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

Title of Hearing: "Hot Spots Along China's Maritime Periphery"

### **Written Statement**

Thank you for this opportunity to testify before the Commission in response to the following questions regarding hot spots along China's rim, China's view of those hot spots and the potential for conflict:

- What geopolitical conditions or political triggers influence whether conflict could break out in these hotspots?
- How have these conditions evolved over time?
- Is the potential for conflict in each of these hotspots more or less remote than in years past, and why?

[I received added questions about future developments and will address them in the last part of this testimony.]

These hotspots involve Taiwan, the South China Sea islands and the East China Sea islands. With the added rising tensions in Korea on account of the growing threat posed by North Korea's nuclear weapons development, I argue that this part of the world is more prone to serious conflict than at any time since the end of the Cold War. As noted below, a pattern seen in the post Cold War period has been to have one or two of these potential flashpoints become seriously tense for a time and then subside. We are now at a point where three of the four areas (North Korea, Taiwan and South China Sea) have become seriously tense recently, with the East China Sea islands remaining fraught.

#### The Roles of China and the United States

Regional actors play a role in each of the hot spots but China and the United States are more important determinants of serious conflict. Both powers have sound reasons to support their continued avowals of avoiding confrontation and conflict with one another. Such confrontation could be disastrous for their highly interdependent economies and the political standing of their leaders, and it risks uncontrolled military escalation. The two powers remain in close communication and have created a variety of agreements and understandings designed to manage U.S.-China military tensions in order to avoid unwanted confrontation.

#### Relevant Background

Both powers came to these understandings through difficult experiences in the post Cold War period. In 1995 China reacted very harshly to the United States granting Taiwan President Lee Teng-hui (1988-2000) a visa to come to the United States, seeing a U.S.-Taiwan conspiracy to promote Taiwan independence. The crisis involved nine months of

periodic live fire military exercises and ballistic missile tests targeting Taiwan and it was not stilled until the U.S. government felt compelled to send two aircraft carrier battle groups to face off against Chinese intimidation and threat.

The situation remained very tense throughout the next decade as China began a massive effort that continues up to the present to build military capacity to intimidate Taiwan, forestall Taiwan independence, and erode U.S. ability to intervene in a Taiwan contingency. American military planners escalated their preparations to insure that U.S. forces could protect Taiwan if attacked. The governments of Taiwan President Lee Teng-hui and Chen Shui-bian (2000-2008) took various steps seen by Beijing as moving Taiwan toward independence, adding to tensions that eventually prompted Washington and Beijing to work in parallel to curb such pro-independence tendencies.

The election of President Ma Ying-jeou (2008-2016) saw Taiwan policy shift dramatically against Taiwan independence in favor of accommodating Beijing. The Chinese and U.S. governments both welcomed the shift. Cross strait tensions declined dramatically, though China's impressive military modernization remained focused on anticipated conflict with the United States over Taiwan.

Unfortunately, the decline in tensions over Taiwan was accompanied by a rise in Chinese assertiveness in defense of its territorial claims over the East and South China Seas. The assertiveness coincided with tougher Chinese public criticism of the new Obama government over Taiwan, Tibet, economic issues and U.S. surveillance and military activity along China's rim. Related factors included Chinese strategists' view that the United States was seriously weakened by the financial and economic crisis begun in 2008, while China's capacity to take greater control of its maritime claims along China's rim had increased dramatically in recent years.

Against that background came the Chinese advances in 2012 in coercively taking control from the Philippines of Scarborough Shoal in the South China Sea and confronting Japan with massive and often destructive demonstrations (unprecedented against a foreign target), repeated shows of force by Chinese coast guard and other security forces, economic sanctions and broad ranging rhetorical threats targeting Japan's control of the disputed Senkaku/Diaoyu Islands. It soon became clear that the coming to power that year of strong-man leader Xi Jinping (2012- ) marked a new period of greater Chinese boldness in pursuing its interests using intimidation and coercion along with persuasion at the expense of neighbors and the United States. In particular, Xi's regime:

- Departed from China's previous pragmatic cooperation with U.S. under President Hu Jintao 2002-2012.
- Used wide ranging coercive means short of direct military force to advance Chinese control in East and South China Sea at expense of neighbors and key American interests.
- Used foreign exchange reserves and massive excess industrial capacity to launch various self-serving international economic development programs and institutions that undermine U.S. leadership and/or exclude the US.

- Advanced China's military buildup targeted mainly at the United States in the Asia-Pacific region.
- Cooperated ever more closely with Russia as both powers increasingly have supported one another as they pursue through coercive and other means disruptive of the prevailing order their revisionist ambitions in respective spheres of influence, taking advantage of opportunities coming from weaknesses in Europe, the Middle East and Asia.
- Continued cyber theft of economic assets, IPR, grossly asymmetrical market access, investment and currency practices, and intensified internal repression and tightens political control—all with serious adverse consequences for US interests.

The Barack Obama administration was reactive and reserved in response. Japan was firm in defending its claimed islands and the United States strongly reaffirmed the commitment to the U.S.-Japan alliance which it said applied to the disputed islands that were administered by Japan. Chinese shows of force and other pressures on Japan continued but failed to change Japan's continued control of the islands.

The Obama government used its rebalance policy to promote more robust U.S. diplomatic, military and economic engagement throughout the broad Asia-Pacific region that promised continued close U.S. engagement with China along with growing U.S.-Chinese competition in the region. The policy proved insufficient to halt Chinese intimidation, coercion and egregious advancement of its control in the South China Sea, notably Beijing rapid building of artificial islands with modern airstrips and infrastructure for military defense of the outposts.

Usually reserved President Obama beginning to 2014 complained often about Chinese behavior challenging U.S. interest in preserving stability; President Xi tended to publicly ignore the complaints which were dismissed by lower-level officials. Xi emphasized a purported "new great power relationship" with the U.S.—American critics saw Xi playing a double game.

In 2015 and 2016, the American military leaders became much more vocal against China's advances and there were more frequent American shows of force and military resolve in the South China Sea. A high point of tension came when amid reports that Chinese dredgers were preparing to create island outposts at strategically located Scarborough Shoal near The Philippines in April 2016, U.S. armed jet fighters were deployed to patrol over the Chinese occupied shoal. This deployment underlined stronger American resolve that along with private Obama administration warnings got the Chinese to stop such egregious expansion, at least for the time being.

#### Status and outlook of flash points—key drivers of concern.

The evolution and status of the three hot spots along China's maritime rim show the main driver of tension is China's greater determination to use impressive capabilities and coercive means short of direct military conflict to expand Chinese control over long-claimed territory. The Chinese actions have met with the varying degrees of resistance

coming from the other claimants as well as the United States and other powers opposed to such coercive expansionism.

The Korean peninsula hot spot is driven heavily by the nuclear weapons development and other offensive actions by the North Korean government. Beijing's concern not to jeopardize the stability of the North Korean regime makes the existing U.S.-backed sanctions and other pressures insufficient to get North Korea to stop its nuclear expansion. As North Korea develops nuclear weapons capable of hitting the United States, the option of U.S.-led military action against North Korea receives more attention, significantly raising tensions on the peninsula and more broadly.

Chinese President Xi Jinping has consolidated his power as a strong-man ruler determined to pursue his broad goal of a "China Dream" that involves Chinese control of disputed territory and China's regional and global leadership. Against this background, greater Chinese pressure on one or more of the three hot spots involving disputed claims is expected. His government also continues to emphasize that it seeks to avoid military confrontation and conflict with the United States for reasons noted above. Those reasons remain strong and so greater Chinese pressure is likely to seek to avoid war with America.

Strong Japanese defense measures, adroit diplomacy by Japan's strong leader Shinzo Abe and firm U.S. support for Japan have resulted in a stand-off over the disputed East China Sea islands. The utility of greater Chinese pressure on this hot spot seems low at this time, while Chinese interests appear better served by waiting for an opportunity for expansion given changed circumstances involving possible flagging resolve by Japan or the United States.

The incentive for greater Chinese pressure on Taiwan is much higher following the election of Democratic Progressive Party leader President Tsai Ing-wen in 2016 and her refusal to endorse a one China statement used by the previous president which allowed for remarkable progress in cross strait interchange. Tsai's government poses a major challenge to Xi's nationalistic ambitions and Beijing is gradually increasing diplomatic, economic and military pressures to force it to accept Beijing's one China requirement. The alternative is increasing negative consequences for Taiwan designed to discredit Tsai government rule and prompt voters to choose a candidate more accommodating of China in the next election.

Xi Jinping's government has registered significant success in coercively expanding its control in the South China Sea. The results are seen worldwide through photography and news reports of the latest construction on the newly built modern Chinese outposts on disputed reefs and islets. The resistance by other claimants, Southeast Asian nations and the Association of Southeast Asian Nations (ASEAN), the leading regional organization, has been episodic and overall very weak. Notably, the Philippines new government in 2016 switched from a policy of confrontation to accommodation of China. It played down the success of the previous government's case at the arbitral tribunal in the Hague which resulted in a ruling in July 2016 against most of Chinese territorial claims in the

South China Sea. A Chinese diplomatic and media campaign coupled with economic enticements and stern warnings was successful in getting regional states and other concerned powers to play down the significance of the ruling and follow Chinese guidelines for negotiations by the claimant countries that excluded other concerned nations like the United States.

As noted above, the Barack Obama government reacted to the Chinese advances and over time registered increasing concern over Chinese “bullying” of neighbors. U.S. military actions eventually reached a point in 2016 where reported Chinese dredging on disputed Scarborough Shoal did not take place. While China may not advance on Scarborough Shoal in order to avoid a face-off with U.S. forces and a major crisis in newly improved Chinese relations with the Philippines, few observers expect Chinese expansion in the South China Sea to stop.

In sum, China today has strong incentives to continue expansion in the South China Sea and to add to pressures on the Tsai Ing-wen government on Taiwan. China’s refusal to risk destabilizing the North Korean government may be reinforced by the ending of the conservative South Korean government and the projected election of a new leader from among South Korean progressives seeking negotiations with North Korea.

#### The Role of the United States

Whether or not these Chinese policies and practices lead to conflict will depend heavily on the actions of the U.S. government. The Barack Obama government gave high priority to maintaining stability and advancing in areas of common ground in U.S.-China relations. It was reluctant to allow differences with China on issues like the South China Sea to spill over and impact negatively other areas in the relationship. China has a common practice to threaten a country’s interests in one policy arena in order to pressure the country to comply in another area (seen most recently in Beijing’s economic and diplomatic pressures against South Korea and its deployment of the THAAD missile defense system there.). The Obama government eschewed such “linkage” in dealing with China. And its criticisms and actions against China were generally transparent, carefully modulated and predictable.

The Obama administration’s approach was strongly criticized as part of what Republicans in the Congress and Republican candidates during the 2016 presidential campaign called a pattern of weakness in U.S. foreign policy. Generally consistent with these criticisms, President Donald Trump supports a stronger military and more resolute American foreign policy in defense of U.S. interests. His statements and actions also show less priority than the Obama government on maintaining stability in U.S.-China relations and a much greater willingness to engage in linkage in dealing with China from an advantageous position even though such practices risk rising tensions in the U.S.-China relationship. President Trump sharply criticized President Obama’s predictability in foreign affairs, arguing that unpredictability is a better approach, despite the tensions that arise with such an approach.

In sum, apart from the Korean peninsula, the main danger of conflict along the China's maritime periphery focuses on how likely continued and advancing Chinese pressures will mix with the policies and practices of the new U.S. administration. The Barack Obama administration reached a point in May 2016 where it seemed prepared to shoot if Chinese dredgers began work on disputed Scarborough Shoal. Given the strong Republican criticism of the Democratic president's perceived weakness in this and other areas of U.S. foreign policy, one can anticipate stronger U.S. actions in the face of Chinese advances, posing greater risk of conflict. Such a risk will be offset by both governments continued strong interest in avoiding direct military confrontation and conflict but the balance between the two is more uncertain than in the recent past.

### Concluding Questions and Answers

*Are there any likely indicators that would suggest that Beijing has concluded that it is too late to avoid a conflict?*

Beijing's behavior up to this point has shown careful steps to avoid conflict with the United States. China has been incrementally and opportunistically expanding its influence in ways that take advantage of regional and U.S. weaknesses, distractions and policy choices that have led to failure in stopping Chinese advances. The Chinese approach has gained a lot in the South China Sea. Thus far, the U.S. actions and other regional developments have not prompted China to reevaluate its continued pursuit of opportunistic incremental advances short of military conflict.

*What opportunities might exist that would allow China to reset its calculations that would result in the status quo being maintained before a conflict occurred?*

Such opportunities depend on circumstances at home and abroad that determine Chinese advances at others expense along its maritime rim. For now, domestic circumstances seem to favor pursuing recent advances, short of military conflict. Thus, the main determinant of a Chinese "reset" probably will be external change. The key determinant is the United States. What would cause China to stop its recent advances could involve two broad options for the United States: 1. a credible U.S. strategy backed by U.S. economic and military strengthening and adroit diplomacy that would employ positive and negative incentives that would dissuade further Chinese advances at others expense along its maritime rim. 2. a negotiated U.S. agreement with China that would accommodate at least some of the Chinese demands for nearby territory and territorial rights controlled and/or claimed by others that would have sufficient benefits for U.S. interests to be acceptable to the U.S. administration and Congress.