CHAPTER 3
CHINA AND THE WORLD

SECTION 1: CHINA AND ASIA’S EVOLVING SECURITY ARCHITECTURE

Introduction
This section discusses China’s security interests in Asia and explores how Northeast Asia, Southeast Asia, and Oceania are responding to China’s growing capabilities, influence, and assertiveness in the region. It also examines how the regional security dynamics in East Asia are shifting, as well as the implications of this evolving security architecture for U.S. alliances and partnerships. It is based on a March Commission hearing on changing security dynamics in East Asia and Oceania; a Commission fact-finding trip to South Korea and Australia, and Commission meetings in Washington, DC, with embassy officials from Asian countries; as well as research conducted throughout the year.

China’s Approach to Regional Security
Beijing views competing territorial claims as obstacles to the dominant position China seeks in East Asia. Using a variety of foreign and domestic policy tools, Beijing is attempting to expand a sphere of influence in its peripheral regions. Recent public statements by high-level Chinese officials suggest China is departing from its traditional low-profile foreign policy to “hide capacities and bide time.” In November 2013, for example, Chinese State Councillor Yang Jiechi gave a speech introducing a new role for China as a “major responsible country,” one that is “more actively engaged in international affairs.” As it seeks to take on this role, China’s influence in Asia is deepening and the security architecture of Asia is adjusting to this change. For more information on China’s more active foreign policy, particularly regarding states on its periphery, see Chapter 2, Section 1, “Year in Review: Security and Foreign Affairs.”

China’s Multifaceted Strategy to Defend and Advance Its Sovereignty Claims
Although China has settled most of its land border disputes, it is engaged in intense maritime disputes in its near seas—the Yellow Sea, East China Sea, and South China Sea. Due to their strategic, historical, and resource value, Beijing’s near seas are “of paramount importance to a China that feels acutely wronged by history, has largely addressed its more basic security needs, and

Figure 1: East China Sea Map

Source: U.S. Navy, Maritime Claims Reference Manual, 2014; Flanders Marine Institute, “EEZ Boundaries,” http://www.marineregions.org/eezsearch.php. Commission staff approximation of maritime claims. Names and boundary representation are not authoritative. The EEZ approximations shown are derived from the straight baseline claims of China, Taiwan, South Korea, and Japan, none of which is recognized by the United States. Japan’s EEZ claim also includes an additional region further east, not shown here.
In testimony to the Commission, Bonnie Glaser, senior adviser for Asia at the Center for Strategic and International Studies, described China’s incremental approach to vindicating its territorial claims and advancing its dominance in the region: “Through a steady progression of small steps, none of which by itself is a casus belli, Beijing seeks to gradually change the status quo in its favor.” These small steps are diverse and wide-ranging. They include physical measures to demonstrate sovereignty over China’s maritime claims, such as maritime patrols and land reclamation and civil construction projects in the South China Sea. They also include administrative and legal measures to assert sovereignty, such as the enactment in 2014 of fishing regulations requiring foreign vessels to request permission to enter Chinese-claimed waters and the establishment in 2013 of an Air Defense Identification Zone (ADIZ) over the disputed East China Sea (see Chapter 2, Section 1, “Year in Review: Security and Foreign Affairs,” for a discussion of the ADIZ).

The expanded capabilities and growing power of China’s People’s Liberation Army (PLA) are another key component of China’s multifaceted strategy to protect its sovereignty claims. China’s military modernization and activities seek to expand China’s mari-
time perimeter out to its second island chain, approximately 1,800 nautical miles from China. Controlling China’s maritime periphery improves China's abilities to (1) deter Taiwan’s moves toward independence, reverse Taiwan’s actions should that policy fail, and deter, delay, and deny any U.S. intervention in such a scenario; (2) defend against an enemy blockade and strikes on important political, economic, and military targets along China’s coast and into the interior; and (3) advance and defend China’s maritime territory, sovereignty, and interests, including access to natural resources.

Finally, the market dependencies of many East Asian countries on China—the result of China’s deep integration into regional manufacturing supply chains—afford Beijing greater leverage in pursuing regional security interests. At the Commission’s March 2014 hearing, several witnesses expressed concern about China’s willingness to utilize coercive economic measures to extract political or security concessions from its Asian neighbors. One scholar describes China’s employment of economic levers as the “selective application of economic incentives and punishments designed to augment Beijing’s diplomacy.”

An Increasingly Assertive China Seeks a New Regional Security Architecture

Because a relatively stable external environment allows China to focus on domestic economic development, Beijing likely will continue to be a free-rider in the U.S.-underwritten global security system. Although emboldened by its progress in shifting regional security dynamics, Beijing seeks to manage external perceptions that could elevate concerns about China’s intentions and lead regional actors to unite against China or seek intervention from outside powers, especially the United States. However, in the past five years, China has exerted diplomatic clout and economic influence in the region, backed by rapidly growing military capabilities. These factors have enabled China’s increasingly assertive pursuit of its security interests in East Asia. As China has become more confident in its capabilities, it has already begun to change the regional balance of power in its direction.

Moreover, senior Chinese leaders in the past year have begun to challenge the U.S. position as the primary power in East Asia by promoting a new Asian security architecture led by Asian countries, with China in the leading role. Upon taking the chairmanship of the Conference on Interaction and Confidence Building Measures in Asia for three years, Beijing turned a low-profile multilateral venue into an opportunity to articulate its vision for this new security architecture. In a speech addressing
the conference, Chinese President Xi Jinping stated, “We need to rely on the people in Asia to run Asia’s affairs, deal with Asia’s problems, and uphold Asia’s security. The people in Asia have the capability and wisdom to achieve peace and stability in Asia through enhanced cooperation.”

China’s increasingly forceful approach to regional security, though, could constrain its future policy options in Asia. Robert Sutter, professor of practice of international affairs at George Washington University, testified to the Commission that China’s assertiveness:

... puts nearby governments on guard and weakens Chinese regional influence. It reminds China’s neighbors of [its] longstanding and justified Cold War reputation as the most disruptive and domineering force in the region. ... [China’s] practice of promoting an image of consistent and righteous behavior in foreign affairs is so far from reality that it grossly impedes effectively dealing with disputes and differences with neighbors and the United States.12

Some observers suggest China’s behavior also is narrowing the range of U.S. policy options in East Asia. According to former Australian defense department official Hugh White, currently a professor at Australia National University:

By using direct armed pressure in these disputes, China makes its neighbors more eager for U.S. military support, and at the same time makes America less willing to give it, because of the clear risk of a direct U.S.-China clash ... Beijing is betting that, faced with [the choice between deserting its friends and fighting China], America will back off and leaves its allies and friends unsupported. This will weaken America’s alliances and partnerships, undermine U.S. power in Asia, and enhance China’s power.13

In a 2013 speech, former Australian Prime Minister Kevin Rudd speculated on the possible outcomes of a continued shift in power:

“The truth is that overwhelming U.S. military power combined with continued significant U.S. economic power lies very much at the fulcrum of the stability of the post-war order. And if China begins to replace the American fulcrum, the legitimate question from us all is what sort of alternative regional and global order would China seek to construct in its place.”14

At the 2014 U.S.-China Strategic and Economic Dialogue in Beijing, statements of senior officials reflected the competitive yet intertwined nature of the U.S.-China security relationship. While contrasting the positive outcomes of a cooperative U.S.-China relationship against the “disastrous” outcome of confrontation between the two countries, President Xi alluded to China’s growing ambitions for the operating areas and missions of the PLA, stating, “The vast Pacific Ocean has ample space to accommodate two great nations.”15 U.S. Secretary of State John Kerry acknowledged the differences between the two countries but also expressed confidence in
managing these differences: “I can tell you that we are determined to choose the path of peace and prosperity and cooperation, and yes, even competition, but not conflict. When the United States and China work with each other, we both stand to gain a great deal.”

Yet, the manner in which China has pursued its regional security interests in the past year has undergone a troubling shift. In the past, Beijing sought to frame its assertiveness as a retaliatory response to provocative neighboring states. Since the announcement of its East China Sea ADIZ in late 2013, however, Beijing has taken provocative actions in support of its maritime claims without the kind of public rationalization that may have been expected in years prior. According to Ely Ratner, senior fellow and deputy director of the Asia-Pacific Security Program at the Center for a New American Security, this recent shift suggests the United States has not only failed to deter assertive Chinese behavior, but also allowed a permissive environment in which China is comfortable escalating its actions. Beijing is “incurring few tangible costs for its assertiveness and appearing to believe (perhaps rightly so) that it can ride out whatever regional criticism arises in response. . . . Acknowledging Chinese behavior for what it is—undeterred and unapologetic assertiveness—will necessitate a more serious American response than we have seen to date.”

In testimony to the Senate Foreign Relations Committee, Aaron L. Friedberg, professor of politics and international affairs at Princeton University, underscored the need for continued U.S. involvement in matters of East Asian security: "In the absence of an effective American response, China may yet be able to successfully pursue a divide and conquer strategy: intimidating some of its neighbors into acquiescence while isolating and demoralizing others. Indeed, this appears to be precisely what Beijing is now trying to do: reaching out to Washington and proclaiming its desire to form a “new type great power relationship” with the United States, while at the same time ratcheting up pressure on key targets, especially U.S. allies."}

Shifting Security Dynamics in Northeast Asia

Since the mid-20th century, the U.S. alliances with Japan and South Korea have served as the pillars for the Northeast Asian security architecture, and North Korean instability has been the primary focal point of regional threat perceptions. However, China’s rise is altering the regional security environment, prompting discussion among the United States, Japan, and South Korea on how to update their alliances for the 21st century. U.S. Deputy Assistant Secretary of Defense for East Asia David Helvey testified to the Senate Foreign Relations Subcommittee on East Asian and Pacific Affairs:

"We are actively working with Japan and [South Korea] to transform and modernize our alliances in ways that ensure they meet our original security goals of assurance and deterrence while also building our alliances into platforms for broader cooperation on traditional and nontraditional secu-"

The challenge for Washington as it seeks to modernize its Northeast Asian alliances will be to balance differing sets of security perceptions and priorities in Tokyo and Seoul as well as manage simmering political tensions stemming from its troubled past. The region’s divisions over interpretations of its history have aggravated both China-Japan relations and South Korea-Japan relations. As long as China and South Korea perceive a lack of ongoing sincere contrition by Japan for its colonial and wartime actions, political rifts will persist in Northeast Asia that will hinder the United States from bringing two of its most crucial allies together on regional security issues.*20

This subsection considers in broad terms the impact China has on U.S. alliances in Northeast Asia. For a fuller consideration of the Korean Peninsula, see Chapter 3, Section 2, “Recent Developments in China’s Relationship with North Korea.” For a comprehensive treatment of Taiwan issues, see Chapter 3, Section 3, “Taiwan.”

China and Security in Northeast Asia

China’s Chief Security Interests in Northeast Asia

China’s two chief security interests in Northeast Asia are ensuring stability on the Korean Peninsula and securing Chinese maritime claims in the East China Sea. Both are central to China’s objective of a strong, stable homeland bordered by a secure periphery.21

To somewhat varying degrees, China, Japan, and South Korea share a common security interest in the stability of North Korea, a state that is inscrutable to outsiders and engages in destabilizing rhetoric and actions. Given their relatively sizable land borders with North Korea, China and South Korea would be heavily affected by refugee flows, potentially in the millions, in the event of a crisis on the Peninsula. Lacking the same proximity to North...

Korea, Japan does not share this specific concern with China and South Korea; nevertheless, it views Pyongyang's continued development of ballistic missiles and nuclear arms as potential sources of regional instability.22

China approaches its contested maritime claims with Japan and South Korea quite differently. Whereas China bitterly contests ownership of the Senkaku Islands with Japan, it tends to downplay its dispute with South Korea over Socotra Rock (see Figure 1), known in China as Suyan Jiao and in Korea as Ieodo.

- The Senkaku Islands dispute has intensified since 2010, reflected in the increased air and maritime presence of both China and Japan near the islands and in deteriorating China-Japan political relations. China's 2012 white paper entitled "Diaoyu Dao, an Inherent Territory of China," with chapters entitled "Japan Grabbed Diaoyu Dao from China," "Backroom Deals Between the United States and Japan Concerning Diaoyu Dao are Illegal and Invalid," and "Japan's Claim of Sovereignty over Diaoyu Dao is Totally Unfounded," are illustrative of China's views on the Senkaku Islands.23
- Socotra Rock, on which South Korea built an ocean research station in 2003, is only a minor point of contention between China and South Korea because it falls within their overlapping claimed Exclusive Economic Zones (EEZs). Since states enjoy only economic rights, not full sovereignty, in an EEZ, Socotra is not technically a matter of territorial dispute. Furthermore, as a submerged feature in the Yellow Sea, the rock cannot be claimed as territorial land under the United Nations Convention on the Law of the Sea.* Since the mid-2000s Beijing has officially affirmed several times that "China and [South Korea] have a consensus on the Suyan Jiao, that is, the rock does not have territorial status, and the two sides have no territorial disputes."24

China’s Contrasting Security Relationships with Japan and South Korea

The differing intensities of the Senkaku Islands dispute and the Socotra Rock dispute are embodied in China's contrasting security relationships with the two Northeast Asian powers—strained and antagonistic with Japan and generally non-confrontational with South Korea. In China's view, South Korea's regional priorities largely contribute to China's interest in maintaining stability on the Peninsula. However, China perceives Japan's recent security reforms and pursuit of a more muscular military as destabilizing and potentially threatening China's ability to achieve its territorial ambitions in the East China Sea.25
In addition to managing its relations with the Northeast Asian powers differently, China also seeks to thwart the potential for a more formal U.S.-Japan-South Korean alliance in the region. Without formal alliances, China is a “lonely” rising power, according to John Lee, fellow and adjunct professor at the University of Sydney. This concept is especially applicable in Northeast Asia, home to two of the United States’ strongest alliances. At a meeting with Commissioners in Washington, DC, Dr. Lee noted Beijing’s proposed “new type of major country relationship” with the United States reflects its interest in simplifying the strategic landscape, particularly one in which China perceives the odds are stacked against it. Just as China seeks to divide Southeast Asia in order to provide it more room for policy maneuver, a divided Northeast Asia—one with limited U.S. influence and security guarantees—is also strategically favorable for China.

- Published Chinese views on China-Japan security relations encompass a mix of suspicion, alarm, and concern—especially on the issues of Japan’s increasingly robust defense and security establishment, the development of the U.S.-Japan alliance, and perceived lack of Japanese atonement over its wartime past. One quasi-authoritative Chinese media source put it bluntly: “Japan must adopt the correct attitude toward historical issues; stop provocative acts; and take concrete action to win the trust of Asian neighbors and the international community.”

- Conversely, official Chinese views on China’s relations with South Korea—which in the words of the Chinese Ambassador to South Korea, Qiu Guohong, “have never been better”—reflect an interest in continued cooperation between Beijing and Seoul on regional security. As President Xi made his first visit to South Korea as president in July 2014, he authored an article striking an optimistic tone on China-South Korea security relations: “I have exchanged views many times with [South Korean] President Park Geun-hye on this issue, and we have agreed that our two countries should take on responsibility and work constructively for lasting peace and stability in our region.” President Xi’s speech at Seoul National University, entitled “Jointly Create a Beautiful Future of China-[South Korea] Cooperation and Accomplish the Great Cause of Asia’s Revitalization and Prosperity,” emphasized his desire for warm relations between the two countries.
to draw South Korea closer, China may also seek to drive wedges between South Korea and the United States as well as between South Korea and Japan.\textsuperscript{31}

**Japan and South Korea: Security Responses to China**

Japan and South Korea are responding to China’s actions and rhetoric in different ways. Whereas Japan is balancing against China by boosting its own capabilities and reaffirming its alliance with the United States, South Korea appears to be pursuing a hedging strategy by cultivating its security relationships with not only the United States but with China as well.\textsuperscript{32}

**Japan**

China’s ongoing assertions of its East China Sea claims have an acute effect on Japan’s security calculus. In response to a changing security environment in Northeast Asia, Tokyo has sought to more vigorously safeguard its national interests and more fully participate in international security affairs through a “Proactive Contribution to Peace” policy.\textsuperscript{33} To that end, Tokyo is pursuing the following measures.

**Reforming Japan’s legal and political framework to facilitate U.S.-Japan defense cooperation and the flexible employment of Japan’s armed forces.**\textsuperscript{34} Under Prime Minister Abe, Japan has made several institutional and legal reforms that could allow more robust participation in its alliance with the United States and in efforts to preserve international peace and security.

- Prime Minister Abe’s Cabinet in July 2014 issued a reinterpretation of its constitution to allow Japan to exercise “collective self-defense.”\textsuperscript{35} Previously, under its self-imposed prohibition against “collective self-defense,” Japan had no ability to come to the defense of allies such as the United States unless Japan itself was under attack. Under a constitutional reinterpretation, Japan could engage in a wider range of joint military activities with the United States in the East and South China Seas. Furthermore, Japanese Aegis Ballistic Missile Defense-capable KONGO-class destroyers could for the first time formally provide air defenses for U.S. ships conducting missile defense against North Korean missiles.\textsuperscript{35}

- The Japanese government in late 2013 announced the establishment of its first-ever National Security Council and National Security Strategy, and separately, the passage of a state secrecy law intended to strengthen the protection of classified information. For the United States, these are strong measures that will contribute to the improvement of its defense and information-sharing partnership with Japan.\textsuperscript{36}

• Japan in April 2014 eased its self-imposed ban on arms exports. This policy will facilitate Japan’s participation in multinational arms development projects—such as the U.S.-led effort to develop the F-35 Joint Strike Fighter, of which Japan intends to purchase 42. The policy also will help improve and expand Japan’s defense industry. Unable to recoup development costs on the international market under the previous policy, Japanese defense companies under the arms export ban had difficulty pursuing advanced military technologies.37 Last-
ly, the new policy offers the potential for Japan to provide military equipment and services to certain U.S. allies and security associates and provides Tokyo with another means of security cooperation with potential partners across Asia.

Building a “more robust alliance and greater shared responsibilities” with the United States.38 During an October 2013 Security Consultative Committee meeting of the U.S. Secretaries of State and Defense and their Japanese counterparts, the United States and Japan outlined goals to strengthen and enrich their alliance, including strengthening bilateral security and defense cooperation, increasing regional engagement, and realigning U.S. forces in Japan.39 In testimony to the Commission, James L. Schoff, senior associate in the Asia Program at the Carnegie Endowment for International Peace, proposed an overarching concept to guide the United States and Japan as they redefine the contours of their alliance. A capabilities-based approach to the U.S.-Japan alliance that would rely on the United States for front-end military activities and Japan for rear area support activities, according to Mr. Schoff, would “enhance alliance flexibility and better integrate alliance cooperation than the current approach without carving new—poten-
tially politically sensitive—overseas missions for Japan’s Self-De-
fense Forces [JSDF].”40

Developing a network of regional security partners, especially in Southeast Asia. China’s growing military capabilities and assertiveness in the region are driving many Asian countries to strengthen security ties with one another. Since late 2012, Japan has made its relationship with Southeast Asian states a hallmark of its foreign and security policy. One key aspect of Japan’s relationships with Southeast Asian states is providing capacity building assistance on maritime safety and security—an indication of the common security goals Japan and Southeast Asia face with regard to China in the maritime realm.41

Bolstering the capabilities of the JSDF. In line with its self-de-
fense mission, the JSDF’s order-of-battle focuses on deterring and defending an attack against the homeland.42 While the mere existence of the JSDF and U.S.-Japan alliance once may have been sufficient for the purposes of deterrence, Mr. Schoff testified this is no longer the case:

*The rear area support activities Mr. Schoff proposes for Japan would include “ISR [intelligence, surveillance, and reconnaissance] and domain awareness; more collaborative planning; cybersecurity; electronic warfare; antisubmarine warfare; missile defense; and more direct logistical support.” James L. Schoff, How to Upgrade U.S.-Japan Defense Cooperation (Carnegie Endowment for International Peace, January 16, 2014). http://carnegieendowment.org/2014/01/16/how-to-upgrade-u.s.-japan-defense-cooperation/gykq.

Tokyo now realizes that lower thresholds of conflict might only be deterred if it shows willingness and ability to fight, and the object of this deterrence is China in the East China Sea. Moreover, Japan needs to be able to project force in a flexible manner to adapt to unpredictable situations in case deterrence fails, as well as to give Japan’s leaders different options for controlling escalation. Of course, Japan is not just looking to increase its own military capability as a means to thwart Chinese intimidation and so-called gray zone conflict (i.e., a state of neither peace nor war, such as skirmishes between Coast Guard vessels). Boosting the military is also seen as responding to U.S. requests for more proactive Japanese contributions to regional security...

Tokyo’s initial efforts to boost defense capabilities are focused on strengthening its intelligence gathering and maritime domain awareness in the East China Sea, bolstering its outer island defense, developing a limited expeditionary and rapid deployment capability, improving its missile defense capability, and expanding its defense industry under the easing of Japan’s arms exports ban.

**South Korea**

North Korea remains South Korea’s chief security concern—one the United States, China, and Japan all share to different degrees. However, deteriorating political relations among the Northeast Asian powers pose a major hurdle to region-wide efforts to address North Korean instability and other Northeast Asian security challenges. As its relations with Japan continue to deteriorate, South Korea is nurturing its alliance with the United States while strengthening its relationship with China. In other words, according to the testimony of Jennifer Lind, associate professor of government at Dartmouth College, Seoul is pursuing a hedging strategy between the United States and China. Indications of Seoul’s hedging are evident in the manner in which it handles each of its relationships with the key players in Northeast Asia.

**Upholding its alliance with the United States while maintaining some strategic autonomy.** During President Obama’s April 2014 visit to South Korea, the United States and South Korea highlighted their commitment to the sustainability of their alliance. In addition to concluding a new alliance cost-sharing agreement this year, the two countries have agreed to delay the transfer of wartime operational control* to South Korea from 2015 to a future date. South Korea also announced its intention to procure from the United States the RQ–4 Global Hawk unmanned aerial vehicle system, which would improve Seoul’s intelligence, surveillance, and re-
connaissance (ISR) capability, and the F–35 Joint Strike Fighter, which would improve South Korea’s air capabilities.46

Nevertheless, South Korea preserves some strategic autonomy from the United States, most evident in Seoul’s concern regarding the North Korean missile threat. South Korean leaders maintain the U.S.-Japanese vision for missile defense in the region is too expansive for South Korean defense purposes and has elected not to participate in the U.S.-led regional ballistic missile defense architecture.47 Instead, South Korea prefers its own capability, known as the Korea Air and Missile Defense (KAMD) system. Following a May 2014 U.S. announcement on the potential deployment to South Korea of a Terminal High Altitude Area Defense (THAAD) system capable of intercepting short-, medium-, and intermediate-range missiles, Seoul expressed cautious support for the system’s ability to deter and counter North Korean provocations while reiterating its preference not to join in the U.S.-led regional ballistic missile defense architecture.48 Seoul’s public statements suggest that even as it expresses quiet approval for elements of enhanced U.S.-Korean defense cooperation, it also seeks to reassure China that improvements in its missile defense are limited in scope and mission. In spite of THAAD’s reported radar detection range of at least 621 miles (1,000 km)—or as far as China’s major coastal regions—a South Korean defense ministry spokesman stated, “If installed, its primary goal will be to detect ballistic missile launches from North Korea and should not be a big issue for China.”49

Benefiting from economic integration with China, while hedging against China’s growing military influence in the region. Part of South Korean ambivalence about the country’s role in the changing Northeast Asian security architecture derives from the strong and mutually beneficial economic ties between China and South Korea. Although South Korea seeks to continue to develop its economic relationship with China, it is unlikely to do so at the expense of its alliance with the United States.50 At the same time, South Korea tends to be reluctant to participate in initiatives it may view as part of a U.S.-led security arrangement positioned against China, such as the regional ballistic missile defense system rather than one narrowly focused on North Korea.51

South Korean military modernization has accelerated in recent years largely in response to increased North Korean provocations;52 however, Seoul also seeks to hedge against future Chinese military influence in the region. In testimony to the Commission, Mr. Schoff viewed the 2012 South Korean decision to extend the range of its indigenous ballistic missiles from 186 miles (300 km) to 497 miles (800 km) as an investment toward a capability that could be necessary for a post-unification Korea in a neighborhood of nuclear giants China and Russia, in addition to serving as a capability to counter the ongoing North Korean missile threat.53

Maintaining distance from Japan. According to Dr. Lind, an additional aspect of South Korea’s hedging strategy is “the distance it maintains from Japan. Seoul’s rejection of closer relations with Tokyo reassures China that [South Korea] is not participating in a balancing effort” against China.54 The Japan-South Korea relationship suffers from a difference in security perceptions in North-
east Asia: South Korea prioritizes North Korea while Japan prioritizes China as its chief security concern. A long-running dispute over the Liancourt Rocks (see Figure 1), which South Korea calls Dokdo and Japan calls Takeshima, further fuels mistrust between the two countries. Analysts at the Asan Institute for Policy Studies, a Seoul-based think tank, told the Commission that public opinion polls showed South Koreans view the Liancourt Rocks dispute as the most significant obstacle to healthy Japan-South Korean relations. This sentiment is true even among those respondents with the most favorable attitudes toward Japan.*55

Yet another difference that continues to strain their relations involves the historical narrative of Japan’s early 20th-century colonial rule of and wartime actions in Korea. President Park stated in a 2013 interview:

> Japan and [South] Korea share many things in common—our shared values of democracy, freedom, and a market economy—and there is a need for us to cooperate on North Korea. . . . But the Japanese have been opening past wounds and have been letting them fester, and this applies not only to Korea but also to other neighboring countries. . . . This arrests our ability to really build momentum, so I hope that Japan reflects upon itself.56

As in China, South Korean officials reacted with outrage at Prime Minister Abe’s December 2013 visit to Yasukuni Shrine, which honors nearly 2.5 million Japanese war dead, including 14 war criminals.57 In testimony to the Commission, Dr. Lind emphasized that the conflict over historical memory is a symptom, not a cause, of unwillingness in both Seoul and Tokyo to seek reconciliation: “History does not ‘get in the way’: leaders decide (based on strategic or other interests) whether or not they want to seek reconciliation, and as a result they either put history in the way, or make efforts to remove it as an obstacle.”58

**Outlook for Trilateral Security Cooperation**

Japan’s ongoing affirmation of its alliance with the United States combined with continued hedging by South Korea ensures the Northeast Asian security architecture likely will remain a “U.S. hub and ally spokes” model rather than an integrated security bloc. Differing security perceptions about China among the United States, Japan, and South Korea suggest the three countries are unlikely to achieve full trilateral security cooperation in the current security environment in the near- to mid-term.

China perceives the U.S.-South Korea alliance as more narrowly focused on the North Korea issue, whereas the U.S.-Japan alliance has the potential to target China and is more wide-ranging and threatening in Beijing’s view. Beijing’s public statements on the

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*Although the Liancourt Rocks are currently South Korea-occupied, the United States does not take a position on the sovereignty of the Liancourt Rocks. The United States has made clear that the Senkaku Islands fall under the U.S.-Japan security treaty, meaning that the United States would defend Japan in the event of an armed attack on the islands; however, it has not taken a position on the applicability of the U.S.-Korea security treaty to the Liancourt Rocks. Demetri Sevastopulo and Simon Mundy, “U.S. Leaves South Korea in Limbo over Contested Dokdo Islands,” *Financial Times* (London), February 18, 2014. http://www.ft.com/intl/cms/s/0/bd7d9f0b-987b-11e3-a32f-00144feab7de.html#axzz3AIUe1gLd.
U.S. alliances in Northeast Asia generally invoke the historical context under which the alliances were formed, but in the case of the U.S.-Japan alliance tend to suggest their potential to harm the interest of third parties, such as China.

- Echoing a frequently voiced Chinese concern about U.S. alliances reflecting the harsh security environment of the Cold War era, Chinese Foreign Ministry spokespeople have depicted the U.S.-Japan alliance as "a bilateral arrangement formed under specific historic conditions," and one that "should not go beyond the bilateral scope and undermine the interests of a third party, including those of China." 59

- China’s Foreign Ministry has described the U.S.-Korea alliance as "a bilateral arrangement formed under specific historical circumstances. We hope that the development of relevant bilateral relations could play a constructive role for peace and stability of the Peninsula and the region." 60

In the past year, the United States’ expanding and deepening engagement in Northeast Asia has yielded modest gains in the U.S.-Japan-South Korea trilateral relationship. A trilateral summit in March 2014 convened by President Obama yielded a series of defense talks culminating in, among other items, a joint statement affirming the importance of information sharing among the three parties. In a nod to South Korea’s interests, the language focused exclusively on the North Korea issue; Japan, on the other hand, achieved its goal of revisiting the issue of intelligence sharing with South Korea after a breakdown in talks on the issue with Seoul in 2012. 61 Despite the lack of a formal commitment, the statement is an example of the leadership role the United States can play in the Northeast Asian security architecture. However, particularly with regard to South Korea, it is possible in the coming years the United States will seek more support in countering Chinese influence from its allies than they may be willing to extend. 62

**Shifting Security Dynamics in Southeast Asia and Oceania**

Southeast Asia and Oceania comprise a vast and geographically varied region with a diversity of political systems, cultures, and levels of development. The region’s security architecture is more multifaceted than the relatively straightforward hub-and-spoke alliance structure in Northeast Asia. Despite these differences, the region generally shares the same wary view of the unfolding U.S.-China competition for regional power and influence. Singapore’s Minister of Foreign Affairs K. Shanmugam in 2013 described the thinking of many in the region:

>The relative weight of China is growing. I’m not one of those who believes the United States is in permanent decline. But nevertheless, the respective levels of influence, there will be a relative shift. And Singapore’s position has consistently been to be good friends of both. ... Would that be a challenge-free approach? It really depends on how ... the relationship between the United States and China develops. It could develop in a way that makes it challenging
As the United States continues to rebalance to Asia, achieving its security goals in the region will require reassurance and reinforcement of its alliances and security associates in addition to continued strong engagement with the Association of Southeast Asian Nations (ASEAN). ASEAN, the primary multilateral venue to address political issues in the region, has struggled to respond cohesively to China's coercive foreign policy in the region, particularly on the South China Sea disputes. The development of subgroups sharing common interests within ASEAN and the inclusion of interested non-ASEAN parties in these groups, nevertheless offer a reason to be optimistic about the ability of the organization to build regional confidence.

**China and Security in Southeast Asia and Australia**

China's central objectives with regard to Southeast Asia are to defend its sovereignty claims and preserve its territorial integrity; to secure and ensure access to resources for continued economic development; and to maintain a secure buffer zone around the Chinese mainland. All of these objectives are encompassed in the region's most volatile security issue: the South China Sea disputes among China, Vietnam, the Philippines, Malaysia, Brunei, and Taiwan. For more information on the South China Sea disputes, see Chapter 3, Section 1, “China and the South China Sea,” of the Commission’s 2012 Annual Report to Congress, and Chapter 2, Section 3, “China’s Maritime Disputes,” of the Commission’s 2013 Annual Report to Congress.

Beijing’s security relationships with Southeast Asian states are as diverse as the region itself. China maintains strong defense ties with its closest geographic neighbors, Thailand, Cambodia, Laos, and Burma. In maritime Southeast Asia, China has traditionally maintained strong diplomatic and economic influence but weak defense ties. Although maritime Southeast Asian states have become increasingly vocal in their opposition to China’s forceful measures to assert its South China Sea claims, Beijing appears undeterred. For a survey of China’s actions since late 2013 to consolidate control over the South China Sea, such as China’s deployment of an ultra-deepwater drilling rig to waters disputed with Vietnam from May through July 2014, see Chapter 2, Section 1, “Year in Review: Security and Foreign Affairs.”

With Australia, China seeks to maintain strong trade ties while pursuing stronger security relations to at least partially counterbalance the formal and robust U.S.-Australia alliance. Despite the formalization of a strategic partnership between China and Australia in 2013, the relationship has tempered since then, due in large part to a Chinese perception that Australia has hewed too closely to the United States, and to a lesser extent, Japan. One example of this dynamic emerged following Australia’s criticism of China’s East China Sea ADIZ. At a Track 1.5 China-Australia dia-

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*U.S. allies in Southeast Asia and Oceania include Australia, the Philippines, and Thailand. U.S. security associates (both established and emerging) include Indonesia, Malaysia, New Zealand, Singapore, Taiwan, and Vietnam.*
A Track 1.5 dialogue is an international dialogue between governments that also includes nongovernmental officials, such as leaders in industry, academia, and nongovernmental organizations, and retired senior officials.

Southeast Asia and Australia: Security Responses to China

As China pursues its claims in the South China Sea and develops the military capacity to undertake missions farther afield, its increasingly assertive behavior has led Southeast Asian countries and Australia to reconsider their security perceptions. For example, Vietnam’s reaction to China’s decision to deploy its oil rig in contested waters was a departure from its usual efforts to maintain friendly ties with China. In addition to publicly condemning Beijing for what it called an “extremely serious violation of Vietnam’s territorial sovereignty,” Hanoi sought to apply pressure on Beijing through diplomacy and regional forums. Australia has also taken note of China’s growing confidence and expanding operating areas. In early 2014, the PLA Navy’s first-ever Indian Ocean combat readiness patrol operated closer to Australia than any previous patrol by the PLA Navy (for more on this deployment, see Chapter 2, Section 1, “Year in Review: Security and Foreign Affairs”). Former Australian intelligence official Rory Medcalf, currently of the Lowy Institute for International Policy, called the exercise “a bit of a wake-up call to [Australian] defense planners to contemplate that in the future they’re going to have to expect the Chinese to be able to operate in considerable force in the vicinity of [Australia’s] ocean territories.”

Because of the growing gap in capabilities between China’s PLA and many of the militaries in the region, as well as China’s immense economic and cultural influence, “engaging and working with China is more a necessity than a choice,” according to Dr. Ratner. Despite the United States’ rebalance to Asia policy, Southeast Asian government representatives who met with the Commission this year expressed some uncertainty about the United States’ continued security commitments given domestic political and fiscal restraints. Furthermore, as Walter Lohman, director of the Asian Studies Center at the Heritage Foundation testified to the Commission, most Southeast Asian countries emphasize non-alignment in their foreign policy, such as Indonesia’s “a million friends and zero enemies” approach. Consequently, Southeast Asian states and Australia are hedging against what they perceive to be strategic uncertainty in the region in the following ways.

Increasing the breadth of security ties by building new relationships. New configurations of intra-Asian security relationships have developed since the late 2000s. These ties tend to derive from the need to balance reliance on China as an economic partner with reliance on the United States as a security guarantor. A desire among many states in the region to participate more actively on the international stage, as well as a need for multilateral solutions

* A Track 1.5 dialogue is an international dialogue between governments that also includes nongovernmental officials, such as leaders in industry, academia, and nongovernmental organizations, and retired senior officials.
to a diversity of transnational threats also drive the proliferation of new defense ties. Key trends in this growing network of intra-Asian defense ties include:

- Japan is emerging as a key source of support to ASEAN countries on maritime security in the region. Tokyo offered a $184 million soft loan to the Philippines to finance its sale of 10 new patrol ships for the Philippine Coast Guard, due to begin arriving in 2015. These ships are expected to patrol Philippine-claimed waters disputed with China. Similarly, Japan has promised to transfer six used patrol vessels and related equipment valued at $4.9 million to Vietnam in 2015.

- Australia’s growing role in the Asia Pacific also is enhancing the burgeoning informal network of regional security ties. In its Defense White Paper 2013, Canberra indicated it envisioned expanding its defense engagement beyond its traditional partners in Southeast Asian and Oceania to the larger Indo-Pacific. Under Australian Prime Minister Tony Abbott’s government, which came to power in late 2013, Australia is likely to continue deepening security relations across the region, particularly with Japan (discussed in more detail later in this section).

- Cooperative measures among Southeast Asian claimants in the South China Sea dispute is yielding unexpected linkages. The most notable example is the developing defense relationship between the Philippines and Vietnam. In a response to China’s aggression in the South China Sea, the two countries have cooperated on measures demonstrating their unity on a peaceful resolution to the South China Sea dispute. Symbolic of this new relationship, in May 2014 Philippines President Benigno Aquino and Vietnam Prime Minister Nguyen Tan Dung announced a “roadmap toward a strategic defense partnership” to deter China in the South China Sea; in June 2014 Philippine and Vietnamese troops held friendly soccer and volleyball matches on a disputed Vietnamese-held island in the Spratly Islands.

Increasing the depth of existing security ties. Even with an increasingly broad array of defense relationships in East Asia and Oceania, the diversity of security interests in the region suggests a formal multilateral security arrangement similar to the North Atlantic Treaty Organization (NATO) is unlikely in the near future. Instead, existing bilateral security ties—particularly alliances with the United States—have deepened in recent years. In April 2014, the United States and Philippines announced an Enhanced Defense Cooperation Agreement intended to advance the implementation of their defense treaty alliance. During a June 2014 meeting, President Obama and Prime Minister Abbott announced the conclusion of the U.S.-Australian Force Posture Agreement, laying the foundation to expand the U.S. military presence in Australia beyond the existing U.S. Marine rotational force in Darwin. The Obama-Abbott meeting also identified ballistic missile defense in the Asia Pacific as another potential measure of cooperation.
Diversifying and strengthening military and paramilitary capabilities. Many states, facing increasing maritime challenges from China over competing South China Sea claims, have shifted emphasis in defense procurement from ground forces to air and maritime forces. In particular, regional militaries have expressed interest in acquiring capabilities that could boost maritime domain awareness such as patrol craft and maritime surveillance aircraft, and more advanced capabilities for deterrence such as submarines and fighter aircraft. Indonesia, for example, is undergoing a long-term military modernization effort seeking to achieve “minimum essential force” to secure its roughly 17,000-island archipelago by 2024. Then-presidential candidate Joko Widodo stated that Indonesia “rejects solutions [to the South China Sea dispute] through military power”; nevertheless, elected this year on a platform that included a promise to triple the defense and security budget, President Widodo will probably seek to continue a military modernization effort to ensure adequate readiness and capability among Indonesia’s armed forces. In the absence of high-end military capabilities, one common strategy for Southeast Asian states to defend their maritime claims against China has been to strengthen and re-organize maritime law enforcement fleets. Vietnam renamed its Marine Police force the Vietnam Coast Guard in late 2013, reportedly to make it eligible to obtain patrol boats under the specifications of Japanese aid programs.

Emphasizing the role of regional institutions and international law to manage disputes. Although ASEAN members originally envisioned a political and economic organization, ASEAN and ASEAN-based forums such as the ASEAN Regional Forum have in recent years served as a vehicle to address security-related issues in the region (for further discussion of the role of ASEAN in regional security, see the following subsection). ASEAN’s non-binding “Declaration on the Conduct of Parties in the South China Sea” with China was viewed as a success when it was concluded in 2002; progress toward a binding Code of Conduct, however, has since stalled. Facing asymmetry in the balance of military power against China and political deadlock in ASEAN, many Southeast Asian states have emphasized the peaceful settlement of maritime disputes under international law. The Philippines in 2013 filed for legal arbitration over conflicting South China Sea claims with China, which has declined to participate. Following China’s deployment of its oil rig to waters contested by Vietnam, senior Vietnamese leaders publicly stated Vietnam also was prepared to pursue arbitration of maritime claims disputed with China.

The Role of ASEAN in Regional Security

The consensus-based nature of ASEAN, in conjunction with the diverse security interests of its members, has hampered its ability to effectively tackle regional security challenges such as the South China Sea dispute. Although ASEAN has begun to expand its mission set to include security issues, the organization has yet to define the nature of the role it is willing and able to play in regional security. At the Commission’s March 2014 hearing, witnesses differed on the role of ASEAN in the United States’ security strategy in the
region. Pointing to ASEAN’s inability to achieve progress on pressuring China on a South China Sea Code of Conduct, Mr. Lohman felt the United States should advocate “forcefully” for its own interests in the South China Sea rather than depend too heavily on a multilateral organization whose members generally seek to balance security guarantees from both the United States and China. In written testimony to the Commission, he stated, “China’s aggressiveness is not sufficiently galvanizing ASEAN against China’s challenge. Something needs to be done to change its calculation. This argues for greater American pressure on ASEAN while hedging against its continued failure.”

Dr. Ratner took a more sanguine view of ASEAN, advocating for increased U.S. security ties with its allies and security associates in Southeast Asia. In his view, U.S. engagement with ASEAN not only enhances the political sustainability of U.S. military access and presence in the region, but also strengthens the capacity of ASEAN member allies and security associates to support U.S. operations and more independently defend their own interests in the face of Chinese coercion.

Despite differences in outlook on ASEAN’s ability to support U.S. security interests, both witnesses agreed on the likelihood of the emergence of an ASEAN-centric security architecture given China’s diplomatic preference in Southeast Asia to address the region’s most pressing issues on a bilateral basis, and the reluctance of ASEAN members to complicate their relationships with China or publicly challenge China.

ASEAN has encountered limited success in resolving the South China Sea dispute with China, but has made progress on nontraditional security issues, particularly under the ASEAN Defense Ministers Meeting Plus (ADMM+) framework established in 2010. In meetings with the Commission this year, Southeast Asian government representatives consistently supported ADMM+ mechanisms as central pillars of the regional security architecture. Although China’s membership in the ADMM+ and other ASEAN-offshoot organizations limits the ability of these organizations to maneuver beyond China’s preferences, these organizations will continue to be valuable for the purposes of confidence building in the region. Sole reliance on these organizations, however, is unlikely to be enough to ensure peaceful resolution of the South China Sea dispute in the interest of all claimants.

The Role of the U.S.-Australian Alliance in Regional Security

Formed in the aftermath of World War II, the U.S.-Australian alliance continues to be highly valued among the Australian public and policymakers today. The alliance commits the United States and Australia to “act to meet the common danger” in the event of an “armed attack in the Pacific Area on any of the Parties.”

*The ADMM+ includes defense ministers from the ten ASEAN member states and eight “Plus” countries including the United States and China. At its inaugural meeting, the ADMM+ agreed on five areas of practical cooperation: maritime security, counter-terrorism, humanitarian assistance and disaster management, peacekeeping operations, and military management. ASEAN Defense Ministers’ Meeting, “About the ASEAN Defense Ministers’ Meeting (ADMM-Plus),” March 28, 2014. https://admm.asean.org/index.php/about-admm/about-admm-plus.html.*
China-Australia Economic Relations

China’s rise in Asia has generated debate in Australia about how to manage the tension between its economic relationship with China, Australia’s largest trading partner, and its security relationship with the United States, Australia’s ally.93

China is Australia’s biggest trading partner, primarily due to China’s strong demand for Australian commodities. In 2013, 36 percent of Australia’s goods exports ($88.5 billion) went to China, nearly a 30 percent increase in exports to China year-on-year. Over 80 percent of Australian exports to China in 2013 were ores and minerals including iron, coal, and gold.94 China’s share of Australian resource exports grew from 8 percent in 2002–2003 to 52 percent in 2012–2013.95 China is also the biggest market for Australian agricultural products (including meat and dairy), accounting for 20 percent of all agricultural exports in 2013.

Chinese foreign direct investment (FDI) in Australia, though small, has been growing steadily. In 2013, Chinese FDI in Australia was $9 billion, down 10 percent from 2012. As with trade, China’s FDI is concentrated primarily in the mining sector: Since 2006, roughly 75 percent of Chinese FDI has been in mining and natural gas deals.96 There is also significant interest by Chinese investors in Australian real estate, with $1.2 billion worth of FDI in commercial real estate in 2013 (Credit Suisse estimates that Chinese buyers account for 18 percent of all new property purchases in Sydney).97

During the Commission’s trip to Australia, Australian business leaders told Commissioners China’s demand for Australian commodities was fundamental to Australia’s ability to weather the global financial crisis (indeed, on the strength of its exports, Australia has been running substantial trade surpluses with China). However, Australia’s overreliance on commodities trade has resulted in a skewed economic development where the resources sector has grown, but other sectors lag.98 Moreover, the recent economic slowdown in China, coupled with the global decline in commodity prices, has exposed the vulnerabilities of Australian overdependence on China’s demand.98

In his meeting with the Commission, Mr. White, the Australian National University professor, opined Australia should support an Asian security architecture accommodating both China and the United States, in order to avoid the dilemma of choosing between the two or stoking a heated strategic rivalry.99 This strategy has not widely taken root among Canberra’s policymakers. Instead, the Australian government has emphasized its firm alliance commitment to the United States in clear terms. At his meeting with President Obama in June 2014, Prime Minister Abbott stated, “I want to assure the President that Australia will be an utterly de-
pendable ally of the United States.” Commission interlocutors at U.S. Embassy Canberra, U.S. Consulate Sydney, and the Australian Department of Defense, similarly emphasized Canberra's ongoing dedication to the alliance.

Unlike in Northeast Asia, where political friction limits security cooperation between U.S. allies, Australia’s burgeoning security relationship with Japan hints at the potential for two U.S. allies to reshape the Asian security architecture in a manner favorable to U.S. interests. Prime Minister Abe’s remarks to the Australian Parliament in July 2014 referenced the shared values and common U.S. ally between Japan and Australia. He also reinforced the notion that aligned security interests can overcome lingering wartime tensions: “... Japan and Australia will finally use our relationship of trust, which has stood up through the trials of history, in our cooperation in the area of security.”

Key Acquisitions for the Australian Defense Force

Australia’s anticipated military acquisitions from the United States, in addition to strengthening confidence in the U.S.-Australia alliance, will boost Australian interoperability with U.S. forces for potential missions in the Asia Pacific. Australia intends to acquire at least 72 F–35 Joint Strike Fighters, the first of which debuted to great fanfare in July 2014. Additionally, Australia plans to purchase both the U.S. P–8 Poseidon, a Boeing 737-derivative designed for antisubmarine warfare and antisurface warfare, and the U.S. MQ–4C Triton unmanned maritime surveillance aircraft, capable of missions of over 24 hours covering an area of over 1 million square nautical miles. The complementary capabilities of these aircraft would provide Australia with an improved ability and range for maritime patrol and ISR.

Perhaps the Australian Defense Department’s most challenging task at present is replacing its fleet of six COLLINS-class diesel electric submarines (SS), which will begin to reach the end of their service lives in the late 2020s, with a new platform with improved stealth and significant range and endurance. European firms have for some time been the strongest contenders to replace the COLLINS SS. In large part due to the growing relationship between Australia and Japan and changes in Japanese arms export policy in 2014, Canberra also has begun to seriously consider Japan’s SORYU-class diesel electric submarine as a candidate platform. As this Report went to print, media reports indicated the strong possibility of an Australia contract for the Japanese SORYU-class design. Having only recently eased its arms export ban, Japan would need to seriously consider the impact of such a sale on its pacifist identity. On the Australian side, engineering and technical requirements would need to be closely scrutinized—particularly after a trying experience with the beleaguered COLLINS program—to ensure the new platform meets Australia’s programmatic and budgetary needs.
Implications for the United States

As China continues to pursue its national interests aggressively, U.S. allies and security associates will continue to seek reassurance about the breadth, depth, and limits of the United States' security guarantees. The credibility of U.S. alliances in the region is therefore central to their deterrent value against China. Across the region, U.S. allies and security associates are seeking greater certainty and specificity from Washington on the costs it is willing to impose on China for its ongoing attempts to subordinate international norms to its own narrow interests in the region and use of coercive measures to assert its claimed sovereignty and even secure territorial gains in disputed areas.108

At the same time, a perception by U.S. allies of a “blank check,” or unconditional and open-ended security commitment from the United States, could embolden allies to engage in risky or provocative actions. Dr. Lind emphasized in her testimony to the Commission this risk can be managed if parties can agree on genuine shared interests within the alliance. The alternative could be a confrontation with China over issues in which the United States has minimal strategic interest.109

Over the next several years, the sustainability of the United States' security partnerships in Asia will be complicated by emerging security challenges outside of Asia. This will require not only reinforcing the “rebalance” policy with additional U.S. forces, but also increased inputs and resources from U.S. allies and partners in the region. In a speech in May 2014, Admiral James “Sandy” Winnefeld, USN, vice chairman of the Joint Chiefs of Staff, stated, “it’s likely we’ll come to rely more on [our] partners to resource the means for their defense, as we work closely together on the ways.” 110 As the United States finds itself asking more of its allies, continued communication on what constitutes shared security interests is critical to the success of the alliance.

The long-term benefits of strong U.S. alliances and security partnerships in the region far outweigh the risks those relationships pose to the United States. U.S. support for enhanced military and law enforcement capabilities for its friends and allies, such as the transfer of decommissioned U.S. Coast Guard cutters to the Philippine Navy, serve both to strengthen deterrent capabilities in the region and to enhance possibilities for interoperability with the U.S. armed forces. Expanding the forward-deployed U.S. military presence in allied host nations serves not only as a tangible commitment to the alliance but also improves the United States' ability to shape the strategic environment, respond to contingencies, and deter conflicts. Finally, increased U.S. support for ISR capabilities of its friends with whom it shares intelligence in the region, such as the sale of Global Hawk unmanned aerial vehicles to Korea, contributes to improved situational awareness for the United States as well.

China's assertive behavior in East Asia is taking place in the context of what it views as a “period of strategic opportunity” through 2020 and a favorable external security environment in which it can focus on economic development.111 This suggests that if and when China achieves its domestic development goals, China
may pursue an even more assertive foreign policy. In this scenario, Beijing likely would be less concerned about damaging U.S.-China relations over policy differences and more willing to impose costs on other regional powers that challenge China’s core interests. China also might try to obstruct more directly those policies it perceives undermine China’s regime survival, economic and social welfare, and sovereignty. If this is the case, the United States also faces a critical window over the next five years to lay the groundwork for its long-term security interests in the Asia Pacific.

Conclusions

• Beijing has concluded the U.S.-led East Asia security architecture does not benefit its core interests of regime preservation, economic and social development, and territorial integrity. In 2014, China’s leaders began to promote a vision of regional security that marginalizes the United States and “relies on the people in Asia to run Asia’s affairs, deal with Asia’s problems, and uphold Asia’s security”—a vision at odds with the present security architecture encompassing a strong network of U.S. alliances and partnerships in East Asia.

• China is engaged in a sustained and substantial military buildup that is shifting the balance of power in the region, and is using its growing military advantages to support its drive for a dominant sphere of influence in East Asia.

• China employs economic incentives and punishments toward its neighbors to support its diplomatic and security goals in East Asia to extract political or security concessions from its Asian neighbors. The market dependencies of many East Asian countries on China—the result of China’s deep integration into regional manufacturing supply chains—afford it leverage in pursuing regional security interests.

• China’s security relations with Japan are deteriorating over the Senkaku Islands dispute and grievances over Japan’s wartime past. Conversely, China’s security relations with South Korea are warming as Beijing seeks continued cooperation with Seoul on North Korea. The two Northeast Asian powers differ in their responses to China’s assertive security policy in the region: Japan is balancing against China by boosting its own defensive capabilities and its alliance with the United States, while South Korea appears to be pursuing a hedging strategy by maintaining security relations with both the United States and China.

• The current regional security arrangement in Northeast Asia, for which the U.S. alliances with Japan and South Korea provide a basis, will probably remain unchanged in the near term. Differences in security priorities between Japan and South Korea means that without greater political will to overcome these differences, full-fledged trilateral security cooperation among Japan, South Korea, and the United States is unlikely to materialize in the near- to mid-term.
• China’s increasingly assertive actions in the South China Sea have led Southeast Asia and Australia to build new defense relationships, deepen existing defense relationships, strengthen military and paramilitary capabilities, and emphasize the role of regional institutions and international law to manage disputes.

• As the United States seeks to reaffirm its alliance with Australia as part of the U.S. rebalance to Asia, China is seeking stronger security ties with Australia to serve as a counterweight to the alliance. Australia’s challenge is to ensure its own economic and security interests in the midst of the ongoing Pacific power shift. Similarly, continued U.S. engagement with ASEAN ensures the political sustainability of U.S. security policy in East Asia, but carries the risk of relying too heavily upon an organization which has yet to define its role in East Asian security.
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