

# The Dragon and The Eagle in the South China Sea: is conflict between China and the US inevitable? <sup>1</sup>

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## **Introduction**

In 2011, Robert Kaplan proposed that the 21st century's defining battleground would be located not on the land masses of Europe or Asia but instead on water.<sup>2</sup> Kaplan offered that just as German soil constituted the military front line of the Cold War, the waters of the South China Sea may constitute the military front line of the coming decades.

Six countries—China, Vietnam, The Philippines, Taiwan, Brunei and Malaysia—lay claim in whole or part to territory in the South China Sea. However, it is the relationships and actions of the two major powers in the region—China and the US—which will determine if Kaplan's forecast bears true. If it does, the question of whether this future front line will be one of 'cold competition' or 'hot confrontation' deserves close attention.

This article argues that conflict between China and the US is not inevitable during the next decade. To support this proposition, it will first establish the factors that are creating a perception that China is abandoning what has been a 'peaceful rise' strategy, and is changing its approach towards historical disputes centered on the South China Sea.

The article will contend that Beijing's strategy is shifting in response to a confluence of drivers, including increasing nationalism and a perceived threat posed by the US pivot to the Asia-Pacific. Based on this changing dynamic, the article will then examine the potential for conflict between China and the US during the next decade and outline the economic interdependencies and military disparities between the two that might prevent this outcome from being inevitable.<sup>3</sup>

The article will conclude by noting that while conflict is not a given, growing Chinese assertiveness is creating increased friction within the Indo-Pacific region. At the same time, the US is increasing its military presence in the region and enhancing security cooperation with its allies and partners, several of which also lay claim to territory in the South China Sea.<sup>4</sup> While conflict may not be inevitable, this friction has the potential to draw the US and China into a confrontation that neither wants.

## **Abandoning a 'peaceful rise' strategy?**

The South China Sea is regarded as the trade route hub of the industrial revolution of Asia, providing the main artery of transportation for vital energy imports and commodity exports in East Asia.<sup>5</sup> It contains potentially vast resources, including gas and oil reserves, as well as protein-rich seafoods, access to which underlies the current territorial and maritime disputes. China and others in the region have growing energy needs, and technological improvements in recent years have made oil and gas development in offshore locations more feasible. At the same time, growing demand for seafood and the depletion of near-shore fishing areas are driving fishing fleets further from domestic shores.<sup>6</sup>

While nations in the recent past have sought to resolve territorial disputes peacefully, events playing out in the South China Sea may indicate that China is changing its approach to resolving historical disagreements. Beijing continues to emphasise that China's rise as a global power is based on a strategy of peace.<sup>7</sup> However, increasing tensions in the waters of the South China Sea are seen as testing the sincerity of such a claim.<sup>8</sup>

Carlyle Thayer contends that China commenced a behaviour of aggressively asserting its sovereignty rights in the South China Sea as early as 2011, by targeting the commercial operations of oil exploration ships in waters claimed by The Philippines and Vietnam.<sup>9</sup> A more recent example of Beijing's increasing assertiveness was seen in early May 2014, when a Chinese deep-water oil-drilling rig was constructed

some 130 kilometres inside an exclusive economic zone (EEZ) claimed by Vietnam near the Paracel Islands; the rig was escorted by more than 80 armed vessels that, in the course of a confrontation with Vietnamese vessels, fired high-power water cannons and rammed civilian ships.<sup>10</sup>

So why is China changing its approach? When considering this question, it is evident there are a range of factors influencing China's strategy, rather than a deliberate objective on the part of Beijing to move away from a 'peaceful rise' policy. This article now turns to two contributing factors; rising Chinese nationalism and the US rebalance to the Asia-Pacific.

### ***Rising nationalism***

Some observers assert that recent actions by China indicate that Beijing is responding to domestic politics and nationalist public opinion, demanding greater respect for China's new higher status.<sup>11</sup> According to this view, powerful and growing nationalistic movements are influencing China's foreign policy, and disputes in the South China Sea are stirring up substantial nationalistic fervour.<sup>12</sup>

Furthermore, it is argued that a new generation of Chinese leadership, under President Xi Jinping, is supporting this revival of nationalism. Since taking power at the Chinese Communist Party's National Congress in March 2013, the incoming politburo has demonstrated a strong desire to exert more control over existing territorial disputes—and is regarded as being more confident than its predecessors in taking a tougher stance towards China's neighbours.<sup>13</sup> Robert Haddick asserts that China's leaders may see internal political rewards for responding to these nationalist appeals, as well as benefit in using this nationalism for social control if other forms of legitimacy falter.<sup>14</sup>

### ***Responding to the pivot***

The other factor in China's changing strategy is that Beijing is responding to Washington's rebalance or pivot to the Asia Pacific.<sup>15</sup> According to this view, the US pivot has caused concern in China because of the strong perception that the US is enhancing its involvement in the South China Sea in order to contain China, with Washington interfering in what Beijing considers to be bilateral issues with other littoral Asian nations.<sup>16</sup> In particular, Beijing would be concerned that the US pivot is emboldening neighbouring countries, particularly The Philippines and Vietnam, to challenge China's maritime and territorial claims.

According to some commentators, deepening US relationships with these nations and the increased US military presence in the region have caused Chinese strategists to argue that China is trapped and vulnerable and must break out of any strategic containment.<sup>17</sup> Others assert that recent Chinese actions in the South China Sea may indicate that Beijing has decided to openly challenge the US pivot and negate the growing influence the US is establishing with China's Northeast and Southeast Asian neighbours; Haddick, for example, argues that China is now pressing previously dormant claims in the South China Sea to protect its growing interests and gain control over its links to key sea lines of communication.<sup>18</sup>

Whatever the reason—and whether or not China is seeking to abandon a 'peaceful rise' strategy—it is clear that China is now in a position to assert its historical claims in the South China Sea in a manner it was unable to do only a few years ago.<sup>19</sup> With growing tension between the US and China, and increased resource competition between nations in the region, mixed with an increasing nationalistic and assertive Chinese leadership, the likelihood of a flashpoint between the US and China may, therefore, seem inevitable—especially if conflict occurred between China and a regional US ally, such as The Philippines, which has a Mutual Defence Treaty with the US.<sup>20</sup>

However, as will now be contended, there are a number of economic interdependencies and military disparities in the US-China relationship that should constrain and mitigate against the risk of conflict between these two superpowers during the next decade.

### **'The strong do what they can; the weak suffer what they must'**

When examining the current US-China power relationship, it is useful to view it through the lens of Thucydides' 'Melian dialogue' in order to consider if China and the US are doing what they can unilaterally or are suffering what they must multilaterally to achieve their national interests.<sup>21</sup> The economic interdependencies between China and its neighbours and the US, as well as the relative military strengths

and partnerships of China and the US suggest that neither can be a unilateral power in the Asia-Pacific region<sup>22</sup>—or at least not in the next decade.

Unlike the Athenians of Thucydides' era, neither is strong enough to dominate the other. China does not yet have the economic and military capabilities to enforce resolution of its territorial claims through conflict with the US.<sup>23</sup> And the US is heavily dependent on Chinese economic growth and does not possess the wealth or military power to single-handedly guarantee peace and security in the region.<sup>24</sup> So for the next decade, these 'weaknesses' should serve to promote stability in the South China Sea and maintain a balance of power in the wider region, rather than resulting in conflict between China and the US.

### ***Economic interdependencies***

The economic bonds between the US, China and other nations in East and Southeast Asia are immense, and any serious conflict between them would cripple the global economy, as well as the Chinese and American economies.<sup>25</sup> The economic relations between the US and China have expanded substantially since their signing of a bilateral trade agreement in 1979, with total annual trade between the two rising over the past three decades from US\$2 billion to US\$562 billion (as of 2013).<sup>26</sup>

China is currently the second-largest trading partner of the US (after Canada), its third-largest export market, and its number one source of imports.<sup>27</sup> China provides a US\$300 billion market for US exports and sales and is the largest foreign holder of US Treasury securities (approximately US\$1.3 trillion); significantly, China's purchases of US government debt help keep US interest rates low.<sup>28</sup> Overall, almost a tenth of US economic output and employment is directly linked to trade with East Asia.<sup>29</sup> Moreover, US trade with China will continue to grow and, for the foreseeable future, will continue to be a foundation of US economic stability.

While the US economy remains reliant on a growing Chinese economy, China itself is dependent on secure trade flows and imports, essential for a burgeoning economy that has been responsible for bringing many millions of Chinese citizens out of poverty. By 2050, it is expected that China will include 20 per cent of the world's middle-class consumption and will be the world's largest economy.<sup>30</sup> In order to achieve this growth—and meet the energy and technology demands as it moves from an industrial manufacturing economy to a service-oriented economy—China needs to trade with a stable, prosperous Indo-Pacific region.

John Lee from the Centre of International Security Studies at Sydney University agrees that 'China's export sector has been responsible for the creation of hundreds of millions of jobs, and the country still remains deeply dependent on outside technology and know-how'.<sup>31</sup> An example of China's reliance on a stable environment for imports, particularly through the sea lanes of the South China Sea, can be found in its increasing oil imports. China currently imports over 55 per cent of its oil, half from the Middle East, and has become the largest importer of petroleum and other liquid fuels in the world; furthermore, it is anticipated that Chinese oil imports will rise to 65 per cent by 2020.<sup>32</sup>

This snapshot of economic and commercial interdependencies highlights the significance of a stable US-China relationship. That view is reinforced by Bonnie Glaser from the US Center for Defense and Strategic Studies who has argued, in the context of the importance of the US-China relationship to the global economy, that all parties clearly have a major interest in preventing any one of the various disputes in the South China Sea from escalating militarily.<sup>33</sup>

### ***Military disparities***

Kaplan asserts that it is a 'harsh, but true reality; capitalist prosperity leads to military acquisition'.<sup>34</sup> True to this view, a consequence of China's rapid economic growth has been a surging investment in its military capabilities. By 2050, it is estimated that China's economy will be worth more than US\$25 trillion and its annual defence spending will be over US\$1 trillion.<sup>35</sup> Chinese defence spending has quintupled since 2002 and is increasing by double percentage points each year.

China now rates second (to the US) on world rankings in defence expenditure and is rapidly enhancing its military capabilities in both quantity and quality.<sup>36</sup> This includes significant investment in naval modernisation and developing anti-access/area-denial capabilities, able to deter US or other outside

intervention in any conflict in China's littoral space.<sup>37</sup> These capabilities include anti-ship ballistic and cruise missiles, as well as other means, including legal, public opinion, and psychological warfare techniques.<sup>38</sup>

However, while China's current defence expenditure of approximately US\$145 billion is more than double any of its neighbours, its expenditure is less than a third that of the US (US\$577 billion).<sup>39</sup> Furthermore, the US is increasing its military capability in the Asia-Pacific and, by 2020, plans to have 60 per cent of its navy ships and six of its 11 aircraft carrier battle groups home-ported in the Pacific Ocean.<sup>40</sup>

This suggests that the US is determined to maintain its military superiority, and that China does not yet possess the military power to confront the US in a conventional conflict. John Mearsheimer supports this view, asserting that:

Present-day China does not possess significant military power; its military forces are inferior to those of the United States. Beijing would be making a huge mistake to pick a fight with the US military nowadays. Contemporary China, in other words, is constrained by the global balance of power, which is clearly stacked in America's favor.<sup>41</sup>

Increased defence spending in the South China Sea region is not just confined to China. In 2012, the aggregate defence spending in Asia superseded Europe for the first time in modern history.<sup>42</sup> Sustained economic growth in the region has enabled larger defence budgets and investment in maritime capabilities, in particular by nations seeking to protect their claims in disputed territories.<sup>43</sup> Vietnam and The Philippines have increased their defence capability in the past decade, with a focus on naval and air platforms, including an investment in anti-access/area-denial capabilities.<sup>44</sup> The military capabilities of these nations have also been bolstered by increased security partnerships and cooperation with the US.<sup>45</sup>

An analysis of relative military power in the South China Sea suggests that China is unlikely to be in a position to successfully challenge the US militarily over the next decade. However, it is generally agreed that China has time on its side and can afford to wait and adopt a more benign foreign policy towards the US while it continues its 'unstoppable' military buildup.<sup>46</sup> For its part, there is nothing to suggest the US is planning to use its current military superiority to confront China, making clear its position that disputes in the South China Sea should be resolved peacefully through collaborative diplomatic processes.<sup>47</sup>

## Conclusion

Recent behaviour by China in asserting its territorial and maritime claims in the South China Sea would seem to suggest that Beijing may be abandoning a 'peaceful rise' strategy in favour of using its rapidly developing military power to resolve historical claims. While this behaviour may lead to confrontation with its smaller neighbours, this article has argued that the current economic interdependencies and military disparities between China and the US suggest that conflict in the South China Sea between the two is not inevitable during the next decade.

A likely outcome, as proposed by Carl Thayer, is that China and the US will maintain a relationship of cooperation and friction, whereby 'both countries will work separately to secure their interests through multilateral institutions as well as continuing to engage each other on points of mutual interest'.<sup>48</sup> However, as noted by Rory Medcalf and C. Raja Mohan:

There is no guarantee that either diplomacy or economic interdependence could stop conflict from beginning or escalating. The 100th anniversary of the outbreak of the First World War is a reminder that seemingly localised security shocks can have unpredictable and devastating consequences.<sup>49</sup>

With an increasing US presence in the Asia-Pacific and enhanced security partnerships with littoral nations in the South China Sea, notably with The Philippines and Vietnam, the US now has a great deal at stake in any confrontation between these nations and China. Failure to respond could undermine US credibility in the region.<sup>50</sup> And while conflict between China and the US serves neither nation's interests, the potential for the US to be drawn into a conflict through its regional partnerships is a real possibility.

This article has argued that it is in the interests of all parties, and indeed the international community, that the waters of the South China Sea not become the military front line of the coming decades. However,

within the context of increasing tension between the US and China over the South China Sea, there are indications that China's rise is unlikely to be a tranquil one.<sup>51</sup>

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## Notes

- <sup>1</sup> This is an edited version of a paper, with the same title, submitted by the author while attending the Defence and Strategic Studies Course at the Centre for Defence and Strategic Studies at the Australian Defence College in 2015. It pre-dates current tensions over land reclamation issues in the South China Sea.
- <sup>2</sup> Robert Kaplan, 'The South China Sea is the Future of Conflict', *Foreign Policy*, 15 August 2011, available at <<http://foreignpolicy.com/2011/08/15/the-south-china-sea-is-the-future-of-conflict/>> accessed 8 February 2015.
- <sup>3</sup> The paper will focus on these two of the four instruments of national power, namely diplomacy, informational, military and economic. The two instruments have been selected as they enable the article to explore the relative military strengths and economic interdependencies of the US and China and how they currently support conflict prevention.
- <sup>4</sup> Adam Liff and G. John Ikenberry, 'Racing Toward Tragedy? China's Rise, Military Competition in the Asia Pacific, and the Security Dilemma', *International Security*, Vol. 39, No. 2, Fall 2014, p. 83.
- <sup>5</sup> David Rosenberg, 'Governing the South China Sea: from freedom of the seas to ocean enclosure movements', *Harvard Asia Quarterly*, Vol. XII, No. 3 and 4, Winter 2010, p. 7.
- <sup>6</sup> Ronald O'Rourke, *Maritime Territorial and Exclusive Economic Zone (EEZ) Disputes Involving China: issues for Congress*, Congressional Research Service: Washington DC, 22 October 2012, p. 3.
- <sup>7</sup> For example, when addressing the Chinese People's Association for Friendship with Foreign Countries on 16 May 2014, President Xi Jinping reinforced this strategy stating there is no 'invasion gene' in the Chinese people's DNA and that China would keep to the path of peace as a rising global power: see Dexter Roberts, "'No Gene for Invasion in Chinese People's Blood", Says Xi, Amid Sino-Vietnam Tensions', *Bloomberg* website, 16 May 2014, available at <<http://www.bloomberg.com/bw/articles/2014-05-16/no-gene-for-invasion-in-chinese-people-s-blood-says-xi-amidst-sino-vietnam-tensions>> accessed 9 June 2015.



- 8 Huai-Feng Ren and Fu-Kuo Liu, 'Transitional Security Pattern in the South China Sea and the Involvement of External Parties', *Issues and Studies*, Vol. 49, No. 2, June 2013, p. 103.
- 9 Carlyle Thayer, 'China-ASEAN and the South China Sea: Chinese Assertiveness and Southeast Asian Responses', Paper for the International Conference on Major and Policy Issues in the South China Sea: European and American perspectives, Academia Sinica: Taipei, October 2011, p. 2.
- 10 Tung Nguyen, 'Rigged Relations in the South China Sea', East Asia Forum website, 15 May 2014, available at <<http://www.eastasiaforum.org/2014/05/15/rigged-relations-in-the-south-china-sea/>> accessed 8 February 2015.
- 11 Aileen Baviera, 'Domestic Interests and Foreign Policy in China and the Philippines: implications for the South China Sea disputes', *Ateneo de Manila University Philippine Studies: Historical and Ethnographic Viewpoints*, Vol. 62, No. 1, 2014, p. 140.
- 12 Ren and Liu, 'Transitional Security Pattern in the South China Sea and the Involvement of External Parties', p. 138.
- 13 Irene Chan and Mingjang Li, 'New Chinese Leadership, New Policy in the South China Sea', *Journal of Chinese Political Science*, January 2015, p. 1.
- 14 Robert Haddick, *Fire on the Water: China, America and the future of the Pacific*, Naval Institute Press: Annapolis, 2014, p. 30
- 15 Jeffrey Bader, previous principal adviser to President Obama on Asia, defines the the US rebalance as a foreign policy assigning higher priority and political, economic, and security resources to the Asia Pacific region because of its dynamism and opportunities for the US: see Jeffrey A. Bader, 'US Policy: balancing in Asia, and rebalancing to Asia', *Brookings Institute* website, September 2014, available at <<http://www.brookings.edu/research/opinions/2014/09/23-us-policy-rebalancing-asia-bader>> accessed 1 March 2015.
- 16 Ralf Emmers, 'The US Rebalancing Strategy: impact on the South China Sea', Australian National University, National Security College Occasional Paper, No. 5, 5 September 2013, p. 44.
- 17 Wu Shicun and Nong Hong (eds.), *Recent Developments in the South China Sea Dispute: the prospect of a joint development regime*, Routledge: London, 2014, p. 7.
- 18 Haddick, *Fire on the Water*, p. 2.
- 19 Liff and Ikenberry, 'Racing Toward Tragedy?', p. 56.
- 20 The 1951 US-Philippines Mutual Defence treaty states that each Party recognises that an armed attack in the Pacific Area on either of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common dangers in accordance with its constitutional processes. An armed attack on either of the Parties is deemed to include an armed attack on the metropolitan territory of either of the Parties, or on the island territories under its jurisdiction in the Pacific or on its armed forces, public vessels or aircraft in the Pacific: cited in O'Rourke, *Maritime Territorial and Exclusive Economic Zone (EEZ) Disputes Involving China*, p. 34.
- 21 Thucydides, *The History of the Peloponnesian War*, translated by B. Jowett, Oxford University Press: London, 1881, pp. 397-407.
- 22 Benjamin Herscovitch, 'Preserving Peace as China Rises II: preparing for a post-American Asian order', *Foreign Analysis*, No. 10, 1 September 2014, p. 14.
- 23 John J. Mearsheimer, *The Tragedy of the Great Power Politics*, Norton: New York, 2014, as cited in John Mearsheimer, 'Can China Rise Peacefully', *The National Interest* website, 25 October 2014, p. 4, available at <<http://nationalinterest.org/commentary/can-china-rise-peacefully-10204>> accessed 9 June 2015.
- 24 Herscovitch, 'Preserving Peace as China Rises II', p. 1.
- 25 Haddick, *Fire on the Water*, p. 3.
- 26 Wayne Morrison, *China-US Trade Issues*, Congressional Research Service: Washington DC, 10 February 2014, summary.
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- 28 Morrison, *China-US Trade Issues*, summary.
- 29 Haddick, *Fire on the Water*, p. 3.
- 30 Benjamin Herscovitch, 'Preserving Peace as China Rises I', *Foreign Analysis*, No. 9, 13 March 2014, p. 3.

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- 34 Robert Kaplan, *Asia's Cauldron: the South China Sea and the end of a stable Pacific*, Random House: New York, 2014, p. 32.
- 35 Herscovitch, 'Preserving Peace as China Rises II', p. 1.
- 36 Liff and Ikenberry, 'Racing Toward Tragedy?', p. 56.
- 37 Ronald O'Rourke, *China Naval Modernization: implications for US Navy Capabilities—Background and Issues for Congress*, Congressional Research Service: Washington DC, 23 December 2014, summary.
- 38 Dean Cheng, 'The US Needs an Integrated Approach to Counter China's Anti-Access/Area Denial Strategy', Heritage Foundation website, 9 July 2014, available at <<http://www.heritage.org/research/reports/2014/07/the-us-needs-an-integrated-approach-to-counter-chinas-anti-accessarea-denial-strategy>> accessed 28 February 2015.
- 39 GlobalFirepower.com, 'Defence Budget by Country', GlobalFirepower website, 17 February 2015, available at <<http://www.globalfirepower.com/defense-spending-budget.asp>> accessed 28 February 2015.
- 40 Liff and Ikenberry, 'Racing Toward Tragedy?', p. 83.
- 41 Mearsheimer, *Can China Rise Peacefully?*, p. 4.
- 42 See, for example, Myra MacDonald, 'Asia's Defense Spending Overtakes Europe's: IISS', *Reuters*, 14 March 2013.
- 43 Ely Ratner, 'Rising China and the US Rebalancing to Southeast Asia', Testimony before the US-China Economic and Security Review Commission, Center for a New American Security: Washington DC, 13 March 2014, p. 1.
- 44 Kaplan, 'The South China Sea is the Future of Conflict', p. 8.
- 45 Patrick Cronin (ed.), *Cooperation from Strength: the United States, China and the South China Sea*, Center for a New American Security: Washington DC, January 2012, p.18.
- 46 Kaplan, *Asia's Cauldron*, p. 35.
- 47 Ren and Liu, 'Transitional Security Pattern in the South China Sea and the Involvement of External Parties', pp. 110-3.
- 48 Carlyle Thayer, 'Why China and the US won't go to war over the South China Sea', *East Asia Forum*, 13 May 2013.
- 49 Rory Medcalf and C. Raja Rohan, *Responding to Indo-Pacific Rivalry: Australia, India and middle power coalitions*, Lowy Institute: Sydney, August 2014, p. 4, available at <[http://www.lowyinstitute.org/files/responding\\_to\\_indo-pacific\\_rivalry\\_0.pdf](http://www.lowyinstitute.org/files/responding_to_indo-pacific_rivalry_0.pdf)> accessed 9 June 2015.
- 50 Glaser, 'Armed Clash in the South China Sea', p. 3.
- 51 Mearsheimer, *Can China Rise Peacefully?*, p. 3.