

**The Woodrow Wilson Center  
Asia Program Congressional Briefing Series**

**A Special Report**

**The United States – China – ASEAN:  
Potential Triggers of Conflict in the South China Sea and  
A Prototype of American Diplomacy**

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## PART ONE: EXECUTIVE SUMMARY

- **Oil Rights and the Issue of Sovereignty.** Of the many possible triggers of conflict in Southeast Asia, the most dangerous is the possible presence of oil around the disputed territories. Even if no major oil deposits are confirmed, the mere act of exploration by one country could be interpreted as a violation of one of the claimant's sovereignty. Discovery of major oil deposits increases the incentive for individual countries in the region to more zealously guard and enforce their respective claims by attempting unilaterally to drill for oil in disputed areas.
- **The Potential for Conflict.** The most likely source of conflict in Southeast Asia centers upon ownership of the Spratly Islands. Lingering territorial disputes among Brunei, China, Malaysia, the Philippines, Taiwan, and Vietnam over these islands do not appear ripe for any near-term solution. While the core problem is a regional one, global issues and concerns are raised that could have far-reaching consequences. Today all parties have a vested interest in obtaining a peaceful resolution to the dispute. However, the potential for conflict remains and could grow, especially if the possible triggers of conflict are not clearly understood and avoided.
- **Implications of Conflict.** Given the integrated nature of the world economy, the conflict over the Spratly Islands affects the economic interests of countries outside of Southeast Asia. It is safe to assume that armed conflict would, at the very least, invite economic sanctions by non-claimants against aggressor countries. China would have the most to lose by initiating hostilities. Any aggressive PRC action would compromise China's economic development as well as the credibility of its leadership.
- **Implications of the Asian Financial Crisis.** The current financial crisis in Asia has fostered a greater sense of urgency among the various claimants. Economic pressures have produced resentment within many Southeast Asian countries. These sentiments have been directed toward the indigenous population of Chinese in Southeast Asia who make up a significant proportion of the merchant class. Furthermore, continuing disputes over oil interests in the region are likely to increase as regional economic growth forces many of the Southeast Asian countries to reassess their energy requirements. These circumstances may lead individual countries to act aggressively to defend their claims.
- **Confidence Building Measures.** Southeast Asia countries, as well as the United States, have certain "lines in the sand" in mind. Most lines are not defined clearly. While some strategic ambiguity as to possible responses to hostile acts may be useful, tactical ambiguity regarding what constitutes sufficient provocation would prove fatal. The willingness to discuss what actions would be seen as clear violations of other claimants' sovereignty or vital interests would be a major step toward confidence building.
- **Joint Development and Cooperation.** Joint development has been offered as a way to develop confidence among the claimants and even as an interim solution to the Spratly dispute. Such measures could include demilitarization of the Spratlys or the placement of each of the disputed islands under the control of the claimant closest to it geographically. A peaceful resolution to the conflict could also be reached if all parties agreed to submit their respective claims to the trusteeship of an outside arbitrator, such as the UN or the International Court of Justice.
- **Demonstrated U.S. Commitment.** Washington must declare and demonstrate unambiguously its strategic interest in a peaceful resolution of all South China Sea and East Asia territorial disputes. While U.S. neutrality over competing claims remains appropriate, it is necessary for the U.S. to take a more active role through its military presence in supporting a peaceful resolution to the dispute.



## PART ONE:

### Security Implications of Conflict in the South China Sea: Exploring Potential Triggers of Conflict

(Prepared from a presentation by Ralph A. Cossa)

#### INTRODUCTION

When one is asked to identify Southeast Asia's potential hot spots, the South China Sea invariably ranks at or near the top of the list. The lingering territorial dispute among Brunei, China, Malaysia, the Philippines, Taiwan, and Vietnam over parts or all of the Spratly Islands in the South China Sea does not appear ripe for any near-term solution. And, while all claimants have expressed a desire to settle the dispute peacefully, military force has been used before both to enforce and expand national claims and could be employed again, possibly with far-reaching disastrous consequences.

While the core problem is a regional one, global issues and concerns are raised that could have far-reaching consequences. Today, all parties have a vested interest in a peaceful resolution of the dispute. As a result, the *prospects* for conflict seem low in the near term. However, the *potential* for conflict remains and could grow, especially if potential triggers of conflict are not clearly understood and avoided.

This report attempts to more adequately understand the potential triggers of conflict in order to further reduce the prospects of hostility. It also briefly reviews several potential conflict scenarios in order to understand better the consequences of conflict in this politically-sensitive area. Finally, it identifies potential regional confidence building measures and makes other recommendations aimed at building trust and confidence while further reducing the prospects for conflict.

#### IMPLICATIONS OF CONFLICT

A failure to resolve the dispute peacefully, especially if it leads to renewed military actions by any one or more of the claimants, would have much broader regional, if not global economic as well as political or security consequences.

Regardless of how conflict starts or who the combatants are, the consequences could be far-reaching. The region's economy, already hard-hit by the current Asian financial crisis, would be sure to suffer another, perhaps fatal, blow. Should the sea lanes be threatened, the conflict would become internationalized rapidly.

The use of force by the PRC in the contested territories would have a particularly far-reaching destabilizing effect. The impact would be greatest on the prospects for cordial relations between China and its Southeast Asian neighbors. The steadily-improving relationship between the PRC and both the United States and Japan would also be severely disrupted.

**Economic Consequences.** Given the integrated nature of the world's economy, and the increasingly important position the economies of Asia play in the overall global picture, a disruption of the currently stable Asian security environment could have serious impact on the economic interests of nations far removed from the actual scene of conflict. Countries like Japan, which rely heavily on seaborne trade and the import of natural resources--and which have significant direct financial investment in China and in Southeast Asian economies -- would be most severely affected.

China would suffer most if it initiated hostilities, especially if one assumes that an aggressive PRC military action would, at a minimum, result in punitive economic sanctions. China's economic development would be set back and the credibility of its leadership would likely suffer as a consequence.

**Freedom of Navigation.** The proximity of the Spratlys to South China Sea shipping lanes adds an important strategic element to the dispute. A threat to freedom of passage through the South China Seas would disrupt regional economies severely. If, during any military action in the Spratlys--or, for that matter, in the course of defining its claim over the

currently occupied or coveted territory--any nation threatened to inhibit the free flow of maritime traffic along these critical SLOCs, the U.S. would almost certainly become involved since America's economic growth and security depend upon continued freedom of navigation for both merchant and military shipping. Other nations heavily dependent on maritime commerce could be expected at least to endorse, if not actively participate in, any U.S.-led enforcement of freedom of navigation along the South China Sea's heavily-traveled sea lanes.

## **POTENTIAL TRIGGERS OF CONFLICT**

While the prospects of military confrontation over the Spratlys remains low, it would be naive to completely rule out the possibility of the use of force. This is especially so if major oil discoveries are made or if energy shortages add to the perceived (even if unproven) importance of the Spratlys.

A broad range of potential triggers of conflict can be identified. For the sake of discussion, they are divided here into several categories. These categories include exploration or exploitation activity in disputed areas, creeping occupation, armed displacement, armed enforcement, accidents or miscalculations, and other acts of provocation (real or imagined) by any of the claimants.

It is also possible that external factors such as broader regional conflicts or escalating tensions could spill over into the South China Sea and also trigger conflict, as would threats by any of the claimants to freedom of navigation. The impact of the current Asian financial crisis on the prospects for conflict in the South China Sea is also examined.

### **Exploration or Exploitation Activity**

Oil exploration, especially if it results in major finds or progresses to active exploitation, is the most likely catalyst for conflict today. It is important to note, however, that even if no major oil deposits are confirmed, the mere act of exploration could trigger conflict, since such activity could be seen as a direct challenge to another claimant's sovereignty.

While not demeaning the importance of potential oil deposits as both incentive and catalyst, it is important to note that exploration for buried treasure or exploitation of other seabed resources would likely have much the same consequences since the core issue is sovereignty, not oil. If it were determined positively tomorrow that there was no exploitable oil in the Spratlys, the dispute would not

go away; no claimant would, as a result of such news, abandon its claim--the bottom line issue is still sovereignty.

On the other hand, discovery of major oil deposits would increase the incentive for claimants to guard and enforce their respective claims more zealously. More dangerously, it might increase the willingness of some parties to risk triggering conflict by attempting unilaterally to drill for or extract oil in disputed territories.

### **Creeping Occupation**

The PRC expansion into Mischief Reef in early 1995 is the most egregious example of creeping occupation. Beijing's unilateral action, accomplished and enforced by PLA naval forces, stands in sharp contrast to decisions by the ASEAN states and Taiwan to avoid unilateral provocative actions that affect the status quo.

Not surprisingly, concerns about creeping occupation remains high on most ASEAN states' lists of potential triggers. Refraining from further attempts to alter the status quo is a minimum position among the ASEAN claimants. It is also a position that Beijing now claims to respect. What is really desired by ASEAN however, and especially by Manila, is a return to the *status quo ante* Mischief Reef; i.e., a removal of the PRC "fishermen's structures" and markers.

### **Armed Displacement**

The use of force in settling disputed claims is not unprecedented, witness Taiwan's removal of Philippine settlers from Itu Aba in the late 1950's and the violent clashes between the PRC and Vietnam over both the Spratlys and Paracel Islands since then. The use of PLA naval forces to protect its markers and structures at Mischief Reef borders on armed displacement, depending on how strictly one defines the term. The fact that some spokesmen have implied that the Mischief Reef action may have been a unilateral action on the part of the PLA Navy also raises the specter of additional, perhaps more aggressive actions to further assert claims and test the limits of ASEAN's (and America's) tolerance.

### **Armed Enforcement**

Other actions that could trigger broader conflict include the seizure of fishing boats or other commercial vessels within claimed boundaries. Showdowns between military ships patrolling in disputed areas or accompanying commercial ships could easily evolve into gunfire exchanges, which



could further escalate into naval engagements. Some nations may find it difficult to back down gracefully from such standoffs in claimed sovereign territory. The lack of dispute settlement mechanisms and the absence of high-level communications add to the problem and also increase the prospects of accidents or miscalculation.

#### **Accidents or Miscalculations**

Growing out of the above trigger is the ever-present possibility of accidents or miscalculations on the part of any of the parties, especially when military forces come in close contact with one another in disputed territory. Active patrolling by naval gunboats of several claimants adds to the prospects of inadvertent (as well as deliberate) naval confrontations.

#### **Other Acts of Provocation**

There are many other real or perceived acts of provocation that could very easily draw a military response including:

- attempts by claimants to extend jurisdiction under the pretext of taking action to ensure safety at sea, anti-piracy and anti-pollution measures, SLOC access, or conducting marine scientific research;
- the use of official vessels and personnel in piracy operations;
- independent actions by "nationalist forces" to include visits by politicians and media to disputed territories;
- building new military facilities or increasing force levels/capabilities on already-held territory;
- establishment of new exclusion zones or attempts to interfere with innocent passage which would challenge freedom of navigation.

Ironically, even acts that on the surface appear to be confidence building measures on the part of one set of claimants can be interpreted as provocative by others. For example, the PRC has protested peaceful bilateral discussions between the Philippines and Vietnam over their contested claims, arguing that each should be talking to Beijing--which they are--but not to one another.

#### **External/Broader Regional Tensions**

External events such as broader regional conflicts or escalating tensions could also spill over into the South China Sea and thus trigger conflict in this region. This could include the spill-over of a conflict between mainland China and Taiwan or renewed border tensions between Vietnam and the

PRC. The Spratlys could also become the venue of choice should China desire to send a strong signal or otherwise "teach a lesson" to states that appear to be persecuting their ethnic Chinese communities.

#### **Threats to the SLOCs**

As noted earlier, the proximity of the Spratlys to South China Sea shipping lanes adds an important strategic element to the dispute. If any Spratly claimant threatens to inhibit freedom of navigation along adjacent international sea lines of communications (SLOCs), the U.S. would almost certainly become involved, as might other nations in or near the region.

#### **Asian Financial Crisis**

The effect of the current Asian financial crisis on the quest for energy resources in the South China Sea is not yet clear. The rapid cooling off of Asian economies will no doubt force a reassessment of regional energy requirements. Projected consumption rates based on anticipated rapid growth in the respective Asian economies must now be adjusted downward as growth rates plunge for the 6-9% range to the 0-3% (or less) range.

On the other hand, for many countries in the region, the price of oil has more than doubled, since oil is bartered in dollars and local currencies have depreciated considerably--in some cases by more than half--in recent months. Even with cuts in consumption, overall energy costs are rising. So too is the value of a barrel of oil in local currency to both consumer and potential producer. However, the cost of searching for and extracting oil has also risen for many Southeast Asian claimants.

The Asian financial crisis has also seen popular frustrations being vented against indigenous Chinese populations which make up a significant portion of the merchant class in many Southeast Asian countries. Were China to believe that governments were sponsoring or turning a blind eye toward these attacks, it may see the need to send a signal of its displeasure. This could take the form of increased sabre-rattling (or worse) in the South China Sea.

The biggest impact of the financial crisis is likely to be on the defense modernization plans of the various claimants. It appears likely that all but China will be scaling back their modernization efforts significantly. China may yet be compelled to slow its military spending as well. With this comes a reduced capability to patrol, detect violations of, and enforce national claims in the disputed territories.

## **CONFIDENCE BUILDING MEASURES**

Preventing conflict in the region is the responsibility, first and foremost, of the claimants themselves. In addition to avoiding possible triggering actions, claimants should take maximum advantage of existing mechanisms and should seek additional opportunities to resolve their differences through governmental and non-governmental means. Timely communication is a must and this requires active, open channels of communication among the claimants that currently do not exist.

### **Enhanced Openness and Transparency**

The need for enhanced confidence building measures aimed at clarifying intentions, reducing miscalculations, and increasing military transparency is broadly acknowledged. Such measures might include banning military buildups, reducing the number of troops stationed on the islands, and agreeing not to deploy long-range weapons. An agreement to forego any further expansion of the existing military presence in the Spratlys also seems fundamental to the peaceful settlement of the dispute.

Other possible measures would include the establishment of maritime information data bases, cooperative approaches to sea lane security, mechanisms to mobilize disaster relief, and the establishment of zones of cooperation. Measures tried elsewhere that could also apply in the South China Sea include prior notification of military exercises and movements, exchanges of personnel for training, cross-visits to naval bases, joint exercises, and the sharing of non-sensitive information on programs and force structure.

### **Joint Development**

Joint development has been offered as a way to develop confidence among the claimants and even as an interim solution to the Spratly dispute. But as one senior ASEAN official has noted, "everyone supports joint development in principle, but not in practice." The prevailing mood seems to be "what's mine is mine and what's yours we can jointly develop."

### **Other Initiatives**

Other recommendations include demilitarization of the Spratlys; or the placement of each of the disputed islands under the stewardship of the claimant closest to it geographically. Other suggestions include a South China Sea "code of

conduct" or some type of generally recognized rules of engagement or common behavior norms; the establishment of an "eminent persons group," possibly comprised of representatives from non-claimant ASEAN states, to provide fresh ideas; Additional third party negotiations; and joint or third party exploration to determine how much, if any, oil actually lies beneath the Spratlys.

A willingness of all parties to submit their respective claims to the International Court of Justice (and then abide by the results) could also defuse tensions. So too would a willingness to place the disputed territories under United Nations trusteeship, which would then allow joint development under UN auspices. These and other well-intentioned suggestions merit serious consideration by the claimants.

### **Identifying Respective "Lines in the Sand"**

Despite the above efforts to better define the potential triggers, many remain ambiguous. While all parties no doubt have in mind certain "lines in the sand" which should not be crossed, most lines are not clearly defined. While some strategic ambiguity as to possible responses to hostile acts may be useful, tactical ambiguity regarding what constitutes sufficient provocation could prove fatal. More candid dialogue is required in order to achieve a better understanding of what actions would be seen as clear violations of other claimants' sovereignty or vital interests. The mere willingness to sit and discuss this issue in more specific terms would be a major confidence building step.

### **Support Indonesia-hosted Workshops**

All claimants should continue to participate in a constructive manner in the Indonesian-hosted "Workshops on Managing Potential Conflict in the South China Sea." The Workshop series holds particular promise as the only forum in which all six claimants regularly participate. In support of the Workshop effort, all claimants should define the extent and basis of their respective claims more clearly. If such clarifications could be made, then the process of building greater confidence in settling the disputes would be greatly improved.

### **Demonstrated U.S. Commitment**

Washington must unambiguously declare and demonstrate its commitment to a peaceful resolution of all South China Sea and East Asia territorial disputes. While U.S. neutrality over competing claims remains appropriate, a more "active neutrality" is required; one which underscores the

U.S. strategic interest in Southeast Asia in general and in assuring a peaceful settlement of any South China Sea dispute in particular. The U.S. should also be more active in promoting direct dialogue among the claimants. A continued U.S. military presence puts the "active" in any policy of active neutrality in the South China Sea.

## **CONCLUSION**

An equitable solution to the dispute over South China Sea territorial claims can only come from the claimants themselves, acting in good faith, in a spirit of cooperation and compromise. All claimants must recognize that military conflict, while perhaps unlikely, is neither impossible nor unprecedented and would have far-reaching international consequences.

Armed conflict over the Spratlys serves no nation's long-term security interests. All nations would suffer from an outbreak of hostilities in the South China Sea and China would suffer most of all were the conflict to be PRC-initiated. Hopefully, a greater

understanding of the economic, political, and overall security implications of conflict in the South China Sea will increase the resolve of claimants and non-claimants alike to seek a peaceful resolution of this lingering territorial dispute.

More dialogue is needed among the claimants in order to better understand, and develop the means of avoiding or defusing, a potential conflict. Merely desiring a peaceful outcome is not enough. More pro-active confidence building measures are needed, along with support for on-going initiatives aimed at reducing the prospects for conflict in this potentially volatile region through a greater understanding of the potential triggers of conflict in the South China Sea.

(This section is adapted and edited from "Security Implications of Conflict in the South China Sea: Exploring Potential Triggers of Conflict" by Ralph A. Cossa)

## PART TWO: EXECUTIVE SUMMARY

- **China's Interests in the Region.** Southeast Asia's markets have become a valuable source of technology and investment for the Chinese government. As a result, China views the region as a natural arena in which to assert its authority. ASEAN is the object of a conflict between China and the United States over the future of the Spratly Islands, a conflict that can be traced back to World War II. China currently faces the dilemma of how to exert nationalist ambitions without alarming the region, thereby provoking interference from the West.
- **ASEAN Expansion.** Southeast Asia's strategic and economic importance in the realm of international relations has been transformed as a result of the region's unprecedented economic growth. Over the last 30 years there has been a fivefold increase in per capita income. Such economic changes have allowed more people to become wealthy in a shorter period of time than in any other historical period.
- **Building Regional Consensus.** Economic expansion in Southeast Asia has allowed ASEAN to expand its membership to include nine states. However, the presence of the group's new members—Burma, Laos and Vietnam—has raised doubts as to whether ASEAN is capable of fostering regional consensus. These new members have not shared the experience of economic expansion that produced the "collective mindset" that the organization represents. Further efforts to integrate the newer ASEAN countries into the organization will be necessary in order for the region to deal effectively with the current financial crisis.
- **ASEAN's Reaction to Chinese Authorities.** ASEAN has adopted two strategies in response to the threat of Chinese expansion into the South China Sea. On the one hand, the group has made an effort to convince Beijing that it has a vested interest in maintaining the status quo; on the other hand, ASEAN leaders have also sought assurance that the U.S. will oppose any threats to the region's security.
- **U.S. Policy Dilemma.** The countries of Southeast Asia are in the midst of a political transformation, which has made it difficult for the U.S. to define its security objectives. Moreover, the inconsistencies that are inherent in the American China policy have made it difficult for U.S. leaders to develop an appropriate strategy for dealing with Indonesia, Burma, and the South China Sea. A successful China policy would have two defining characteristics: it would move China in the direction of being a stabilizing force in Southeast Asia, and it would be a policy capable of obtaining support from both Congress and the Southeast Asian countries.
- **U.S. Policy Challenge.** The future of the region's stability requires that U.S. diplomats become more aware of the region's unique cultural, historical, and geopolitical complexities. It is likely that the foreign policy challenges that are present in Southeast Asia may be a precursor to the kinds of problems that the U.S. will be facing in other parts of the world. The United States needs to define clearly its adversary and boundaries of possible military operations in Southeast Asia. The diplomacy carried out by CINCPAC serves as a model for diplomacy in Asia and the Pacific.

**PART TWO:**

**The Triangular Relationship of  
the United States – China – ASEAN:  
A Prototype of American Diplomacy**

(Prepared from a presentation by Marvin C. Ott)

## **ASEAN EMERGES AS A KEY PLAYER**

In order to understand the Southeast Asia conflict, one must view the connection among the United States, China, and ASEAN as a competitive triangular relationship in which ASEAN is the object of competition between two great powers.

Southeast Asia has been a major arena of great power competition both during World War II and the Cold War. This dynamic played itself out in competition throughout the 1950s, 1960s, into the 1970s, and beyond.

What has changed is Southeast Asia's significance in the realm of international affairs. The value of the region has grown. This is a direct outcome of the extraordinary – and unprecedented – economic transformation. The region has experienced nearly a five fold increase in per capita income within a generation and a half.

By virtue of this extraordinary economic transformation and modernization, Southeast Asia has become an active player on the international scene. It has acquired the weight and strength to be counted as an ASEAN or Southeast Asian view of international affairs.

## **ASEAN NEEDS TO BUILD CONSENSUS AMONG MEMBERS**

Ralph Cossa discussed how the current economic crisis in Asia will affect both the mentality and capacity of Southeast Asia to act as a unified region. It is also important to determine whether ASEAN's emergence as a real weight in international affairs has been linked to the expansion of the organization to encompass all of Southeast Asia. The coherence and consensus that made ASEAN extraordinarily effective is thrown into question when one goes beyond the core five or six countries to include Cambodia, Burma, Laos and Vietnam. This list includes countries that are not part of the collective mind-set built over a quarter of a century. If ASEAN is unsuccessful at fostering consensus among all countries, the lack of consensus may prove to be the region's greatest weakness.

## **CHINA'S ROLE IN SOUTHEAST ASIA**

China is emerging as both a regional and a world power. The growth in Chinese economic and military capacities coincides with a decline in China's traditional security preoccupations over Japan, Central Asia, and the former Soviet Union. As the traditional preoccupations have faded, China has been inclined to turn southward. Subsequently Southeast Asia has become a natural arena for China to assert its power.

One should recognize that there is a historical backdrop to these circumstances. China was the Middle Kingdom. The penumbra of Chinese civilization extended into Southeast Asia with the spectacular voyages of Zhen He in the Ming Dynasty. The presence of a large, wealthy, influential overseas Chinese community in the region, geographic proximity to Southeast Asia, and the affinity of Thailand and Singapore for China, suggest numerous reasons why China views Southeast Asia as a natural arena in which to assert its ambitions.

Southeast Asia has become increasingly valuable as a source of markets, technology, and investment. The extraordinary economic transformation in China has been fueled by investment from the Chinese community in Southeast Asia. Diplomatic support from the region has been of great significance to China. Southeast Asia, particularly Singapore, has provided an economic model for China. From the view of Beijing, Southeast Asia is a prize.

## **CHINA'S POLICY DILEMMA**

The dilemma for China is how to exert nationalist ambition without alarming the region, thereby inciting foreign countries to erect barriers to Chinese interests. The principle example is the issue of Chinese expansion into the South China Sea. Chinese leaders have little experience dealing with an interstate system of sovereign equals. Now China must find a way to deal effectively with sovereign, theoretically equal entities, whether they be Malaysia, the Philippines, or Indonesia.

The recent tendencies in Chinese policy have been to move the South China Sea issue to the back burner, and to that end, the Chinese government has been less assertive and less outspoken. Beijing was emphatic in pointing out that bilateral negotiation is the only acceptable approach to the solution of regional conflicts. However, China now shows a

willingness to embrace multilateral approaches to solutions in the region. It sees potential benefit to negotiating with in the ASEAN Regional Forum (ARF); working within ARF provides a way of constraining U.S. unilateral capacity in the region.

Chinese policy is certainly going through a process of evolution. One can recognize that Beijing is trying to find a way to assert Chinese interests without raising alarms throughout the region. It is also important to acknowledge that Chinese nationalist claims remain intact and that Chinese capacity to enforce those claims grows apace. For example, the sole marine brigade that the Chinese have under development is clearly intended for use in the South China Sea.

#### **ASEAN'S "GULLIVER STRATEGY" TOWARD CHINA**

ASEAN countries have demonstrated a certain amount of ambivalence with regard to China. On the one hand, China is their Asian kin. At a time when regionalism finds growing appeal in Asia, there is still recognition of China as the traditional center and source of Asian civilizations. On the other hand, many Asians fear that China has become too big and powerful, that it is too close and has too many points of leverage in the region. These circumstances have produced a significant amount of anxiety among Southeast Asian countries.

The region has responded to China with what might be described as a "Gulliver strategy." Confronted with the colossus to the north, the smaller but increasingly capable countries of Southeast Asia have been trying to enmesh China in a network of mutual obligations and mutual advantages. These countries have made efforts to include China in trade, diplomacy, political contacts, and discussions regarding security in order to convince Beijing that it has a stake in maintaining the status quo. They have tried to convince China that its ambitions for wealth and power can be exerted within the context of the current regional order.

In contrast to the "Gulliver strategy," Southeast Asian leaders have adopted a second strategy that can be characterized as hedging. The region's leaders are looking for assurance from the United States that it will intervene if the "Gulliver strategy" is unsuccessful, thus assuring a source of security on which they can fall back. This insurance policy goes by the name of the Seventh Fleet of the United States.

#### **IMPLICATIONS OF ECONOMIC AND POLITICAL CHANGES IN SOUTHEAST ASIA**

Recently, large increases in military budgets and a growing sense of regional capability within Southeast Asia have helped to foster institutional cohesion within ASEAN. The current financial crisis raises questions as to whether some of the region's assertiveness and self-confidence vis-à-vis both China and the U.S. has been compromised, although the long-term effects of the financial crisis remain to be seen.

In addition, Southeast Asia is a region of extraordinary dynamism and flux. Countries such as Indonesia and Thailand are on the cusp of significant political leadership transitions. Using models of political change in post-colonial countries, one might expect the Southeast Asian countries to go through a period of independence and a period of charismatic leadership. Once these transformations have taken place, the new generation of leaders would take on the task of institutionalizing political authority to become solidly rooted in popular support within the country. Such a transformation would enable the government to sustain political order over a long period of time. However, in Southeast Asia, with the exception of Malaysia, such transformation has *not* taken place. For example, in Thailand, there is unfinished constitutional business. The country is caught halfway in the transition between traditional authoritarianism and a form of participatory democracy. Southeast Asia is clearly undergoing a transformation, but the region has yet to become truly democratic.

#### **U.S. POLICY DILEMMA**

ASEAN provides an extraordinarily complex problem for U.S. security policy. One can look at Northeast Asia and imagine a natural balance of power evolving over time. However, in Southeast Asia, there is no inherent balance of power that is organic to the region because of the existing power disparity between China and the rest of the region.

The fact that the U.S. has been asked to play the role of a guarantor of security in Southeast Asia has complicated American security policy. Representatives of the National War College in Washington, DC, and the U.S. Department of Defense have been wrestling with issues of national security strategy on a regular basis.

The first challenge to a sound national security strategy is to know who the adversary of the United States is in Southeast Asia. U.S. policy does not define any adversaries but maintains 100,000 troops in the East Asia and Pacific. The United States declared the region to be of significant and continuing importance. Resources are being implemented and maintained to match that statement. However, the question of who the adversary is remains.

The United States chooses not to answer this question. In fact, we avoid defining the term precisely so that we do not end up defining China as an adversary. It is worth noting that not long ago China was a quasi-strategic ally of the United States over the contest with the Soviet Union.

The second challenge is to identify specific boundaries to defend. There are no clear territorial divisions for the United States to operate in Southeast Asia. The U.S.-Philippine alliance is highly attenuated by the loss of Clark Air Base and Subic Bay Naval Station and by continuing disputes over the actual scope of U.S. security obligations vis-a-vis the South China Sea. In the case of Thailand, access to facilities is granted on an informal and ad hoc basis. Furthermore, since the dispute with New Zealand over the docking of the nuclear ship, U.S.-New Zealand relations have been anything but clear.

#### **IMPORTANCE OF AMERICAN DIPLOMACY**

Southeast Asia is a region with great cultural, historic, and geopolitical complexity. The primary implication of the region's complexity is that the difference between foreign policy and security policy largely disappears. U.S. forces are suddenly required to become sophisticated with regard to cultural, diplomatic, and political factors. Under these circumstances, it is an arguable but defensible position that CINCPAC, Commander-in-Chief of the U.S. Pacific Command, is the most important representative of the United States in Asia.

The function of CINCPAC has become more diplomacy than military in the traditional sense. This change requires that the modern CINCPAC be both politically sophisticated and diplomatically astute.

In thinking about national security strategy for the United States, American diplomacy in Southeast Asia will be a prototype of what we will increasingly face around the world. As one looks at a situation like the Balkans, the U.S. role is heavily politicized as it was diplomatically very demanding. The military side of it, which requires the ability to use force effectively, becomes almost ancillary.

#### **A SOUND U.S. POLICY TOWARD CHINA**

U.S. policy toward China affects policy toward Southeast Asia. The United States needs to develop a China policy that is capable of moving China in the direction of being a stabilizing, rather than destabilizing, force in Southeast Asia. Furthermore, a successful China policy would be one that could obtain support from both Congress and Southeast Asian countries.

U.S. policy makers face the challenge of defining U.S. foreign and security policy in a nontraditional and complicated environment. But there is a need to formulate a persuasive China policy, one that would be capable of gaining the support of the American people without reducing such a policy to a bumper sticker.