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Hotspots along China's Maritime Periphery

Mira Rapp-Hooper, Senior Fellow, Asia-Pacific Security Program
Center for a New American Security

Vice Chairman Shea, Senator Goodwin, thank you for the opportunity to testify before this distinguished commission on “Hotspots in China’s Maritime Periphery.” In the coming months, U.S. leadership—or its palpable absence—will be among the foremost determinants of security and stability in the South China Sea. For the last several years, the United States has struggled to mount a steady rejoinder to China’s increasing assertiveness in this waterway. Well before the U.S. presidential election, regional states were growing anxious about Washington’s staying power in Southeast Asia. The first few months of the Trump Administration have, however, precipitously accelerated this problem. With no consistent information about how the President intends to approach the South China Sea or the relationship with China, and little indication of the Trump team’s intent to uphold the longstanding international order, regional states, including Vietnam and the Philippines, are hedging against U.S. withdrawal. If Washington hopes to prevent the balance of power in Southeast Asia from shifting in China’s favor in dramatic ways, it must declare its priorities for this vital waterway, and work to meet word with deed before an irreparable power vacuum emerges.

Shifting Sands in the South China Sea

The South China Sea is what political scientists refer to as a “two level game.” On the regional level, it is a complex web of longstanding territorial and maritime disputes among the claimants. But as China has risen and begun to extend its military reach, it has quickly taken on a second dimension as a crucible for great power competition in Asia. These two levels are not always neatly complimentary, and this has been reflected in U.S. policy.

Since 1995, the United States has had a consistent declaratory policy on the South China Sea: it is neutral on the underlying sovereignty claims, but supports the peaceful resolution of disputes, international law, freedom of navigation, and opposes the use of coercion. This declaratory policy is an accurate reflection of U.S. interests in the disputes, narrowly defined—Washington does not have a stake in the sovereignty of any single land feature, but cares deeply that the disputes do not disrupt regional order. To provide leadership on the disputes, the United States has become more involved in ASEAN, supported Code of Conduct negotiations, and worked to build diplomatic coalitions behind shared international principles.

As China has risen and modernized its military, however, a second layer of South China Sea tension has emerged: the great power competition between the United States and China. China has long claimed territory in these waterways, but as its navy and coast guard have grown, so too has its ability to press its claims. The most obvious example of this is China's island building campaign, through which it has engineered seven sophisticated military bases on former reefs and rocks. This assertiveness has also made longstanding disagreements between the United States and China, such as their interpretations of UNCLOS and the definition and practice of "freedom of navigation" all the more pronounced. Fundamentally, this competition is over whether or not China will succeed in revising the territorial and political status quo in Southeast Asia in its favor. The United States definitively has a vital interest in this layer of the dispute, as Washington cannot guarantee the security of its allies or the free flow of commerce if Beijing carves out a sphere of influence in Southeast Asia.

U.S. policymakers have struggled to manage both levels of these disputes simultaneously. Working through consensus-based ASEAN to help guide claimant states is often frustrating, as the 10 members hold very different views of China and of the disputes. Little tangible progress has been made in recent years, and the modest accomplishments have not kept pace with China's advances. Nonetheless, if the United States disengages diplomatically from Southeast Asia, regional states will quickly conclude that it is unconcerned with their interests and will not support Washington's. When the United States takes a strong stand against Beijing without sufficient consultation, regional states judge U.S. actions to be escalatory; when the United States fails to push back sufficiently, the same states will conclude that the United States cannot be counted on to provide for their security. Striking an appropriate balance requires significant diplomatic exertion.

Moreover, when they craft their own approaches to the South China Sea, regional players are constantly assessing the degree to which the United States appears to be a dependable presence in diplomatic, economic, and military terms. If it appears insufficiently committed to its regional role, they are more likely to conclude that its longer-term interests are better served by accommodation with Beijing. Regional states' alignment decisions therefore have the ability to meaningfully shift the regional balance of power. Any successful strategy for the South China Sea requires the United States to engage both levels of these disputes.

An Adverse Tilt in Southeast Asia

Well before the 2016 presidential election, the United States was on shaky footing with its South China Sea approach. The Obama Administration was successful at improving its diplomatic and military presence in Southeast Asia through its Rebalance policy, but these efforts were largely outpaced by Chinese assertiveness, particularly after 2014. The administration overhauled its diplomatic engagement with ASEAN, which helped claimants to publicly oppose Chinese militarization and to support freedom of navigation. It increased its rotational base access in Southeast Asia through agreements with Singapore, the Philippines, and Australia. But the administration did not respond to China's island building as decisively or consistently as it might have, and as China has proceeded with its obvious militarization efforts, claimants have grown concerned that the United States simply is not willing to accept risk to stand up to Beijing. Moreover, by mid-2016 it had become apparent that the United States would not pass TPP, its signature economic agenda for the region. TPP had great symbolic value even to states who were not negotiating partners, because it was a demonstration of the U.S. intent to remain engaged in the region, and to provide an economic alternative to China. With the multilateral trade pact in jeopardy,

and China's island bases nearly complete, regional allies and partners began to tilt away from Washington. The Philippines and Vietnam have been prime examples of South China Sea hedging.

Philippines

Throughout the Obama Administration, the Philippines was the fulcrum of the United States strategy for the South China Sea, but quickly became a wildcard with the May 2016 election of Rodrigo Duterte as President. The firebrand Duterte was elected for his populist, law-and-order approach—not for his foreign policy views—but made no secret of his antipathy for the United States or his desire to curry favor with China to seek investment deals. Following three years of strenuous legal efforts, the Philippines scored a sizeable victory against China in July 2016 in its South China Sea arbitration case against China. Yet rather than seeking international support to cement its win, Duterte, whose positions on the South China Sea are consistently erratic, quickly sought to open bilateral talks with Beijing. His gambit culminated in an October trip to China, in which he managed to secure \$24 billion of investment deals. It remains to be seen how much of this aid will actually be delivered, or if it will lead to additional agreements.

As he courted Beijing, Duterte distanced himself from the United States by holding the alliance at risk. He proclaimed his intention to cancel military exercises and joint patrols and threatened to invalidate the 2014 Enhanced Defense Cooperation Agreement. While in Beijing, he dramatically declared a “separation” from the United States and a “realignment” with China. The Obama Administration opted not to engage Duterte's histrionics, or his brutal extrajudicial killing campaign directly, and instead sought to keep the alliance on track in a lower-profile manner at the working level. This proved to be wise: Duterte has met little of his anti-U.S. rhetoric with deed, and the basic trappings of the alliance have remained intact.

Despite Duterte's desires to soft-pedal the disputes to extract investment from China, it is unlikely that Manila and Beijing will be able to put their South China Sea tensions to rest permanently, and crises or conflict are still very real possibilities. For the first time since it seized the reef in 2012, China has permitted Philippines fishermen to return to Scarborough Shoal, but this remains a flashpoint for potential escalation between the two countries. In March 2016, China began to take steps towards construction at Scarborough Shoal, which lies in the Philippines Exclusive Economic Zone, but ceased this activity following private pressure from President Obama. In March 2017, however, China declared an intent to build an environmental monitoring station near the reef. Since the beginning of the year, the Philippines Foreign Secretary, Defense Minister, and President have all declared Chinese building at Scarborough to be a “red line” for the Philippines. Another potential hotspot is Second Thomas Shoal, where Philippines marines monitor a makeshift outpost on a grounded and dilapidated ship, the *Sierra Madre*.

In early April, Duterte declared an intent to “occupy” all Philippines-claimed features in the Spratlys for the purposes of upgrading them militarily. He has since walked back this threat, but these recent developments underscore the fact that Philippines-China tensions are not far below the surface. While Washington has never stated that the U.S.-Philippines Mutual Defense Treaty applies to Manila's South China Sea claims, a crisis or conflict between China and the Philippines over Scarborough Shoal or Second Thomas Shoal remains perfectly plausible. The most likely path to escalation would be if Beijing decided to seize one of these features, perhaps using paramilitary vessels, and to exclude the Philippines. Duterte, who maintains high approval ratings and continues to stoke nationalist sentiment, could call for a counter-operation to retake the feature. China would

be far more likely to take this provocative step if it felt confident that the United States would not intervene.

Vietnam

Since mid-2016, Vietnam has been engaged in active hedging of a different variety. The death of TPP was a particular blow to Hanoi, which had been inching towards closer alignment with the United States in recent years. In the last several months, Vietnam has not had much high-level, public association with the United States, preferring instead to upgrade its own military capabilities in the South China Sea to hedge against American withdrawal, while seeking modestly warmer ties with China.

Vietnam has sought foreign military sales to bolster its defense position, including six new Russian Kilo-class submarines. It has entered talks to buy surface-to-air missiles from India and will receive new patrol boats from Japan. Vietnam has also been fortifying the island territory it holds, dredging on Ladd Reef to add extra territory, extending a runway on Spratly Island to accommodate larger aircraft, and moving mobile rocket launchers capable of hitting Chinese bases onto some of its outposts. It has also demanded that China stop operating cruise ships in the South China Sea, as these voyages aim to legitimate its claims in the area. In late 2016, it invited both U.S. and Chinese warships to visit its port at Cam Ranh Bay.

While it has been fortifying its Spratly outposts and ability to defend them, Hanoi has simultaneously inched closer to Beijing politically. The two governments share longstanding Communist Party ties, and the death of TPP upended Vietnam's strategy for boosting regional and international trade. Officials in Hanoi have now calculated that China may be the more dependable economic partner. Moreover, despite its quiet Spratly buildup, Vietnam and China pledged to “manage” their maritime disputes peacefully in a January 2017 communique, and analysts have noted that Hanoi is deeply skeptical that the Trump Administration will pursue a dependable or consistent South China Sea policy. Unlike the Philippines, Vietnam is not a U.S. treaty ally, and is therefore less likely to entangle the United States in conflict if it hopes to stand aside. Outright conflict between Vietnam and China seems unlikely, unless China attempts to seize Vietnam-held features. If the last several months of policy continue, however, Hanoi and Beijing could find themselves in a destabilizing cycle of arming their Spratly outposts, while nonetheless pursuing warmer economic and diplomatic ties.

Early South China Sea Policy Under Trump

Since the U.S. presidential election, regional hedging has only accelerated, as partners worry that the Trump Administration will leave a leadership vacuum in Southeast Asia. This is largely because the administration has sent no clear signals as to the role the South China Sea will play in its foreign policy—or, indeed, whether it has a role at all. On the campaign trail, President Trump made little mention of the South China Sea, or Southeast Asia more broadly. Since his inauguration, the administration's messaging on the South China Sea has been sparse, and sometimes confusing.

Regional allies were surprised when, at his confirmation hearing, Secretary of State Rex Tillerson appeared to call for a naval blockade of China's artificial islands. Secretary Mattis appeared to walk these comments back and expressed continuity of South China Sea policy when he visited Asia in early February, but there have been few signs since that the administration sees the issue as a priority. Reporting suggests that the South China Sea did not feature prominently in exchanges

between Tillerson and Chinese President Xi Jinping in Beijing in March, nor was it a subject of much discussion between President Trump and President Xi in Mar-a-Lago. Additionally, the Trump Administration has not conducted a single Freedom of Navigation Operation (FONOP) in the South China Sea since taking office despite regular requests from Pacific Command to do so, which indicates that the White House may have, in fact, decided to take a new approach without explaining it.

It is possible that the lack of attention to the South China Sea is attributable to the fact that the administration has not named an Assistant Secretary of State or Defense for Asia. At present time, it has little Asia expertise on hand beyond the Senior Director at the NSC. Regional states are concerned, however, that the administration will simply not prioritize the South China Sea as a strategic issue. Thus far, the Trump Asia agenda has focused on North Korea as a pressing security concern, and on trade and economic issues with China. It is perfectly possible for the White House to exercise leadership in the South China Sea while pursuing these priorities, but so far it has not chosen to do so.

Beyond its relative inattention to the South China Sea as a policy issue, regional states have also grown concerned about the means with which the Trump Administration intends to engage Asia. The White House has made much of its desire to increase the defense budget, and to push for a 350-ship navy. While a robust U.S. presence in the Pacific is necessary to demonstrate continued regional commitment, is it hardly sufficient. In a marked departure from the Obama Administration, the administration has thus far made no mention of ASEAN, Southeast Asia's premiere multilateral forum, nor has it demonstrated interest in engaging with other regional institutions. Regional states are worried that significant cuts to the State Department budget will mean that U.S. diplomats become scarce. And because it swiftly killed TPP in its first days in office, regional partners have few indications that the Trump White House intends to play a constructive economic role in the region. Few experts would have expected Trump to use the Obama Administration's "Rebalance" moniker to describe its Asia approach, but by emphasizing only unilateral military tools, and giving little attention to diplomacy or economics, its early Asia approach looks lopsided, and offers regional states few positive-sum, peacetime benefits from continued cooperation with Washington.

Regional states have reason to worry that the lack of attention to Southeast Asia is not an early oversight, but a revelation of more systematic proclivities. On the campaign trail and since he has been in office, President Trump has generally taken little interest in the so-called "international order"—the web of treaties, international institutions, norms, and laws that has comprised America's global leadership since 1945. His "America First" philosophy is incredibly narrow and unorthodox in its definition of American interests, and his favored security policies have generally prioritized a bristling military and the direct defense of the homeland. The South China Sea is hard to justify as an American national interest in these narrow terms. Indeed, the competition between the United States and China in this waterway is fundamentally one over the nature of the international order in the 21st century. Who will set the rules? Will international law be applied and will treaties be observed? Will disputes be resolved without a resort to coercion? If the United States hopes to avert further shifts in the political and territorial status quo in this waterway, it will have to exercise strong diplomatic leadership to convince other states in Southeast Asia that it still intends to uphold the aspects of this international order on which they have come to depend.

The Dangers of a South China Sea Power Vacuum

Labeling the South China Sea a fundamental issue of international order makes American interests there sound somewhat abstract. If the United States allows a leadership vacuum to emerge around this vital waterway, however, it will come with tangible and enduring costs. Since Trump's election, Chinese President Xi Jinping has been eager to portray himself as the logical heir of globalization and the international order. China is not yet powerful enough politically, economically, or militarily to take a preeminent leadership role on the global stage. Yet its last few years of activity in the South China Sea should remind us that it is increasingly capable of advancing its strategic aims near its shores. If the United States fails to prioritize the South China Sea, it all but guarantees that Beijing will fill this space.

One obvious cost to U.S. disengagement would be China's full militarization of its Spratly Island outposts. Despite Xi Jinping's 2015 pledge not to militarize these bases, China has been doing so all along, building runways and port facilities capable of accommodating fighter jets and major surface combatants, and installing sophisticated sensing equipment that will allow Beijing to extend its monitoring capabilities far from its shores. With no U.S. pushback, China could easily be stationing a full wing of fighter jets and large naval vessels in the Spratly Islands within a few years. It will use these floating bases to compensate for its military shortcomings in logistics and resupply, rotating forces through them to allow it to project power much farther than it could before. Before long, China may move cruise and anti-ship missiles onto these islands as part of its A2/AD network inside the First Island Chain. It may also declare a South China Sea Air Defense Identification Zone, as it did in the East China Sea in 2013 in an effort to establish administrative authority over this contested airspace. This militarization would raise the risk of a clash with the Philippines or Vietnam. And while this bolstered presence will not stop the U.S. military from operating in the area in peace or wartime, it would certainly raise the risk and costs associated with doing so.

Second, a failure to remain engaged in the South China Sea would likely result in China seizing more territory and beginning new building projects. Experts believe that Beijing is likely to try to seize Scarborough Shoal before too long, and it could also try to oust Philippines' marines from their position on Second Thomas Shoal. If China succeeded in building facilities on Scarborough, it would have a base less than 200 miles off the coast of Luzon, from which it could easily threaten or attack the Philippines. Moreover, it would complete a "strategic triangle," which would include its bases in the Spratly and Paracel Islands and allow it to project power over and monitor much of the South China Sea. If China were to begin building on Scarborough, which it seized from the Philippines, this would also send a grave signal about U.S. resolve to protect allies' interests. This expansion would also run the risk of sparking a serious crisis or conflict with the Philippines. Moreover, it would indicate to Southeast Asian partners more broadly that China had largely succeeded in completing its South China Sea military expansion unopposed.

If China begins to station forces in the South China Sea and seizes and build on new territory, the regional reverberations will not be confined to the military domain. Southeast Asian states will conclude that China's efforts to carve out a sphere of influence in the South China Sea have succeeded. They will be more inclined to join Chinese-backed alternative regional institutions like the RCEP trade deal, accept Chinese investment, and seek to curry political favor with Beijing. U.S. allies will worry whether American security guarantees remain credible. As China's military and strategic position strengthens in the South China Sea, the United States' broader role is likely to be

increasingly attenuated. Moreover, once China has filled this power vacuum, we should have no illusions that it will open again.

Policy Recommendations

If the Trump Administration wants to avert disengagement from the South China Sea, and reduce the risk of crises and conflict there are several steps it can take.

Conduct a thorough South China Sea Policy Review. The National Security Council should coordinate an interagency review of U.S. policy towards the South China Sea, with a keen eye to the role that it plays in U.S.-China relations and in the regional balance of power. The review should culminate with the administration defining U.S. interests in the South China Sea, stating its concrete objectives for U.S. foreign policy, and articulating a new declaratory policy. During the Obama Administration, China's island building transformed the nature of these disputes rapidly, but U.S. declaratory policy did not keep pace. The Trump Administration must send clear signals to partners and challengers alike if it hopes to stabilize the situation. The Administration should seek to complete this review before Secretary Mattis travels to Singapore for the Shangri-la Dialogues in June (see below).

Use Asia Trips to Articulate Clear Policy. Vice President Pence will travel to Asia from April 15-25. This trip includes stops in Australia and Indonesia, where officials will be eager to hear a clear articulation of the Trump Administration's South China Sea policy. The administration will surely not have crafted a comprehensive approach by this time, but the Vice President would be wise to be ready with concrete policy statements. He should also use his Asia tour to solicit the views of regional actors on South China Sea policy so he can communicate these to the White House as it reviews U.S. policy. Other high-level official visitors should do the same. Furthermore, the U.S.-China Commission should work with Congress to ensure that the Vice President's words are met with deed from the Administration.

Make Messaging More than Military. The Administration should seek to balance its Asia policy to avoid the emerging perception that it is exclusively focused on unilateral military tools. This is particularly important when it comes to partners like Vietnam. When Secretary Mattis speaks at Shangri-la, for example, he should articulate a holistic vision for the United States in Southeast Asia. Partners will want to know whether the United States intends to remain committed to ASEAN institutions, to continue its security assistance and maritime domain awareness programs, and to facilitate multilateral exercise among regional states. Even when engaging on defense issues, the Administration must demonstrate that it is committed to peacetime security cooperation to maintain stability in Asia—not just that it is prepared to use force unilaterally in a conflict.

Craft a Quiet Approach to Duterte. Much of existing U.S. policy towards the South China Sea runs through the Philippines, yet Duterte remains a wild card, capable of courting Beijing or escalation over island disputes on any given day. If the United States were to be drawn into a military contingency in the South China Sea, it would likely be on behalf of the Philippines. High-profile cooperation with Duterte is problematic due to his ongoing extrajudicial killing campaign, but the administration must coordinate with Philippine counterparts to ensure that it is minimizing the risk of crisis instability or conflict, particularly over Scarborough Shoal. The Philippines currently holds the ASEAN Chairmanship, so looking for multilateral cooperation through ASEAN institutions may make for an appropriate initial approach.

Support Code of Conduct Framework Negotiations. China and ASEAN states are currently negotiating a framework document for a South China Sea Code of Conduct, which they hope to complete by mid-2017. The Code of Conduct has theoretically been in the works for 15 years, China has consistently impeded its progress, and there is little reason to believe these negotiations will be much different. Nonetheless, it is vital that senior Trump Administration officials support ASEAN states during this process. Without U.S. support, regional states may be forced to bend to China; with it, they may be able to stand their ground on shared principles. If the United States ignores this process, ASEAN states will be left with the impression that Washington does not understand or support their South China Sea objectives or is unwilling to help represent them to China.

Appoint a Prominent ASEAN Ambassador. If it seeks to correct the impression that it is uninterested in institutions and diplomacy in Asia, the Trump Administration should be thoughtful in nominating its ASEAN Ambassador. The post was created at the beginning of the Obama Administration, and the decision to appoint a respected Asia expert with strong ties to the White House would signal the Trump team's commitment to continued engagement.

Request Regular Reporting on South China Sea Operations. U.S. military operations are just one component of an overall strategy, but they must be consistent if they are to send messages of continued U.S. presence. It is inadvisable for Freedom of Navigation or other operations to be conducted with public fanfare, as this creates the mistaken impression that routine U.S. presence is intended to or capable of producing some immediate change in the status quo. The purpose of conducting regular operations is to allow Washington to demonstrate consistently that it does not recognize China's bases as legal islands, and that it intends to continue to operate in international waters and airspace. FONOPs, reconnaissance, and presence operations should therefore be conducted regularly and quietly. Congress should request a quarterly, classified report on South China Sea operations in lieu of public statements so it can be sure that the defense components of the administration's strategy are on track.

As the Trump Administration crafts its early policy, the South China Sea is an essential, if unglamorous national security issue. Stabilizing the adverse shift in the balance of power will require significant diplomatic and economic engagement with Southeast Asia, as well as military presence, and demands that the administration engage claimant states and China simultaneously. This is not a policy area on which the White House is likely to score big, visible wins. But failure to remain in the game will have grave consequences for U.S. foreign policy and the balance of power in Asia and these will not be