MARCH 2015

MARITIME STRATEGY SERIES

Preserving the Rules:
Countering Coercion in Maritime Asia

By Patrick M. Cronin and Alexander Sullivan

Center for a New American Security

About this Series

Maritime tensions in the East and South China Seas have raised significant questions about the long-term peace and stability that has enabled Asia's economic rise over the last several decades. While these disputes are longstanding, recent years have seen attempts to unilaterally change the status quo through tailored coercion that falls short of war. These activities do not appear to be abating despite growing international concern. While policy efforts to alleviate tensions must include engagement and binding, a comprehensive approach must include countering coercive moves by imposing costs on bad behavior. This series aims to explore various types and facets of strategies to deter, deny and impose costs on provocative behavior in maritime Asia. Hopefully these papers will, jointly and severally, generate new thinking on how to both maintain security and build order across the Indo-Pacific region.

Cover Image

DA NANG, Vietnam (April 23, 2012) Vietnamese border policemen communicate with port authorities in preparation for the arrival of U.S. 7th Fleet flagship USS Blue Ridge (LCC 19) to Danang, Vietnam for Naval Exchange Activity Vietnam. The event, held annually since 2010, promotes cooperation and understanding between U.S. and Vietnamese Navy participants.

(MASS COMMUNICATION SPECIALIST 2ND CLASS JESSICA BIDWELL/U.S. Navy)

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About the Authors

Patrick M. Cronin is a Senior Advisor and Senior Director of the Asia-Pacific Security Program at the Center for a New American Security.

Alexander Sullivan is a research associate at the Center for a New American Security.

OVERVIEW

By Patrick M. Cronin
and Alexander Sullivan

No responsible official desires war. Policymakers in Washington, Beijing, Tokyo, Seoul, Taipei, Canberra, and throughout Southeast Asia are unanimous on this point. Yet between war and peace there is an ever-widening no man's land of assertiveness, coercion, and distrust. Especially within the gray zones of maritime Asia there is increasing competition over the rules, rule-making, and rule enforcement. The United States has been at the center of regional post-World War II order-building and security maintenance, but it appears to be experiencing a slow erosion of its credibility. A re-emerged China is recasting itself as a maritime power, calling at times for an exclusionary "Asia for Asians" architecture, and using its comprehensive instruments of power to unilaterally change facts on the ground, in the sea, and in the air. Left unchecked, rising maritime tensions will further undermine American influence, jeopardize the sovereignty of neighboring states, and sink the general postwar regional order. This study is meant to contribute to thinking about how to preserve a peaceful system based on the rule of law.

Over the past seven years, the established rules of the road in maritime Asia, particularly in the East and South China Seas, have faced a persistent battering. For the United States and its regional allies and partners, there is an apparent realization that more must be done to preserve, adapt, and build an inclusive, rules-based system. There must be room to accommodate a rising China. But bad behavior should not be acquiesced to and thereby further encouraged. This project was launched to examine ways to stanch the use of arbitrary power. Specifically, this study aims to think through ways to impose costs on assertive behavior. Having considered a diverse set of views, our overall conclusion is that cost imposition strategies must be nested within an overarching strategic approach that considers the desired outcome. Engagement should be the policy of first resort, a reflexive part of the daily regimen of U.S. and allied policy with

China. Even so, engagement is a necessary but insufficient part of a policy designed to ensure that common norms and rules are accepted and enforced. To help make engagement more effective, it should be augmented by effective national, bilateral, and multilateral measures to impose costs on bad behavior, deny states the spoils of coercion or force, and adopt cost-effective offset strategies to balance growing asymmetric capabilities.

A combination of active engagement, cost imposition, denial, and offset strategies can best help shape the future order of the Asia-Pacific region. The goal is not to spell out a precise formula or strategy, as these would be swiftly overcome by the vicissitudes of international politics, but to highlight potential tools for policymakers that may be used more or less depending on rapidly shifting circumstances. Maritime coercion is a bit like English weather: If you don't like it, just wait a few hours. So, too, the issue of tailored coercion in the East and South China Seas will rise and fall but most certainly continue in the years ahead.

To help make engagement more effective, it should be augmented by effective national, bilateral, and multilateral measures to impose costs on bad behavior, deny states the spoils of coercion or force, and adopt cost-effective offset strategies to balance growing asymmetric capabilities.

Through analytical research papers, workshops, and video interviews, the Center for a New American Security (CNAS) has tried to promote debate and identify fresh thinking for grappling with a challenge that has surfaced anew in the past seven years and seems likely to remain a fixture of regional relations for some years to come. Accordingly, the conclusions of this report are less innovative than clarifying. Particular recurring themes suggest a path forward. Coercion needs to be met with reputational, diplomatic, and legal costs. Denying China its assumption that it can incrementally get its way through unilateral acts of "salami slicing" will require capability-building across the region. Moreover, China's growing anti-access and area-denial (A2/AD) system of capabilities and its strategic use of nonmilitary instruments of power will necessitate cost-effective offset strategies on the part of the United States and its allies and partners. Meanwhile, engagement with China will have to be focused on achieving results, whether with respect to transparency and reciprocity or to a binding code of conduct and other rules and norms. These themes will be converted to more actionable recommendations at the end of this capstone essay. But first it is important to set the context for this study, distill the gist of the other essays that at once inform and are part of this volume, consider the types of "bad behavior" that should be countered, and set out the toolkit at the disposal of U.S. and allied and partner decisionmakers.

BACKGROUND

Resisting marginal acts of intimidation is extremely difficult when states must consider their larger interests at risk. Bearing in mind the desire to avert open conflict and expand major trade with China, this report focuses on the potential ends, ways, and means of cost-imposition policies and strategies to curb tailored coercion in the East and

South China Seas and beyond.[1] Tailored coercion refers here to the spectrum of assertive policies and actions designed to augment territorial and resource control. These measures vary and are often practiced in combination, including forceful diplomacy; targeted economic and trade carrots and sticks; propaganda and psychological warfare; domestic and international legal measures; and military, paramilitary, law enforcement, and even civilian maritime and air maneuvers and reinforcement to advance unilateral changes to the status quo over disputed waters, islands, and airspace. China is not the only actor resorting to coercive means, but its decision to contest long-dormant disputed maritime areas and otherwise seek to reassert influence over its periphery appears to be the main driver of maritime tensions. No country invests as much time and treasure in expanding its footprint in the East and South China Seas as does China.[2]

Basic international norms – such as the peaceful resolution of disputes and the observance of the United Nations Convention on the Law of the Sea (UNCLOS) – are slowly yielding to heightened competition and glaring if gradual unilateral actions.

It is important to keep the maritime competition in perspective. Despite growing friction, leaders in virtually all capitals remain focused on economic development and domestic issues. China is indeed counting on others continuing to place a higher priority on stability than on confrontation, as it presses forward on its claims. Beijing also seeks to craft a sphere of influence by reaching a "new type of great power relationship" with the United States. U.S. allies fear that Washington may succumb to China's entreaties to overlook coercive diplomacy on its periphery. Like bad weather, local pressure appears less menacing from a distance. Yet the United States, in turn, must be concerned that allies and partners would like a blank check for security, even while they become increasingly reliant on China for economics. China will seek to maximize these differing perspectives to keep expanding its regional power.

Growing anxiety about sovereignty and assured access to the global sea, air, cyber, and space commons is precipitating a low-level but palpable strategic competition. In the East China Sea, Japanese Prime Minister Shinzo Abe is determined to preserve Japan's standing as a major power, including through a more "proactive contribution to peace," and the United States is committed to Japan's defense.[3] These issues may well ascend into new levels of competition as Japan enacts new legislation regarding collective self-defense rights and the U.S.-Japan alliance unveils new Defense Cooperation Guidelines. Guidelines that further integrate the U.S. armed forces and the Japan Self-Defense Forces may also be the harbinger of Abe's renewed push to rewrite his country's pacifist constitution. China will seize on each of these moves, whether enacted or not, to justify its military modernization and assertive periphery diplomacy.

In the South China Sea, where China's creeping acts of sovereignty face fewer hard hurdles, claimants are pursuing a range of military and diplomatic steps to protect their interests. The Philippines and Vietnam are in direct confrontation with China, but Indonesia, Malaysia, and Brunei are also progressively concentrating on maritime security issues as a result of rising tensions. Moreover, Southeast Asian countries are collaborating with external powers, including Australia, India, Japan, the United States and others, to upgrade their defensive capabilities. Unfettered territorial nationalism will almost surely destabilize a region so utterly connected by sea and air lines of communication.

Some positive if limited steps to reverse this competition in the past several months notwithstanding, attempts to change the status quo through tailored coercion seem likely to endure

in regional interactions in the years ahead. While policy efforts to alleviate tensions must include engagement to cooperate over norms and binding rules, a comprehensive approach should include ways to counter coercive or bad behavior. This report seeks to provide reflections on cost-imposing strategies in maritime Asia, as well as practical recommendations for officials in the United States and for allied and partner countries.

Cost imposition strategies occupy a particular niche within a larger category of competitive strategies. They focus on raising the costs borne by a target actor in order to change his policy, usually for a specific or limited objective in peacetime and in situations short of war. Given the vagaries and dynamism of responding to gray-zone challenges,[4] this report is less concerned with confining recommendations to a theoretical category used by strategists than with identifying potentially effective ways for U.S., allied and partner policymakers to respond to what appears to be an immediate and protracted part of the regional security environment. In other words, this report also concerns itself with ways not only to impose costs, but also to deny and offset the gains sought by unilateral changes to the status quo, and to do so, hopefully, without jeopardizing the overriding and shared goal of peacefully integrating a rising China. A combination of cost imposition, denial, and offset policies, coupled with effective engagement and cooperation, would appear to offer the best means of blocking maritime coercion before it upends the regional order.

It is far more fashionable in China-watching circles to worry about the classic theoretical problem known as the security dilemma. We acknowledge the reality that distrust and competition can feed an action-reaction dynamic that could, left to its own devices, spin out of control and create a self-fulfilling prophecy of war. However, we call to task those who think this is the only dynamic at work or that leaders lack the ability to regulate their moves, turning up and down coercion and pressure when it suits their interests to do so. Put differently, if China were embarked on a one-way campaign to dominate its near seas, regardless of the reputational costs and hedging strategies of its neighbors, then a purely accommodating approach would guarantee Beijing's success.[5] A realistic engagement strategy must recognize the limits of the ability to influence. The United States, Japan and other regional actors can only create an environment conducive to peace; they cannot make China's choices for it. That is why engagement alone is not enough; there must also be tools for countering coercion. A durable, steady, flexible array of policy tools designed to both engage and curb China's appetite for influence will require keeping one's eye on the long-term goal when undertaking short-term steps to stem unilateral changes to the status quo through coercion.

These conclusions emerge from a series of papers and workshops organized by the Center for a New American Security, often in tandem with other leading institutions and scholars, but for which the authors take full responsibility.

ESSAYS IN THIS VOLUME

The essays written for this project and brought together in a single volume for this report stand alone but also contribute to the overall body of literature - which still needs to grow - that contemplates how to counter maritime coercion.

Cost-Imposing Strategies

In his essay "Cost-Imposing Strategies: A Brief Primer," Thomas G. Mahnken begins by casting the challenge posed by China in terms larger than just tailored coercion and more in terms of a shifting military balance. As he writes: "The rise of China, and particularly China's investment in weapons and military doctrine aimed at blunting the ability of the United States to project power

into the Western Pacific, is shifting the military balance in the region and potentially beyond in ways unfavorable to the United States."

The author describes cost-imposing strategies as chiefly based on the latent use of force to deter or coerce rather than a desire to fight and defeat competitors. Limited objectives in the context of preserving an uncertain peace dictate that cost-imposing strategies are usually undertaken with a low tolerance for risk. These strategies can either seek to dissuade or deter a competitor from engaging in disruptive actions or can channel the competitor's energies into less harmful pursuits. Other competitive strategies focus on denial (denying a competitor's ability to convert operational moves into political gains), attacking the competitor's strategy, or challenging the competitor's political foundations.

Mahnken enumerates several core considerations involved in creating and executing cost-imposing strategies. Such strategies should be designed against specific competitors about whom one possesses robust intelligence with respect to their strengths and weaknesses. Cost-imposing strategies must take into account that ultimately there is a competition in which both sides possess limited resources, that competitors are not unitary actors, and that they tend to play out in an interactive manner over time.

Tools for cost imposition can be divided among economic, military, and diplomatic instruments of policy. For instance, monetary costs can be imposed by inducing a competitor to overspend on expensive capabilities; overspending in a particular investment forces opportunity costs and can in turn result in a more favorable balance of power. Similarly, through military means a competitor may be forced into operations that are relatively inefficient or ineffective or both. Political or diplomatic manuevers can pose reputational costs that might alter a competitor's provocative behavior.

U.S. and allied policymakers should refine ways to measure the effectiveness of cost-imposing strategies. Do they impose disproportionate costs on the competitor? Do they increase policy options for the initiator and constrain those of the competitor? Do they give the deploying power the advantage of the initiative? Mahnken concludes that against these criteria "the United States has found itself on the wrong side of cost-imposing strategies inflicted upon it by China." Both Mahnken's paper and this larger report are a conscious attempt to reverse that trend.

The Challenge of Responding to Maritime Coercion

In "The Challenge of Responding to Maritime Coercion," Patrick M. Cronin identifies the challenge posed by China's tailored coercion and outlines a framework for thinking about potential cost-imposing strategies.

The global shift in the balance of power is reverberating through maritime Asia. China's rapid growth has magnified Chinese interests and capabilities, especially in the maritime domain, where creeping actions asserting sovereignty have neighboring countries scrambling for ways to respond without sparking military conflict. While this essay provides a framework of potential responses to China's tailored coercion, it also cautions cost-imposing measures should be proportionate to the offense and help produce desired outcomes.

Tailored coercion is the persistent use of comprehensive state power short of force to expand power and influence, in this case over China's maritime periphery. China's assertiveness has catalyzed responses that range from the accommodating to the forceful. If costs are to be imposed on bad behavior, which actions deserve such penalties and how should they or can they be enacted? Will costs be imposed to penalize China and raise the cost of unilateral actions, or will they also be designed to change China's cost-benefit calculus, or

will they be aimed at denying China benefits from its salami-slicing and coercive behavior? These questions matter because they speak to the efficacy and wisdom of cost imposition strategies.

China draws on its comprehensive national power and all instruments of policy to undertake assertions of sovereignty that do not rise to the threshold of immediate security concerns (see the section on quantifying China's assertiveness below). The United States and the region need to accommodate a rising power, but they need not accommodate belligerent behavior in the form of unilateral changes to the status quo through coercion. Moreover, it is insufficient to acknowledge a pattern of coercion; active policy measures must be adopted to do something effective about it. The real China choice is not a false dichotomy between appeasement and war but between enforcing a rules-based security system or permitting an anarchical one in the Asia-Pacific. So this begs the question as to whether bad behavior has consequences and, if so, what are they?

America's principled approach – of promoting freedom of the seas and unfettered access to the global commons, opposing the use of force and coercion, focusing on behavior rather than sovereignty, opposing unilateral changes to the status quo, and pressing for peaceful resolution of disputes – has yet to produce discernible results. After all, the softening of China's posture in recent months may be a tactical gambit to continue a campaign that adjusts to the environment; it can be described as moving two steps forward (to garner control) and one step back (to ease international opposition and pressure).

A menu of countermeasures and policies for halting coercion and imposing costs comprises: military measures, including presence, operations, force structure, and partnership capacity-building; and nonmilitary measures, including the use of information, diplomatic, and economic instruments of policy.

Several important caveats are in order. First, the cost of an action matters, as does the cost-benefit analysis that should precede any action. The price of cost imposition should not exceed the cost of the perceived act of coercion; proportionality will help link the action to the reaction in the mind of the initial perpetrator. Second, policy coherence matters in terms of striking the right balance of cooperative and competitive relations with China. Here it seems the United States' alliance and partnership network is only as strong as its weakest links, thereby providing China numerous opportunities to divide and rule. Third, results matter, so cost-imposing means must produce desired outcomes and not simply *lex talionis*, eye-for-an-eye retributive justice.

Quantifying Assertiveness in the South China Sea

The Chinese government is relentless in pushing a narrative of victimhood, of pushing blame onto others who lack sufficient respect for China's size, "historical rights" and putative "indisputable sovereignty." But the claim that China has pursued a pattern of increasingly assertive behavior is an empirically based observation. Indeed, in their essay "China's Tailored Coercion and Its Rivals' Actions and Responses: What the Numbers Tell Us," Christopher D. Yung and Patrick McNulty offer dispassionate documentation of China's recent pattern of maritime assertiveness. In their examination of more than 1,200 actions undertaken by the six claimants in the South China Sea, Yung and McNulty show that China has been the most active user of military, paramilitary, economic, administrative, and diplomatic instruments of coercion.

China's assertiveness is at once less reliant on military force than paramilitary force and more risk-acceptant than the type of assertiveness seen in the past. In recognition that the use of military force would invite firm responses if not escalation, China prefers to use its white-hulled law

enforcement vessels to press its claims and harass others. Whereas China deployed the People's Liberation Army Navy to deal with the Philippines over Mischief Reef in 1995, in 2012 China preferred to use its China Marine Surveillance force to compel the Philippines to withdraw. Moreover, whereas China sought to defuse the crisis over Mischief Reef, Scarborough Shoal is a case study in Chinese risk tolerance. China appears to justify its seizure of Scarborough Shoal on the grounds that the trigger incident was the Philippine use of naval vessels to halt Chinese fishing boats charged with poaching in the waters. Manila's "escalation" provided both the political cover and nationalistic cause to stare down the Philippines and take control of the area.

Yung and McNulty also show how China, more than any other actor, uses economic incentives and disincentives to advance its territorial sovereignty claims and control. China is also the most prone to resort to various forms of diplomatic assertiveness through the use of coalition building or busting, clever negotiations and tactical dispute management. The only instrument of policy used more by other claimants than China is legal action, and this owing most to the determination of the Philippines to press its case before an arbitral panel of the International Tribunal for the Law of the Sea (ITLOS).

While Chinese leaders appear unwilling to use brute force to get their way in maritime Asia, the precise aims of their tailored coercion remain key to devising a cost-imposing strategy on China. Yung and McNulty suggest the aim may be to "[chip] away at the region's steadfast belief that the United States is a reliable guarantor of regional security."

Malaysia's Cautious Approach

If China has become more willing to take risks and assert its rights, Malaysia is among the least coercive of claimant states in either the East or South China Sea. Yet as Prashanth Parameswaran writes in "Playing It Safe: Malaysia's Approach to the South China Sea and Implications for the United States", Kuala Lumpur's "playing it safe" strategy is increasingly under challenge by Chinese encroachments into Malaysian waters, including naval exercises around James Shoal, which lies on the continental shelf of Borneo. While Malaysia claims a "special relationship" with China and is the Association of Southeast Asian Nations' (ASEAN's) top trading partner with China, the relationship apparently does not extend to compromises on sovereignty claims.

In seeking to preserve Malaysia's territorial claims, maintain close ties with China, ensure regional stability, and preserve global norms and international law, Prime Minister Najib Razak is using mostly nonmilitary measures to safeguard its special relationship with China. Chairing the ASEAN process throughout 2015, Malaysia is likely to continue to seek to have ASEAN speak with one voice on maritime issues. Its selective use of legal instruments has not extended to supporting the Philippines in its arbitration case. Economic policy has been the main driver – with an underappreciated focus on protecting rich oil and gas reserves off of Borneo – that has prompted Malaysia to play it safe, pursue joint development agreements, and avoid conflict.

Yet it is also hedging by building up its maritime capacity and improving relations with other maritime powers, especially the United States. Malaysia has preserved military outposts in the Spratly Islands and tracked intruding vessels but has also avoided confrontation. While both want to strengthen ASEAN capabilities to create binding rules for good order at sea and regional cooperation, differences in perspective between Malaysia and the United States should guide cooperation. Cost imposition strategy may be too much of a reach for Malaysia, but Parameswaran recommends further U.S. effort to bolster Malaysia's

maritime capacity, including with respect to intelligence and an amphibious capability. Meanwhile, closer security cooperation is likely to follow and be reinforced by closer economic ties, as in completion of the Trans-Pacific Partnership trade agreement. At the same time, Malaysia, like most other ASEAN states, would prefer for the United States to take a balanced approach to dealing with China – neither too confrontational nor too cozy.

Adopting a Code of Practice

Even for countries unwilling to rock the boat by pursuing more military cost-imposing strategies, there are some assertive diplomatic measures that should be appealing if China persists in its maritime assertiveness. One major proposal to dissuade major powers from pursuing actions that destabilize regional security is offered by John Lee in his essay on "Nonmilitary Approaches to Countering Chinese Coercion: A Code of Practice for the Asia-Pacific." Lee calls for like-minded states – such as the United States, Japan, Australia, the Philippines, and Vietnam – to create a de facto code of conduct by establishing a "code of practice."

The United States and its allies envisage an end state of regional order based on the rule of law. Yet, as Lee writes, "a legal solution … is only viable when claimants such as China genuinely see and want one." But China is unwilling to clarify its claims or the legal principles underlying them and unwilling to engage in formal legal bodies under the UNCLOS regime. Indeed, "China seeks to offer a 'historic waters' justification for claims beyond EEZs and continental shelves of contested islands that supposedly predates and even undermines the UNCLOS regime."

Lee proposes trying to raise nonmilitary costs of disruptive and coercive behavior. "The key to doing so is to understand how China seeks to forestall collective and united regional pressure vis-à-vis its behavior in contested maritime zones." China, fearing strategic isolation, has sought "any opportunity to bind, circumvent, exclude or else bypass America, which is militarily more powerful," and to "reorganize strategic relations and diplomatic negotiations" so that "countries are instead channeled into dealing with China bilaterally."

The response needs to be enhancement of the role of norms in dissuading and constraining tailored coercion. A code of practice mirroring the 2002 Declaration on the Conduct of Parties in the South China Sea would be expanded geographically and reference existing international law. It would prohibit coercion in settling disputes throughout the Asia-Pacific, support the no-first-use-of-force principle and insist that all claims be settled in accordance with international law and arbitration, including UNCLOS. As he concludes, "preserving a rules-based order, rather than resisting China's rise, is the region's ultimate objective."

Using U.S. Leadership for ASEAN Centrality

Carlyle Thayer points out in "Indirect Cost Imposition Strategies in the South China Sea: U.S. Leadership and ASEAN Centrality" that the weight of China's assertive actions in the South China Sea calls into question ASEAN's basic role and coherence, as well as that of American credibility as a security guarantor in the region. He writes, "China's assertive and aggressive actions, combined especially with recent land reclamation activities, represent nothing less than the slow and deliberate excision of ASEAN's maritime heart from the Southeast Asian region."

He argues for an indirect approach to Chinese assertiveness rather than a direct, confrontational role that would have bigger negative consequences than potential benefits. An information campaign showcasing China's actions is something on which the United States can lead and cooperate with numerous allies and partners.

Thayer also argues for a mostly nonmilitary

campaign, with a special focus on building up coast guard and law enforcement capabilities in the region. While there are severe restraints on the resources of the U.S. Coast Guard, the United States can leverage allies and existing trilateral security arrangements and move to more quadrilateral cooperation to bolster coast guards, maritime domain awareness, law enforcement capability, training, and exercising. Hence, the U.S.-Japan-Australia trilateral security dialogue can better coordinate this capacity-building not just for the Philippines, but for Vietnam, Indonesia, Malaysia, and Brunei, if not others.

Meanwhile, ASEAN can also use political, legal, and diplomatic means to impose indirect costs on an assertive China. Like John Lee, Thayer contends that the region should not be waiting for a binding code of conduct between ASEAN and China; it is not likely to happen soon or even later. Instead, Thayer calls for a binding code of conduct in Southeast Asia's Maritime Domain; all ASEAN and ASEAN dialogue partners would be invited to sign up to the binding rules. While the idea is similar to that put forth by Dr. Lee, Thayer's proposal is deliberately designed to preserve ASEAN centrality.

Acquiring A2/AD Capabilities

In "Going Anti-Access at Sea: How Japan Can Turn the Tables on China," Toshi Yoshihara outlines how a major U.S. ally, Japan, can alter a deteriorating military balance with China by pursuing its own anti-access and area-denial capability. He "proposes a cost-imposing strategy by Japan that would constrain China, preserve allied options and help keep the peace in East Asia. The strategy plays to Japanese strengths, exploits Chinese vulnerabilities and blunts the most dangerous components of China's counter intervention plan."

Traditionally a continental land power, China's military modernization is now largely focused on its maritime interests. The People's Liberation Army Navy has made remarkable strides with respect to both its submarine and surface naval forces. Highlighting this newfound capability, "in July 2013, a surface action group steamed through the Soya Strait (the first time Chinese units had conducted such a transit), circumnavigated Japan and circled back to port by way of the international strait between Okinawa and Miyako Islands." Air force operations have also increased around the East China Sea, a fact punctuated by the creation of an air defense identification zone (ADIZ) at the end of 2013.[6] And China's growing inventory of ballistic and cruise missiles threatens to tie up superior Japanese and U.S. forces at bases in Japan. China's expanding submarine force is creating an "offense-defense imbalance" with respect to Japan's anti-submarine warfare (ASW) capabilities, and Yoshihara concludes that the Maritime Self-Defense Force's "pocket of excellence will suffer diminishing returns in the coming years."

Yoshihara argues that Japanese force designed to deny China access should begin by exploiting Japan's critical geography as gatekeeper of much of the first island chain. Japan should improve the ability to hold hostage Chinese surface, submarine, and air forces that must pass through critical chokepoints, especially around the Ryukyu Islands chain. An expanded Japanese submarine fleet and mine warfare would force Beijing to invest more heavily in the PLA's weaknesses in anti-submarine warfare and mine countermeasures. Just as the U.S. Navy is thinking about distributing firepower across its surface fleet, the Japan Maritime Self-Defense Force should "wage guerrilla warfare at sea" with "(s)warms of stealthy, speed, missile-armed craft" ready to "assail Chinese surface action groups in transit," Yoshihara writes. Strengthening shore-based maritime strike capabilities and complicating the targeting plans of China through hardening and dispersing bases would be other means of playing a strong defense in the event of Chinese aggression.

Such an approach has its limitations. "At best, Tokyo could force a stalemate on Beijing by foreclosing a range of military options. Nevertheless, deadlock may be good enough to buy time for the U.S.-Japan alliance to recover from the initial shock of battle and for American forces to rush reinforcements into the combat theater." Of course, one can successfully deter a conflict no side wishes for, without preventing incremental acts of coercion. Perhaps nothing better shows that countering salami slicing will require more than military measures to deny or dissuade coercion.

Technology at the Nexus of Competition and Stability

In "Shades of Gray: Technology, Strategic Competition and Stability in Maritime Asia," Amy Chang, Ben FitzGerald, and Van Jackson seek to exploit technology to grow both transparency and stability. The authors note the natural proclivity to hedge in an environment marked by uncertainty and mistrust: "Military modernization efforts across Asia resemble both the traditional arms racing and asymmetric modernization dynamics." Thus, China's development of A2/AD capabilities, to include cyberwarfare, anti-ship ballistic and cruise missiles, and other capabilities, seeks to level the playing field against a more potent U.S. military.

But new technologies bring new risk of conflict and escalation. "The coercive use of new capabilities makes sense in the context of strategic competition, but it also may disrupt the somewhat predictable and regularized patterns of interaction that currently constitute regional stability." China's increasingly capable Coast Guard and Marine Surveillance fleets, for instance, "allow China to exploit law enforcement forces" to assert China's control and claims in its near seas. And military and security modernization also poses a heightened risk of inadvertent escalation as calculations and assessments could shift or be in error on the part of either the defender or challenger.

The authors recommend using technology to make gray zones more transparent in maritime Asia, while simultaneously addressing the potential risk of conflict or inadvertent escalation. "Removing the fog of technologies and gray zones where possible is crucial to managing stability because both involve a lack of clarity that aggressive states exploit and hide behind." They recommend establishing common norms for unfamiliar military technologies; developing a common operating picture network in the South and East China Seas; and improving foreign military assistance by, for example, relaxing constraints on foreign military sales and foreign military financing.

The next-best alternative to this technology-centered approach to denying tailored coercion, the authors say, is building the anti-access and area-denial capabilities of local partners. "The promotion of local A2/AD capacity for willing partners can be structured to incentivize information sharing and collaboration among local partners, and would improve deterrence and defense in case of aggression." While all of these recommendations have barriers to implementation, the authors underscore the common goal of "eliminating the fog."

CLASSIFYING ASSERTIVE BEHAVIOR

The challenge of Chinese assertiveness is something felt far more acutely by selected neighbors of China than by the United States. Varying perspectives on the challenge are further complicated by the fact that China uses a broad array of military and nonmilitary measures in support of tailored coercion. Even so, it ought to be possible to mobilize opinion around what constitutes unacceptable coercive behavior. The United States and its allies and partners should begin by recognizing that China has a right and even an obligation to safeguard its security and sovereignty and that a growing China will invariably have greater

capacity for doing so. Not all defense modernization constitutes a threat. However, in the interests of thinking about the range of activities China is undertaking that may be related to expanding its unilateral control over its near seas, the following first establishes the roster of major types of activity to which countries in the region are responding.

Military and Paramilitary Measures

Military and paramilitary measures might be usefully grouped into four categories: force structure, power projection, operational deployments, and provocative or risky behavior. Arguably only the last of these four might constitute directly assertive or coercive behavior, but China's pursuit of a multifaceted strategy makes it difficult to point to only the specific actions themselves as causing the most insecurity in the region.

First, with respect to force structure, China is rapidly becoming the world's second-most-powerful maritime power, after the United States. China is simultaneously building naval and air power, especially in the form of submarines and fifth-generation aircraft; A2/AD capabilities in the form of cruise and ballistic missiles, as well as cyber, antisatellite, and nuclear capabilities; and paramilitary maritime forces in the form of a Coast Guard and the China Marine Surveillance fleet.

Second, China's power projection capabilities include both physical infrastructure as well as human capacity-building in the form of better command and control and training to conduct joint operations. Anti-piracy operations in the Gulf of Aden are helping to bring along a still developing naval force. Meanwhile, with respect to infrastructure, while some may question the future intention to erect a "string of pearls" across the Indian Ocean, there is much less debate about China's island-building and fortification spree in the South China Sea, which appears designed to help China dominate the first island chain.[7]

Third, operational deployments include new or increased naval and air patrols, such as the larger and more powerful naval deployments through the Miyako Strait, Ishigaki Strait, and other passageways to the open ocean; and, more coercively, naval patrols circumnavigating the Japanese home islands, as well as the increased naval and air patrols around the Senkaku/Diaoyu Islands.

Fourth, provocative or coercive behavior on the part of China includes many actions that CNAS research into these questions has dealt with before.[8] But merely in the past year, the region has seen: the unprovoked placement of the China National Offshore Oil Company (CNOOC) HD-981 deepwater oil rig into disputed waters off the Paracel Islands in May-July 2014; the creation of a three-ring patrol of military, paramilitary, Coast Guard and fishing vessels to exercise sea control around HD-981 over an area greatly exceeding a permissible 500-meter safety zone; the aforementioned land reclamation and military construction activities; the harassment of U.S. and Japanese aircraft and vessels, such as the dangerously close buzzing of a P-8 patrol aircraft by a J-11 fighter in August 2014 or the approach of a Chinese Su-27 fighter within 30 meters of Japanese surveillance aircraft on two occasions in the spring of 2014; and so on. This is a considerable list, and whether many of the steps were legal or not, all were perceived by China's neighbors as assertive actions and most invited the risk of miscalculation.

Nonmilitary Measures

These measures might also fall into four categories: the so-called "three warfares" of legal, informational, and psychological measures, as well as economic and trade measures as a source of leverage.

The use of legal measures to support political and security goals, also referred to as lawfare, is a regular practice of China, which casts its domestic law in a manner that calls into question

its commitment to UNCLOS. Perhaps the most egregious issue is the promotion of the nine-dashed line now ten-dashed line) claim covering more than 80 percent of the South China Sea, the placement of this map in Chinese passports, and a refusal to clarify whether the claim is based on contemporary international law as enshrined in UNCLOS. China also uses domestic law to extend administrative control and jurisdiction – for instance, by upgrading the administrative level of claimed features in the Paracels or authorizing China Marine Surveillance to patrol all areas within the nine-dashed line, place sovereignty markers in the form of steel monuments in waters near James Shoal, and police "historic waters" within the South China Sea. China uses international legal practice when it suits its purposes, as in justifying the legality of an East China Sea ADIZ in November 2013; it is indeed legal, but the ADIZ that overlapped existing Korean and Japanese zones was announced in a manner not meant to build good neighborly relations. Moreover, China has a strong record of spurning binding international commitments, instead elevating voluntary codes such as the Code for Unplanned Encounters at Sea (CUES) while trying to neglect the country's binding obligations to the International Regulations for Preventing Collisions at Sea, known as the COLREGs. Beijing has avoided legal institutions and binding rules, whether neglecting to join the Philippine arbitration case or slow-rolling a binding Code of Conduct with ASEAN.

Because it is difficult to know the psychological warfare component of Chinese behavior, we group information and psychological measures together. China's use of information as a weapon is facilitated by a state-owned press, a state-censored Internet, and netizens who can be broadly manipulated for an official narrative that plays on China's historical grievances and nationalistic themes such as the "great rejuvenation" and "China dream." The use of white-hulled maritime forces, even when armed, allows China the psychological advantage of deploying paramilitary ships as capable as many of the naval ships they face in the South China Sea. The incentives to Chinese fishermen to flood a certain area around disputed islands or in disputed waters also create psychological pressure affecting the ability of the Japan Coast Guard or of Vietnam or the Philippines to enact an effective coastal watch. The psychological shift to diplomatic charm offensives, furthermore, is part of establishing a rhythm of pressure and charm that constantly probes for opportunity while keeping others off balance.

Economic instruments of power, including trade, investment, finance and development, are being deployed regularly throughout the region, and this is in the main a good thing. However, some of these tools are being used as carrots and the denial of carrots to exert pressure on territorial claims and regional influence. Trade has been turned off or reportedly threatened when territorial and maritime tensions have spiked, as after the Scarborough Reef confrontation in April-May 2012 or the Japanese nationalization of the Senkakus in September 2012. In the latter instance, there was at least a veiled threat of withholding rare earth minerals, and in the former tourism was stymied and bananas left to rot in port. The manner in which Taiwan's Sunflower movement stepped up protests over a services trade agreement also suggested a natural desire not to become excessively dependent on a Chinese economy that comes with political rules. The new maritime Silk Road fund and Asian Infrastructure Investment Bank are other carrots being dangled out to Indonesia, which has set its sights on 24 new ports under President Joko Widodo's tenure. There are many infrastructure projects needed in rapidly developing Asia, and the main concern is that development not be used to abet corruption or to induce concessions on sovereignty issues. But to the extent the United States and other regional actors are invited to participate

and have transparency on these measures, they are for the most part a positive development. Essential to maintaining the continued prosperity of the region, however, is a way to blend such positive engagement with the right set of inducements and pressures to nudge China into fully joining an inclusive, rules-based system for regional security. Cost-imposing strategies, joined with policies for denying and helping offset Chinese unilateral gains, are critical to maintaining a favorable balance of power in support of rules, norms, standards and laws.

COST-IMPOSING MEASURES

Cost-imposing, denial, and offset measures can come in all varieties of action, but for the sake of simplicity one might start by dividing military from nonmilitary steps. This section considers four types of military measures and then four types of nonmilitary ones, recognizing that many of the steps are not mutually exclusive. Military measures can be categorized into a fourfold typology of presence, operations, force structure, and capacity-building. Nonmilitary measures can be usefully divided among informational, diplomatic, legal and institutional, and economic.

Military Measures

PRESENCE

The first military measure, presence, involves the maintenance and qualitative and quantitative strengthening of forward-stationed or rotational forces. It also includes the redistribution or dispersal of naval, air, land, amphibious, and, in the context of this report, even coast guard forces. Arguably the most important signal of reassurance to America's regional allies in recent years has been the articulation of a rebalancing policy that would gradually move toward having 60 percent of naval and air assets home-ported in the Asia-Pacific.[9] Presence also includes arrangements to have forces in new areas, such as Marines and air forces rotating through Northern Australia; new rotational forces that might accompany the new Enhanced Defense Cooperation Agreement with the Philippines; and the augmentation of presence where some forces are already accustomed to operating (more littoral combat ships in Singapore, for instance). Key leadership meetings, both civilian and military, are essential to underscoring the durability and strength of America as an Asia-Pacific power. This presence, outside of Guam and Hawaii, is predicated on the continuation of strong alliances and the willingness to grow security partnerships.

OPERATIONS

Military operations such as shows of force and limited deployments are a second type of cost-imposing measure. Shows of force have essentially helped to highlight America's power and purpose at critical times, such as after the provocative manner in which China announced an ADIZ in the East China Sea. That was a good time for the United States to fly B-52 bombers through the zone to demonstrate its commitment to assured access to the global commons. Similarly, during China's decision to take command over Scarborough Reef and thereby seek to intimidate the Philippines and others not to touch even its fishing boats in disputed waters, the United States had a submarine make a port call in the Philippines. The tacit message was this: The United States has a defense alliance with the Philippines, and other powers that threaten the Philippines should carefully consider their own vulnerabilities before taking aggressive action. In the future, other types of operations are possible, such as the suggestion that Japan might join the United States in anti-submarine warfare patrols in the South China Sea. Allied ships might also one day be convoyed, perhaps in a scenario not unlike 2014, when the Philippines had to break a Chinese blockade around BRP Sierra Madre at Second Thomas Shoal in the Spratlys.

Clearly, military exercises would be another major way of asserting presence, while also building up capacity (the last of the four types of military measures listed here). The theater engagement campaign crafted at the U.S. Pacific Command in concert with Washington and its allies and partners is an increasingly vital part of America's presence in the Asia-Pacific region.

FORCE STRUCTURE

The final two types of military measures that might be used to impose costs and deny or offset the gains of competitors could be thought of as the hardware and software of defense cooperation: arms and force structure support, on the one hand, and capacity-building on the other. Together, these two types of measures can be focused on achieving overriding objectives, including helping to provide cost-effective, asymmetric A2/AD capabilities and maritime domain awareness, for U.S. allies and partners.

Force structure - from both a U.S. and allied and partner perspective - includes counter-A2/AD capabilities aimed at denying China inroads from its military and security posture. Fifth-generation aircraft, directed-energy weapons, distributed lethality on surface ships, more submarines, a move away from dependence on satellites in low Earth orbit, etc., are all steps – many expensive – to address China's growing A2/AD capabilities and bolster faith in U.S. power projection capabilities in defense of allies and partners in and around the first island chain. With defense reform and a more competitive procurement strategy, an offset force structure can pit U.S. strengths against Chinese vulnerabilities, forcing costly new investments and trade-offs by China.

BUILDING PARTNER CAPACITY

Partnership capacity-building is essential if regional actors are to have a chance to assert their own territorial sovereignty claims without feeling the duress of major-power coercion. Capabilities that might provide greater A2/AD and domain awareness are too many to enumerate here. However, illustrative examples are multilayered command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) to help build a common operating picture; amphibious warfare; mine warfare; and low-cost offshore patrol aircraft and vessels. Allied and partner capacity-building requires greater education and training, contingency exercises, key leadership visits, and arms and dual-use technology transfers and cooperation. By bolstering the defense capabilities of allies and partners, the United States can checkmate China's assertiveness or at least deny Beijing an outright change to the regional balance of power through coercion.

Nonmilitary Measures

Nonmilitary measures and military measures blend together in the face of modern technology and irregular and asymmetric security challenges. Informational measures, firstly, might include a technology transparency regime and information sharing. They would also include efforts to establish facts on problems with Chinese maritime claims.[10] And they could encompass efforts to highlight problematic approaches to rules and governance — from the failure to finalize a binding code of conduct, to the unwillingness to abide by crisis management channels and make effective use of hotlines with the United States or Japan, or even to the indirect crackdown on democratic expressions as in Hong Kong in 2014. A report that China might wish to foment a dormant Hawaiian independence movement seems antithetical to Chinese interests, especially given China's growing fixation over internal separatist movements in Xinjiang, Tibet and, from Beijing's perspective, Taiwan.[11]

Secondly, diplomatic measures would focus on bilateral meetings and statements, such as President Barack Obama's declaration in Tokyo that the Senkakus are covered under Article V of

the security treaty, and also multilateral forums and statements, such as then-Secretary of State Hillary Rodham Clinton's declaration of the strategic importance of the South China Sea to U.S. interests before the 2010 ASEAN Regional Forum. Unilateral U.S. statements by officials pushing back on Chinese behavior would also be key.[12]

Legal and institutional approaches, thirdly, would include support for the Philippine legal case and mobilization of others, such as Vietnam and other Southeast Asian claimant states, to support such arbitration measures provided under UNCLOS. However, there are ways to build norms outside of consensus-based ASEAN, and these could include a code of practice adopted by like-minded states to try to establish benchmarks or standards for proper behavior. Institutions such as the ASEAN-centered East Asia Summit process, for instance, could become more results-driven rather than simply process-driven, especially when it comes to maritime security. A major obstacle is the perennial fear of ASEAN members that larger external powers will end up dictating the agenda and the outcome; but if ASEAN and outside powers pull together on common rules, then perhaps more might be done.

Fourth, economic measures would include trade, investment and development, including a completed Trans-Pacific Partnership and a real Mekong development initiative with greater resources. They might also include sanctions and law enforcement measures, such as hypothetical targeted sanctions on CNOOC for drilling in disputed waters.

These two broad categories, each with four subcategories, thus provide a range of ideas for thinking about priority responses to coercion in maritime Asia. We now move to some specific recommendations that emerged from this nearly yearlong study of the problem.

RECOMMENDATIONS AND CONCLUSIONS

The Asia-Pacific region faces mounting geopolitical competition. Rules and rule-making are occurring against the backdrop of tailored coercion and the fear of hybrid warfare. It is not enough to recognize the breaking of rules through coercion or intimidation; the preservation of a rules-based system requires doing something about such behavior. But what to do? We contend that engagement, backed by a variety of tools that would impose costs on bad behavior, deny unilateral actions from achieving their purpose, or offset unilateral actions to ensure they do not shift the balance of power, constitutes the right toolkit for preserving rules in maritime Asia.

It is not enough to recognize the breaking of rules through coercion or intimidation; the preservation of a rules-based system requires doing something about such behavior.

First, the United States should seek to further institutionalize military-to-military and high-level civilian-led engagement with China. At the same time, the main goal ought to be achieving more effective cooperation, not just more contacts. The United States must insist on following through with ongoing negotiations over operational safety procedures between surface naval forces and ensure that the two sides have completed a similar memorandum of understanding to help avoid mid-air collisions by the end of 2015. More generally, discussions and agreements should include both

military and paramilitary forces operating in the East and South China Seas – not allowing China to pretend that white-hulled ships with arms are different from many gray-hulled naval vessels that are lightly armed.

Second, Washington needs to be prepared to mobilize regional and international opinion swiftly and relentlessly whenever there is a flagrant use of coercion. In such cases, shows of force and declaratory pronouncements may also be useful for singling out reckless, dangerous, and unacceptable behavior. But actions with long-term implications will be louder than words. Thus, should diplomacy and shows of force be insufficient, the United States should work with allies and partners to deny and offset potential gains in the overall balance of power by further augmenting presence and allied and partner capacity.

Third, the United States should mobilize support around positive behavior that helps to foster a rules-based community. Supporting the Philippine arbitration case before ITLOS, for instance, is a perfect example of the use of international law to help reduce tensions and halt coercion. Washington can and should do more to support such efforts, including by encouraging other claimants and ASEAN states to declare support for Manila's appeal.

Fourth, the United States should focus increasingly on building up greater maritime domain awareness and C4ISR capabilities. At the high end of allied connectivity, where forces are truly interoperable, one can build robust networked capabilities for potential combined operations in a crisis. For most partners, however, the United States can help them achieve greater situational awareness and, along with others, a greater common operating picture for use in missions as far-ranging as humanitarian assistance and disaster relief or search and rescue, among others. The transparency will serve as a device for mobilizing awareness in the event of unilateral acts of coercion, and it will also constitute the building blocks of a region-wide network that could come into being should Chinese intentions become as menacing as Chinese capabilities sometimes appear to its neighbors.

Fifth, the United States should raise the nonmilitary costs of coercion by considering a binding code of conduct – what John Lee calls a code of practice – among allied and like-minded states. It should not replace the search by ASEAN for a binding Code of Conduct but instead be considered a catalyst to spur on the high standards of behavior that must be adhered to in the region.

Sixth, the United States ought to help allies and partners deny and offset Chinese gains from massive military modernization and tailored coercion by assisting them with their own national capacity beyond C4ISR. This would include a range of A2/AD capabilities, from amphibious warfare and mine warfare, to distributed lethality on low-cost offshore patrol aircraft and vessels, to undersea warfare and mine warfare. The aim would be to focus on the most defensive and cost-effective technologies that could be used to halt an aggressive great power from easily exercising sea and air control over the territorial waters, airspace, cyberspace and outer space of others.

Seventh, Washington should enhance capacity-building with respect to security assistance, International Military Education and Training (IMET), key leadership exchanges, and exercises. Where appropriate, joint and combined, interagency, and multilateral exchanges and exercises should be privileged. These ought to be focused on long-term relationship building with the United States, as well as thickening the natural intra-Asian security network that is gradually being erected in the region to hedge against a rising China and the perception of a sometimes diverted or declining America.[13]

Finally, because economic policy undergirds security, the United States should continue to focus on comprehensive power, starting with granting trade promotion authority and completing the Trans-Pacific Partnership – a *sine qua non* for a successful long-term engagement with a rising Asia-Pacific region. Among other things, this will help ensure that Chinese promises of economic and development carrots are not used to drive a wedge between the United States and its allies and partners in the region.

Even if China continues to rise, to probe, to assert, to divide and rule, and to exert pressure by raising the heat on its neighbors, Washington still needs to come back to basic principles. The goal of the United States, Japan, and other allies and partners is to build an even more prosperous and peaceful region. America wants to expand the global middle class, build greater connectivity and freedom, and assure that all nations have access to the global commons, free from coercion. The United States wants to build, in other words, an inclusive, rules-based community. Cost imposition, denial, and offset strategies need to bear this overriding goal in mind. Washington must never lose sight of the desired objective of growing a cooperative relationship. But as this report strives to show, the region can and should resist intimidation at the same time.

ENDNOTES

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Center for a New American Security
1152 15th Street, NW
Suite 950
Washington, DC 20005

TEL 202.457.9400
FAX 202.457.9401
EMAIL info@cnas.org
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