ Incidents between China and Vietnam are by far the fiercest. The Chinese occupation of the Paracels in 1974 and the military takeover of six islands in the Spratlys in 1988 with the loss of 72 Vietnamese soldiers are exceptional outbreaks of military combat. Since 1988, no military fighting has taken place in the whole SCS and incidents that do occur are mainly stand-offs between fishermen/survey ships and naval vessels/coast guards. The additional occasional arrests of fishermen by foreign coast guards have to be seen under the logic of sovereignty claims to territorial waters. However, these incidents consistently gain high media coverage and trigger very emotional protests, primarily among nationalist groups. Such incidents are therefore a factor in the SCS disputes, impacting negotiations and resolution efforts. The major incidents are listed below.

In April 1994, Vietnamese naval vessels forced a Chinese exploration team to leave the disputed area in the Spratlys, and later in 1994 Chinese naval vessels prevented a Vietnamese team from conducting exploration in the disputed area. Both incidents almost triggered severe conflicts.

In January 1996, Chinese and Philippine warships were involved in a gun battle for 90 minutes in an area 70 miles from Manila. The incident was afterwards down-played by both sides and declared to be a Chinese anti-smuggling operation.

In 1998, Vietnam and China came into conflict over a Chinese test drill in waters claimed by Vietnam. In the same year China's PLA Navy escorted a survey ship through waters in the vicinity of islands claimed by the Philippines.

In 1999, Vietnamese troops stationed on Tennen Reef in the Spratly Islands fired at a Philippine plane flying overhead. The aircraft was not hit but the shooting provoked official protests from the Philippine government.

Most of the first decade of the new millennium was quiet in terms of SCS clashes. But at the end of this decade, tensions rose again. In July 2007, Chinese patrol vessels sank a Vietnamese fishing boat in the waters of the Paracel archipelago. The sinking of the boat, with the death of one fisherman, provoked vigorous Vietnamese reactions. This incident is

noteworthy because a month earlier, the dispute had been the subject of an assessment by ASEAN members and China within the context of the Declaration on the Conduct of Parties in the South China Sea, with China having repeated its principle of ‘shelving differences and seeking common exploration’. The clash was thus a heavy setback for ASEAN-led conflict-resolution efforts; other occasional clashes followed in the succeeding years. Alice D. Ba concludes that “2009 and 2010 proved especially busy years in terms of the number of Chinese expulsions and detentions of Vietnamese fishermen, especially in waters near the Paracels, due to a combined increase of both Vietnamese fishing activity and Chinese regulatory/administrative attention” (Ba 2011, p. 279).

This trend has continued, and incidents in the SCS have increased since 2010.

Unilateral actions by claimants have the potential to escalate the situation – a recent example in a series of occasional stand-offs related to oil exploration was China’s deployment of an oil rig in Vietnam’s EEZ. In May 2014, the China National Offshore Oil Corporation (CNOOC) moved its *Haiyang Shiyou 981* (HYSY 981) oil rig into waters near the Paracel Islands for exploration works. The rig’s location was between 133 and 156 nm off Vietnam’s coast and thus well within Vietnam’s EEZ (official statement by the Ministry of Foreign Affairs of the People’s Republic of China: http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1163264.shtml), At the peak of the resulting stand-off 63 Vietnamese vessels were deployed in the area trying to prevent the work of HYSY 981. The stand-off led to the sinking of a Vietnamese boat (which had been rammed by a Chinese vessel) and the arrest of 13 Vietnamese fishermen. Security experts assess this stand-off between China and Vietnam as the most conflict prone and dangerous clash of recent decades.

Occasional clashes between naval vessels, coast guards, fishermen and survey ships illustrate the continuously high conflict potential of the territorial disputes and highlight the need for mechanism to manage the recurring clashes. Most incidents in the Spratlys are related to oil exploration. The following section outlines this aspect of the SCS disputes, the exploration of possible oil and gas fields, cooperation with ASEAN and non-regional actors, and the granting of concessions. Surveys and the granting of concessions in disputed areas represent critical challenges to another state’s sovereignty claim and are, therefore, a very important issue in the analysis of the Spratly disputes.

OIL AND GAS EXPLORATION

The conditions for offshore drilling are in general more complicated than for onshore exploitation, therefore the investment required is many times greater. Investment in the deep sea areas of the SCS are thought to be ten times that in onshore drilling. On average, it takes six to seven years to develop an offshore oilfield and the investment cost varies from US\$ 300 million for a medium-sized field to US\$ 3 billion for a large one.

The offshore exploration and exploitation industries, however, are in a process of constant innovation. During the past decade, improvements in drilling technology have allowed unprecedented levels of deep-water exploration. The combination of improved technologies, the higher economic value of exploitations, and the rising need for fossil fuels have turned offshore oilfields previously regarded as too complicated or too expensive into potential projects. Another important geostrategic aspect is energy security, that is, guaranteed permanent access to natural resources, which can be achieved by access to indigenous resources in contrast to foreign supply, which can be at stake in times of conflict. China has therefore been particularly eager to develop its own natural resources to decrease its dependence on foreign supply. Clive Schofield, Ian Townsend-Gault, Hasjim Djalal et al. conclude in their 2011 study that:

... although Chinese offshore production is currently relatively near-shore and in shallow waters, such as in the Bohai Gulf and Gulf of Tonkin, deep-water exploration activities in the East China Sea and South China Sea are increasing. China's recent domestic construction of semi-submersible, deep-water drilling rigs that are capable of drilling in up to 3,000 meters of water underscores this point. (Schofield et al. 2011, p. 13)

The earliest concessions for offshore oil exploration projects in the SCS were granted in the 1970s, after surveys conducted during the 1960s. In 1982, China established the China National Offshore Oil Corporation (CNOOC) (中国海洋石油总公司 *Zhōngguó Hǎiyáng Shíyóu Tónggōngsī*) which was designed to be the sole institution for arranging contracts with foreign companies in respect of oil extraction. CNOOC is legally required to own a majority share of 51 % in any joint venture with foreign companies. Only seven months after its inauguration, the first joint ventures were conducted in the Gulf of Tonkin (北部湾 – Běi bù Wān).

In the mid-1980s, Taiwan and Brunei offered concession-type contracts for resource-extraction projects, Indonesia, Malaysia and Thailand offered production-sharing agreements, while the Philippines and Vietnam offered service contracts. From the early 1990s on, all of the claimants to the SCS disputes were involved in oil exploration projects in the SCS.

China

In 1992, China granted its first concession to a foreign oil company. The US Crestone Energy Corporation received a concession for oil exploration in an area which overlapped with Vietnam's claim in the SCS. Accordingly, this area was carefully designed to avoid conflicting territorial claims with Malaysia, Indonesia, and the Philippines. The area of Vanguard Bank 21 (万安滩 – Wàn'ān tān) is located in the Spratly archipelago in the south-western part of the SCS. According to Crestone's president Randall Thompson, China had guaranteed naval forces to defend the crew.

In 1996, Crestone transferred its concession to the US company Benton Oil Corporation. However, due to intervention by Vietnam, this joint exploration project was never implemented. Benton Oil traded the exploration rights to the US company Harvest Natural Resources which in 2014 sold them to Brightoil, a company listed in Hong Kong. The exploration rights comprise 2.5 million hectares of seabed in the disputed Spratly archipelago, precisely in the surroundings of Vanguard Bank (or Wan'an tan Bei 21 – WAB-21) (*The Economist*, January 24, 2014).

In 1995, CNOOC granted a concession to the US Chevron Overseas Petroleum Limited in respect of an area located 100 km southwest of Hainan Island. A neighbouring block was granted to the same company in 1996. In 1997, CNOOC awarded US-based Atlantic Richfield Corporation (Arco) oil and gas exploration concession in an area between Hainan Island and Vietnam. In 1999, CNOOC or its subsidiary the Eastern South China Sea Company (ESCSC) signed 43 concessions with 38 foreign companies for oil and gas exploration projects.

After 2000, China's efforts to explore natural resources gained new momentum and by 2003, CNOOC had signed a total of 154 concessions for oil exploration projects with 70 foreign oil companies. This intensive approach, including Chinese oil companies' 2009 investment in 208 upstream projects in 47 countries, also increased China's interest in the resources of the SCS. In 2011, according to CNOOC data, daily oil production was 146,846 barrels/day in the Eastern South China Sea

and 138,712 barrels/day in the Western South China Sea (near Hainan Island). The oil is extracted from areas close to the Chinese shore, where water depth is a maximum of 300 m.

China has not succeeded in any exploitation projects in the disputed areas of the SCS, although other SCS claimants are already conducting oil-extraction projects, leading to complaints by some Chinese policymakers.

Vietnam

In 1992, Vietnam granted a concession to the Norwegian oil company Nopec in reaction to China's concession to Crestone and covering the very same area.

In 1994, Vietnam granted the Blue Dragon field to a consortium led by the US company Exxon Mobil. This field is located in the immediate vicinity of Vanguard Bank 21. In 1996, Vietnam awarded a concession to US company Conoco in an area within the Spratly archipelago, some 400 km southeast of Ho Chi Minh City. In 1997, Vietnam signed a production-sharing agreement with US company ConocoPhilips on an area next to the Blue Dragon field.

In 1998, Vietnam agreed a joint exploration by PetroVietnam, US oil company ConocoPhilips, French GeoPetro, and the Korean National Oil Company. Oil production from this project began in 2003.

Vietnam has signed approximately 60 contracts with over 50 foreign oil companies, and in 2013 it produced around 353,700 barrels of oil per day, which for the most part originated in the SCS. Its White Tiger oil field, located 150 km southeast off Vietnam's coast, was activated in cooperation with the Soviet Union in 1986. This oil field is still active and by 2015 had produced more than 20 million tons of oil (Li 2015).

The Philippines

The Philippines has been active in oil exploration in the SCS since 1976 when it signed a cooperation agreement with the US American Amoco Company. In 1994, the US oil company Vaalco Energy and the Philippine company Alcorn Petroleum and Minerals conducted oil explorations in the area surrounding Reed Bank, which is located 400 nm west of Palawan. This concession especially provoked China and to calm tensions, the Philippines invited China to become a partner in the project but the partnership has never been realised.

In 1998, the Philippines granted a concession to the Anglo-Dutch company Shell for exploration in the Malampaya natural gas field. It was envisaged that this gas field would be connected by pipeline with an onshore processing centre (Emmers 2010, p. 78; Buszynski and Sazlan 2007, p. 161).

In 2003, Philippine Energy Secretary Vicente Perez announced that 46 exploration blocks would be opened, located in the northwest, southeast, and east of Palawan. This was followed by the fourth round of Philippine oil concessions in 2011, when an additional 15 concessions were granted.

Malaysia

Malaysia is ASEAN's most productive oil-extracting country and the country that has extracted the greatest amount of oil from sources located in the area of the Spratly archipelago. Malaysia's Petronas Carigali cooperated with US companies Murphy Oil and ConocoPhillips, and the Anglo-Dutch Shell on agreements for exploration off the northern coast of Borneo. Another consortium composed of Petronas Carigali, Shell, and ConocoPhillips was established to explore neighbouring blocks in 2004. Also in 2004, Malaysia granted a further concession to Murphy Oil to conduct deep-water exploration in this area.

In 2006, Malaysia awarded Murphy Oil an extension of its former concession to explore the Kikeh' oil field, located off the northwestern coast of Borneo. The Kikeh field is believed to possess 400–700 million barrels of oil in a water depth of 1,300 m. This Malaysian concession raised a conflict with Brunei because the area granted to Murphy overlaps with Brunei's claims in this area.

Malaysia's most important oil fields are located off Sabah and Sarawak. In total, Malaysia has developed 18 oil fields and 40 gas fields which are located within China's claim to the SCS, according to China's U-shaped map. To exploit these resources, Malaysia has engaged about 70 contractors which entered into production-sharing contracts with Petronas of Malaysia.

OTHER ASEAN MEMBERS

In 2002, Brunei granted an exploration concession to the then French company TotalFinaElf, the British-Australian BHP Billiton, and the US company Hess to explore the area of the Kikeh field, which, as noted above, conflicted with Malaysia's claim.

Most of Brunei's offshore activities are conducted by the Brunei Shell Petroleum Company, a joint venture of Brunei and the Shell group. In 2003, both parties signed two Petroleum Mining Agreements which prolonged the extracting concessions for a further 19 years. Brunei's most important offshore field is the Champion field, 70 km off Brunei's coast. Brunei's annual oil production is thought to amount to 7 billion tons.

Indonesia is not a claimant to the Spratly disputes and is only associated with the SCS conflict in respect of its Natuna gas field because this particular field is located within China's nine-dashed-lines map. In 1994, Indonesia granted the US company Exxon Mobil a concession worth US\$ 35 billion to develop the Natuna field. Due to the lack of investment and development of new oil fields, Indonesia became a net oil importer from 2004 onwards.

Joint Explorations

In this context, joint exploration efforts are understood as projects in which at least two ASEAN member states are involved or joint efforts of an ASEAN member and China. Other cooperation efforts, e.g. between an ASEAN member and a non-regional actor are not considered in this section.

For China, the option of jointly exploring the resources of the SCS was always preferred and was proposed by Chinese Prime Minister Li Peng as early as 1990. Li explicitly named the Spratly archipelago to be developed jointly with Southeast Asian countries. China's *sine qua non* precondition was that sovereignty issues had to be 'shelved' if joint explorations were to become possible. In 1992, China's foreign minister Qian Qichen reiterated this proposal on the condition that sovereignty issues were excluded.

This precondition has not changed and dominates any discussion about joint development efforts in which China is involved. China offers concessions over sharing the resources of the SCS and demands in return that its historical rights – Chinese sovereignty over the Spratlys – are accepted.

The concept of jointly developing resources in areas with conflicting sovereignty claims has been successful elsewhere. In the dispute over sovereignty in the Antarctic, for example, sovereignty claims over land areas are frozen according to the Article IV of the Antarctic Treaty.¹⁵ The Antarctic agreement, however, has been facilitated by the fact that no real occupation or resource exploration had been realised when negotiations took place. By analogy to the 'Antarctic Treaty', then Indonesian ambassador Hasjim

Djalal tried in an act of 'shuttle diplomacy' to convince the involved parties to 'freeze' sovereignty in the SCS disputes.¹⁶

Furthermore, some aspects of the Convention on the Regulation of Antarctic Mineral Resource Activities might be adopted in any legal solution for a resource-sharing model in the SCS. The Convention is perceived as a very detailed regime for exploring resources in an area of disputed sovereignty and provides a potential compromise between the various claimants. The Convention's approach of addressing areas separately instead of the disputed area en bloc might be especially helpful with regard to the many overlapping claims of the SCS.

Another international agreement negotiated for a territorial dispute is the Svalbard Treaty¹⁷ which was designed to resolve the dispute over the Svalbard Islands, located 600 nm north of the Norwegian coast. The islands, which have been claimed by Norway, Sweden, Denmark, the former Soviet Union, the United Kingdom, and the United States, gained importance because of their strategic location in the Barents Sea and the natural resources (i.e., oil) assumed to be present in its surroundings. The Svalbard Treaty was signed in 1920 and ratified in 1925. Besides the similarity of the dispute, both Svalbard and Spratly are archipelagos, with locations of strategic importance and a surrounding area rich in resources, so the Svalbard solution might serve as an example for the Spratly disputes, too. All parties are granted equal rights to explore the disputed territory (e.g., fishing and mining, Articles 2 and 3) and Article 9 requires that the islands remain a demilitarised area and no naval bases are established on them.

Another model for resolving territorial disputes is The Timor Gap Treaty signed in 1989 by Australia and Indonesia to settle their territorial dispute in the Timor Sea. The parties could not agree on the delimitation of the maritime border, but the establishment of a joint authority based on the principle that all decisions had to be reached by common consent facilitated the solution to this territorial dispute. This agreement was followed by the Timor Sea Treaty in 2002, which regulated the joint development of oil resources in this area.

Joint exploration efforts in the SCS could fulfil confidence-building purposes among the claimants. Models for sharing the natural resources in the area might alleviate the conflict and increase the probability of a lasting resolution to the territorial disputes. The main joint exploration efforts of the period 1990–2015 are briefly introduced below.

One example is the Hoan Vu joint venture between PetroVietnam, the UK-based company SOCO International and Thailand's PTT Exploration and Production company to explore the Ca Ngu Vang field. Exploration was initiated in 2002 in two blocks located 140 km off Vietnam's coast. After the successful discovery of oil and gas resources in 2006, the Ca Ngu Vang field has been producing oil since 2008 with a life expectancy of 20 years.

Malaysia and Thailand agreed in 1990 to jointly develop an area in the Gulf of Tonkin and to share the resources exploited in this area. The Malaysia–Thailand Joint Development Area (JDA) has become one of the most active areas for natural gas production.

In 2000, China and Brunei signed the Long-Term Contract on Champion Crude Oil. This energy cooperation involved Petroleum Brunei and China's CNOOC. It has been a stable cooperation since its inauguration and was renewed and extended to discover additional sources in 2013.

Another joint exploration project is the Truong Son joint venture between PetroVietnam, Canada's Talisman, and Malaysia's Petronas Carigali. PetroVietnam has also concluded joint ventures for oil exploration with the Malaysian company Petronas Carigali, Indonesia's Pertamina, and Korea's National Oil Company (KNOC) for the development of gas fields in Block 11-2 in southern Vung Tau province.

In January 2002, Malaysia's Petronas, Indonesia's Pertamina, and PetroVietnam agreed to form the Con Son joint operating company to conduct exploration in Blocks 10 and 11.1 offshore Vietnam. In June 2003, these three companies concluded a tripartite cooperation agreement to explore and develop hydrocarbon resources offshore Sarawak in Block SK305.

In 2002, CNOOC received a concession for five Indonesian oil fields and one natural gas project. The signing of these contracts initiated a deeper Sino-Indonesian energy cooperation and resulted in the first Indonesia-China Energy Forum held in September 2002. In 2003, CNOOC and the Philippine National Oil Company (PNOC) signed a letter of intent to jointly explore natural resources (i.e., oil and gas) in the SCS. The two parties agreed to jointly assess and evaluate the technical data required for future extraction projects, and conducted joint seismic surveys in the area disputed by China and the Philippines, which set a precedent for joint development in this disputed area.

Vietnam granted a concession for exploration to a consortium of US company American Technologies, Petronas of Malaysia, and Singapore

Petroleum under the leadership of PetroVietnam. In 2004, this joint venture succeeded in the discovery of an oil field off the Vietnamese coast thought to possess 100 million barrels of oil.

In 2004, China and the Philippines agreed to conduct a joint seismic study in the SCS. Vietnam, which was initially a critic of this cooperation, participated and thus it became a promising approach to alleviating the disputes.

In 2005, state-owned oil companies from China (CNOOC), Vietnam (PetroVietnam), and the Philippines (PNOC) signed a tripartite agreement for joint development, the Joint Maritime Seismic Undertaking (JMSU). The pre-exploration surveys were to take place in the disputed areas of the Spratlys and were to be limited to seismic data collection. The project was funded with US\$ 15 million, covered an area of almost 150,000 square kilometres and was scheduled to take three years. The specific terms of the tripartite agreement should have remained secret but eventually became public. The area designated for the JMSU especially raised criticism among nationalist groups in the Philippines as huge parts of it were located only 100 nm off Palawan and were thus within the Philippines' EEZ.

The tripartite agreement was criticised for its design and after it expired in June 2008, it was not extended.

INTERIM CONCLUSION

Exploitation Cooperation

During the past two decades, with an increase in oil exploration projects in the SCS, there have also been various attempts at joint explorations among ASEAN members and China. The Indonesia–Malaysia–Vietnam trilateral cooperation Con Son and the China–Vietnam–Philippines Joint Maritime Undertaking (JSMU) are particularly noteworthy initiatives.

Some concessions and surveys listed above are not located in the Spratly archipelago and are therefore not an issue in the pending territorial disputes related to the Spratlys. However, the explorations of oil and gas resources in the SCS described above are evidence of two important developments. First, surveys and concessions intensified in the early 1990s and have steadily increased since then. Second, the claimants are eager to accomplish facts (*fait accompli*) rather than negotiating a legal solution before initiating resource exploitation. Figure 8.5 shows joint explorations

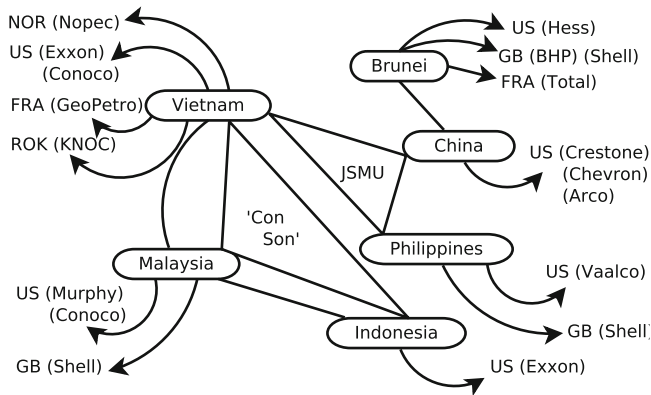


Fig. 8.5 SCS claimants' joint exploration efforts

by the SCS claimants and the centrifugal impact of cooperation with external actors.

It is obvious that ASEAN members prefer to partner with non-regional actors (i.e., foreign oil and gas companies) instead of fostering intra-ASEAN cooperation or cooperation with China. The underlying motivation for this behaviour might be the expectation that a powerful foreign partner (such as the USA) would use its might to protect its assets and thus to support the claimant's case. Economic praxis speaks volumes in regard to the claimants' willingness to resolve the territorial disputes in any cooperative manner. ASEAN's claimants to the SCS cooperate with outside companies which often are well connected to their respective governments. US oil companies are therefore the preferred method of choice for gaining momentum in regard to China's claim. But China proceeds in the same way, meaning that US companies are involved in the territorial disputes – and partnering with all the different claimants. This results in a zero-sum game and guarantees the prolongation of these already protracted territorial disputes. A regional resolution approach would probably be more promising (not least this would be China's preferred option), but in the past, the claimants have engaged external stakeholders to bolster their position in regard to the other claims. As long as even the ASEAN members do not agree on one joint concept, the internationalisation (and thus indissolubility) of the disputes will continue.

Conflict Potential in the SCS

The conflict potential of the SCS's territorial disputes is aggravated by the struggle for natural resources. The economic dimension in combination with concerns of sovereignty and nationalistic feelings creates a risk potential which is higher than the low levels of past conflict might suggest. At the end of the 1990s, Julian Schofield reached this conclusion:

Southeast Asia is more war-prone than is commonly believed. Given a sufficient trigger, escalation to war and of war will be rapid. Its geography, military technology, and vulnerable economies have conspired to give offensive and punitive strategies considerable weight. Territorial and maritime disputes, coupled with potentially-volatile hostilities are improbable under current levels of cooperation and understanding in Southeast Asia, the ongoing accumulation of arms may seriously aggravate a conflict spiral given a serious enough dispute trigger. (Schofield 1998, p. 100)

Developments during the first decade of the new millennium with regard to resource requirements and new possibilities for deep-water drilling, and the continuing absence of a conflict-management system for the SCS support the assessment of growing risks of armed conflict. The resolution of the SCS territorial disputes, or at least the establishment of a conflict-management regime, is therefore still a high-priority task for ASEAN policymakers and their Chinese counterparts.

SCS Disputes Resolution Critical for Stability in the Region

This chapter has provided an introduction to the scale and significance of the territorial disputes for the stability of the region. In respect of trade and economic concerns, the SCS's sea lanes are indispensable transport routes and the resources (e.g., fish, oil, and gas) are already, or will increasingly become, important assets of the littoral states' economies. An outbreak of severe armed conflict or the interruption of the SCS's SLOCs, would directly hamper the flow of trade and energy supply. Other actors' reaction to such an interruption is hard to predict but, given the importance of the SCS's sea lanes for regional and global trade, such a situation could easily escalate. The peaceful resolution of the territorial disputes is therefore not only in the interests of the actual claimants but also in the interests of all stakeholders participating in the SCS.

Several analysts have highlighted the importance of the SCS disputes for China–ASEAN relations in general and, in particular, the perception of a ‘China threat’. Keyuan Zou (2009), for example, relates the suspicion of ASEAN nations towards China’s behaviour in the SCS to the 1950s and 1960s, when China supported communism in the area. He argues that the territorial disputes in the SCS might become an indicator of China’s new foreign policy and a litmus test of whether China will use its growing military capabilities to solve these disputes.

The importance of the SCS for China–ASEAN relations, whether the disputes will lead to conflict or cooperation, was identified as early as 1979. This trend has only gained significance with increasing interest in the presumed resources and the growing military capabilities of the littoral states concerned. The next chapter provides a case study of an attempt to improve the conflict situation in the SCS territorial disputes. Given its importance for the region’s stability and for China–ASEAN relations, an improvement in multilateral cooperation should also result in some progress on this issue.

NOTES

1. The Pratas Islands are controlled by Taiwan but for the purpose of this book, China’s and Taiwan’s claims and occupations are treated as one Chinese position.
2. Source: Chao (1991) p. 76.
3. Abbreviation bbl = billion barrels of oil.
4. Brantly Womack relates the increase of jurisdictional claims to the emergence of optimistic estimates of offshore oil possibilities (Womack 2011, p. 373).
5. For more details on this aspect, see the next chapter about the various claims in the SCS.
6. Original text available at: <http://www.un.org/en/documents/index.shtml>
7. In this book, the designation of an ‘island’ or an ‘islet’ is therefore not used in relation to its legal status but in relation to its size. Since the legal status is often outstanding, the most neutral designation would be ‘features’ to cover all the existing islands, islets, reefs, rocks, sandbanks, etc. located in the Spratlys and the Paracels.
8. Adapted from Tønnesson (2000), p. 310.
9. The Taiwanese map displays a dotted line while the Chinese map displays nine segments but both maps are identically U-shaped. See Yu (2003), p. 410.
10. Source: <http://www.southchinasea.org/maps-images-territorial-claims>
11. See Part I of this book.

12. The Center for Strategic and International Studies (CSIS) has launched a website with background information and a steadily updated tracking of ongoing developments on the disputed islets in the SCS. See www.amti.csis.org
13. See: <http://www.satelliteviews.net/cgi-bin/w.cgi/?c=pg&DG=ISL>
14. See also Chap. 4 'Threatening Moves' in this book.
15. Document available at: <http://www.ats.aq/e/ats.htm>
16. See Chap. 9.
17. The official title was 'Treaty concerning the Archipelago of Spitsbergen' but the name of the archipelago has changed and it is now called Svalbard Island or Archipelago of Svalbard.

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Assessment China–ASEAN relations: Indonesian Workshops

SITUATION IN THE 1990s

As outlined in the previous chapters, the unresolved territorial disputes have been an issue of concern for China and the ASEAN member states' claimants to the territories, as well as an obstacle to deepening China–ASEAN relations. Consequently, with the deepening of these relations in the early 1990s, the issue of territorial disputes in the SCS was immediately on the agenda, although China prevented any official discussions at Track I level.

In the early 1990s, a series of workshops initiated by the Indonesian Department of Foreign Affairs aimed to foster discussions among the SCS claimants and to elicit possibilities for improved cooperation. This informal, unofficial (Track II) approach will be analysed in this chapter with a special focus on China's participation. The workshop series, although mainly financed by the Canadian International Development Agency (CIDA) and unofficial in character, can be assessed as an ASEAN-led effort because of the list of participants and Indonesia's role as organiser. Moreover, the workshops were intertwined with and supported by ongoing ASEAN meetings at Track I level (ASEAN Summit, ASEAN-AMM, ASEAN-PMC, ARF) as well as at Track II level (CSCAP, ASEAN-ISIS).

INDONESIAN WORKSHOPS

In 1989, the idea of a series of informal workshops to discuss possibilities for cooperation in the disputed territories of the SCS was born in conversations between the Indonesian ambassador to Canada Hasjim Djalal and Ian Townsend-Gault, Professor of International Law at the University of British Columbia (Vancouver). Both felt that the situation in the SCS was increasingly unstable and that a new effort to foster cooperation and to decrease tensions among the claimants was required. Having regard to former conflicts in Indochina and especially in Cambodia, the initiators hoped that a workshop series could help avoid similar conflicts in the SCS.

Djalal and Townsend-Gault found acceptance among the ASEAN members for the project at their first attempt. Hasjim Djalal recalled:

With the blessing and guidance of the Indonesian foreign minister Ali Alatas, we visited the ASEAN capitals in late 1989 to test the waters. It turned out that (1) nearly everybody we met thought that we should do something; (2) there was apprehension that territorial disputes could pose major difficulties in developing cooperative efforts; (3) in view of difficult and sensitive territorial issues, it would be better if the approach were informal, at least at the initial stage; and (4) there was a notion that ASEAN member states should coordinate their views and positions first before they engaged non-ASEAN states in such efforts. (Djalal and Townsend-Gault 1999, p. 116)

Design/Organisation

The workshop series was entitled “Workshop on Managing Potential Conflicts in the South China Sea” and co-financed by CIDA. Indonesia acted as the host and organiser of the workshops and all subsequent meetings were held within Indonesia. Universities and research centres from the participating countries provided technical support, sent personnel to attend meetings in their private capacities and supported the workshops with the preparation of background information and papers.

The workshop series was designed and administered by the University of British Columbia (Vancouver), represented by Professor Ian Townsend-Gault, and the Centre for Southeast Asian Studies (CSEAS), Jakarta, represented by its director Ambassador Hasjim Djalal.

The intention was for participants to be able to discuss various scenarios for joint development and cooperation in the SCS in an atmosphere of informal (Track II) diplomacy. Jointly developed ideas and proposals would then be transferred to the official level (Track I) of inter-governmental discussions. The informal character of the discussions was a crucial precondition for the initial stage of the workshops.

In the case of protracted and complicated disputes, official and formal discussions are less productive and rarely expedient because of the deadlocked and inflexible positions of the disputants. In a situation like this, the informal workshop approach can produce new ideas which might revive the discussions.

According to Hasjim Djalal and Ian Townsend-Gault, the initial situation for the workshop series was less than promising. In the early 1990s, the region lacked a set of multilateral channels for discussion. ASEAN consisted of only six member states and official relations between ASEAN members (save Malaysia) and China were not yet established (Indonesia and Singapore in 1990). Townsend-Gault described the design of the workshop series as follows:

In simple terms the project is a resource and environmental management initiative in 'track-two' diplomacy, promoting cooperation in ecosystem management and cooperative security in the South China Sea. The project's objectives are approached through the identification of areas for potential cooperation between the states of the South China Sea region. These areas include: marine scientific research; marine environmental protection; navigational safety and sea communications; fisheries assessment and management; non-living resource assessment and development; defence and security issues; territorial and jurisdictional issues (other than claims to ocean-space and islands); and institutional mechanisms for cooperation. (Townsend-Gault 1996, p. 318)

The workshop series was designed to be more than merely a forum for academic discussions. The ambition to develop policy options and to utilise the workshop series as a "platform for policy-oriented discussions" (opening remarks of Hasjim Djalal at the First Workshop on Managing Potential Conflicts in the South China Sea) was inherent. The participants considered the informal nature of the workshop to be an especially important precondition. According to Djalal and Townsend-Gault, it was the most suitable way to ameliorate the situation in the SCS region.

Participants

In the beginning, the workshop was limited to participants from ASEAN member states but it was obvious that any discussion of the territorial disputes that excluded China and Vietnam would be fruitless. Therefore, the range of participants was extended and with particular regard to China's participation, some sort of relaxation of the stated claims was anticipated.

The organisers of the workshop series felt that it was important to include all parties which had a presence and interests in the SCS region. Following this holistic approach, in addition to the ASEAN littoral states of the SCS, both China and Taiwan were included as well as landlocked ASEAN members without direct claims to the disputed territories. Most scholars emphasise the importance for the success of a Track II attempt of including all parties concerned. Generally acceptable solutions can only be defined if all concerned parties were part of the resolution process, conscious that the inclusion of additional participants and divergent interests and positions might exacerbate the Track II attempt.

The participating states were represented by government and military officials, supported by experts on relevant issues (maritime law scholars, security experts, commercial experts). All participants attended in their private capacity and not as official representatives of their countries. This requirement was intended to allow more open discussions than would be the case among official representatives. Following the inaugural workshop in 1990, participating countries of the workshop series were Brunei, Cambodia, China, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, Vietnam, and Taiwan.

Procedure/Process

The workshops, prepared and supported by different working groups of experts, were held annually in Indonesia beginning in 1990, with the exception of 2000, and were mainly financed by CIDA until that organisation ceased its support in 2001.¹ Expert input was provided by ASEAN-associated research institutions, in the beginning the ASEAN Institutes of Strategic and International Studies (ASEAN-ISIS) and later the Council for Security Cooperation in the Asia Pacific (CSCAP). This academic support, however, was not institutionalised by official links, but the participating experts attended various working groups, building links between the Track II institutions on a personal level. The associated working

groups of experts met outside Indonesia, depending on the countries co-chairing them. The first Technical Working Group (TWG) on marine scientific research, for example, was co-chaired by the Philippines and was therefore held in Manila.

After 2001, the workshops continued with the participants' financial support but with the withdrawal of the CIDA the process ultimately lost its momentum. In particular, the associated TWGs, which provided important scientific input for the discussions within the workshop series, ceased after 2001. The focus of this chapter is therefore on the workshops conducted until 2001 and their outcomes.

The informal (Track II) nature of the workshop series allowed the parties to discuss new approaches to the problems in the SCS area without changing their governments' official positions. The participating government officials and non-government associated experts attended the workshops explicitly as private individuals and not as representatives of their national governments. This guideline for the participants' behaviour was designed to avoid the mere repetition of the claimants' official positions which had not succeeded in previous official meetings.

OBJECTIVES

It might have been expected that the workshop series would produce solutions to the territorial disputes of the SCS, especially for the disputed Spratly archipelago. The subject of the discussions and the scope of participants would suggest such ambitions. However, as the initiators repeatedly stated, the sovereignty disputes over the Spratly Islands had been excluded from the discussions:

Of prime importance here, as far as the work of the South China Sea Informal Working Group is concerned, is the complete avoidance of any topics on which a consensus cannot be reached. An obvious example is the question of sovereignty over the Spratly Island group, or the matter of conflicting claims to maritime jurisdiction in the South China Sea. Discussion within the Group of these issues is pointless, and indeed dangerous, given the objectives of consensus-building. They are therefore expressly excluded from discussions. (Townsend-Gault 1996, p. 320)

Nonetheless, the expressed aims of acting as a "platform for policy-oriented discussions" (opening remarks of Hasjim Djalal at the First

Workshop on Managing Potential Conflicts in the South China Sea) and developing input for governments and Track I negotiations increased expectations concerning the outcomes of the workshops. Furthermore, the expressed aim of the workshop series changed over time and in the light of problems that became apparent, the ambitions were probably reduced. Both Hasjim Djalal and Ian Townsend-Gault expressed in various publications that the aim of the workshops would be to contribute to the solution of the SCS territorial and sovereignty disputes.

The workshop series was designed to foster deliberations among the concerned parties of the SCS and to provide a forum to explore possible areas of cooperation. The explicitly restrained definition of the objectives was a precondition to achieving the parties' participation, especially the participation of China. The overarching aim was to provide the participants with an opportunity to discuss positions and to explore possibilities for official arrangements to follow. The desired outputs were new ideas and proposals for cooperation on the official level (Track I) which would improve communication among the parties in conflict and build confidence. Eventually, the workshop series' objectives were to contribute to a more benign atmosphere among the claimants to the SCS territories and thus to help facilitate efforts to resolve the conflicts. The SCS territorial disputes had been the main stumbling block to establishing regional cooperation and a regime of mutual security. To improve the situation in the SCS, it was therefore necessary to support the governments concerned in developing resolutions to their disputes.

Constructivist theory suggests that the provision of a forum to discuss and the exchange participants' positions helps lead to a better understanding of the opposing parties' interests. Joint cooperation efforts in various realms (economic, maritime security, scientific, environmental protection) would help in building confidence and improving the mutual perceptions of the participants. According to neo-liberal theories, this would create an environment more suitable for discussions and eventually lead to the establishment of rules and norms to support resolution of the protracted territorial conflicts of the SCS.

Progress/Cooperative Projects/Outcomes

The initial workshops (1990–1992) set the basis for future discussions. During the first workshop (1990) – which only (the then six) ASEAN members attended with Canadian participants – papers on the

environment, ecology and scientific research, resource management, political and security issues, territorial and jurisdictional issues, and institutional mechanisms for cooperation were presented.

At the second workshop (1991), which China and Vietnam attended in addition to the ASEAN members, a final session was added to the agenda in which one participant from each country was asked to present their position on the subject of the Spratly and Paracel Islands disputes. The participants were given five minutes for a statement without any opportunities for other participants to criticise these positions in order to avoid an escalation of these sensitive issues.

The second workshop produced a significant outcome insofar as six principles were defined as the basis for future cooperation. These six principles (named Bandung Principles after the workshop's location) were later incorporated into the formal ASEAN Declaration (Manila 1992) and became the basis for the Declaration on the Conduct of Parties in the South China Sea (DOC). The six principles are:

1. Without prejudice to territorial and jurisdictional claims, to explore areas of cooperation in the South China Sea.
2. Such areas of cooperation may include cooperation (a) to promote safety of navigation and communication; (b) to combat piracy and armed robbery; (c) to promote the rational utilization of living resources; (d) to protect and preserve the marine environment; (e) to conduct marine scientific research; and (f) to eliminate illicit traffic in drugs in the South China Sea.
3. In areas where conflicting territorial claims exist, the relevant states may consider the possibility of undertaking cooperation for mutual benefit, including exchange of information and joint development.
4. Any territorial and jurisdictional dispute in the South China Sea should be resolved by peaceful means through dialogue and negotiation.
5. Force should not be used to settle territorial and jurisdictional disputes.
6. The parties involved in such disputes are urged to exercise self-restraint in order to avoid complicating the situation.

During the 1990–1992 workshops, political and security issues were discussed but no real progress could be made since these discussions were marked by confrontation and nationalistic rhetoric and missed the stated goal of enabling a rapprochement between the participants. The following

workshops (1993–1996) defined areas of cooperation and identified possibilities for the participating states to build working groups.

It soon became clear that meetings attended primarily by diplomats and legal experts were unlikely to produce much in the way of concrete proposals for substantive co-operation in the above sectors, and so it was decided to establish Technical Working Groups (TWG) for this purpose. (Townsend-Gault 1998, p. 184)

From 1993, Technical Working Groups (TWGs) were established which focused on cooperation in marine scientific research, resource assessment and means of development, marine environmental protection, legal matters, and navigational safety. The aim of these TWGs was to produce ideas for cooperation and to provide governments with proposals for cooperation.

At the fourth workshop in 1993, the First Working Group Meeting on Maritime Scientific Research in the South China Sea was held in the Philippines, attended by 45 participants from the countries participating in the workshop series. The agenda for the working group meeting was: fishery research, biodiversity, non-conventional energy, meteorology, environmental phenomena, circulation, training, networking and information, and mechanisms for cooperation and joint research. This TWG set the precedents for following TWGs and meetings of Groups of Experts (GEM) which met annually prior to the workshops, provided technical input, and elaborated proposals for the workshop participants to discuss. Townsend-Gault describes how the workflow for these supporting workgroups was established:

As discussions at TWG meetings have become increasingly detailed, Groups of Experts have been convened to deal with very specific items. Thus, a rough hierarchy of meetings has emerged whereby each GEM (Group of Experts Meeting) reports to its parent TWG, which in turn reports to the annual Workshop, which has become a sort of plenary meeting for the initiative. The Workshop decides on meetings or activities that are to be held in the coming year. Typically, one participant is invited from each country/authority for a GEM, two for a TWG and three for the Workshop. (Townsend-Gault 1998, p. 185)

As early as at the fourth workshop (1993), Indonesian Foreign Minister Ali Alatas reminded the participants that the aim of the workshop series

was to provide officials at Track I level with new proposals. He therefore asked for an 'upgrade' of the workshops towards a more formal inter-governmental forum but this was rejected by China and Vietnam. China refused the proposal because, according to participating Chinese foreign affairs officials, the level of representation at the workshops was already senior and formal enough. China further refused the establishment of distinctive confidence-building measures (CBMs) among the participating states, as it considered the whole workshop series to be a CBM.

Participants at the fourth workshop were encouraged to discuss their territorial disputes and to explore solutions to their delimitation problems. However, since "some participants" were reluctant to discuss these sensitive issues, discussions on territorial disputes were discontinued and in the workshops following the fifth workshop (1994), territorial and jurisdictional issues as well as political and security issues were no longer discussed. Participants focused instead on less sensitive issues such as environmental, ecological, and marine scientific research; shipping, navigation, and communication; resources management; and institutional mechanisms for cooperation.

During the workshops of 1994–1996, then, the focus of the discussions shifted towards less controversial issues, confidence-building measures which could unite the participants.

The 'Doughnut Formula'

At the fifth workshop (1994) the Indonesian delegation, led by Ambassador Hasjim Djalal, presented a proposal for the joint economic development of the central area of the SCS, the so-called 'doughnut formula' or 'doughnut theory'. The proposal suggested projecting 200 nm (370 km) exclusive economic zones (EEZs) from the shores of the SCS littoral states and leaving the remaining area in the middle to joint development (without declared sovereignty to any claimant). The 'sovereignty hole' in the middle of the SCS led to this proposal being named the 'doughnut formula' (since the proposed map resembled a doughnut). The proposal was based on international maritime law (since it respected the EEZs and the principle of equidistance) and declared the area beyond the 200 nm as high seas and the area where Joint Development Zones (JDZs) would be established. This seemed promising as a start for joint development of the disputed areas and was in accordance with the UNCLOS. However, not only China (which claimed the entire SCS) but other ASEAN members (without claims in the SCS) also rejected the proposal, afraid of confrontation with China.

Another problem with the declaration of the middle of the SCS as high seas is resources related. High seas areas fall under the International Sea-Bed Authority, therefore resource exploitation would be open to any interested party, including non-regional actors.

The failure of this attempt illustrated two significant obstacles to any real improvement of the conflict situation in the SCS. First, the supposed resources of the SCS are the most important aspect of the territorial disputes and a segmentation of the oil fields, gas fields, and fishing grounds acceptable to all claimants is the real problem of the disputes. Any proposal which would deny the littoral claimants privileged access to these resources (as did the high seas concept of the 'doughnut formula') was condemned to failure. Second, any solution to the SCS dispute will be very hard to reach as long as non-claimants participate (i.e., landlocked ASEAN members). These participants might prioritise their relations with conflicting parties over the search for a solution for the dispute (e.g., bandwagon with China as happened in this case). The 'doughnut formula' proposal was rejected although it could have been a promising start to the position often proclaimed (especially by Chinese officials) of 'shelving the territorial disputes and exploring the resources of the SCS jointly'.

At the sixth workshop (1995) the discussion focused on cooperation efforts rather than sensitive territorial, jurisdictional, and security issues. Several TWGs and GEMs were established to evaluate areas of scientific research, safety of navigation, and resource assessment.

The final phase of the workshops supported by the CIDA (1997–2001) evaluated the findings and recommendations of the working groups and outlined proposals to translate these findings to the official Track I level. During the period 1993–2001, a total of 17 (TWGs) supported by 11 (GEMs) and two Study Group Meetings on marine scientific research, environmental protection, safety of navigation, legal matters, and possibilities for cooperation were conducted. Controversial issues, such as discussions of the security-related disputes, were avoided for the sake of harmony among the participants. Liselotte Odgaard, who interviewed Hasjim Djalal in 1998, concluded in regard to the eighth workshop in 1997:

Discussion on the issue of confidence-building measures was discontinued, primarily because China had consistently refused to partake in this debate (Djalal, 22.10.98). Thus, the workshops had failed to make headway as regards the issues of political and military security. (Odgaard 1999, p. 130)

Following the withdrawal of CIDA, the workshop series continued in an “informal, unofficial and track-two way, focusing on building confidence and cooperation while avoiding controversial, political and divisive issues” (Djalal 2009, p. 77).

The outcome of the workshop series has to be assessed as modest since very little in the way of legally binding agreements was realised. One shortcoming was arguably in the design of the workshops. An attempt that is termed ‘Managing Potential Conflicts in the SCS’ and excludes the pivotal source of conflict (i.e., the Spratly disputes) seems doomed to fail. However, the critical precondition for successful negotiations is the disputants’ willingness and desire to solve the conflict. The probability of resolving a conflict increases dramatically when the opponents prefer a compromise over a prolongation of the conflict because they do not expect any improvement in their bargaining position in the future.

Given China’s growing military capabilities and political clout in the region, one would assume that the incentive for the ASEAN claimants to reach a compromise would have been high. And assuming that China’s economic rise continues and in concert its military power grows, the ASEAN members’ position would further weaken in the future. With this logic, however, it was in China’s interest to postpone the negotiations because its bargaining position was likely to improve.

Several analysts have concluded that the workshop series might have had some value in terms of confidence-building measures which foster communication but that the workshops have established a climate of no resolution/no confrontation. As a result, no progress towards any significant joint development efforts could be reached during the workshop process.

Spill-Over Effects

The impact of the discussions and meetings conducted in the workshop series on political agreements at the official level is certainly hard to measure. China–ASEAN relations experienced an overall improvement in the 1990s (in the political and especially economic realm) and it is probable that the workshop series contributed to this development. The direct influence of the workshop series on specific agreements and cooperation projects is hardly verifiable, or in the words of Ian Townsend-Gault:

The outputs of project activities appear elusive. This is perhaps the nature of the beast: it cannot be seriously expected that a relatively few meetings can

produce much in the way of substance given the intractable nature of the dispute. However, the Manila Declaration on the South China Sea, which figured prominently in the 1995 dispute between the People's Republic of China and the Philippines over Mischief Reef began life at the 1991 Bandung Workshop. (Townsend-Gault 1996, p. 322)

The various Technical Working Groups (TWGs) succeeded in producing programmes for cooperation and environmental protection. For example, the TWG on Marine Scientific Research produced programmes on biodiversity, sea-level and tide monitoring, and a database for the SCS. The TWG on Marine Environmental Protection produced a training programme on ecosystem monitoring. The TWG on Safety of Navigation, Shipping and Communication created a training programme for seafarers and initiated a cooperation programme for search and rescue efforts. The TWG on Resources Assessment developed a programme on fish stock assessment and a study on non-hydrocarbon mineral resources (which excludes oil reserves).

Beyond the circle of participants, the Indonesian-led workshop series reached a bigger audience via the associated research institutions, CSCAP and ASEAN-ISIS. CSCAP in particular has produced many search studies and papers (termed Memoranda). In this way, the new ideas and concepts discussed in the working groups of the workshop series reached an audience of scholars and policy advisors, thus influencing wider circles. Although this impact is hard to measure, the workshop series has definitively had its share in promoting scholarly exchange and broadcast new approaches to finding solutions to the protracted territorial disputes.

Bilateral Agreements

Outside the multilateral framework of the SCS workshop series, a number of bilateral agreements concerning disputes in the SCS have been reached. Again, the direct causal dependence on the workshop series is not verifiable, but since the contractors have met in working groups on this issue, and mindful of the workshop series' overarching agenda, a causal relationship is at least probable.

China and the Philippines agreed in August 1995 on a code of conduct in the SCS to avoid further incidents. This code was negotiated bilaterally and emphasised the principles of freedom of navigation, non-use of force, and especially maintaining the status quo in the *Kalayaan* area.

This agreement implies that no further outposts in this area should be established and that existing outposts should not be upgraded.

Malaysia and Singapore reached a bilateral agreement on the sovereignty of the islands Pedra Branca (or Pulau Batu Puteh), Middle Rocks and South Ledge which are located in the Singapore Strait. The prime ministers of both countries agreed in 1994 to pass the issue to the International Court of Justice (ICJ) for negotiations. In 2008, the ICJ decided that Pedra Branca belonged to Singapore while Middle Rocks belonged to Malaysia. The sovereignty dispute over South Ledge was shelved by the ICJ.

The territorial dispute between Indonesia and Malaysia about the small islands of Sipadan and Ligitan was also decided by the ICJ. Both islands, located in the north of Borneo, are disputed because of their position within the prolongation of the land border between Indonesia and Malaysia. In 1996, the Indonesian president and the Malaysian prime minister agreed to submit the issue to the ICJ. In 2002, the ICJ awarded both islands to Malaysia, a decision which triggered harsh nationalistic reactions in Indonesia. The ICJ decision to recognise Malaysia's sovereignty over the islands was based on the effective occupation of the islands. The Court's argumentation was especially interesting in regard to the ongoing developments of the territorial disputes in the Spratly Islands.

Security Cooperation

Security cooperation between China and ASEAN member states emerged especially in the realm of non-traditional security threats (NTSs), such as anti-piracy, anti-terrorism, and anti-smuggling efforts. In 2002, both the Joint Declaration on Cooperation in the Field of Non-traditional Security Issues and the ACFTA declaration were signed.

China and Singapore signed the China–Singapore Agreement on Defense Exchanges and Security Cooperation in January 2008. In 2009, this agreement resulted in the first China–Singapore joint counter-terrorism exercise, which was the PLA's first joint operation with security forces outside the SCO framework. In addition, China held annual bilateral defence consultations with Thailand, Malaysia, the Philippines, and Indonesia.

Nonetheless, the outcome of China–ASEAN security cooperation remains low. After two decades of improving relations, and seeking opportunities to build confidence and declarations on security cooperation (e.g., the ARF Concept Paper and the Joint Declaration on Cooperation in

the Field of Non-traditional Security Issues), security cooperation is still conducted at the bilateral level.² A concept for security management, a common security architecture for the SCS, is still lacking and joint military exercises or joint patrol programmes (e.g., anti-piracy) between China and ASEAN members have not been achieved.³

Success of the Indonesian Workshop Series

The workshops succeeded in providing the disputing parties with a forum for communicating their positions and discussing possible areas for cooperation (in sectors less disputed than sovereignty issues). The increased dialogue between the participants also led, in some cases, to agreement on bilateral codes of conduct (as in the cases of China and the Philippines and between Vietnam and the Philippines). As noted above, the various TWGs produced several cooperation efforts in less sensitive areas such as environmental protection, safety of navigation, and resources assessment.

Confronted with the same criticism as the ARF process – that of being a mere ‘talking-shop’ – one reporter pointedly summarised the ASEAN strategy as: “talk talk is better than shoot shoot” (Ching 1993, p. 30). Project Director Hasjim Djalal makes a similar assessment, stating that he had no problem with the workshop series being classified as a ‘talking-shop’:

It has been suggested that our work is promising much but delivering little, that meetings are essentially anodyne exercises and amount to no more than a ‘talking-shop.’ We, however, don’t see what’s wrong with a talking-shop. What is the objection to a forum that brings people together? If the region’s experts are not to meet face to face at our meetings, then where? (Djalal and Townsend-Gault 1999, p. 129)

Ian Townsend-Gault concluded that the workshops demonstrated at least some capacity for cooperative dialogue. His fellow initiator Hasjim Djalal summarised the overarching achievements of the workshop series in 2001 as follows:

Awareness of the problems of the South China Sea and willingness of the South China Sea participants to promote cooperation and dialogue have increased. (Djalal 2001, p. 101)

Nonetheless, the workshops did not succeed in developing proposals with much impact on the official Track I level; therefore, the process lost momentum in the late 1990s. Especially after the CIDA withdrew its funding in 2001 because of its disappointment with the process, the workshop series merely existed formally but did not produce any further thought-provoking proposals.

Evaluation of the workshop series' success by outsiders is therefore more limiting. The main critiques focused on its non-controversial approach and the lack of impact on Track I negotiations. China's role and behaviour in the workshop series caused particular criticism and even frustration.

China's Role in the Indonesian Workshops

China's first attendance was at the second workshop (1991) and it continued to participate in all the following ones. Right from its first attendance, the Chinese participants, led by the director of the Asia Department of the Ministry of Foreign Affairs, insisted that its sovereignty claims in the SCS were "indisputable".

China was mainly interested in promoting joint development efforts regarding the resources of the SCS, not in discussing any sovereignty disputes. Chinese participants actively proposed and promoted "cooperation in the protection of maritime living resources, control of maritime pollution, search and rescue operations, scientific research, anti-piracy, exchange of maritime information, studies on typhoons and changes of sea level, and safety of navigation" (Lee 1999, p. 61).

At the third workshop (1992), Chinese participants presented two papers: one proposing inter-regional cooperation to ensure the safety of maritime traffic, and the other proposing regional cooperation on maritime disasters. Although the Chinese participants were willing to cooperate on rather 'soft' and less disputed issues, they insisted that they would not discuss their claims to the SCS and that any expectations of compromises in regard to the sovereignty disputes were unrealistic. Bob Catley and Makmur Keliat concluded that "China does not appear to be sincere in its stated desire to resolve the disputes by any negotiated compromise" (Catley and Keliat 1997, p. 81).

In this respect, the passing of the Law of the People's Republic of China on Its Territorial Waters and Contiguous Areas in 1992, which claimed all

islets in the SCS, raised renewed doubts among the other participants about China's intentions. The notion that China "would use force if necessary to defend its claims" was especially counterproductive for the confidence-building process.

China's proposal of shelving the territorial disputes and jointly exploring the resources of the SCS lacked an accurately defined area for such joint explorations: "It appears that what China means by Joint Development is that China will jointly and bilaterally develop with the other claimant concerned the resources of the South China Sea in the area claimed by the other." (Djalal 1998, p. 128) This apprehension later proved correct; the Joint Maritime Seismic Undertaking (JMSU) between China, Vietnam and the Philippines (2005–2008) failed when it became known that the exploration efforts had taken place in the Philippines' EEZ.⁴

When a serious problem occurred and China tried to avoid the discussion, participants from the other countries accepted this behaviour without protest. The parties merely agreed to disagree, and then moved on to the next issue. This was surely a concession to the existing power disparities – or an expression of an already implemented ASEANization.

The combination of China's bargaining power (in regard to smaller ASEAN states and especially in regard to ASEAN states not involved in the territorial disputes) and the ASEAN Way of avoiding direct confrontation, guaranteed that the workshops did not focus on the territorial disputes of the SCS. In 1995, Mark J. Valencia argued that "China seems to have developed a 'three nos' policy to deal with the Spratlys issue: no specification of claims; no multilateral negotiations; and no 'internationalisation' of the issue, including no involvement of outside powers" (Valencia 1995, p. 12).

China was especially against the involvement of non-regional actors (i.e., the USA) and thus opposed the internationalisation of the disputes. This Chinese opposition to any US interference is understandable in view of China's strong bargaining position versus the ASEAN claimants' position. In terms of a solution to the disputes, however, the participation of a neutral, non-regional moderator/facilitator has been helpful in other protracted conflicts.

In concert with other participants, China also rejected the establishment of a secretariat to coordinate the various supporting groups of the workshop series. It also prevented the establishment of a Spratly Authority. Behaving in a similar way to its stance in other ASEAN-led organisations (e.g., the ARF),⁵ China feared that any institutionalisation might unleash a process of its own internal dynamics and eventually expose the Chinese

position. To avoid any process of institutionalising the workshop series, no independent secretariat was established and the workshops were arranged by the organisers' research institutes in Vancouver and Jakarta.⁶

One obstacle to the progress of discussions and thus to the performance of the whole workshop series was the fact that Chinese participants were often not proficient in English (the official ASEAN language):

An example of how the language problem affected the debate on legal issues is that Chinese participants in the ninth annual Workshop on Managing Potential Conflicts in the South China Sea did not understand the contents of the workshop compilation handed out during the meeting. Moreover, a former workshop participant said that a two-hour workshop session would often be spent on translation because China tends to send participants who are not proficient in English. (Odgaard 2002, p. 233)

In an interim assessment in 1998, Hasjim Djalal concluded:

China has been supportive of the Workshop process. ... Yet it seems to feel that the process has gone too far, too fast and has discussed too many topics; therefore it seems that it would like the Workshop process to slow down and reduce its meetings and activities. (Djalal 1998, p. 128)

He further noted that China promotes cooperation and participates in the TWG meetings but “has not yet decided whether to participate or not in the realization or implementation of the agreed collaborative projects” (Djalal 1998, p. 128).

INTERIM CONCLUSION

The workshop series did not succeed in exploring new approaches to the territorial disputes of the SCS, nor in providing the official Track I level with new proposals for a resolution of the disputes. However, this was explicitly not the aim of the initiators of the workshops, Townsend-Gault and Djalal.

Any Track II process is dependent on the participants' willingness to reach a solution and to accept compromises to reach such a solution. Right from the start of their participation, the Chinese delegation explained that they would not be willing to discuss, let alone compromise on, any of China's territorial and sovereignty claims.

When the workshop series reached its most productive period in the mid-1990s, the increased activity of working groups and cooperation efforts also fuelled expectations for further improvement in regard to the territorial disputes. In the late 1990s, however, it became apparent that the progress of the workshop initiatives towards discussing the disputes multilaterally had already exceeded China's comfort level. The frustration of the other participants and the organisers led to the withdrawal of funding (by the CIDA), the cessation of the associated TWGs and GEMs, and therefore the loss of momentum of the workshop series.

A huge obstacle to the workshop series' success in general and its confidence-building function in particular were the continued activities of most claimants extending their (military) outposts on the occupied islets in the Spratly archipelago.⁷

CHINA–ASEAN ASSESSMENT

China–ASEAN relations improved dramatically in the period 1990–2010. Starting, in the aftermath of the Tian'anmen Incidents, with the normalisation of official relations with ASEAN member states, China became a dialogue partner and later a strategic partner of ASEAN. Obviously, relations have improved in general, and in the economic realm, the ASEAN–China Free Trade Agreement (ACFTA) even initiated a progress of integration. To assess the quality of China's multilateral policies towards ASEAN, however, a more detailed analysis of the relations in the realms of politics, the economy, and security is required.

Institutionalisation

On the political level, the most important outcome of the progress in institutionalisation of China–ASEAN relations is the establishment of various communication channels for different aspects of the relationship. On the Track I level, the ASEAN Regional Forum (ARF), the now annual China–ASEAN Summit, the ASEAN+3 meetings and the East Asia Summit (EAS) have been established. In addition, China has participated in the ASEAN Post Ministerial Conference (PMC) following the annual ASEAN Ministerial Meeting (AMM) since 1992. In the framework of the ARF, China participated in the ARF Senior Officials Meeting (ARF-SOM) since 1995. All these meetings have increased communication and interaction

between policymakers at the highest level (presidents, prime ministers, ministers) and contributed to the success of various cooperation efforts.

The subordinated working groups on the Track II level – such as CSCAP’s Study Groups, ARF’s Inter-Sessional Support Groups and Inter-Sessional Meetings, the Technical Working Groups of the SCS Workshop series – all these informal efforts provided the Track I level with new approaches and thus contributed to deepening cooperation.

In terms of the institutionalisation of norms and rules for the relationship, however, especially in respect of the unresolved territorial disputes in the SCS, little progress was made. The output after almost two decades of interaction, discussions, Track II working groups and expert studies includes a declaration on conduct (DOC) and two conflict resolution bodies (the High Council and the Enhanced Dispute Settlement Mechanism) which have never been used. The relations between China and ASEAN have not been institutionalised in a material sense, for example by the establishment of permanent bodies like a special secretariat. And as regards the most dangerous source of conflict (the SCS territorial disputes), no regime for managing (or better: avoiding) future clashes in the disputed Spratlys has been established, due to both sides’ “allergic” rejection of supranational institutions. (Brian L. Job coined the expression “Asia Pacific allergy to formal institutionalization”; see Job 2003, p. 273.)

The informal and non-binding approach of the ASEAN Way had initially facilitated rapprochement with China; in the long term, this non-binding approach also led to underperformance in terms of institutionalisation.

Economic Cooperation

Economic cooperation is the sector in which China–ASEAN relations have achieved the most progress and deepest level of integration, a development which accords with the progress of similar multilateral regional organisations (e.g., the EU) and could be characterised thus: economy first, politics and security will follow.

Economic relations between China and the ASEAN have improved in general; the formidable rise in trade volume is one indicator, foreign direct investments (FDI) another. China’s supportive behaviour during the Asian financial crisis in 1997–1998 and the resulting establishment of Asian financial institutions (e.g., the Chiang Mai Initiative and the Asian

Bond Markets Initiative) further improved economic relations and led to the establishment of the ACFTA in 2010.

But such an increase in economic cooperation does not automatically result in an interdependent stabilising relationship. If one of the partners is unilaterally too dependent on the bigger partner (China), the relationship misses the stabilising factor of interdependence. ASEAN (as an economy) is too small and too dependent on China to bargain with its economic clout in any coming conflict. Additionally, the majority of ASEAN exports to China are pre-manufactured goods, an important sector in China's manufacturing industry, but less sensitive than strategic imports such as natural resources. In the natural resources sector, ASEAN countries (and China, too) prefer to partner with external actors instead of fostering intra-regional cooperation.

Cooperation with non-regional partners, first and foremost with US-based companies, far exceeds intra-regional cooperation. Similarly to their practice of security cooperation with non-regional partners (again, first of all with the USA) analysed in this study, the ASEAN members reached out for strong partners who could support their case in view of an increasingly powerful China. This behaviour is particularly relevant to the overlapping territorial claims in the SCS and the resulting conflicting claims to SCS resources. It is also further evidence of the underlying mistrust among ASEAN members with regard to China's future ambitions in the SCS. The exception to this is Malaysia which, as noted above, has refrained from cooperating with foreign oil companies.

Security Cooperation

China–ASEAN security cooperation has been most successful in the areas of non-traditional security threats (i.e., piracy, smuggling, anti-terrorism, disaster relief) and less so in respect of traditional army-to-army relations. Some confidence-building measures have been achieved, especially in terms of information (White Papers) and exchange (of personnel). But given the history of conflict, discussions of a rising 'China threat', suspicions about China's future intentions, and the unresolved territorial disputes, the progress in security cooperation between China and the ASEAN has been insufficient to substantially build trust.

The ARF's vision of three stages of confidence-building was never implemented, due to general reluctance (in the first place, China's refusal). Mechanisms for preventive diplomacy were neither developed

nor deployed. At the same time, the modernisation of China's armed forces (with the focus on the navy and air force) has been proceeding at an impressive pace and has caused ASEAN to react by upgrading naval and air forces. The occupation of islets in the Spratlys has continued, especially the fortification of outposts, as have occasional clashes in the disputed waters, which increased again after 2007.

Security cooperation has thus failed to build genuine trust between the ASEAN members and China, there has been no progress in demilitarising the Spratlys and similarly (in terms of conflictual clashes), no satisfactory resolution of the territorial disputes. Despite symbolic confidence-building measures, suspicions about China's intentions towards the territorial disputes and the possible use of force continue to increase and no substantive security cooperation has been achieved.

Territorial Disputes

As regards the territorial disputes about the Spratly islands, there has been no progress. The situation is now even more unstable than it was in the mid-1990s due to the increasing build-up of the littoral navies and the ongoing fortification of outposts on occupied islets.

The strategy of 'creeping occupation' in the Spratlys in particular is in keeping with old Chinese war stratagems like disinformation, defection, and surprise. This strategy of 'talk and take'⁷ was observed by analysts. In 1999 Ian Storey concluded:

Firstly, the events of 1995–98 illustrate well the PRC's two-pronged strategy in the South China Sea – willingness to discuss the possibility of joint exploration and other forms of co-operation, whilst at the same time establishing a greater presence in and around the disputed reefs. (Storey 1999, p. 113)

This behaviour fosters suspicions about China's future intentions and hinders further improvements in China–ASEAN relations. Consequently, the perception of a 'China threat' has been on the rise again since 2005.⁸ In its 2010 Report to Congress, the US–China Economic and Security Review Commission concluded that: "since 2007, China has become more aggressive and has taken numerous steps to uphold what it considers its sovereignty and to prevent Southeast Asian countries from asserting their own claims in the sea" (USCC 2010, p. 134). Of China–Vietnam

clashes in the SCS the Report stated: “In 2009, China detained 433 Vietnamese fishermen who were working in the disputed waters” (USCC 2010, p. 134).

Due to China’s increased assertive stance in the SCS, a good deal of hard-won improvement in its image has been lost lately. Apart from some promising Track II approaches, especially the Indonesian SCS workshop series, no negotiations have taken place to improve the situation in the disputed areas. The discussions and proposals at Track II level were not transposed to Track I or implemented in official negotiations. The acceptance of UNCLOS even made the situation worse since it led to new claims by littoral states on the basis of their EEZ.

As regards economic cooperation in the disputed areas (i.e., joint exploration) some small projects between ASEAN members have been carried out, a China–Vietnam–Philippines joint venture failed (the Joint Seismic Maritime Undertaking) and in general, the claimants preferred to cooperate with external partners. This cooperation with external (foremost US) companies was meant to improve the claimants’ positions but contradicted their declared position of not internationalising the territorial disputes.

Multilateralism

ASEAN’s various efforts to increase communication and interaction with China have certainly had positive effects in avoiding the outbreak of severe clashes in the SCS. China’s willingness to participate and demonstration of a cooperative approach improved its reputation and decreased the perception of a ‘China threat’. ASEAN and its Track II bodies (i.e., CSCAP and ARF-related working groups, ASEAN-ISIS and the SCS workshops) have contributed to preventing conflicts in the SCS. But assessing the quality of this multilateral cooperation and its output in terms of political institutionalisation, economic cooperation and security cooperation, requires different variables. According to Ruggie’s definition of multilateralism – a form of international relations that “coordinates behaviour among three or more states on the basis of generalized principles of conduct” (Ruggie 1993, p. 14) – China–ASEAN cooperation fulfils this criterion only in the economic realm.

A statement from China’s foreign minister limits the prospects for future progress on the SCS territorial disputes by multilateral means: “In July 2010, Chinese Foreign Minister Yang Jiechi stated, ‘Turning the

bilateral issue [of the South China Sea disputes] into an international, or multilateral one would only worsen the situation and add difficulties to solving the issue.” (Solomon 2010).

SIMILARITIES BETWEEN CHINA’S RELATIONS WITH ARF AND THE INDONESIAN WORKSHOPS

There is an underlying blueprint for China’s participation in ASEAN-led activities. Attempts to engage China in multilateral organisations resulted in China joining the initiatives early and participating frequently. Chinese participants were eager to co-chair working groups or present proposals, as long as these concentrated on non-traditional security threats or less controversial issues. In both participations, the Chinese delegations rejected any institutionalisation of the processes and China refused to discuss sovereignty issues or topics of traditional security concerns. Alastair Iain Johnston concluded:

When proposals for a regional security institution were floated in the early 1990s, China’s utility distribution was essentially one where no institutionalization was better than even a little bit. Thus there was no point of agreement with activists or other states – the range of institutionalization the PRC was willing to accept never overlapped the range of institutionalization desired by multilateralist activist states like Canada and Australia, at a level of utility that all were willing to accept. (Johnston 1999, p. 306)

Further, the Chinese delegations were underfunded and Chinese participants often lacked proficiency in English (at least in the 1990s), hampering the discussions significantly.

Most importantly, agreements reached at the ASEAN-led meetings were often later counteracted by Chinese *realpolitik*. Hasjim Djalal comments: “While China wishes to develop cooperation with Southeast Asian countries, China continues to exercise a policy of assertiveness in the South China Sea and seems to be developing a habit that before a dialogue with ASEAN, China takes a unilateral decision that could upset ASEAN countries” (Djalal 1998, p. 128).

This view is underlined by China’s issuing of its Law on Territorial Sea and Contiguous Zone in the South China Sea (1992); its occupation of Mischief Reef (1995); its rejection of ASEAN’s proposal for a code of conduct for the SCS to limit the military presence (the ASEAN Draft);

and the declaration establishing a Sansha municipality (and subordinating all disputed islets of the SCS to the Sansha administration).

The analysis of China's participation in ASEAN-led organisations in general and its approaches towards the SCS territorial disputes in particular, therefore, produces a distinct conclusion: in the aftermath of the Tian'anmen Incident, China's foreign policy changed towards ASEAN in terms of frequency and interaction. In quantitative terms, the number of meetings, summits, workshops and further informal communication channels increased dramatically. In qualitative terms, however, output analysis reveals that a substantial shift in China's foreign policy was realised only in the economic sector. In the areas of political institutionalisation and security cooperation (including the situation in the SCS), China's foreign policy towards ASEAN has not changed substantially since the early 1990s.

NOTES

1. CIDA provided core funding but the participants also contributed. According to Ian Townsend-Gault, CIDA alone usually contributed half of the total costs.
2. An example is the Chinese-Philippine 'Memorandum of Understanding in Defense Cooperation', signed in 2004.
3. See also Chap. 4, especially the section on military cooperation efforts.
4. See Chap. 8, 'Joint explorations' for more details.
5. See previous chapters, especially Chap. 7.
6. The South China Sea Informal Working Group (Vancouver) and Pusat Studi Asia Tenggara (Jakarta).
7. The term 'talk and take' was first used by Philippine Defence Secretary Orlando Mercado in 1998.
8. A quantitative study by the Pew Research Center, available at: <http://www.pewglobal.org/database/indicator/24/survey/all/response/Unfavorable/>

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Conclusion: China's New Foreign Policy

China's new foreign policy is characterised by money politics, military diplomacy, and a new assertiveness in international relations. This means China is willing to use its financial capabilities and investment programmes to establish and support diplomatic relations with strategically relevant states. China further uses its military to bolster its partners (through joint exercises, the supply of weapons systems or the creation of joint anti-terror organisations for border-control purposes). Finally, China's new foreign policy is characterised by a new assertive stance visible in its policies in the SCS territorial disputes, the creation of the Asian Infrastructure Bank (AIIB), or the commissioning of aircraft carrier(s). It is important to understand that China's foreign policy is – in contrast to Western practices – a coherent unity. As former US Secretary of State Henry Kissinger has written on the basis of his experiences, Chinese diplomats implement the grand strategy of their political leaders and this forestalls the type of open-ended negotiations conducted among Western diplomats:

Chinese negotiators use diplomacy to weave together political, military, and psychological elements into an overall strategic design. Diplomacy to them is the elaboration of a strategic principle. They ascribe no particular significance to the process of negotiation as such; nor do they consider the opening of a particular negotiation a transformational event. (Kissinger 2011, p. 221)

As the analysis of China–ASEAN relations in respect of the unresolved territorial disputes in the SCS has shown, Kissinger’s judgement of Chinese diplomacy has lost none of its validity. For the sake of an increased reputation for cooperation, China became a very active participant in ASEAN-led organisations such as the Indonesian workshop series Managing Potential Conflicts in the SCS during the 1990s. However, China never entered into any negotiations about the disputed islands with other claimants and maintained its extensive claim to the SCS. During the Hu Jintao administration of 2002–2012, China intensified its interaction with ASEAN, promoting the establishment of an Asian political system on the model of ASEAN – non-binding, based on the principles of voluntary cooperation and respecting the policy of non-interference in others’ internal affairs. The characteristic ASEAN Way of multilateral diplomacy is favourable for China’s foreign policy goals, since it allows cooperation in appropriate policy realms but does not isolate China.

ASEAN is politically not vital to China and China has consequently refrained from any institutionalisation of its relations with ASEAN in any security-related aspects. In the economic realm, however, China was indeed willing to establish binding regimes such as the ASEAN–China Free Trade Area (ACFTA) or the Chiang Mai Initiative to stabilise intra-Asian trade.

China–ASEAN relations have not been institutionalised in terms of the establishment of permanent bureaucratic bodies, such as a proper secretariat for these relations, but within the framework of the ASEAN Regional Forum (ARF) institutionalisation has progressed. As well as China’s participation in ARF Senior Officials Meetings, the China–ASEAN Summits, ASEAN+3 (China, Japan, South Korea), and the East Asia Summit have been established as regular meetings at senior level. But in terms of permanent bodies and appointed staff, no progress has been made in the institutionalisation of China–ASEAN relations proper, due to China’s refusal.

At Track II level, the outcome has been more promising. Working groups of experts on various subjects have been initiated and continue to produce studies and proposals for the Track I level. However, since the impact of these Track II meetings on official relations remains elusive and the participants attend in their personal capacities and not as official delegates, the contribution of these informal meetings to the institutionalisation of relations remains limited.

The establishment of binding rules for the relations has not progressed much. The often mentioned code of conduct of the organisation

(the ASEAN Way) falls short of binding rule-sets; on the contrary, the non-binding approach of this code of behaviour has hampered the development of binding rule-sets. Therefore, as regards China–ASEAN relations, no agreement on a binding code of conduct in relation to the SCS can be reached and the creation of conflict resolution bodies (High Council and EDSM) proved worthless. The mere creation of norms without implementation does not represent progress in institutionalising relations. The acceptance of UNCLOS as a basis for future border negotiations, far from contributing to stabilising the situation in the SCS, has created new conflicts. The goals for deepened conflict management set in the ARF Concept Paper have not been reached. The members did not proceed to the second stage of this three-stage approach due to the reluctance (first of all from the Chinese) to implement ‘preventive diplomacy’.

Nonetheless, ASEAN is the hub of Asia’s political architecture with its many sub-groups, offices, Track II initiatives and related think tanks and research groups as spokes. ASEAN has established a universe of political entities for the several branches of inter-Asian relations (e.g., political-security, economic, socio-cultural). And especially because of its non-binding and voluntary character (ASEAN Way), ASEAN has become the accepted diplomatic channel for both China and the Southeast Asian nations. ASEAN therefore offers opportunities for Western policymakers to engage China – via the related ARF for security discussions or APEC for economic issues.

Economic cooperation is undoubtedly the area in which China’s foreign relations have experienced the most progress. China–ASEAN trade volume has increased dramatically since the 1990s and with the establishment of the ASEAN–China Free Trade Area (ACFTA) the prospects for future trade growth are promising. The character of trade relations is determined by the manufacturing process, meaning that an item is pre-manufactured in one (or more) ASEAN member state(s) and delivered to China for completion before being sold to its (mainly Western) destination market. This means there is a huge degree of interconnectedness, and in combination with the established FTA and financial institutions for the region, intra-ASEAN as well as China–ASEAN relations are heading towards deeper economic integration. But this increased economic exchange does not automatically lead to economic interdependence. Both the one-sided dependence of ASEAN economies on the Chinese market and the interchangeability of ASEAN suppliers contradict the logic of interdependence. In addition, China–ASEAN relations have not

progressed in the area of energy security (or joint programmes to extract resources from the SCS). ASEAN members are, therefore, economically dependent on China which offers Chinese policymakers options for political bargaining.

China's foreign policy is driven by geopolitical interests and implemented via business programmes. At the forefront of China's new, interest-driven foreign policy – intensified by the Xi Jinping administration – is the New Silk Road project. The establishment of the AIIB at the end of 2015 and the Silk Road Fund (established at the end of 2014 with a US\$40 billion contribution from China) signify an intensified approach to reanimating the old trade routes. Both institutions (AIIB and the Silk Road Fund) are specifically designed to fund and thus facilitate infrastructure projects of the One Belt, One Road project, also called the New Silk Road. This infrastructure project is meant to intensify China–Europe trade, as well as China's trade with countries along these trade routes (both in Central Asia and along the sea routes). Further, the New Silk Road project will showcase China's new role as a regional power in Asia and Central Asia – it is therefore a geopolitical strategy implemented by economic means.

For the political dimension of this tremendous project, China, together with Russia, established the Shanghai Cooperation Organisation (SCO) in 2001 (its predecessor, the Shanghai Five, was established in 1996). Today, the SCO comprises China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan as member states, while India and Pakistan have already been approved as members in 2015 and will accede to the SCO in 2016. Together with the observer states Afghanistan, Belarus, Iran, and Mongolia the SCO represents an impressive area – and pooling its members' resources, the SCO is already an important 'energy club'. Another important aspect of the SCO (especially for regional non-members) is the military and intelligence component. The annual joint military exercises, the joint anti-terror headquarters and intelligence sharing by SCO members are important for the political leaders' maintenance of power. In addition, this military cooperation sends a strong signal to outside powers (i.e., the USA) not to interfere in Central Asian affairs. Altogether, the New Silk Road is by far the most ambitious aspect of China's new foreign policy – and offers the whole Central Asian region an alternative to the existing international order.

China's new foreign policy maintained a restrained and cooperative profile during the (second part of the) Jiang Zemin and the Hu Jintao administration. The Xi Jinping administration reveals a more assertive

stance in regard to China's geopolitical interests. The current administration is clearly less concerned with China's reputation (and the perception of a 'China threat') – evidence for China's new self-confidence and the source of its more aggressive performance in international affairs. This spurs security concerns among neighbours engaged in territorial disputes with China.

Regarding the threat potential of China's military modernisation programme, the hard facts of this build-up and the new strategic capabilities are important. China's military budget grows not in a linear but in an exponential way – regardless whether official Chinese figures, high or low estimations are considered. The modernisation programme of the armed forces has been impressive in terms of both the low starting level and the programme's complexity (the modernisation affected virtually all branches of the PLA and in this process numerous new systems were indigenously developed ranging from Chinese submarines to fighter aircraft to surface ships, missiles and satellites).

China's military modernisation programme with its emphasis on naval and long-range aircraft fighters (power-projection capability) is perceived as especially threatening by coastal neighbours (i.e., Japan, Taiwan, South Korea) and claimants in the SCS disputes. But, as Part I of this book has shown, the perception of a 'China threat' decreased in the 1990s and the beginning of the new millennium despite a continued build-up of the PLA's capabilities. This phenomenon runs counter to the realistic school of international relations, according to which the reputation (for cooperation) of an actor is very important for the threat perception. China's increased participation in multilateral ASEAN-led initiatives has improved its reputation – although the hard facts of its military programme or territorial claims have not changed. The ASEAN members' desire for heightened cooperation with China – in combination with China's benign behaviour during the Asian financial crisis of 1997–1998 – has resulted in an adjustment of the 'China threat' perception. But if this included expectations of a Chinese concession in regard to the SCS territorial disputes, the wish was father to the thought. China was not willing to discuss its exclusive claim to the SCS in the early 1990s when it was politically isolated – having made progress regaining its status in international relations over the past two decades, China is now even less willing to even consider any concessions. The new assertive stance in the SCS (i.e., artificial land reclamation on occupied islets) is an expression of this new self-confidence.

The military aspect of China's new foreign policy might be worrisome for some of its neighbours – but is in effect highly symbolic. China's PLA remains far inferior to the US armed forces and can therefore not be interested in being engaged in any serious confrontation with a US ally (or quasi-ally). More important, China is the single greatest beneficiary of the existing (economic) global system. China–USA trade relations and China–ASEAN economic cooperation are far too vital to be put at risk for the sake of a minor dispute (e.g., territorial disputes in the SCS).

China's occupations in the SCS (and the military facilities erected on them) are of very limited strategic value and highly symbolic in nature. Military clashes between China and other claimants to the territorial disputes are too costly and will therefore not escalate into real fighting. China's military outposts on the occupied islets are a demonstration of its logistical and technical prowess – in this respect they resemble China's ancient Terracotta Army: sophisticated and very impressive for the casual observer but in military terms without effective utility.

China's policymakers are socialised by and thus familiar with ancient Chinese stratagems, strategies to overcome a more powerful opponent by smart utilisation of one's own (limited) capabilities. At the heart of many ancient stratagems is the use of deception and distraction to confuse the opponent about one's actual tactic, disguise one's true intentions and thus gain a strategic advantage. It is therefore significant that China's recent activities in the SCS (i.e., artificial enlargement of occupied islets) were initiated at a time when the declared strategic US Pivot to Asia was losing momentum. With China's now visibly more assertive stance in the Spratly Islands – China was pressing ahead to reach *fait accompli* while the ASEAN claimants had to sit idly by – the USA was urged to increase its (visible) military engagement in the SCS. But from a strategic point of view, why? China will not control the SCS nor would it gain any strategic benefit – nor would the USA. Both are interested in free and uninterrupted passage via the important SLOCs of the SCS. And the maritime character of this area makes border or mere demarcation efforts fruitless, all the more so since the other claimants will not accept Chinese hegemony over the SCS and would deliberately violate the demarcations at any time. Could this be a 'red herring' of China's new foreign policy? If so, the USA followed the 'red herring' and intensified its presence in the SCS.

The New Silk Road project is of paramount importance. First, in economic terms the project bolsters Chinese exports (and trade in general) and provides a huge government grant to China's construction industry,

since Chinese companies in particular will benefit from the infrastructure projects in Central Asia. Second, the New Silk Road project is an important security programme that will stabilise China's insurgent hinterland (e.g., Xinjiang) as well as the situation in many of China's unstable neighbours. Therefore, the success of the 'One Belt, One Road' project is of paramount political importance for the Xi Jinping administration. The realisation of the mainland part (the 'belt') is much more difficult and politically delicate, and interference by outside powers (i.e., the USA) is highly unwelcome from the Chinese standpoint. For the maritime part of this project (the 'road'), however, interference by the USA would be less problematic – it could even turn out to be favourable since the USA will guarantee free passage along the important seaways (which is also China's goal).

From this perspective, China's recent escalation of the SCS territorial disputes and the prompt US appearance on the scene are reminiscent of old Chinese stratagems. Viewed thus, China has distracted the USA from its geopolitically vital project in Central Asia and ensured that the USA remained geopolitically focused on the Asia-Pacific. This would mean that the USA would miss the next round of the Great Game in Central Asia – this time under the auspices of China.

China is still a nascent superpower, and we are currently witnessing the adolescence of its new foreign policy. Like a teenager, China is discovering its new capabilities and seems sometimes surprised by its own powers. In this process, China is defining its vital interests in geopolitics. Hitherto, its foreign diplomacy was dominated by old, seemingly eternal, paradigms: the indisputable unity of China and its resulting positions on Tibet, Kashmir, Xinjiang, Taiwan; China's relation with Japan; China's perception of (sub-ordinate) ASEAN states; and China's wary partnership with Russia.

These eternal paradigms are being tested, and against the backdrop of economic difficulties, China's foreign policy might be ready to develop unprecedented flexibility in some of its unshakeable principles. That is not to say that we will witness Taiwanese independence any time soon (or ever) but a new Chinese foreign policy based on interests rather than historical principles could, for example, result in a China–India rapprochement and flexible solutions to the protracted Himalayan border disputes. The realignment of China's foreign policy offers opportunities for Western states and organisations to cooperate and thus to integrate China. If these chances are deliberately missed, China will develop autonomous solutions, for example, its perceived insufficient influence in the World Bank resulted in the creation of the China-dominated AIIB).

China increasingly offers an alternative to Western institutions in the international relations and global system: the AIIB as an alternative to World Bank loans; the SCO as an alternative to the NATO security architecture; or the Chiang Mai Initiative as a distinctive Asian financial institution and an alternative to the IMF. China is increasingly less willing to accept semi-optimal outcomes in international relations. Instead, as several examples show, China is establishing international institutions according to its own strategic goals and thus incrementally creating alternatives to Western-designed international institutions (such as the Bretton Woods system). Despite its repeated denials, China is *de facto* establishing alternatives to US-dominated institutions in the political, economic, financial, and security realms and thus cultivating a multipolar system within international relations. This is not *per se* negative – but Western policymakers have to brace themselves for concepts for international regimes increasingly facing competing proposals. The core of China's new foreign policy is its concept of itself as a superpower on a par with the USA. To realise the impact of this fact on multilateral institutions and international relations in general, the study of post-WWII US foreign policy is recommended. Likewise, China is utilising institutions and regimes of the global order for its own purposes – and modifying (or ignoring) them when they are found to be obstructive to its vital interests.

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