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POWER AND ORDER IN THE SOUTH CHINA SEA

A Strategic Framework for U.S. Policy

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Security

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About the Derwin Pereira Series

This policy brief is part of the Derwin Pereira Southeast Asia Foreign Policy Series, which convenes a bipartisan group of current and former senior government and regional specialists. Each policy brief in the series will focus on the diplomatic, economic, and security dimension of Southeast Asia policy facing the next administration. This project was made possible due to the generous support of Derwin Pereira.

About the Asia-Pacific Security Program

The Asia-Pacific Security program seeks to inform the exercise of U.S. leadership in Asia by analyzing how the United States can rebalance its priorities, shape a rules-based regional order, modernize traditional alliances, build the capacity of new partners, and strengthen multilateral institutions and respect for the rule of law. From exploring rising maritime tensions in the region, to crafting ways to renew key alliances and partnerships, to articulating strategies to extend and enhance U.S. influence, the program leverages the diverse experience and background of its team, deep relationships in the region and in Washington, and CNAS’ convening power to shape and elevate the conversation on U.S. policy across a changing Asia.

Introduction: U.S.-China Competition and the South China Sea

Despite numerous calls for a more cooperative relationship, U.S.-China ties appear to be on an increasingly competitive trajectory.¹ Nowhere has this seemed more apparent than in the South China Sea, where rising tensions have been sowing concern throughout Southeast Asia about the durability of order in the Asia-Pacific region.²

A defining moment in deteriorating relations occurred at the July 2010 Association of Southeast Asian Nation (ASEAN) Foreign Ministers' Meeting in Hanoi, when Secretary of State Hillary Clinton announced U.S. support for ensuring that territorial disputes were resolved amicably and fairly. "The United States," Secretary Clinton explained, "has a national interest in freedom of navigation, open access to Asia's maritime commons, and respect for international law in the South China Sea."³ That prompted Chinese Foreign Minister Yang Jiechi to warn "outside powers" not to meddle, and then turn to Southeast Asian foreign ministers and declare: "China is a big country. And you are all small countries. And that is a fact."⁴ U.S.-China relations have now become inseparable from the complex set of issues roiling the South China Sea. From the point of view of Asian-Pacific nations, even the smallest U.S. and Chinese actions are scrutinized as indications of revolve and future intent.

Few commentators in Southeast Asia have captured the regional implications of U.S.-China competition better than Singapore Ambassador-at-Large Bilahari Kausikan. He contends that while Beijing and Washington are focused more on domestic agendas than foreign policy issues and that both wish to avoid a conflict, neither will cease to pursue its interests. "The strategic challenge for China," he posits, is "how to shift the U.S. from the very centre of the East Asian strategic equation and occupy that space, but without provoking responses . . . that could jeopardize Chinese Communist Party rule."⁵ For the United States, Kausikan observes, the objective "is how to accommodate China, while reassuring friends and allies that it intends to hold its position without stumbling into conflict."⁶

The U.S. approach to its challenge has become enshrined in the comprehensive policies of rebalancing to the Asia-Pacific region.⁷ More specific to the South China Sea, however, the United States has sought to preserve peace by supporting the adherence to international law and regional norms such as the imperative of settling disputes peacefully and not resorting to coercion or the use

of force. Physically, that has often been reduced to freedom of navigation operations (FONOPs), or, more broadly, a commitment to "to sail, fly and operate anywhere international law allows," consistent with the United Nations Law of the Sea Convention (UNCLOS).⁸

Furthermore, the United States has also significantly expanded strategic engagement with Southeast Asia, particularly with the littoral states of the South China Sea.⁹ The administration recently announced a five-year, \$425-million Maritime Security Initiative to augment existing assistance and thereby accelerate maritime domain awareness and security cooperation with and among littoral countries such as the Philippines, Vietnam, Indonesia, Malaysia, and Thailand.¹⁰

U.S. intentions aside, the dizzying pace of events and welter of issues pertaining to the South China Sea have largely defied both strategic planners and policy implementers. From China's frantic island-building spree, to the historic legal ruling on Chinese claims and activities handed down from the Permanent Court of Arbitration, to major-power naval maneuvers, to fraught bilateral relations even with U.S. allies, to a multitude of fishing, oil exploration, and maritime law enforcement activity, the South China Sea is indeed "Asia's cauldron" of growing instability.¹¹

Despite the procession of momentous actions—or perhaps because of them—it is imperative that U.S. decision-makers find a comprehensive and long-term approach to managing U.S. interests in the South China Sea. This policy brief reflects on power and order in and around the region.¹² It offers a general framework to help policy-makers keep their eye on the enduring elements of power and the significant drivers of order and disorder in the area. These factors demand an integrated plan rather than tactical, piecemeal responses that cannot hope to advance U.S. strategic influence.

Subsequent sections of this policy brief describe the forms that U.S.-China competition takes in the South China Sea. It parses four different baskets of issues or frames of reference, which in turn also offer some guidance as to how to respond. It highlights how the cooperative elements of U.S.-China relations have some competitive aspects and vice versa. Overall, this paper puts forth a general framework for understanding the multidimensional interests at stake in the South China Sea, and how a more balanced approach among those interests—with particular focus on geoeconomic elements of power—offers the best way for the United States to engage and help shape this dynamic, yet delicate region.

Four Frames of Reference for the South China Sea

One benefit of the enduring tensions in the South China Sea is that U.S. policymakers are far more aware of the exigency than they were several years ago. This brief examines the issues and domains that drive that ground-level importance, but first it is critical to examine how these equities have arisen outside a clear framework of interests.

The South China Sea is a large, semi-enclosed body of water about the size of California. More than \$5 trillion in seaborne trade each year travels through its vital international waters, which provide a gateway into the Indian and Pacific Oceans. The same waters are rich in fish stocks and seabed resources, including an uncertain but potentially significant quantity of oil and gas deposits. The South China Sea is critical not only for commerce, but also for military lines of communication and security. China and Taiwan, as well as four Southeast Asian countries (the Philippines, Vietnam, Malaysia, and Brunei) have contested sovereignty claims; non-claimant Indonesia has also been defensive about ambiguous Chinese claims that a nine-dash or U-shaped line delineates their territory in the South China Sea. As suggested by former Foreign Minister Yang's comments at the 2010 ASEAN Regional Forum, for the foreseeable future the asymmetry of power between China and its neighbors guarantees that frictions will be managed, not resolved. After all, desires to bring about a binding code of conduct remain much discussed on regional diplomatic agendas, but without signs of meaningful progress. Meanwhile, the use of coercion and the creation of precedents—such as the militarization of outposts and potential incidents at sea—cast a long shadow over other maritime bodies, namely the East China Sea.

The asymmetry of power between China and its neighbors guarantees that frictions will be managed, not resolved.

This litany of significant elements about the South China Sea demand greater clarity of thought if U.S. policymakers are to bear in mind an enduring framework for action rather than simply respond to the day's latest developments. In fact, there are four fundamental reasons for which the South China Sea matters,

especially to U.S. interests. These reasons boil down to the following points. The South China Sea is:

1. the locus of geostrategic competition between a rising China and the established dominant power, the United States
2. the foundry of norms, rules, and standards that will determine international relations and behavior in the Asia-Pacific region
3. the bellwether test for U.S. military capability that will determine whether the United States can continue to project combat power forward or will be displaced by China's increasing military prowess
4. the economic epicenter of regional resources and a vital hub for global shipping

The four frames of reference relate to military power, diplomatic competition, rules and architecture, and the ocean-driven or "blue" economy. It is possible to envision these frames in a basic 2 x 2 matrix (see "Four Frames of Reference for the South China Sea"). The horizontal *x* axis represents a theoretical spectrum of strategic policy ranging from pure geoeconomics on the left to pure geopolitics on the right flank. The vertical *y* axis represents a hypothetical spectrum of policy tools ranging from pure soft power on the bottom to pure hard power on the top. Within each of the four quadrants are centered the economic, military, legal, and diplomatic dimensions of U.S.-China competition and relations with regard to the South China Sea. A brief description of each quadrant follows.

The upper-left quadrant, representing more geoeconomic strategy and economic hard power elements, might be called the "Blue Economy," a term that refers to the vast deposits of wealth centered in the region. This includes both the rich resources in the waters and seabed (fish, hydrocarbons, and minerals) and the tremendous trade and various forms of connectivity that happen on and over the waters with respect to shipping, ports, airports, and tourism. This is real wealth, and the prosperity will magnify considerably if peace and commerce prevail. At the same time, a common enemy threatens this wealth: namely, damage to the fragile ecosystem and environment of the South China Sea. These threats take many forms but include overfishing, injury to coral reefs and marine life, pollution, natural disaster, and climate change, as well as illicit maritime trafficking and piracy.

The upper-right quadrant, reflecting more geopolitical strategic concerns and hard military instruments of policy, can be labeled simply "Military Power," which

might also be captured by the abbreviation A2/AD (anti-access and area-denial), referring to Chinese military modernization efforts aimed at preventing U.S. military intervention in the region. China’s massive military modernization and U.S. responses to it, including those ascribed to the Third Offset strategy, tend to dominate the region’s security debate. Most want to know that the United States will remain capable but will manage a rising China wisely. They also want to know how China will use its newfound power in the coming years.

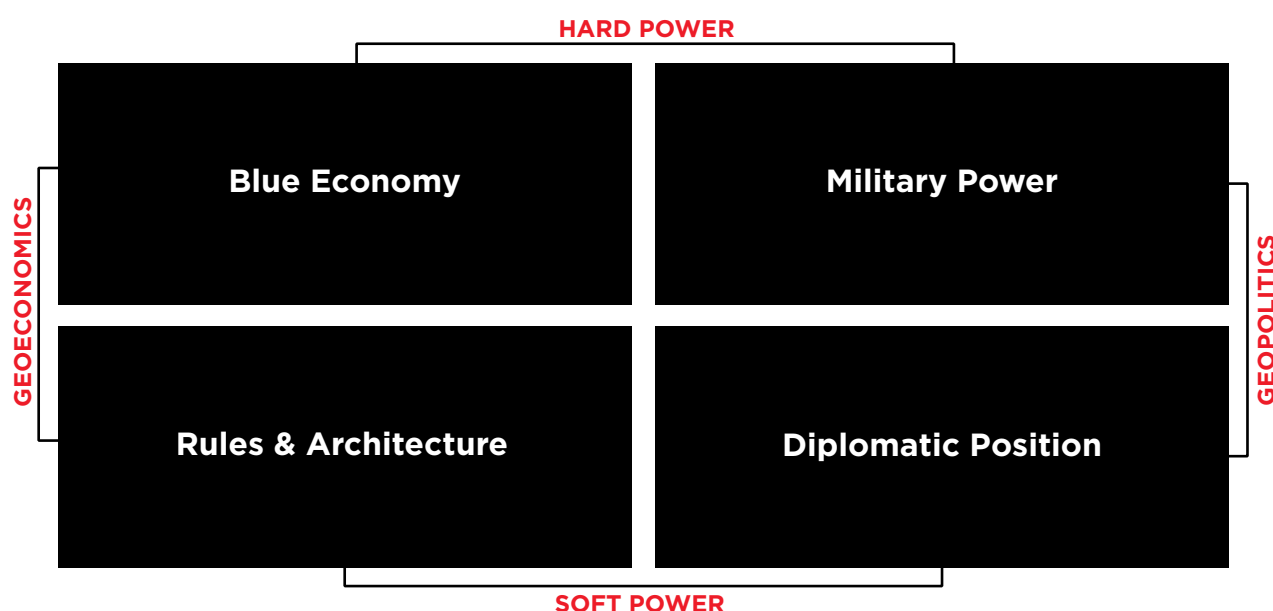
The author has dubbed the lower-left quadrant “Rules and Architecture,” to refer to mostly geo-economic considerations developed from the soft power tools of the rule of law and organizational structures and mechanisms. Critical to the rules are both international law as put forth in UNCLOS and regional norms and standards. Many of those standards are negotiated through ASEAN-based institutions, both among the 10 members and with ASEAN-hosted mechanisms such as the ASEAN Regional Forum, the East Asia Summit, and the ASEAN Defense Ministers’ Plus meetings that include non-Southeast Asian powers. Both the norms and the architecture around the South China Sea remain relatively weak, especially relative to a major power such as China pushing to define the rules on terms favorable to Beijing.

Finally, the lower-left quadrant, “Diplomatic Positioning,” focuses on more geostrategic competition and mixes in hard power tools as well, especially diplomacy backed by naval, air, and law enforcement power. These tools are often used in activities that might be described as “tailored coercion,” in a rubric designed to encapsulate the diplomacy-backed-by-force positioning strategies that regional countries (especially China) employ to redefine facts in the sea and make incremental gains of administrative or sovereign power.¹³

Admittedly, this schematic is not necessarily scientific or prescriptive. But hopefully it carries explanatory and descriptive power to help clarify for U.S. policymakers key ends and means for each frame of competition with China. All four must be managed, and increasingly there must be cross-frame aims and actions. At its conclusion, this report will offer a few ideas for advancing this framework by strengthening the four pillars and leveraging them off one another to maximize U.S. strategic influence.

But first it is important to leave theory aside and return to the practical problem of perception and narrative in the region when it comes to major powers and order. Here the story centers on how to manage a reemerged China that is at once upsetting security order and yet indispensable to the regional and global economic order. One of the major challenges for U.S. policymakers, in addition to having to fashion a strategic policy, is to implement that policy when the prevailing narrative is stacked against them.

Four Frames of Reference for the South China Sea



U.S. policy toward the South China Sea can be examined through four frames of reference, each with its own set of related policy tools and domains of power.

The Limits of the Prevailing Narrative

Throughout the duration of President Barack Obama's administration, a prevailing narrative has framed much of the foreign policy debate in hard power terms: China challenges the international order, major-power competition is reemerging, and there is a security dilemma in Asia. This interpretation of the situation heavily influences policies surrounding the South China Sea. Yet the narrative tells far from the whole story. As a new U.S. administration prepares to fashion its own version of a rebalance to Asia by adding a new foundation of active economic and diplomatic engagement backed by comprehensive power, this paper attempts to reframe major-power relations and recast U.S. foreign policy.

The dominant narrative is aptly described by *Financial Times* columnist Gideon Rachman. In his new book, *Easternisation: War and Peace in the Asian Century*, Rachman writes:

The central theme of global politics during the Obama years has been this *steadily eroding power of the West* to shape international affairs. This erosion is closely linked to the *growing concentration of wealth in Asia*—and in particular the rise of China. One of its consequences is a dangerous rise in diplomatic and military tensions within Asia itself, as a *rising China challenges American and Japanese power and pursues its controversial territorial claims with renewed aggression*. The U.S., for its part, is *pushing back against Chinese power*, shifting military resources to the Pacific and strengthening its network of alliances, with nations such as India and Japan, in what has become known as *the American "pivot to Asia"* (italics added).¹⁴

Rachman is hardly the first, but is among the latest to describe a gradual global power shift from West to East, and from the Atlantic to the Pacific and Indian Oceans.¹⁵ This diffusion of power is a long-term trend after centuries of greater Western influence, dating from the 15th century and clearly making its mark by the 18th century. That pace has undoubtedly quickened in the past half-century. Even in historical terms, the recent rise of Asia in general and China in particular is astounding. Numerous statistics and forecasts document the magnitude of the power shift. Most assuredly, by 2025 about two-thirds of the world's population will call Asia home. More speculatively, the National

Intelligence Council—which is preparing to roll out a new estimate—declared in its 2012 forecast that “In a tectonic shift, by 2030, Asia will have surpassed North America and Europe combined, in terms of global power, based upon GDP, population size, military spending, and technological investment.”¹⁶

Even if that estimate proves to be technically true, it feeds into a storyline that obscures other important realities. In the first place, straight-line projections amid myriad variables and the vicissitudes of international politics beg for caution. Linear projections about future Asian growth and U.S. decline suggest that more is known about tomorrow than is humanly possible. Indeed, in the midst of writing his trenchant book, Rachman becomes acutely aware of how quickly fortunes can change. In 2015, Rachman observes, “China experienced a sharp slowdown in growth, a spectacular plunge in the stock market, an increasingly harsh political crackdown on domestic dissent, and the arrest or interrogation of high profile political, media and business figures.” He then draws an obvious inference: “It may well be that China's economy will slow sharply in the coming years and will fall well short of the 7 percent growth a year that President Xi told my group was his aim, for the years running up to 2020.”¹⁷ He might have extrapolated even further.

If one cannot forecast a year ahead, what does this portend for forecasts that span decades? Moreover, the bigger challenge for the United States and Southeast Asian region might not be the continued rise of China as much as the faster-than-expected slowdown of China. An economically weakened China, fueled by nationalism and clinging to a heightened sense of entitlement, could well be the most dangerous combination.¹⁸

There are additional reasons not to peer through rose-tinted lenses regarding the scale and timeline of a putative power shift that somehow leaves far behind the United States, Japan, and others. The rate at which powers rise and recede is not so easily prognosticated. The prevailing narrative highlights that which is new and underplays

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that which is enduring. Rachman himself succumbs to this tendency when he contrasts the G-7 at its origin in 1975 (when Japan was the sole Asian member) with the four “largest” economies of today (China, the United States, India, and Japan). However, the author employs two different metrics: nominal GDP in the former instance and

purchasing power parity in the latter.¹⁹ When measured by nominal GDP in 2016, five of the top seven economies remain G-7 founding members. In order, the current seven leading economies are: the United States, China, Japan, Germany, the United Kingdom, France, and India. The trends are impressive, but in watching what is moving the most, the lasting importance of Western actors is often ignored.

More generally, the principal narrative glosses over the vital role the United States has played—and continues to play—in promoting prosperity and the rule of law in the region. In his otherwise positive review of Rachman’s book, former Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell singles out this propensity to dismiss the resiliency of the United States.²⁰ The economic rise of Japan, South Korea, and Taiwan owe a great deal to U.S. postwar policy. Further, as previously suggested, the institutions built by the United States and others in the aftermath of World War II remain central pillars of contemporary international order. This hardly precludes new mechanisms and arrangements, but while those demonstrate their ability to follow through with sustainable, transparent public goods, existing institutions such as the Bretton Woods system (including the World Bank, the International Monetary Fund, and the Asian Development Bank) and



The livelihoods of some 300 million people depend on the South China Sea’s ample resources, from fishing off the southeast coast of Vietnam (shown here), to vast hydrocarbon reserves, to vital shipping lanes. (Wikimedia Commons)

intra-regional rivalries as a potential brake on Asia’s rise. For example, one recent poll shows that the vast majority of Chinese and Japanese distrust each other, find each other arrogant and violent, and clash over history.²² Unlike the relatively cohesive West, he notes, “Many of China’s neighbours—including Japan, India and Vietnam—have territorial disputes with Beijing and fear the rise of China. There are also small but genuine risks of nuclear conflict breaking out

The slowdown in China’s economic growth, systemic governance challenges throughout the region, and tensions on the Korean peninsula, the subcontinent, and in maritime Asia prove that making bold predictions about the future is a risky endeavor.

the San Francisco peace architecture remain essential to the development and stability of the Asia-Pacific region.²¹

Finally, the prevailing narrative focuses too much on major powers rather than on the diversity, domestic hurdles, and divisions that exist within the many countries of the region and throughout the region itself. The current storyline neglects too many important actors whose voices deserve to be heard and whose rights deserve to be equally protected under the law. This is fundamental to the U.S. regional approach. At the same time, the narrative sets aside the enormous governance challenges facing so many countries, including most in Southeast Asia. Credit Rachman for zeroing in on

between India and Pakistan, or on the Korean peninsula.”²³ The slowdown in China’s economic growth, systemic governance challenges throughout the region, and tensions on the Korean peninsula, the subcontinent, and in maritime Asia prove that making bold predictions about the future is a risky endeavor.

In short, the primary narrative that speaks of an inexorable power shift and the possible if not probable clash of an emerging and established major power is far too simplistic to capture the dynamics and interdependencies in today’s world. With this sweeping generalization, this report now turns to U.S. foreign policy toward both major powers and Southeast Asia. It will then draw several basic implications for U.S. policy with respect to the South China Sea.

U.S. Foreign Policy and Cooperation and Competition in U.S.-China Relations

The South China Sea problem is often reduced to a question about U.S.-China relations. The U.S. response to such reductionism must be to push back and remind all that this important bilateral relationship is complex and certainly bigger than just one body of water. The U.S. foreign policy establishment understands that the world benefits from a just and orderly peace. Despite resurgent major-power competition that in coming years will likely manifest itself in the South China Sea, the United States is committed to expanding cooperative relations with all nations. Relations with two Asian powers, Japan and India, have arguably never been better. Washington has also moved recently to buttress close transatlantic ties, although the European Union is under new duress in the wake of Britain's Brexit vote. Resurgent competition with Russia and China, however, are clearly part of the emerging global security environment, and a sharp deterioration in those relations could well be increasingly felt in Southeast Asia. But for all the concerns that exist about China-U.S. relations, the overall relationship continues to be bounded by complex interdependencies. Russia, which has pursued territorial expansion by annexing the Crimea and maneuvering in and around Ukraine, and which has a small economic footprint compared with that of China, offers both more direct challenges and fewer opportunities for cooperation. Even worse, Russian-U.S. tensions appear to be rising faster than those between China and the United States because of the mindset, objectives, and modus operandi of President Vladimir Putin.²⁴ Even so, Moscow and Washington cooperated on the Iran nuclear accord and persist in efforts to stabilize Syria and contain or defeat the Islamic State of Iraq and the Levant (ISIL).

If resurgent major-power relations are complex, the U.S. commitment to a positive, internationalist role in the world also appears less assured than before the 2016 presidential election. Never in recent history has a major political party nominee so carelessly called for disregarding elementary U.S. promissory obligations, whether with respect to trade accords, treaties, or torture. Even if this was mere campaign rhetoric, it has created considerable damage to the reputation of the United States. The good news is that after the election, a new administration will have to focus on the challenges of governing. When it does, it is likely to settle on the necessity of preserving and adapting an inclusive, rules-based order, an order

that will badly need reinforcement in the South China Sea. Furthermore, it will undoubtedly see the necessity of a foreign policy, especially in Asia where the United States will remain a permanent Pacific power, led by economic and diplomatic policy instruments undergirded by military prowess.

Because the world is not self-regulating, the United States will continue to pursue complex relations of cooperation and competition from a foundation of comprehensive strength. Still, the elements of power need to be rebalanced. All too often the United States appears as a unidimensional power, focused on military might and insufficiently attentive to economic instruments of power. The recent book by Robert Blackwill and Jennifer Harris, *War by Other Means*, provides a timely corrective to the Washington discourse. The authors admonish the United States to rediscover geoeconomics, meaning a renewed emphasis on “economic instruments to defend national interests and produce beneficial geopolitical results.”²⁵ Trade, investment, energy, finance, and development assistance, among other economic policy tools, should be at the heart of U.S. engagement in Asia and globally. At the same time, issues such as climate change, the environment, and even terrorism need to be foregrounded for their geoeconomic implications of U.S., regional, and global stability.

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In reality, the United States is focused on economic growth, creating better jobs with better wages, and doing all this while sustaining the one planet on which we all live. U.S. relations with China, like those with Southeast Asia and all nations in the Asia-Pacific region, are grounded in mutually beneficial economic exchange. Where the benefits are not fair and mutual, issues must be addressed. But overall economic interdependence, as Princeton University's China and the World program director Thomas Christensen has written, moderates major-power relations and dampens the desire to resort to force to settle disputes. Despite a growing wariness about China, Christensen's contention—that the United States would do better to persuade China over time to align its growth to world order than to prepare to fight

over it—remains the preponderant wisdom in U.S. policy circles.²⁶ Although persuasion may at times entail risk, this need not and should not ignite conflict. Writes Christensen, while “deterring Chinese aggression toward its neighbors and the United States will be increasingly challenging . . . China has major incentives to avoid unnecessary conflict, and after decades of a global Cold War, the United States government is highly experienced in the practice of coercive diplomacy.”²⁷

The fact that deterrence should hold and that economics should dominate, however, does not vitiate the very real concerns of the United States and many other regional actors regarding China. Chief among these shared concerns are China’s rapid military modernization, increased assertiveness in maritime Asia, and a continuing lack of transparency. If one wants to trace the mounting concerns about China in Asia, one can simply read the basic preamble to the last decade of Japan Ministry of Defense annual white papers. Although still not portrayed as a threat, from 2006 to 2016 a clear deterioration is evident in Tokyo’s confidence about the intentions and capabilities of its large continental neighbor. And if a major Asian power such as Japan is on alert, the concerns of less equipped and affluent Southeast Asian states are apt to be even more acutely felt. Suffice it to say that there is no shortage of evidence of various concerns among other Asian powers, such as Japan and India, about China’s behavior and its peculiar way of interpreting international law.²⁸

China’s rapid reemergence could not help but elicit some anxieties. In the parlance of political science, the power shift is fueling security dilemmas. As Robert Kaplan has argued, “Simply by securing its economic needs, China is shifting the balance of power in the Eastern Hemisphere, and that will substantially concern the United States.”²⁹ One might add that because China is hypersensitive to outside pressure, it sees every reaction that is less than effusive regarding its behavior as confirming a preconceived bias toward encirclement.

These tendencies are compounded by the paradox that China is a status quo domestic power—seeking to preserve its one-party rule—while openly asserting a major shift in the post-World War II global order. Maintaining internal political order is the primary focus of China’s leadership. And the legitimacy of the Communist Party of China is inseparable from the delivery of prosperity, security, and national pride. These points are evident when President Xi Jinping speaks of a “China dream” and China’s “great rejuvenation.” But Xi’s determination to advance his country’s wealth and power is not automatically a win-win proposition for



Chinese President Xi Jinping has put the narrative of national rejuvenation and the achievement of a “China dream” at the center of his governing agenda. This has coincided with a significant increase in aggressive Chinese behavior, especially in the South China Sea. (Wikimedia Commons)

China’s neighbors and the world. The United States and its allies take seriously President Xi’s desire to avoid falling into the Thucydides trap, but without active engagement and sometimes standing firm as an essential counterweight, it appears that China will be inclined to take what it can from others to satisfy an insatiable domestic appetite. There is, in other words, no escaping the security dilemma. It can only be managed intelligently, given that the security dilemma derives from the unavoidable coexistence of cooperation and competition among the major powers.

Put differently, a U.S. move from geopolitical to a more geoeconomic emphasis in foreign policy will help bound—but not eliminate—competition and tension. Much will depend on the specific situation at hand, on the behavior of other major powers, and on the political will and actions of the international community.

By outlining seven major issue areas affecting U.S.-China security and relations, one discerns varying degrees of cooperation and competition. The seven areas are, arguably in ascending order of competition: climate

change, trade and development, terrorism and political violence, North Korea, cyber activity, military modernization, and the South and East China Seas. These will be addressed briefly; together they help establish the larger argument about the comprehensive, complex, and interdependent nature of U.S.-China relations.

Climate Change: First, climate change has become a surprising pillar of bilateral relations as both countries have pledged measures “to build green, low-carbon and climate-resilient economies” in the wake of the Paris Agreement of December 2015.³⁰ Yet both nations started from starkly different perspectives, and negotiations were marked by some low points in U.S.-China relations, most notably at the 2009 United Nations Climate Change Conference in Copenhagen.³¹ While deals that require future sacrifices are easier to reach than those in need of immediate action, and though targets may be hard to meet and enforce, climate change represents a mostly cooperative element in U.S.-China relations. It may well be emblematic of the ability of these two powers to cooperate on other complex global issues. The United States and China should find specific opportunities to deepen their collaboration and trust, such as by developing cooperative emission monitoring technologies and processes—perhaps even engaging in inspection and evaluation procedures inspired by nuclear disarmament treaties.

Trade and Development: In a second area that is also mostly cooperative, one can discern greater elements of competition. Even so, trade and development, if one may lump these vast two areas together, have often been cast as more zero-sum than they ought to be. The 12-nation Trans-Pacific Partnership (TPP), the most important trade accord promoted by the United States as part of its rebalance to Asia, is often pitted against the Regional Comprehensive Economic Partnership (RCEP) initiative tying together the 10 member states of the Association of Southeast Asian Nations and the six countries that have existing free-trade agreements. In reality, the TPP and RCEP trade agreements may both be steps toward future high-standard economic integration.³² Similarly, Washington’s initial reception of the Asian Infrastructure Investment Bank was unnecessarily frosty, even if initial governance was not immediately clear. Attitudes to China’s Silk Road Economic Belt and the 21st Century Maritime Silk Road (One Belt, One Road) have been better, but there is a long way to go to fashion effective, transparent institutions that are able to follow through on their lofty promises. The United States should find ways to support win-win development initiatives even if they are Chinese-backed—and be ready to selectively backstop those Chinese promises that are not kept.

Terrorism and Political Violence: Moving to more traditional security issues, the degree of competition in bilateral relations is often heightened. Countering terrorism is an area of potential growing cooperation not only between the United States and perhaps China and Russia, but also with Malaysia, Indonesia, Singapore, the Philippines, Thailand, Japan, Australia, India, and other important Asian nations.³³ U.S.-China cooperation is limited by dint of different attitudes toward domestic political actors and balancing policies in other regions. For China, Uighur autonomy appears as a direct threat to internal order. For the United States, cross-regional challenges must be managed by preserving a modicum of stability in the Middle East without becoming overcommitted and diverted from Asia, while also being attentive to working with Southeast Asian countries on a growing regional problem. The problems of terrorism and political violence will remain growing but not existential threats in Southeast Asia.³⁴ Countries should at least coalesce about preventing ISIL from achieving footholds in Asia. But the responses need to be calibrated to local circumstances, supportive of regional governments, and oriented toward both improving early warning and intelligence and counter-messaging.³⁵ Despite these common concerns, major-power cooperation is likely to remain tightly circumscribed.

North Korea: This country is accelerating the pace of its nuclear and missile programs, a fact amply documented by events in 2016 alone. From its fourth nuclear test in January and fifth in September, through its road-mobile Musudan intermediate-range missile launches in the spring, to its successful submarine-launched ballistic missile test fired into Japan’s Air Defense Identification Zone in August, Kim Jong-un appears more determined than ever to field an array of nuclear-tipped missiles.³⁶ Every time North Korea acts aggressively, China shows some degree of willingness to cooperate with the United States and other nations. It embraced UN Security Council Resolution 2270, the most far-reaching multilateral sanctions yet enacted against Pyongyang. Yet China has also challenged South Korea’s decision to proceed with the deployment of a Terminal High-Altitude Area Defense missile system for its own self-defense. In addition, the implementation of previous sanctions has always given way to Beijing’s higher priority—namely, propping up the Kim family regime to preserve a degree of stability on its border. In a way, the United States and China are both more risk averse than North Korea, but U.S.-China competition over future strategic influence on the peninsula severely hampers the level of cooperation in dealing with North

Korea. At present, North Korea appears completely undeterred from building nuclear weapons and missiles at will, and this reality may well exacerbate major-power competition and tensions in the months and years ahead. The United States should continue to press China to tighten sanctions while working together to manage risks and prepare for crises.

Cyber Activity: Cyberspace is a relatively new domain with obvious areas of cooperation and competition. While most expect cyber espionage to continue, the United States has sought to expand cooperation with China over two sensitive areas: prevention of data destruction that could blind strategic systems or critical infrastructure and, more visibly, curbing cyber economic espionage. There are some reports suggesting tangible progress on cyber norms since a concerted high-level agreement in late 2015. But the domain is forever transforming itself, and clear trends can be difficult to verify.³⁷ Time may tell whether there can be great convergence on cyber economic espionage. Clearly, cyber “deterrence” is a problematic concept. Unlike the concept of nuclear deterrence, where it is clear when it works, in the cyber domain one is already persistently engaged with others. Thus deterring bad behavior in cyberspace is more about establishing a relationship through active defensive and offensive measures, in order to facilitate the creation of durable norms. Even with tremendous goodwill, deeper cooperation in cyberspace will take time, and incremental bilateral collaboration and confidence-building is the best that can be hoped for in the short term.

Unlike the concept of nuclear deterrence, where it is clear when it works, in the cyber domain one is already persistently engaged with others.

Military Modernization: The sixth and seventh issue areas are even more contentious than the first five. China’s military modernization is a long-term regional concern, not just a concern of the United States. But it has catalyzed a burgeoning arms competition and accentuated security dilemmas. What looks menacing to China or the United States is greatly magnified in the eyes of many regional states, which may fear abandonment, entrapment, or both. To reassure and meet the demands of allies and partners, the U.S. Department of Defense is working on four related lines of effort: enhancing forward presence, building

partner capacity, advancing new technologies under the rubric of a Third Offset strategy, and creating new operational concepts.³⁸ In the coming years these efforts will result in improved U.S. ability to project influence and assert credibility, harness more able and willing partners in the region, and wield new platforms along with existing platforms in novel ways. In other words, innovation, adaptation, and focus should allow the United States to retain a credible and stabilizing military role across the Indo-Pacific region. The future force will balance near-term presence and long-term posture, as well as survivable, high-tech, and more affordable low-end platforms suitable to regional engagement and capacity building. The fact that so much of China’s security modernization is focused on maritime Asia is of special concern to the region and reinforces concerns in the seventh issue area related to the South and East China Seas.³⁹

Maritime Asia—The South and East China Seas:

China’s assertiveness in the South and East China Seas has been the subject a great deal of analysis, including by this author in the past six years.⁴⁰ Most recently, China’s excessive claims in the South China Sea, reiterated in its angry rebuff of the 12 July 2016 arbitral decision, make it clear that the region faces a challenge over whether might or right will determine the rules. But clearly the United States also faces a crucial test of its reliability in Southeast Asia. This test is made more important, if also more problematic, given Philippine President Rodrigo Duterte’s move to downgrade the alliance with the United States in favor of a tighter alignment with China.

Deterring adventurism through further military presence and security cooperation are among the next steps Washington should continue to take in the next administration. More regular FONOPs and other regional exercises are needed, but they should be conducted in a manner that reinforces the historic 12 July Permanent Court of Arbitration ruling and encourages other constructive norms, such as nudging claimants to pursue arbitration and find peaceful resolutions of their disputes. The aim should be to make it clear that the landmark international legal ruling is the new norm, and that the United States will continue to sail, fly, and operate wherever international law permits. At the same time, the president should offer assurances to allies and partners that coercive moves that undermine the milestone legal ruling risk a confrontation with the United States. But without strong economic power and diplomatic engagement, the United States will continue to face tremendous challenges in converting military power into strategic influence. This brings us back to some basic conclusions about policy going forward, policy that can be built around the framework outlined at the outset of this brief.

Implications for the South China Sea and U.S.-Southeast Asian Relations

By highlighting these seven major issue areas, and their opportunities for both cooperation and competition, this policy brief has sought to clarify the debate over U.S. multidimensional interests in the South China Sea, with a focus on the big questions facing U.S.-China relations. The four central domains of interest—Blue Economy, Military Power, Rules and Architecture, and Diplomatic Positioning—are all strategic. The typical litany of interests associated with the South China Sea—the peaceful resolution of disputes, international law, freedom of navigation—fit within the four clusters of issues or quadrants, but they do not correspond perfectly. If a new administration is to grapple with the manifold challenges in this vital waterway, it must start by reassessing the nature of those challenges and the context of the issue areas that define them. By understanding these domains, issue areas, and frames of reference, the United States can more properly assess the tools that should be used to secure U.S. interests. All four quadrants must remain relatively in balance for the United States to exercise comprehensive power. In particular, this will require strengthening geoeconomic initiatives rather than allowing others in the region to portray the United States as a unidimensional power.⁴¹

This paper is meant to jumpstart that process. Five basic points animate this paper and follow from its logic:

1. It is imperative that the United States actively engage with many actors. Two sets of actors deserve special mention: Southeast Asian nations and the American people.

The first set is important because it recognizes the wisdom of following through with the Obama administration's recently stepped-up engagement of Southeast Asian nations. This will have to continue in the new administration if the United States expects to understand and effectively cooperate with the countries of the region. Some of this engagement will be easier with particular partners than others and will vary over time. Dropping sanctions on Myanmar, for instance, illustrates persistent engagement paying dividends, but the real opportunity is just commencing. Frictions with the U.S. ally in Manila, not to mention the stymied U.S.-Thai relationship, are reminders that cooperation may be based on common interests but alliance management must navigate and take into account the shifting views and events within each country. None of the South China

Sea challenges will disappear if the United States seeks to retreat from the world. The point is that a major part of U.S. engagement in dealing with the South China Sea must involve not simply bilateral U.S.-China relations, but continue heightened engagement with the diverse states of Southeast Asia. The South China Sea is not only, indeed not mostly, a U.S.-China issue. It is a regional and international issue.

A second set of actors, seldom mentioned, is right here in the United States and encompasses a diverse set of domestic actors. Elsewhere this brief has outlined how the new U.S. administration can and should build on President Obama's enhanced engagement with Asia in general and Southeast Asia in particular.⁴² Partly this will take more legislation and outreach within the United States to explain the importance of engaging the most dynamic region of the world. The 2016 U.S. presidential election highlights the dangerous chasm that has grown between the Washington foreign policy establishment and Main Street USA. The danger is not only that the Republican Party might lose a generation of national security expertise, but rather that this "elite–Main Street divide" will deepen, thus increasing dysfunction in Washington and creating new windows for adversaries to take advantage of U.S. polarization.⁴³

2. The extent of what ASEAN members and dialogue partners should and can accomplish in the realm of security, especially with respect to the legal rules, norms, and architecture must be understood.

To be sure, the answer to this question must be calibrated against ASEAN's purpose and history, how far it can adapt, and what it cannot do. ASEAN is a political-economy organization based on producing consensus among its 10 members; it is not now or likely to be soon a more serious and capable security organization.

The United States supports ASEAN as a legitimizing body that can bring together all of its dialogue partners in meaningful diplomatic forums. Steps in framing a binding code of conduct will be welcome provided they represent something that actually works on implementation. Not every issue will be resolved by ASEAN, and this is particularly true with respect to security issues. Hence, forging a maritime coalition centered on claimant states may well be necessary to ensure that going forward, the rule of law is respected and advanced through common consent and shared information and not coercion. Furthermore, harnessing the power of ASEAN dialogue partners, including key U.S. allies such as Japan, South Korea, and Australia, but also growing partners such as

India, can ensure that a legal, rules-based approach keeps making progress in the years ahead. Rules and norms are under stress worldwide, not just in the South China Sea and maritime Asia. This is not simply a matter of the law of the sea, but also pertains to standards regarding nuclear proliferation, behavior in cyberspace, norms, trade, climate change, and many other issues.

3. The United States needs, in its next iteration of strategic engagement with Asia, to adopt a greater reliance on geoeconomic instruments of power.

A dominant, integrated focus on the blue economy that includes not only trade and energy flows but also the basic connectivity of money, information, people, resources, and goods through, under, and over the South China Sea will help U.S. policymakers remember the main purpose for which preserving peace and stability is important. At the same time they will be encouraging connections with the people of this diverse region in ways far more agreeable than that implied in the common narrative of growing U.S.-China strategic competition. The new U.S. administration should fully utilize the opportunity afforded by Vietnam's role as the host of the 2017 APEC summit to instill new vigor in that inclusive and economically focused forum by applying a few of the better ideas emerging from TPP negotiations.

4. Even a more economic, diplomatic, and legal approach to the South China Sea must remain undergirded with genuine and powerful military capabilities.

The forthcoming CNAS report "Counterbalance: Towards a Rebalance Defense Strategy in the Asia-Pacific" captures the four lines of effort that the U.S. Defense Department has deployed to preserve strategic power in Asia: presence and force posture, partner capacity building, military modernization, and innovative concepts of operation.⁴⁴ The lines of effort remain valid, but the United States needs to ensure that it carefully weighs the balance between short-term presence and long-term capability, both with respect to national military power and the combined power of a wider network of allies and partners.

5. The United States needs to strengthen the central direction and coordination of all policy tools.

The quadripartite constellation of military, diplomatic, legal, and economic power can be parsed separately to identify specific challenges and responses. Indeed, this is the standard U.S. governmental approach, which can

pay lip service to the overall government philosophy but fundamentally preserves authorities, budgets, and policies for individual departments and agencies. Yet if integrated or at least pursued in tandem, nurtured, and strengthened, these four pillars can increase strategic influence. In turn, if used wisely, this methodology offers U.S. officials the best foundation on which to protect U.S. interests and promote American values. With a more integrated U.S. policy approach, Washington can and should then seek a more balanced strategic blueprint, based on both geopolitical and geoeconomic concerns and tools, with core regional allies.

Endnotes

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12. This policy brief is the third in a series in support of the CNAS Derwin Pereira Southeast Asia Foreign Policy Roundtable series instituted in early 2016. Previous briefs in this series include Patrick M. Cronin, "Sustaining the Rebalance in Southeast Asia: Challenges and Opportunities Facing the Next Administration," (CNAS, May 2016), http://www.cnas.org/sites/default/files/publications-pdf/CNAS-Report_SEAsia_FINAL.pdf; and Frank L. Albert, "Laos in the World Spotlight: The East Asia Summit and Next Steps in U.S.-Lao Relations," (CNAS, August 2016), <http://www.cnas.org/sites/default/files/publications-pdf/CNASReport-Laos-FINALb.pdf>.
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