

Testimony before the
U.S.-China Economic and Security Review Commission

Security Dimensions of China's Relations with Southeast Asia

A statement by

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Hearing Co-Chairs Commissioner Bartholomew, Commissioner Slane, and distinguished members of the Commission:

I am grateful for this opportunity to provide a statement for the Commission's consideration on this important topic of "China's Relations with Southeast Asia." My statement will look at some of the more interesting and under-explored security aspects of China-Southeast Asia relations, with a focus on China's behavior in the South China Sea and Southeast Asian reactions and responses.

The conventional wisdom points to China's recent maritime actions as aggressive, revisionist, and disruptive to regional stability. To many, Beijing's aspirations in the South China Sea mirror-image what other rising powers have done in the past: establish blue water extensions of its territorial borders to build an oceanic empire. That the claimant states in the South China Sea are taking steps to extend their sovereign jurisdiction unilaterally to guarantee their access to natural resources indicate rising tensions, competition, and confrontation that will only intensify in the years ahead.

If China's actions are clear departures from its baseline policies, then the narrative about the dangers that an increasingly aggressive and confident China portends for the region is probably accurate. For example, the sudden discovery of substantial deposits of natural resources such as oil and gas in the contested seabed could be a trigger point for rapid escalation. Or, perhaps China may unilaterally decide to hasten the "salami-slicing" strategy and use force because, put simply, it can. China could even be emboldened to stake out its own sphere of influence to counter or even undermine U.S. role in Southeast Asia, with military build-up and deterrence at the forefront in the contested seas.

But, if the conventional wisdom that territoriality, resources, and power projection are all so central to China's strategic priorities in its latest maritime adventures, it is equally important to probe deeper and further on this puzzle: why hasn't a regional war—even if a limited one—break out between China and the other claimant states in the South China Sea? In other words, to what degree is the South China Sea—and the region more broadly—really “ripe for rivalry?”

I offer a slightly different view from the standard, alarmist narrative. While low-level confrontations have occurred, there is no clear pattern (yet) that the clashes are escalating in lockstep to a militarized conflict and outright balancing in Southeast Asia. In fact, a closer reading of regional trends, and a comparison of observable data lead to the preliminary conclusion that even in one of the most uncertain security environments, China and the other claimant states appear to be seeking ways to manage relations with each other that emphasize restraint and reciprocity, rather than a military escalation in the South China Sea.

This testimony provides an attempt to more carefully assess the developments in the South China Sea. To do so, I compare across time to see how different China's current actions are from past behavior and analyzes them across the region. This provides one way to assess what China and the other key claimant states are actually doing, in addition to what they are saying, and the degree to which the region has heightened threat perceptions about China's behavior in the South China Sea. In particular, I look at three common issues and claims about increasing aggression in the South China Sea, namely: (1) militarization of the conflict; (2) oil and natural resources; and (3) the likelihood of China establishing an air defense identification zone in the South China Sea.

Why is this important for U.S. security interests in the Southeast Asia? Put simply, if the South China Sea presents a more limited existential security threat to any of the Southeast Asian claimant states than we commonly presume, then the strategic way forward with regards to the U.S. rebalancing strategy to the region would need to move beyond security deterrence and militarization and begin to emphasize more on political and diplomatic leadership and forging stronger economic partnerships with Southeast Asia. Equally important, as regional governments' interests begin to converge in Southeast Asia and align ever more closely in their positions over the territorial disputes in the South China Sea, Washington should support this regional effort and allow for ASEAN to come up with a unified and more powerful, collective bargaining voice vis-à-vis China.

I. Restrained Militarization

Direct military confrontation in the South China Sea has been surprisingly low. The last time an actual military battle occurred in the South China Sea was nearly thirty years ago in 1988 at the Fiery Cross Reef. Claiming that it was carrying out a scientific mission on behalf of the UN Educational, Scientific, and Cultural

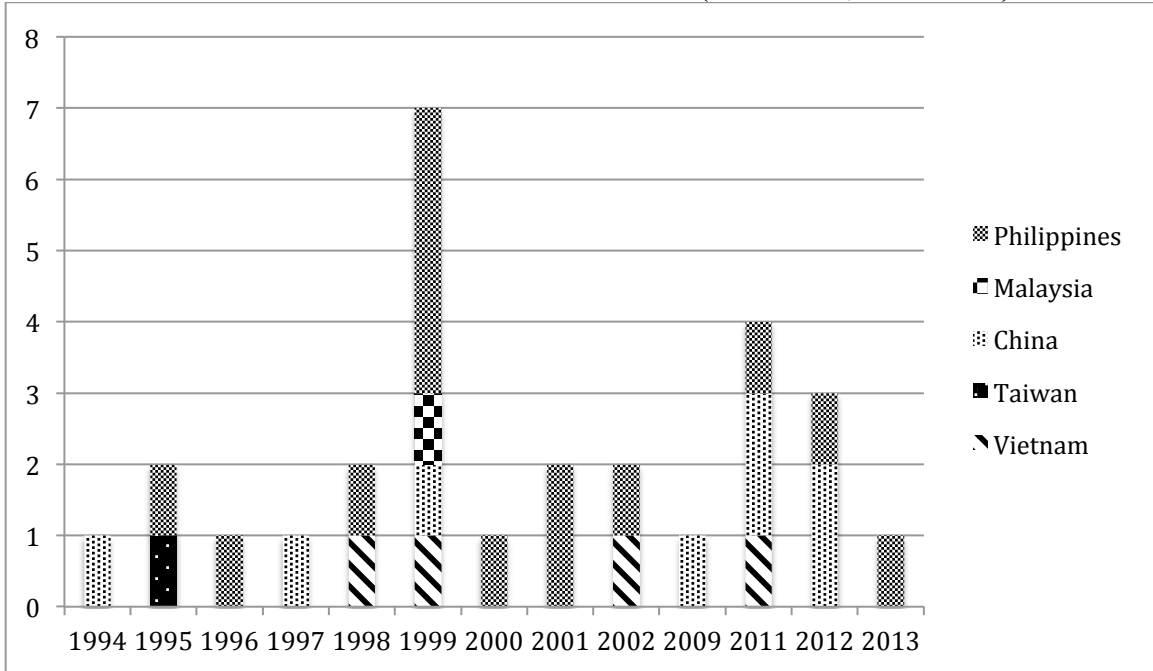
Organization (UNESCO), the Chinese government dispatched Chinese naval vessels to the Fiery Cross Reef in the Spratly Islands in the South China Sea to build observations stations. Vietnam, which had previously claimed the Fiery Cross Reef, lodged formal complaints and sent armed forces to disrupt the Chinese construction of the observation towers on the reef. An armed confrontation lasting 28 minutes ensued, with 75 Vietnamese personnel killed or missing and three Vietnamese naval ships sunk or set ablaze. Since the armed confrontation, the Vietnamese Defense Ministry has gradually fortified and expanded its presence in 29 islets and reefs in the Spratly Islands, making Vietnam the claimant state with the most number of islets and reefs under its control in the South China Sea.

In the last few months, with many of the claimant states fortifying their claims in the South China Sea, it is curious that the conflict remains of relatively low frequency and intensity. What does restraint mean in practice, especially with regard to the absence of the use of force by claimant states in the South China Sea?

Any proposal to militarize the dispute with the use of force contains great risk because an attempt to change any one aspect could open a Pandora's Box of issues and bring the rival claimant states to the brink of war. The use of force also carries enormous social repercussions and costs that once triggered would amount to major status-loss, tarnished image and reputation regionally and globally. This aversion to be an outlier and pariah state in the international community alters the claimant states' consideration on the use of force in settling the territorial disputes in the South China Sea. In particular, for China, the desire to attain the status of a major power also restrains its policy options on the maritime disputes. The identity of major powers has had different status markers. In contemporary international politics, major powers are often seen as those leading and upholding international institutions that contribute to stable interstate relations and global governance, as opposed to major powers of the past that rely purely on military conquests. This incentivizes China to uphold or at least not disrupt the status quo and to give pause or even abandon militarist tendencies.

Even in such a high-tension, anarchic security environment, restraint by each of the claimant states may thus help explain why there have been no battle-related deaths between two armed forces in the South China Sea since the Fiery Cross confrontation in 1988. Instead, the claimant states have engaged with one another in other forms low-level contestation. In each year from 1994 to 2013 (see Graph 1 below), the number of incidents, including but not limited to surveillance, arrests, seizures, and expelling remained under double-digits. 1999 saw a total of seven incidents and clashes – the highest number during that timeframe – that occurred between claimant states in the South China Sea. Cumulatively, the Philippines accounted for 14 incidents involving the deployment of its naval vessels and surveillance planes, nearly twice as many times as China's instigation in such incidents. For a region with what appears to be intensifying regional rivalries, it is remarkably surprising to see the low levels of incidents and minor clashes, let alone direct military confrontation.

Graph 1. Longitudinal Plotting of Incidents and Clashes Instigated by Claimant States in the South China Sea (1994-2002, 2009-2013)



Sources: Reuters, AP, LexisNexis, and BBC World Monitoring

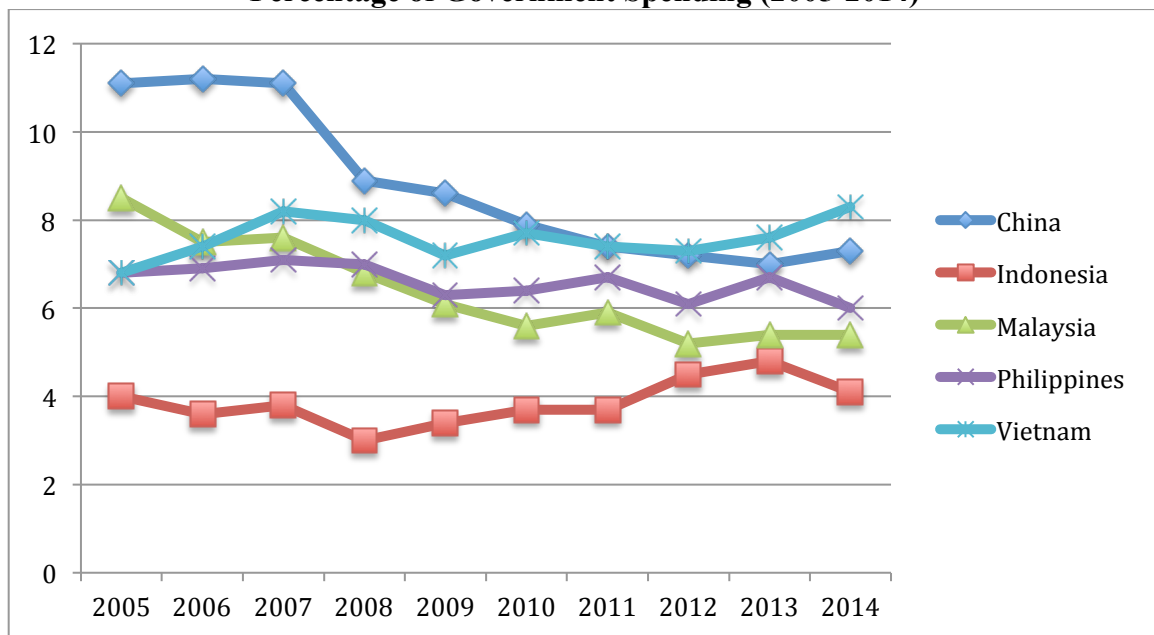
More important, China's more recent approach to enforcing its claims in the South China Sea has relied on the Coast Guard and other civilian agencies, rather than resorting to the People's Liberation Army Navy (PLAN) forces. The Bureau of Fisheries Administration has increased the number of fleets in the South China Sea and Coast Guard patrols in the high seas have increased as well. But, to date, Beijing remains wary of deploying naval assets to defend its territorial claims, unlike in the late 1980s and early 1990s where it used armed forces as a first resort to resolve its competing claims in the South China Sea.

Internally, a number of recent changes occurred to shape the decision-making processes with regards to the South China Sea. The establishment of a Central Leading Small Group on the Protection of Maritime Interests in 2012 drew senior officials from the State Oceanic Administration (SOA), Ministry of Foreign Affairs (MFA), Ministry of Public Security (MPS), Ministry of Agriculture (MOA), and the PLA Navy. Most notably, a majority of the officials in the working group represent civilian agencies and interests and serve as a counterweight to armed and naval forces in the decision-making process. At the National People's Congress in March 2012, Chinese officials also formalized plans to restructure China's main maritime law enforcement agencies. In particular, four of the major maritime law enforcement forces (e.g., SOA maritime surveillance forces; MPS coast guard forces; MOA fishery enforcement forces, and custom administration's maritime anti-smuggling police) will be merged as part of SOA with operations supervised by MPS. Relying on these civilian agencies appears to be a deliberate choice and suggests that China has sought to limit the potential for escalation through how it chooses to

enforce its claims to maritime rights. On the other hand, an explicit shift to using naval assets – and replacing them with civilian and other law enforcement agencies – against fishing vessels and naval forces from other claimant states in the South China Sea would point to greater Chinese assertiveness.

Interestingly, the Philippines and Vietnam, two of the key claimant states in the South China Sea, have also been placing greater efforts to build up their coast guards (see Table 1 below) and exercise a greater degree of restraint from deploying their naval forces, all the while military expenditures on hard naval and military assets remain relatively constant in the last ten years from 2005-2014, as measured through defense spending as percentage of key Southeast Asian government’s spending (see Graph 2 below). The Philippines’ Coast Guard, for example, will expand to 10,000 personnel by 2016 and its operational budget of nearly \$100 million for 2014. Additionally, the Philippine Coast Guard will continue to make new acquisitions of patrol and coastal combatant equipment from Japan, Australia, and the United States in the coming years. Likewise, Vietnam’s National Assembly recently allocated nearly \$750 million from its 2013 State and Central budget for its fisheries surveillance and coast guard forces. Joint training of regional coast guards with countries like Japan has also taken place or is in the planning phases.

Graph 2. Military Expenditure by Country as Percentage of Government Spending (2005-2014)



Source: SIPRI Military Expenditure Database 2014

Table 1. **Regional Coast Guard Comparison**

	Personnel	Equipment Type	Quantity
China Coast Guard	N.A. (16,000 personnel objective announced)	Patrol and Coastal Combatants	370+
Vietnam Coast Guard	N.A.	Patrol and Coastal Combatants	34+
Malaysian Maritime Enforcement Agency and Marine Police	5,700	Patrol and Coastal Combatants	321
		Logistics and Support	1
		Aircraft	2
		Helicopters	3
Philippine Coast Guard	N.A. (10,000 by 2016)	Patrol and Coastal Combatants	58+
		Amphibious Landing Craft	2
		Logistics and Support	3
		Helicopters	3

Sources: IISS Military Balance 2014 and SIPRI Yearbook 2014

More important, in China, a number of influential military strategists have also concurred with the need for more robust civilian forces and agencies to help patrol the maritime borders in the South China Sea. In “Notes on Maritime Security Strategy in the New Period in the New Century,” for example, a notable article published in China’s most prestigious military journal, 中国军事科学 [China Military Science] argues, “to safeguard the EEZ, it is not usual to employ military forces. If military forces are employed, they will often expand the scope of the incident, causing the situation to become more and more complicated ... To resolve such problems, many countries have coast guards.” Moreover, the piece is quite emphatic in stating that negotiation has been and will remain China’s approach to maritime territorial disputes, asserting that “Since the founding of the new China, under the direction of Mao ... Deng ... Jiang ... and Hu ... the Chinese government has used the foreign policy instruments of ‘negotiations, declarations of differences, and adopting measures to build trust’ ... which has yielded obvious successes ... resolving to a large extent the problems of maritime rivalry and preventing hidden dangers.” The article, published in such a high profile journal on a topic of great sensitivity, reflects the emerging consensus in China’s senior military leadership circle.

Relatedly, in 2010, it was reported that China had labeled the South China Sea as a “core interest,” on par with sensitive territorial issues like Tibet, Xinjiang, and Taiwan. Yet, to date, no senior Chinese leader has ever publicly described the South China Sea as a core interest, although it may have been discussed in one or more private meetings between U.S. and Chinese officials. An official report in *Xinhua* in 2011 indicated that China “has indisputable sovereignty over the (South China) sea’s islands and surrounding waters, which is part of China’s core interests.” In this

context, the article to territorial sovereignty over the islands and the related 12-nautical mile territorial waters (maritime space over which states exercise immediate sovereignty under UNCLOS), and not to the South China Sea as a whole, furthering the point on the limitations of its nine-dash line claims. Senior Chinese leaders have subsequently reaffirmed that China's approach to the disputes in the South China Sea should remain based on the former Chinese leaders Deng Xiaoping's guideline of "sovereignty is ours, set aside disputes, pursue joint development." Shortly after a summit in July 2011 of Southeast Asian leaders, for example, a high-profile and authoritative collection of essays and thoughts by senior officials affirming Deng's guiding principles on the South China Sea was publicly released, providing key insights into subtle but important signs of moderation a further effort to reduce tensions.

A number of analyses published in China have also been advocating for continuing China's moderate and non-confrontational stance, and also to work with ASEAN partners for a measured resolution to the South China Sea conflict. For example, such views are evident in an analysis with the title "On the 'Seeking Joint Development' Issue in the South China Sea," published in the official journal, 海洋开发与管理 [Ocean Development and Management] of the State Oceanic Administration. The expert suggests, "a policy of 'joint development' will help to realize our major objective in the South Sea, and will thus have major significance for our country's social and economic development." In a surprisingly candid appraisal of the current situation prevailing in the South China Sea, the author notes: "As China's comprehensive national strength has increased along with its military capabilities and its requirements for energy resources, so ASEAN states' anxiety about a China threat has been increasing by the day since independently they have no prospect to balance against China. ... [They have taken steps] to unite together in order to cope with China ... [But China] has openly stated that it will not be the first to resort to the use of force in the South Sea dispute." This observation is significant in that it concedes that Beijing needs to heed ASEAN's anxieties and work collaboratively especially when there is a regional consensus to do so.

Most notably, China's turn in Southeast Asia toward moderation was part of broader evaluation of China's policies toward the countries and organizations along its periphery. A high-level, closed-door two-day meeting on this subject in late October 2013—the first such meeting known to specialists—was attended by all members of the party's standing committee. After the meeting closed, *Xinhua* news agency reported on a speech delivered by Chinese President Xi Jinping, though the full deliberations of the meeting remained unavailable. Subsequent official media and experts noted the problems China faced along its eastern periphery, suggesting that the new tack toward Southeast Asia is designed to ease the problems in the South China Sea, especially through working with ASEAN members to set aside the sovereignty question and instead focus on ways to manage and jointly develop and govern the global commons in the South China Sea.

To be sure, ASEAN leaders are monitoring and concerned about China's actions and intentions. K. Shanmugan, the Foreign Minister of Singapore, for example indicated quite clearly that "we [ASEAN] want to see a code of conduct created; we want to see this resolved peacefully through the Law of the Sea, through arbitration, through any other means, but not direct confrontation and aggressive action." Other recent ASEAN statements on the South China Sea also point to the observation that regional leaders are working toward greater consensus and pushing forward with greater multilateral efforts to dissuade China from future provocations in the South China Sea and to persuade it to commit to and comply with regional norms.

In particular, the ASEAN Summit's joint statement in Malaysia in April 2015 points to greater pragmatism in their approach toward China. While shunning the combative tone that Manila had suggested, the regional leaders decided to make as explicit a statement as possible that airs their collective dissatisfaction with what China has been doing of late in the South China Sea, all the while leaving the door open for Beijing to negotiate in good faith with ASEAN on realizing the Code of Conduct in the South China Sea.

The ASEAN statement called Beijing's latest actions with land reclamations as those that "erode trust and confidence" in the region. This is perhaps the strongest statement yet put forward by ASEAN, and such collective sentiment should not be taken lightly by the Chinese leadership. As long as ASEAN maintains a firm but open attitude with regards to negotiating with China, its bargaining power will be further enhanced at several important upcoming meetings, namely: the ASEAN-China Joint Working Group on the Code of Conduct in late May 2015, the ASEAN Foreign Ministers' Meeting in August 2015, the 27th ASEAN Summit in November 2015, and the ASEAN Regional Forum in early December 2015. Looking ahead, ASEAN's ability to manage and reduce tension in the South China Sea will gain leverage and become more significant with strong backing from other stakeholders in the Asia-Pacific region (e.g., the United States), all of which should place further social costs and incentives on Chinese decision-makers to revisit some of its earlier miscalculations and actions and to consider taking a more cooperative outlook on its maritime security approaches.

II. Oil and Resources in the South China Sea

China's sudden deployment in the disputed Paracel Islands of the South China Sea in early May 2014 of a forty-story oil rig, known as the "Haiyang Shiyou 981," shocked the region and particularly Vietnam, the other main claimant to these islands in the South China Sea. Offshore and deep sea drilling in of itself is not an unprecedented event. Strictly speaking, such activity is not seen as violating or defying international law. It is in fact standard industry practice to engage in deep sea drilling, and the oil rig is a key indication that Chinese national oil companies now join the company of its Western counterparts in possessing similar technology for deep sea offshore drilling.

The controversy, however, rests with the issue of unresolved territorial disputes in and around the Paracels in the South China Sea where the oil rig was planted. China has inhabited and administered parts of the Paracels since 1974, when the People's Liberation Army (PLA) defeated the South Vietnamese forces there. China's occupation of large swathes of the Paracel Islands since then grants it varying degrees of sovereignty. Specifically, according to the United Nations Convention on the Law of the Sea (UNCLOS), habitable features have a 12 to 200-nautical mile jurisdiction—territorial waters and exclusive economic zone, respectively—and this would apply to China's sovereign rights over economic activities in and around its occupied outposts in the Paracels. The Chinese oil rig was placed approximately 17 nautical miles from the Triton island in the Paracels; geographically, this puts the oil rig within five nautical miles of its immediate sovereign jurisdiction.

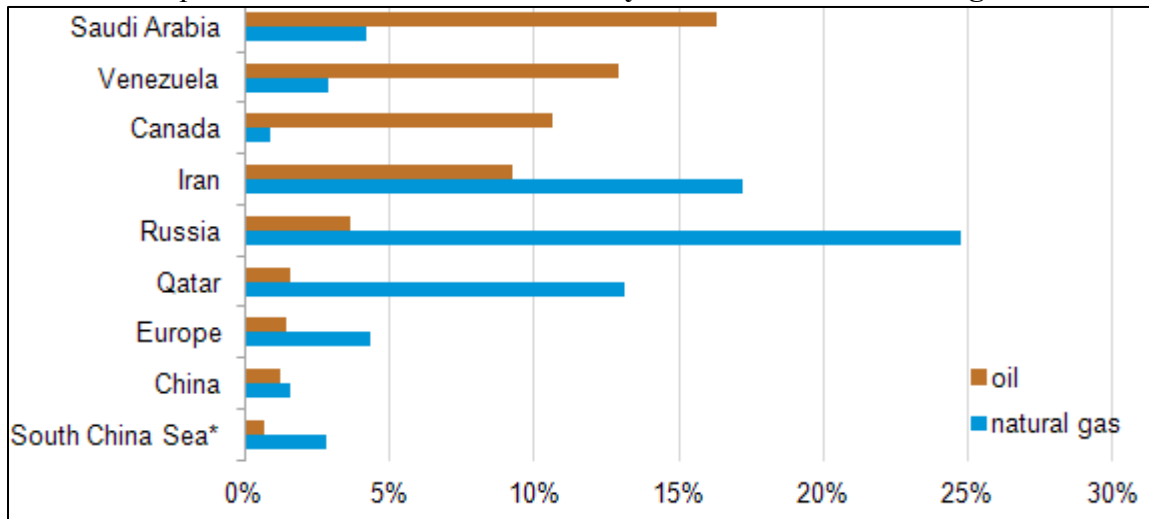
Vietnam contests China's occupation of the Paracels even though it lost the battle there against China in 1974, and as such, Hanoi ignores any potential jurisdiction emanating from those features in the Paracels themselves and cites that the Chinese oil rig violates its own coastline's EEZ of 200 nautical miles. Interestingly, maritime jurisdiction flows from sovereignty over land territory, not the reverse. If Vietnam has no jurisdiction in those particular features in the Paracels (e.g., Triton Island), then it has limited administrative role over the Paracels. Claims of violation of Vietnam's EEZ may thus be an effort to blur the juridical waters and gain regional and international support for a rather weak sovereignty claim on Hanoi's part.

It appears that China's tit-for-tat strategy stems from Vietnam's decision to license oil blocks and concessions in the disputed waters, a number of which took place in the mid- to late-1990s. For example, Vietnam awarded concessions and contracts to at least nine international, major oil and natural gas exploration companies during that period. In the last few years, Vietnam had also invited ExxonMobil to develop the Ca Voi Xanh gas field in the contested Blocks 117, 118 and 119 in the South China Sea, all of which are in close proximity to where the Chinese Haiyang Shiyou 981 oil rig was operating (and hence the islands and features that China has been occupying since 1974). Vietnam has also ongoing joint cooperation and development projects with India's ONGC Videsh Limited (Block 128), Russia's Gazprom (Blocks 129-133), and ExxonMobil (Blocks 156-158). What is perhaps most interesting is that these major oil and gas blocks lie in Vietnam's continental shelf, but a number of them also overlap with China's actual territorial waters, given its longstanding presence on a number of the islands and features in the Paracels.

Moreover, if ramming by fishing boats constitutes as the "use of force," then both China *and* Vietnam, engaged in such low-intensity, tit-for-tat strategy during the oil rig incident, appear to have violated UNCLOS. Their behavior also violates such regional norms and agreements as the Treaty of Amity and Cooperation (TAC) in Southeast Asia and the 2002 ASEAN Declaration on the Conduct of Parties in the South China Sea, which bound all claimant states to resolve the territorial and jurisdictional disputes through peaceful means and to exercise self-restraint in the conduct of activities that would complicate or escalate disputes.

The extent to which the oil rig imbroglio generated heightened concerns about China’s aggressive territorial ambitions in the South China Sea thus needs to be more carefully analyzed. As discussed, the presence of the oil rig in of itself did not reflect a fundamental shift toward a more zero-sum attitude toward maritime affairs in the South China Sea. And, with regard to the ramming incidents, both sides deployed civilian and fishing ships first, instead of their naval assets to counter and respond to each other’s fishing boats and vessels. The incident escalated bilateral and regional tensions but fell short of drawing in military forces to settle the dispute.

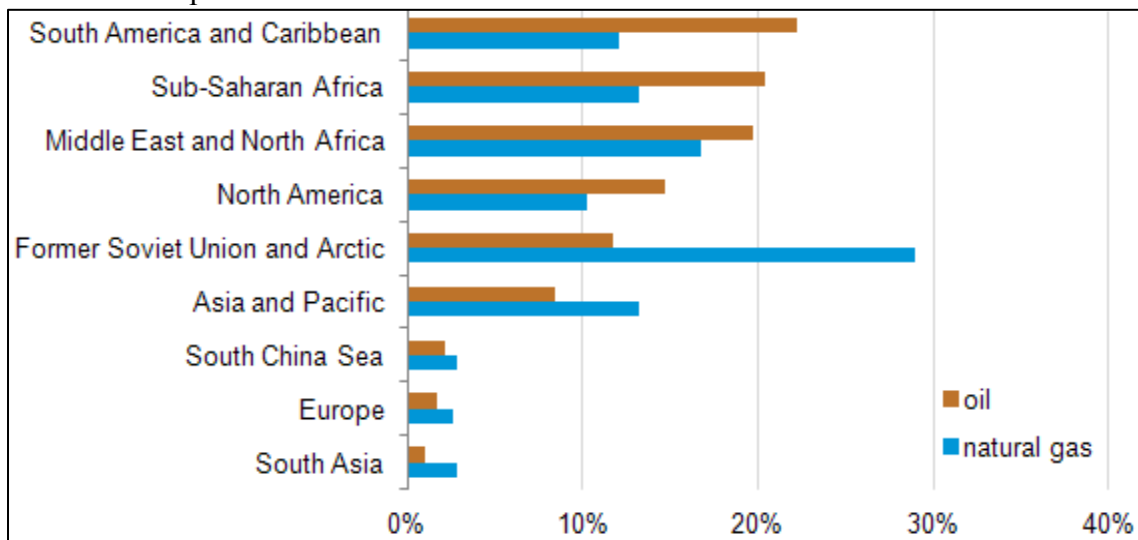
Graph 3. Share of World’s Proven Hydrocarbons for Each Region



Source: U.S. Energy Information Agency 2012 Data

Moreover, pundits are quick to point out that as a rising economic powerhouse, China has a voracious appetite for oil, and as such it is taking all means necessary to compete against and eliminate regional rivals and claimant states from gaining access to the oil and other natural resources found in the sea bed of the South China Sea. If such logic holds, then China should be expected to take on more aggressive, unilateral, and coercive measures to protect and pursue its material interests across the entire South China Sea. Contrary to conventional wisdom, however, the data and analysis from the U.S. Energy Information Agency estimates that most fields containing discovered oil and natural gas are clustered in the *uncontested* parts of the South China Sea, close to shorelines of the coastal countries, and not near the contested outposts in the Spratlys or the Paracel Islands in the South China Sea (see Graph 3 above).

Graph 4. Share of World's Estimated Undiscovered Oil and Gas



Source: U.S. Energy Information Agency 2012 Data

The South China Sea may have additional oil and other resources like natural gas in underexplored areas, with an estimate of around 12 billion barrels of oil and 160 trillion cubic feet of natural gas, or just about 3 to 4 percent of the world's undiscovered conventional oil and gas resources (see Graph 4 above). These resources, however, are not considered commercial reserves at this time, and extracting them bear extremely high costs and risks and are not deemed economically feasible.

Interestingly, in Reed Bank, an area in the South China Sea that is claimed by the Philippines, China, Taiwan, and Vietnam and that has nearly one-fifth of the undiscovered resources, the Philippines and China have initiated discussions for joint exploration of the area. While the underlying tensions between the two claimant states have yet to resolved – each side still maintains some form of jurisdiction over Reed Bank – the initial discussions for joint development is a modest approach to shelve territorial disputes temporarily and to focus on joint development.

Elsewhere, such a model for joint development has worked in the recent past. China and Vietnam agreed in 2004 to delimit their maritime borders in the Gulf of Tonkin, also part of the South China Sea. The agreement took nine years to conclude, but the final demarcation of maritime borders was largely based on UNCLOS guidelines and awarded 53 percent of the Gulf's total area to Vietnam and 47 percent to China. The agreement also stipulated that both sides will develop and share the profits from any joint exploration for hydrocarbons in the area. The resumption of senior-level dialogues and the decision to set up a direct hot line on South China Sea issues between Hanoi and Beijing indicate both sides' willingness to forego the use of coercive force.

III. Significance and Implications of a Potential Air Defense Identification Zone in the South China Sea

The Chinese ambassador in Manila recently added to regional angst about China possibly establishing an air defense identification zone (ADIZ) over the South China Sea similar to its zone over the East China Sea; she responded to local media querying about a possible zone in the South China Sea that it was “within China’s right as to where and when to set up a new air identification zone.” The media queries followed the announcement by the Chinese defense spokesman in explaining the new zone in November 2013 that “China will establish other air defense zones at the right time after necessary preparations are completed.” What can we learn from China’s decision to establish an ADIZ in the East China Sea? Does the action indicate a first, unilateral step toward a more coercive and aggressive behavior that might follow in the South China Sea?

Answering these questions require a closer look at China’s ADIZ policy in the East China Sea. Overall, China’s ADIZ in the East China Sea was unhelpful in easing regional angst about its intentions. In practice, however, the establishment the ADIZ in the East China Sea simply means that China now formally requires the submission of all flight plans, including those transiting, in its airspace. A number of countries have subsequently ignored this and Beijing has yet to formally retaliate.

One key rationale for China’s decision to push forward with ADIZ is that it reflects China’s intention to reciprocate Japan’s ADIZ in the East China Sea, symbolically challenging Tokyo’s administrative control, and establishing symmetry in staking a clearer claim over the disputed Senkaku/Diaoyu Islands. Recent flybys in the territorial disputes are now clearly documented by both sides, and while risks for miscalculation and collisions run high, it is presumed that both sides now have some protocol to engage each other’s military aircrafts, detect, signal, scramble, and draw down quickly. If ADIZ is working properly, then at a minimum there is now a working parameter to engage one another, and hopefully prevent accidents from occurring. It now allows China to reciprocate and count the number of times Japanese incursions into its airspace have occurred, following what Japan has been doing for years with Russia, China, and other countries trespassing its ADIZ.

On a related matter, China has consistently objected to military and surveillance activities carried out in its territorial waters and its EEZ. In recent years, unfortunately, several accidents and near-collisions have occurred. For example, in 2001, a mid-air collision occurred 70 miles off the coast of China’s Hainan Island in the South China Sea between a U.S. Navy EP-3 surveillance aircraft and a Chinese PLAN J-8 fighter jet. Objecting to U.S. intelligence-gathering activities within its EEZ, China deployed its fighter jet to intercept. A similar incident occurred again in March 2009, where Chinese ships confronted U.S. Navy surveillance vessel *Impeccable*, which was operating in China’s EEZ south of Hainan Island. Most recently, in August 2014, a Chinese twin-engine J-11B fighter intercepted a U.S. Navy P-8 Poseidon submarine-hunting aircraft about 135 miles east of Hainan Island in

the South China Sea. The Chinese pilot reportedly made three passes dangerously near the U.S. aircraft and ended with the Chinese jet barrel-rolling over the top of the U.S. plane.

In each of these incidents, Beijing has argued that the real issue of concern is the nature of these patrols. Foreign military ships and aircrafts carrying out surveillance and intelligence-gathering activities in one's backyard (e.g., in the EEZ) are qualitatively different from civilian aircrafts passing through one's airspace. In Beijing's view, foreign surveillance and intelligence-gathering patrols, whether they're in its territorial waters or the EEZ constitute a potential threat to its national security. When Russian fighter and reconnaissance jets crossed into the Alaskan and the Californian air space in September 2014, for example, U.S. fighter jets were scrambled to keep a close eye on the incoming Russian aircrafts, signaling for them to leave. Likewise, when the PLA Air Force identifies incoming U.S. military aircrafts carrying out surveillance and intelligence-gathering activities, scrambling its jets becomes a knee-jerk response from the PLA.

So far, there is no agreed-upon international law for or against the customary norm of freedom of passage and navigation on the high seas. The United States and Japan support such overflight rights based on historical practice. But, neither UNCLOS nor the Chicago Convention on Aviation endorses or prohibits this practice. If China were to ever establish an ADIZ in the South China Sea, that act alone does not constitute as a coercive act. It would be a unilateral move that could elevate concerns about China's intentions as no claimant states in the South China Sea have established such a zone in the South China Sea. But, as in the East China Sea case, it does not amount to much if ADIZ cannot be properly enforced. Establishing such a zone does not equate to extending or expanding China's sovereignty because that's not what ADIZs do or mean. However, if and when China contradicts its own longstanding objection to foreign military overflights, and begins to engage in such practices along its Southeast Asian neighbors' coastlines, then that would be an important indicator that China is stepping up its aggression. In other words, if China announces an ADIZ in the South China Sea and starts to dispatch its fighter and surveillance jets beyond its own coastlines and into Vietnam, the Philippines, or other claimant states' EEZ airspace and territorial waters, then this would indicate a clear shift toward more confrontational tendencies and an unprecedented assertive behavior on China's part.

IV. Implications and Recommendations for U.S. Policy in the Region

There are several implications for U.S. policy in the region with regards to the developments and analyses discussed here in this testimony. Most important, getting U.S. policy right in the South China Sea is part and parcel to U.S. grand strategy, perhaps best exemplified by the recent U.S. "rebalancing" to Asia. A recurring debate in U.S. grand strategy exists between those advocating deeper engagement in the Asia-Pacific region, and those that argue that the United States is

overcommitted, underfunded, and that retrenchment is the preferred option. A more strategic way forward, however, requires a mix of engagement in the region with U.S. allies and emerging security partners, as well as paying closer attention to regional concerns and priorities.

Most of the nuanced Chinese foreign and security policy elites understand that the United States is and will remain an undisputed first-rate and influential power in the Asia-Pacific region, and that China has limited capabilities to counter U.S. position and interest. As such, the strengthening of U.S. alliance in the region with key partners like Japan and the Philippines is understandable to Chinese policy elites. At the same time, they express concern that the leadership in Manila, for example, may be over-reacting and testing the limits of its alliance partnerships with Washington. Some Chinese defense experts in Beijing even underscore that their greatest concern is that the deepening of U.S.-Philippines security relations could send the opposite message to Manila, emboldening its leadership to engage in higher-risk and even more provocative actions down the road that could accidentally trigger a conflict with China and draw the United States into an unnecessary confrontation. In other words, continued restraint and moderation in the South China Sea would also depend in a large part on the United States to send such a signal to its allies in the region.

Some Chinese policy elites do not seem as concerned about the warming of security relations between Washington and Hanoi. In fact, in a recent meeting with Chinese defense establishment elites, there seems to be a view that Beijing will continue to engage in senior-level dialogues with Vietnam—primarily through bilateral mil-mil and party-party channels—and that it would be prudent for Vietnam to have constructive and positive relations with both China and the United States. As seen recently, in spite of Chinese oil rig incident that sparked tensions in China-Vietnam relations, the dispute was contained, with Chinese withdrawal of the oil rig and a resumption of back-channel and highly-engaged diplomatic shuttle visits between the two sides to manage the conflict and to prevent it from spiraling out of control. Within months following the incident, the two sides have agreed to set up a hot line to better coordinate and diffuse any future confrontation on the high seas. Perhaps unique to their bilateral relations, there is a model and template for joint settlement on border disputes (e.g., the Gulf of Tonkin part of the South China Sea, discussed earlier), and thus the prospects for ongoing and future cooperation and negotiations on the South China Sea between Hanoi and Beijing may have a useful parallel precedent to draw from.

The strategic way forward with regards to the U.S. rebalancing strategy would thus amount to not just deeper engagement by the United States with allies and other partners in the region. In fact, doing so would probably lead to severe overstretch of U.S. resources, particularly at a time when funding and budgetary constraints are most acute. The engagement needs to be (re)calibrated in a way that is more targeted and focused. Most important, it should be done in a way that supports

multilateralism where Asian allies, partners, and institutions/security architectures have a greater involvement and role.

The U.S. rebalancing strategy is often mischaracterized as an encirclement and attempt to contain China's rise. Even though U.S. official policy and statements all welcome China's rise, the roll-out of the rebalancing strategy has so far been heavily security-oriented initiatives (e.g., shifting of naval and other military assets from the Middle East to the Asia-Pacific, the increase in mil-to-mil engagements with bilateral alliances in the region, the re-position and stationing of U.S. troops in the region, to name a few).

While China's rise may strike some to be potentially dangerous and thus calls for an urgent need to balance China's power preponderance, the region sees China's rise in a slightly different light. For better or worse, China's rise as the most formidable power—in both economic and military measurements—has been unfolding for the last three decades, and the region has learned to engage, hedge, and adapt to China's rise. The region's other, previous experience with a rising regional power ended disastrously with Japan's militarism in the lead-up and during World War II. China, in the regional leadership's eyes, is a qualitatively different kind of rising power. The region has benefitted from decades of Chinese economic growth and development, but at times it has also used its collective bargaining power to pressure and persuade China to better comply with regional norms on security issues, pushed back on China's assertiveness, and dissuaded China to use military force to settle such territorial disputes in the South China Sea.

Security dilemmas in high-tension areas like the South China Sea can polarize the behavior of each side, thus confirming the other's worst-case assumptions and exacerbating tensions in the region. A rebalancing strategy that is solely based on militarizing initiatives in the region can unnecessarily compound Beijing's insecurities and feed China's aggressiveness, undermining the possibility of cooperation between Beijing and Washington. As regional governments' interests begin to converge in Southeast Asia and align ever more closely over the territorial disputes in the South China Sea, Washington should support this regional effort and allow for ASEAN to come up with a unified and more powerful, collective bargaining voice vis-à-vis China.

Any future U.S. engagement in the region would thus need to better identify and understand Southeast Asian countries' priorities and concerns and work with the region to further engage and enmesh China even more deeply in regional norms and institutions. In other words, if the region does not exhibit immediate, existential fears about China's rise and if the latest scuffles in the South China Sea remain of relatively low-level intensity, then U.S. presence and role in the region should go beyond security deterrence and militarization and begin to emphasize more on political and diplomatic leadership and forging stronger economic partnerships with Southeast Asia.