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MARITIME SECURITY SERIES

The Challenge of Responding to Maritime Coercion

By Patrick M. Cronin

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

A China Coast Guard vessel attempts to block a Philippine government vessel as the latter tries to enter the China Second Thomas Disputed Shoals to replace Philippine troops and resupply provisions off the South China Sea in March 2014.

(BULLIT MARQUEZ/Associated Press File)

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INTRODUCTION

By Patrick M. Cronin

China's determination to become a maritime power to protect its evolving "core interests" and assert its historical claims through incremental actions in its near seas is creating a new security dilemma in the Asia-Pacific region.[1] China is a major trading partner of every country in the region and an engine of the global economy. Few leaders think that current maritime tensions pose a greater threat to their interests than would, say, a sudden slowdown of the Chinese economy. [2] Yet China's emergent pattern of assertiveness in the East and South China seas is measurably adding to regional strains and disconcerting many of China's neighbors.[3] Although beyond the scope of this report, political and unconventional warfare, including discrete acts of assertiveness backed by propaganda, legal justifications and economic carrots and sticks, is neither new nor unique to Asia at the present.[4] But the challenge posed by China's incremental expressions of its maritime sovereignty is threatening to thwart the economic dynamism and development of a regional order based on inclusivity, transparency and the rule of law.[5]

Southeast Asian countries in particular are intimidated by a rising China's power and military capabilities. Lacking comparable armed forces or adequate coast guards and air defenses, and absent an effective regional security enforcement mechanism, maritime Southeast Asian countries are anxious about China's "tailored coercion."[6] Increasingly, countries are looking for partners and policies to help prevent unilateral changes to the status quo through coercion or force. Although in some ways tensions are more acute in the East China Sea, Japan has a more formidable economy and military than do Southeast Asian countries. Moreover, Prime Minister Shinzo Abe is resolute and focused on addressing "gray zone" challenges, particularly around Japan's southwestern islands.

In both semi-enclosed seas, countries are calling on the United States to become more engaged and to demonstrate a firm commitment to maintaining

regional order. Indeed, the Obama administration has sought to strengthen its posture and to reassure allies and partners, even while attempting to grow cooperation with China through a policy of "rebalancing" to Asia. But "the pivot," as the policy was originally dubbed, is now evoked by some Chinese as the primary source of tension in maritime Asia.[7] However people choose to apportion the blame, the region as a whole is in a quandary about how to respond to coercion and provocation without creating greater security costs than benefits.

History matters. Not so long ago, for roughly a century, China was the "sick man of Asia." The Chinese Communist Party made it an article of dogma that the founding of the People's Republic brought the "century of humiliation" to a close, and President Xi Jinping has staked the regime's legitimacy on accomplishing the "great rejuvenation of the Chinese nation."[8] In the past, this type of historical consciousness has focused on solving the "divided country" problem of Taiwan. But with recent cross-strait relations much improved, if still subject to future volatility, the region's most immediate source of instability (other than North Korea) is the issue of how to respond to China's increasingly assertive approach to the seas adjacent its wealthy seaboard.

This report is the first in a series designed to address strategies for imposing costs on bad behavior in maritime Asia. The report seeks to describe the challenge of tailored coercion, outline a roster of potential responses by the United States and its allies and partners and address the potential benefits and problems of a strategy aiming to deter, deny and impose costs on maritime provocations.

I. THE PROBLEM OF TAILORED COERCION

China's "tailored coercion" involves the persistent use of comprehensive state power short of force to expand control over its maritime periphery.[9] Each tactical maneuver is calibrated to expand Chinese influence without triggering military conflict or eliciting an anti-China backlash.

From unrelenting patrols in the contiguous and territorial waters of the Senkaku/Diaoyu Islands to the declaration of an Air Defense Identification Zone (ADIZ) last November, Chinese vessels and aircraft in the East China Sea are posing a heightened risk of an incident with Japan and the United States. In two instances in spring 2014, Chinese Su-27 aircraft approached within 30 meters of Japanese surveillance aircraft.[10] Similarly, in the South China Sea, China's "cabbage strategy" around Scarborough Shoal and the Spratly and Paracel islands plants Chinese maritime forces and then promotes their growth. Photographs taken in March show China's reclamation of Johnson South Reef in the disputed Spratly Islands, and Beijing's reclamation of land features in various parts of the South China Sea appears to be intended to help China extend its power projection while bolstering legal claims. Johnson South Reef is also the site of a Vietnam-China naval skirmish that left more than 70 Vietnamese dead in March 1988.[11]

Although China is not alone in seeking to advance its territorial claims and maritime interests, its behavior is uniquely escalatory. That is why U.S. Secretary of Defense Chuck Hagel singled out China's "destabilizing, unilateral actions" against its maritime neighbors at this year's Shangri-La Dialogue in Singapore.[12] The placement of a drilling platform in disputed waters off Vietnam in May 2014, coming after months of concerted diplomacy to improve Beijing-Hanoi relations, is particularly perplexing to many in the region.

But China's creeping assertion of sovereignty in its near seas involves a pattern of dialing up and dialing down coercive diplomacy. As part of a renewed focus on "periphery diplomacy," China is wooing and rewarding neighbors willing to work closely with Beijing and is seeking to isolate and punish selected countries that want to resist China's unilateral demands. Although there is a rich and complex history to be considered, including a pattern of periodic assertiveness dating back to at least the 1970s, there has been an undeniable rise in China's maritime assertiveness over the past five years.

Perhaps the most noteworthy recent exercise of tailored coercion is the deployment of a deep-sea oil-drilling platform, Haiyang Shiyou 981, owned by the state-owned China National Offshore Oil Company, to disputed waters off of Vietnam. From early May until mid-July 2014, the rig was outside the territorial waters of the Paracel Islands. China enforced a three-ring patrol of fishing, coast guard, law enforcement and military vessels to establish its complete sea control of the area and resorted to aggressive tactics such as ramming. While China accused Vietnam of ramming, too, the expansive patrols outside of territorial waters clearly exceeded the 500-meter safety zone provided under Article 60 of the United Nations Convention on the Law of the Sea (UNCLOS). The oil rig maneuver, which could recur depending on what China's state-owned enterprise found by way of oil and gas deposits, appears to some in the region to be another step toward imposing China's "nine-dashed line" claim to roughly 90 percent of the South China Sea.[13] After withstanding two-and-a-half months of public criticism over the oil platform, China moved the rig into undisputed waters. But others such as Malaysia privately worry that China may use an energy agreement between China and Brunei to move big oil rigs near Malaysia and then use their presence to justify a larger security patrol.

Though each act of tailored coercion may seem a secondary security concern, the weight of China's

growing maritime challenge is undercutting both regional order and America's credibility as the main security guarantor of that order. In addressing a recent conference on the South China Sea, U.S. Rep. Mike Rogers, chairman of the House Permanent Select Committee on Intelligence, called this behavior "death by a thousand cuts."[14]

Even Japan has expressed unease over the depth of America's security commitment to help come to its defense.[15] If a cornerstone ally such as Japan is uncertain about America's security guarantees, then no country on China's periphery will feel secure, and no actor will be certain that the United States will help support its freedom and territorial integrity. Moreover, if the South China Sea is governed on the basis of self-proclaimed historical rights and the arbitrary use of power, then the future basis of peace across the Indo-Pacific global commons is in jeopardy. All countries that depend on the world's most important body of water for maritime trade and military transit will no longer be able to rely on a distant balancer committed to ensuring an open and rules-based system.

Australian strategist Hugh White has highlighted what he argues is the main dilemma facing the United States and the region: namely, whether to accommodate a rising China's need to express its growing power, or to contain it. But the real "China choice" is not whether to share the Pacific with China (which does not actually abut the Pacific Ocean), but whether China is willing to share maritime Asia with everyone else on the basis of equality and mutually agreed rules. [16] There are also issues surrounding China's opaque decisionmaking: the sources of China's maritime assertiveness, as well as the role of Xi Jinping but also other actors within China's leadership, military and economic power centers. Which actors in China might be behind a strategy of dislodging the United States from the region by slowly eroding its power-projection capability and with it U.S. credibility? For instance, does Major General Luo Yuan represent the mainstream thinking when he asserts an expansive claim to the South China Sea and calls for a revival of China's "militaristic spirits" to help defend that claim.[17]

Clearly China feels little compunction in mobilizing multiple instruments of state power to stake its claims. China's toolkit includes law enforcement and domestic law, propaganda and a less easily controlled pool of Chinese "netizens," trade and investment and infrastructure, political pressure and diplomatic initiatives, the buildup and centralization of coast guard and law enforcement forces and an unrelenting military modernization that includes missile, cyber and space systems aimed at denying the United States and its allies access and sea and air control around its maritime periphery. Granted, a slowdown of the Chinese economy may make these tools look less menacing, but policymakers cannot bet their security on mere possibilities. Further, China's approach to the rule of law appears peculiarly based on context, on relationships and on Confucianism. At best, it will be a long while before China adopts a shared sense of the rule of law. In the near- to mid-term, therefore, it behooves policymakers to better understand how bad behavior might be met with appropriate and effective penalties or costs.

Even so, a general question about developing a cost-imposing strategy on unilateral changes to the status quo through coercion and force – and more generally on threats to regional order – is whether that strategy is aimed at China's growing power and influence writ large, or the more narrow question of its salami tactics and maritime coercion. For instance, does it matter whether the United States is trying to change China's cost-benefit calculus regarding tailored coercion in a narrow sense, vice trying to neutralize the effects of China's growing clout overall? As we shall re-emphasize at the end of this paper, the aims of strategy are all-important. An effective strategy should achieve desired results, not simply engage in tit-for-tat exchanges.

II. COUNTERMEASURES AND POLICIES FOR HALTING AND IMPOSING COSTS

The responses to China's tailored coercion – from diplomatic demarches to international legal means to bolstering maritime and military presence, activities and capabilities – have produced little obvious improvement in China's behavior since 2008. While some actions have appeared to exact reputational costs on China, it is far from clear that those have been sufficient to change Chinese behavior.[18]

The U.S. government approach has been remarkably consistent under pressure and over time, hewing to certain principles: not seeking to take sides on sovereignty but focusing on behavior, insisting on no unilateral changes to the status quo through coercion or force and pressing actively for peaceful resolution of disputes based on the rule of law. More recently, the administration has appeared to strengthen its rhetoric and willingness to use selective shows of force. But a principled approach has been far from obviously effective.

One of the most principled approaches to disputes in the East and South China seas has emerged from President Ma Ying-jeou of Taiwan, although Taiwan's voice in these disputes has been largely silenced by its restricted political position in international affairs. Ma has sought to emphasize the results that should be desired by all parties: freedom of navigation; no use of force; the peaceful settlement of disputes; the shelving of sovereignty disputes but not sovereignty itself; and agreements to share resources. He has put his principles into action in the form of cross-strait rapprochement with the mainland, a fisheries agreement with Japan and a law enforcement agreement with the Philippines.[19] Yet these principles have yet to gain traction in the region, agreements remain highly perishable, and they have failed to address the most acute geopolitical and security concerns of key actors. Moreover, President Ma is reluctant to clarify Taiwan's claim to the nine-dashed line in the South China Sea on the basis of land features consistent with contemporary international law. And Taiwan under Ma is spending $100 million on shoring up Taiping Island (Itu Aba) in the Spratlys, eschewing a U.S. call for a moratorium on new infrastructure on land in the South China Sea.

So the questions that those who would only promote lowest-common-denominator accords refuse to address are these: What are the consequences of letting misbehavior go unpunished? And what should the international community do about those who commit provocations and stir disorder at sea? Some argue that China creates its own penalties by frightening the region, but those who argue this fail to come to grips with the reality that China is creating new facts in the water, on the ground and in the air around the East and South China seas.[20] While avoiding the extreme positions of escalating conflict or doing nothing, clearly the United States and its allies and partners need to think through the full panoply of countermeasures available to help fashion a concerted strategy for countering coercion.

The menu of countermeasures or actions that might constitute part of a cost-imposing strategy is at least fourfold (See Table 1 on pages 12-13). Responses can be categorized as military or nonmilitary. Military responses might be thought of as related to presence, operations, modernization and other steps designed to exploit another's security weaknesses, and building partnership capacity. Nonmilitary responses include informational, diplomatic and economic measures. These categories of costs in turn need to be embedded in a comprehensive strategy. For instance, Dr. Ely Ratner has offered a fivefold typology for engaging, binding and balancing China: military modernization, enhanced defense and security cooperation with the United States, intra-Asian security cooperation, regional institutions and international law, and engagement with China.[21] There are additional

costs and ways to describe them, but these cover the majority of policy ideas that have been used or are being discussed in the context of China's behavior.

Militarily, the United States is taking a number of steps to improve its long-term force posture and presence in the Asia-Pacific region.[22] Ever since the Philippines evicted U.S. naval and air forces in the early 1990s, Singapore has provided the U.S. Navy with a valuable logistics hub. More recently, Singapore has offered to allow the U.S. Navy to base up to four littoral combat ships, the second of which is due to arrive shortly. As part of an updated realignment of U.S. forces in Japan, the United States and Japan are improving their integrated operational capacity and in some cases joint basing in Japan, but also trying to reduce the U.S. military footprint in Okinawa to make basing more politically sustainable. The Abe administration is forging ahead with the creation of a replacement of Marine Corps Air Station Futenma, and as a consequence the United States is slated to move some 9,000 Marines out of Japan, about 5,000 of whom are headed to Guam.

In 2015, the United States will be expected to make more announcements about the pace and scope of solidifying U.S. presence at its Pacific territory in Guam. In the past decade, the United States had moved new bombers and three submarines to Guam, even before the 2011 announcement of a shift in naval and air presence in the Asia-Pacific region. That statement announced that the United States intends to shift the ratio of its air and naval forces from 50:50 to 60:40 in Asia and the rest of the world. Of course, that may be part of a smaller overall force structure, requiring the United States to retain forward basing as well as to step up cooperation with allies and partners.

In the Philippines, the United States has negotiated an enhanced defense cooperation agreement, which provides a legal framework for rotational force presence and other improved bilateral defense cooperation. Options include everything from pre-positioning equipment to supporting a new naval facility upgrade on Palawan facing the South China Sea to rotating an air squadron through on more regular exercises and training missions.

In Australia, the alliance has agreed to rotate up to 2,500 Marines through Darwin in the Northern Territory. These rotational forces will enable greater bilateral and multilateral amphibious and, significantly, air training at Bradshaw Field Training Area. Further, the Australian government under Prime Minister Tony Abbott is interested in exploring potential follow-on steps, including the possibility of home-porting U.S. Navy ships on Australia's west coast at HMAS Stirling, near Perth. Other ideas might be to make better use of the Australian Cocos Islands for intelligence, surveillance and reconnaissance missions with unmanned aerial vehicles.

A second way to impose military costs on bad behavior and otherwise strengthen military options is by conducting more military operations with more partners. The United States is already well on its way to doing this and now can look forward not just to more exercises with allies such as Japan, Korea, the Philippines, Thailand (looking beyond Thailand's current political turmoil) and Australia, but also new partners such as Vietnam, Malaysia, Indonesia and India. Shows of force have already been used, whether B-52 flights after China announced an ADIZ in the East China Sea in November 2013 or having a submarine surface in Manila during the standoff in Scarborough Shoal in 2012.

One proposal that has been mentioned but not yet tried for dealing with Asian maritime coercion is escorting ships, a la Operation Earnest Will, when the United States led an international reflagging operation to ensure the safe passage of oil tankers in and out of the Persian Gulf during the Iran-Iraq

In the Philippines, the United States has negotiated an enhanced defense cooperation agreement, which provides a legal framework for rotational force presence and other improved bilateral defense cooperation.

War in the 1980s. Another tactic has been the U.S. Navy's regular use of freedom of navigation operations (FONOPs) to demonstrate the open maritime commons, including even peaceful naval passage through the exclusive economic zones (EEZs) of countries but outside their immediate 12-nautical-mile territorial limit. One of the most confrontational FONOPs was the dispatching of two aircraft carriers around the Taiwan Strait during heightened tensions with China after missile launches in 1996. Some analysts have argued that China's growing military modernization has focused on preventing the ability of the United States to conduct that kind of operation without undue risk, through growing air and naval forces designed to deny access to others.

A third military approach to imposing costs and otherwise preparing to deny maritime coercion is by exploiting the vulnerabilities and weaknesses of the provoking nation to exact a military cost. This approach could involve military modernization or other steps to highlight another's security weaknesses. Given China's relative weakness with respect to anti-submarine warfare, the United States and its allies and partners could invest more heavily in submarine operations and, over the longer term, procurement, to force China to divert even more resources to shore up this weakness. Another approach to exploiting the weaknesses of China's People's Liberation Army (PLA) would be to pose a missile threat and other asymmetric threats to China, much as China has been investing in systems that provide anti-access and area-denial capabilities. The cruise missile, and not just the anti-ship ballistic missile program of China, is apparently seen within the PLA as a cost-effective defensive tool to force U.S. forces farther away from its waters.[23] But if the United States were to replace current missile warheads and arm drones with multiple re-entry vehicles, this would pose a huge risk to China's forces and force greater investment in air defense and missile defenses on land and at sea.[24] Similarly, the U.S. operational concept of Air-Sea Battle potentially forces China to invest in systems even without the concept being proved, adopted or implemented.[25] Of course, these approaches would not be without risk and cost to the United States, whether to American credibility as the champion of peaceful resolution or through the risk of escalation.

A fourth military tool for imposing costs, at least indirectly, is to bolster the capacity of allies and partners to help themselves. This can come through deepening strategic dialogue, exporting professionalism and training, and especially in the form of arming and equipping. This applies especially to those countries with a large force asymmetry relative to China's large, modernizing and growing coast guard, law enforcement and military forces. The United States' transfer of former Coast Guard cutters to the Philippines, which is using them as part of its limited naval force, is a prime case in point; so, too, is Japan's offer of patrol boats to the Philippines and Vietnam to bolster their coast guards. Since Japan is funding these under the guise of more strategically direct foreign assistance, one might double classify this as an economic tool as well as a military one for imposing indirect costs on China for its maritime assertiveness.[26]

Another way to build partnership capacity, as implied by Japan's patrol boat transfer, is to foster the growing Asia power web of intra-Asian security cooperation.[27] In this vein, as Vietnam's navy seeks to integrate six Russian Kilo-class diesel submarines, Japan, Australia and India might assist with training for professional submarine operations. Thinking regionally, the United States can work with appropriate allies and partners in creating transparency through an intelligence, surveillance and reconnaissance (ISR) regime for putting all actions – from ramming tactics to the reclamation of disputed land features or the movement of oil rigs in contested waters – on the equivalent of C-SPAN. This same system can help nations prepare for disaster response and also help them be ready to operate together and share a common operating picture. Even highly skilled and equipped allies, such as Japan, can make use of niche training, as in the recent training of Ground Self-Defense Forces for amphibious operations.[28]

Nonmilitary cost-imposition tools might be categorized as informational: to impose reputational costs in particular (such as through an ISR regime to spotlight provocations); to create a shared information regime for possible coalition operations, including escort missions; and to contribute to a positive narrative that the political aim of the United States and its allies is not conflict and not even confrontation if it can be avoided. Rather, the aim is to draw a line under certain bad behavior and dissuade others from resorting to unilateral changes to the status quo through coercion or force. Granted, the status quo is not clearly defined, but in Southeast Asia the onus is on the largest power, China, to demonstrate restraint and build cooperation. In the East China Sea, there is some pressure on both China and Japan to exercise restraint and demonstrate statesmanship through measures to build confidence, avoid escalation and avert miscalculation. Here, some of the goals expressed by Taiwan, another claimant in both seas, at least hit a positive chord.

The U.S. government has tabled the idea of a freeze on provocative unilateral actions. This may be more useful in the South China Sea than in the East China Sea. Both China and Japan have moved beyond the status quo that Deng Xiaoping spoke of when advocating the shelving differences to advance common development. Back in 2008, the two agreed to explore jointly for energy in part of the East China Sea. After the Chinese rammed Japanese coast guard vessels in 2010, Beijing and Tokyo worked on a type of hotline to help defuse future incidents. But after Japan nationalized the Senkakus in 2012, China made repeated attempts to demonstrate that the Diaoyu Islands, as it calls them, belong to China. Japan rejects the idea that the islands are in dispute at all. But there is nothing to stop Japanese officials from telling the Chinese the following: We do not see a dispute but if you do, please take your complaint to the International Court of Justice. Unfortunately, there remains little political will for mending China-Japan relations.

In the South China Sea, an information regime could help, and the narrative should focus on the need for a binding code of conduct and agreed-upon behavior by all – not just bilaterally between a great power such as China and smaller neighbors. After all, at stake are the maritime and air commons in the South China Sea for all powers. A successful informational narrative needs to explain to the broader public what is at stake in the East and South China seas, for even some seasoned defense analysts in the United States sometimes fail to appreciate how incremental changes could fundamentally alter the balance of power and regional order, and vastly diminish the U.S. ability to undergird an open, rules-based system. The order can break down one reef at a time. Moreover, a narrative can spotlight China's use of a comprehensive toolkit of policies in its effort to exert greater influence and administrative control over both seas.

The two final types of cost-imposing tools are diplomatic and economic. Diplomatic tools will be summarized briefly, mostly because to date these have comprised the principal responses by various countries. Economic tools will be similarly brief because principally these have been used by a rising China: whether to hold back or be forthcoming with trade and investment, infrastructure assistance and credit.

Regarding diplomatic or political tools, the main cost is embedded in the notion of spotlighting bad behavior to undermine China's reputation by highlighting the gap between the Chinese goal of peaceful rise and its less than peaceful behavior. Some of the tools have been judicial, with the principal one thus far being the case placed by the Philippines before the International Tribunal for the Law of the Sea regarding such issues as the legal basis for China's nine-dashed line claim on the South China Sea. Other potential legal measures might include Vietnam and other claimants' joining that case or lodging their own claims. Alternatively, as suggested above, China could ask the International Court of Justice to adjudicate its claims to the Senkaku/Diaoyu Islands. Finally, land features in the South China Sea might usefully be mapped under the auspices of UNCLOS to determine which few are islands and thereby entitled to territorial waters. But these are as much attempts to reduce the scope of differences and claims rather than to impose costs. And to these, many other confidence-building measures can be added.

The main cost imposition has come in the form of putting Chinese assertiveness on the agendas of major regional forums, especially those centered on the Association of Southeast Asian Nations (ASEAN). Then-Secretary of State Hillary Rodham Clinton put down a clear marker at the 2010 ASEAN Regional Forum in Hanoi; more recently, ASEAN ministers registered unusual unity by effectively condemning the movement of China's oil rig off of Vietnam. But China, not without cause, seems to view ASEAN as a sandcastle whose unity can be toppled easily with enough pressure.

Reputational costs are not only external but also potentially internal. The United States could consider imposing political costs on Beijing that apply pressure in areas the Chinese leadership values most, notably the legitimacy and primacy of the Communist Party. This could include strategies to challenge China's "core interests," such as taking actions that call into question Beijing's legitimate sovereignty over Taiwan, Tibet, Xinjiang or Hong Kong.[29] A principled information campaign, including with the use of social media in China, could highlight governance shortfalls, including rising inequality, environmental issues and, perhaps most importantly, corruption among top leaders in the Communist Party and People's Liberation Army.[30] Furthermore, U.S. officials could revisit the policy of not taking positions in territorial disputes and instead throw weight behind allied or partner claims specifically. But raising thorny political issues might be difficult to connect to behavioral change in the minds of Chinese decisionmakers, and the United States could find itself facing a more recalcitrant Beijing along with a new sovereignty claim or niche human rights lobby to vindicate.

Economic cost imposition in these disputes has mostly come from Beijing, in the form of China curbing imports from Japan or the Philippines, or slowing trade to Vietnam. While it is not always clear how much of these are centrally guided versus publicly derived, either way China seizes on its economic clout to compel neighbors to settle their differences with China on more favorable terms than might otherwise be the case. But economic cost imposition works both ways, given the integration of China into the modern global economy. For instance, the idea of the Trans-Pacific Partnership (TPP), while not aimed at China, is intended to help determine the future trading rules within the Asia-Pacific. In this sense, progress on TPP imposes limits on the attractiveness of doing business with

TABLE 1: COUNTERMEASURES AND POLICIES FOR HALTING AND IMPOSING COSTS

	TARNISH REPUTATION	IMPOSE FINANCIAL PENALTIES	CLARIFY RULES AND SET NORMS	IMPOSE DOMESTIC POLITICAL COSTS
MILITARY MEASURES				
Presence				
More/Upgraded Assets				
New 'Places'				
Operations				
Shows of Force	X		X	
Escort Operations			X	
Force Structure				
Procure Competitive Systems				
Partner Capacity				
Training & Exercising			X	
Arming & Equipping				
NON-MILITARY MEASURES				
Informational				
Multilateral Intelligence, Surveillance and Reconnaissance Regime	X		X	
Call Out Contradictory Positions	X		X	
Highlight Domestic Governance Issues	X		X	X
Diplomatic				
Legal Processes			X	
US/Alliance Statements				
ASEAN/International Communiques	X			
Question Substance of PRC Sovereignty Claims	X		X	X
Economic				
Trade Initiatives		X		X
Sanctions	X	X		X

	DIVERT RESOURCES	STRENGTHEN DETERRENCE AND U.S. CREDIBILITY	EXPOSE MILITARY WEAKNESSES	SHIFT MILITARY BALANCE
MILITARY MEASURES				
Presence				
More/Upgraded Assets	X	X	X	X
New 'Places'	X	X	X	X
Operations				
Shows of Force		X		
Escort Operations	X	X		
Force Structure				
Procure Competitive Systems			X	X
Partner Capacity				
Training & Exercising	X	X		X
Arming & Equipping	X	X		X
NON-MILITARY MEASURES				
Informational				
Multilateral Intelligence, Surveillance and Reconnaissance Regime	X	X	X	X
Call Out Contradictory Positions				
Highlight Domestic Governance Issues	X		X	
Diplomatic				
Legal Processes				
US/Alliance Statements		X		
ASEAN/International Communiques				
Question Substance of PRC Sovereignty Claims				
Economic				
Trade Initiatives				
Sanctions				

China and thereby forces China to listen more to existing international rules.

Finally, while sanctions are not a major cost-imposing tool for coercive behavior in Asia, they may still have a role to play. For instance, should China return a drilling rig to disputed waters, Vietnam, other South China Sea claimants or international actors elsewhere could choose to impose sanctions on the Chinese state-owned company responsible.

III. BENEFITS, LIMITS AND CHALLENGES OF COST-IMPOSING STRATEGIES

If the United States and its allies and partners consider ways to impose costs on China's maritime behavior, officials need also to consider the potential limitations, challenges and consequences of such an approach. Three first-order problems can be reduced to three overriding issues: cost, coherence and outcomes.

First is the issue of cost. What is the price of a cost-imposing strategy? Clearly it is not wise to deny an accretion of Chinese influence over its near seas if it comes at the price of war. But in reality these are truly gray-zone issues, in which both the stakes and risks are largely bounded by the realization that no government wants a war.

One potential near- to mid-term cost of any cost-imposing strategy centers on the general fear of provoking military escalation. China has shown remarkable complacency about this regional concern. For instance, its refusal to contemplate binding confidence-building measures, such as a legally enforceable code of conduct with ASEAN members, may be understandable in terms of great-power politics: China simply does not want to be kept to the same rules as smaller neighbors. Less sensible is why China also refuses to implement a hotline with Japan, a country with whom a crisis is likely and could escalate without proper channels of communication. Yet if China is willing to accept that risk and others are not, there would appear to be little penalty for continuing tailored coercion. Indeed, one purpose of this paper and this research project is to advance the supposition that imposing costs on bad behavior will be essential to help change that behavior into something more congruent with regional norms. At the same time, avoiding dangerous incidents at sea will remain a growing challenge of any cost-imposing strategy.

A longer-term potential cost is polarization of the region, much as the Cold War divided most of the world into two camps. Cost-imposition strategies must be designed to help achieve the larger goals of preserving peace as well as prosperity. As the United States puts forth a positive vision for the region, it is imperative to not lose sight of the goal of an inclusive, rules-based system so all responsible nations can benefit from an open global commons. Yet a hard-edged cost-imposition strategy risks fracturing the region, fueling an arms race, creating a new Cold War and driving future generations of Chinese into the belief that a long-term contest with the United States is inevitable and must be won.

The second major challenge, beyond cost, is a question of coherence. It may be possible to outline a roster of policy instruments, but can the United States, as well as its allies and partners, implement them in a concerted fashion to ensure a likely positive outcome? Given that China is a major economic partner of all and the United States is a major security partner of many, there are inevitable tensions and trade-offs that may confound a reasonably coherent strategy.

At a minimum, policy coherence will require that officials maintain a difficult balance between engaging China to grow cooperation and imposing costs to deter, deny and alter bad behavior. This precarious tightrope walk requires living with some uncomfortable level of instability rather than trying to focus on only half of the equation. Senior policymakers will have to believe their own strategy and be willing to make tough trade-offs, even at the risk of cooperation on third issues. Warning signs abound about how hard this is: from the Sunnylands summit in June 2013, where President Barack Obama did not push back on Xi's reference to sharing the Pacific Ocean; to Secretary of State John Kerry more recently stressing that the United States was not seeking to pressure China; to the Chief of Naval Operations, Admiral Jonathan

Greenert, declaring that bilateral relations should not be put at risk by "small" islands and reefs.[31] All three of these and other instances might be seen as evincing a lack of will to impose costs on bad behavior and to see through those costs despite some discomfort to bilateral relations with China. Conversely, having the president declare U.S. support for Japan in the form of an Article V commitment to its defense and indicting PLA officers for economic espionage could be seen by America's China-watching community as excessively disruptive to the continuation of lucrative trade and tranquillity. The point is that policy coherence will be a challenge for any administration.

The policy coherence problem is also magnified as one moves from national policy to the U.S.-Japan alliance to the far more varied set of relations with Southeast Asian countries. With emergence of a wider network of capable regional actors in the Asia power web, there are more triggers, more decisionmakers and more local interests that may or may not overlap with others.[32] This places a premium on enduring U.S. international leadership, greater policy clarity and active engagement.

The third and final critical challenge is whether the strategy, even if well-devised and -executed, can achieve the desired outcome. Even if it does, will it be possible to demonstrate cause and effect? For instance, the recent departure of the Chinese oil rig from disputed waters appeared to occur nearly a month ahead of the typhoon season that represented a practical limit on its stay; was that because of significant criticism of China's unilateral action or some other reason? Perhaps time will tell, for if the oil exploration led to a new gas and oil find, it is highly probable that the rig will return at some point.

As mentioned above, the aim of cost-imposition strategies is not conflict but rather clearer rules of the road for all to follow and therefore a more peaceful region. Because most in the region want peace with both China and the United States – and peace between them – there is a special emphasis on the need to make cost-imposing strategies proportionate to the perceived act of coercion. In short, it will be important to impose meaningful costs that do not bring about a backlash against U.S. leadership or U.S. allies and partners. It is equally important to avoid a Pyrrhic victory, such as a wildly unstable China that cripples the global economy. Proportionality is one reason why the war of narratives will continue to be waged.

Even if the United States and its allies are willing to pay the price of imposing costs on China's bad behavior, and even if they can devise and implement a workable strategy, there is no assurance that it will have the desired effect on Chinese behavior.

Finally, even if the United States and its allies are willing to pay the price of imposing costs on China's bad behavior, and even if they can devise and implement a workable strategy, there is no assurance that it will have the desired effect on Chinese behavior. Thus, it is important to remember that there is a difference between *imposing costs* and *changing behavior.*

IV. CONCLUSION

The challenge of tailored coercion is spurring regional actors to find effective responses for defending their national interests as well as regional order. Imposing costs on bad behavior, as well as taking other steps to deter and deny coercive and incremental "salami tactics," is one approach that demands greater analysis.

Subsequent papers will delve into the specific responses of Japan and some Southeast Asian countries, conceptual elements of cost-imposing strategies overall and selective issues such as the impact of emerging technologies on maritime coercion in Asia.

This initial paper has explored why China's tailored coercion is a challenge to regional order and what kinds of steps states could take to impose costs on this behavior. But it has also made clear some of the limitations of a cost-imposing strategy. The actual price of more assertive responses cannot be known in advance.

Yet there is also a huge price to be paid for inaction or ineffective and feckless policy. The United States did not solely create a successful regional order after World War II, but no single country played a more decisive role in doing so. Moreover, America's promotion of universal values and free trade has done more than any other nation to promote globalization. These gains are not set in stone but open to alternative orders. It was a young Winston Churchill, speaking in March 1913, who noted that Britain had through the centuries made the seas "a safe highway for all."[33] Today, the United States, working with others, aspires or should aspire to make the seas, airways, cyber space and outer space safe highways for all.

ENDNOTES

1. While China may simply have more capability to assert its historical claims, recent documents emerging from the Communist Party of China (CPC) indicated evolving conceptions of "core interests" and a clear emphasis on making China "a maritime power." For one discussion on core interests, see Timothy Heath, "China's Defense White Paper: A New Conceptual Framework for Security," *China Brief*, 13 no. 9 (April 25, 2013), 10-13, http://www.jamestown.org/uploads/media/cb_04_17.pdf. The goal of building China into "a maritime power" was articulated by Hu Jintao in his 2012 speech to the 18th National Congress of the CPC and more recently by President Xi Jinping in a study session with members of the Political Bureau of the CPC Central Committee. See "Xi advocates efforts to boost China's maritime power," Xinhuanet.com, July 31, 2013, http://news.xinhuanet.com/english/china/2013-07/31/c_132591246.htm.

2. Robert D. Kaplan, "China's perilous tangle of military and economic fortunes," *Financial Times*, July 27, 2014, http://www.ft.com/intl/cms/s/0/dbe55adc-140d-11e4-b46f-00144feabdc0.html#axzz3Amb0Pjif.

3. "Global Opposition to U.S. Surveillance and Drones, but Limited Harm to America's Image; Many in Asia Worry about Conflict with China" (Pew Research Center, July 14, 2014), http://www.pewglobal.org/files/2014/07/2014-07-14-Balance-of-Power.pdf. This Pew poll shows, among other things, rising concern about China's behavior and a growing desire for a firm U.S. commitment to Asia.

4. Russia's have been cloaked in political warfare. And on political warfare see Frank Hoffman, "On Not-So-New Warfare: Political Warfare vs. Hybrid Threats," War on the Rocks, July 28, 2014, http://warontherocks.com/2014/07/on-not-so-new-warfare-political-warfare-vs-hybrid-threats/.

5. Patrick Cronin, "China's Problem With Rules: Managing a Reluctant Stakeholder," War on the Rocks, June 26, 2014, http://warontherocks.com/2014/06/chinas-problem-with-rules-managing-a-reluctant-stakeholder/.

6. For a discussion on this topic, see Patrick M. Cronin, Ely Ratner, Elbridge Colby, Zachary M. Hosford and Alexander Sullivan, "Tailored Coercion: Competition and Risk in Maritime Asia" (Center for a New American Security, March 2014), 5-10, http://www.cnas.org/sites/default/files/publications-pdf/CNAS_TailoredCoercion_report.pdf.

7. For instance, Professor Chu Shulong recently declared, "The simple fact is that tension in the South China Sea has become higher in the last three years since US adopted its pivot strategy . . . " Quoted in Chen Weihua, "Scholar is blunt on US bias in South and East China seas," *China Daily*, July 14, 2014, http://usa.chinadaily.com.cn/us/2014-07/15/content_17784484.htm.

8. National People's Congress of the People's Republic of China, *Full text: Work report of NPC Standing Committee (2014)* (March 18, 2014), http://www.npc.gov.cn/englishnpc/Speeches/2014-03/18/content_1856663.htm.

9. Cronin et al., "Tailored Coercion." Also see Robert Sutter, "Dealing with America's China Problem in Asia — Targeting China's Vulnerabilities," PacNet #58 (Center for Strategic and International Studies, July 21, 2014), http://csis.org/publication/pacnet-58-dealing-americas-china-problem-asia-targeting-chinas-vulnerabilities.

10. Katsuhiko Meshino, "China still playing cat-and-mouse with Japan in East China Sea," *Nikkei Asian Review*, June 20, 2014, http://asia.nikkei.com/print/article/36913.

11. "Philippines Releases Photos Showing China Reef 'Reclamation,'" *Defense News*, May 15, 2014, http://www.defensenews.com/article/20140515/DEFREG03/305150039/Philippines-Releases-Photos-Showing-China-Reef-Reclamation-.

12. Karen DeYoung, "Chuck Hagel in his comfort zone as U.S. shifts attention to Asia-Pacific region," *The Washington Post,* May 30, 2014, http://www.washingtonpost.com/world/chuck-hagel-in-his-comfort-zone-as-us-shifts-attention-to-asia-pacific-region/2014/05/30/c810d3a6-e816-11e3-a70e-ea1863229397_story.html.

13. That claim has been in hot dispute since 2009, when China appended the "nine-dashed line" map based on historical claims to the United Nations Commission on the Limits of the Continental Shelf. The map was part of a *Note Verbale* that claimed "indisputable sovereignty over the islands in the South China Sea and its adjacent waters." See Robert C. Beckman and Tara Davenport, "CLCS Submissions and Claims in the South China Sea" (paper presented at the Second International Workshop: The South China Sea: Cooperation for Regional Security and Development, Ho Chi Minh City, Vietnam, November 10-12, 2010).

14. David Brunnstrom, "U.S. Republican warns of 'death by a thousand cuts' from China," Reuters, July 10, 2014, http://uk.reuters.com/article/2014/07/10/china-usa-republican-idUKL6N0PL5JI20140710.

15. For example, see Jay Solomon and Carol E. Lee, "Obama Contends With Arc of Instability Unseen Since '70s," *The Wall Street Journal*, July 13, 2014, http://online.wsj.com/articles/obama-contends-with-arc-of-instability-unseen-since-70s-1405297479.

16. The phrase is the title of the provocative book by Hugh White, *The China Choice: Why America Should Share Power* (Collingwood, Victoria, Australia: Black Inc., 2012).

17. Edward Wong, "New Map Shows China's True Expanse, General Says," *The New York Times,* August 21, 2014, http://sinosphere.blogs.nytimes.com/2014/08/21/new-map-shows-chinas-true-expanse-general-says/?ref=asia.

18. The Pew poll, for instance, suggests growing concern about conflict in the East and South China seas and yet greater favorable rating of the United States, all of which might be at least in part attributable to Chinese heavy-handedness in maritime Asia.

19. Based on my discussion with Ma on August 6, 2014, as part of a delegation brought to Taipei on the second anniversary of his East China Sea Peace Initiative.

20. For instance, see David M. Lampton, "The US and China: sliding from engagement to coercive diplomacy," PACNET #63 (Center for Strategic and International Studies, August 4, 2014), http://csis.org/publication/pacnet-63-us-and-china-sliding-engagement-coercive-diplomacy.

21. Ely Ratner, "Chinese Assertiveness Has Asia on Edge: How to Response," *The National Interest* (August 4, 2014), http://nationalinterest.org/blog/the-buzz/chinese-assertiveness-has-asia-edge-how-respond-11011.

22. For an extended look at U.S. regional basing, see Carnes Lord and Andrew S. Erickson, eds., *Rebalancing U.S. Forces: Basing and Forward Presence in the Asia-Pacific* (Annapolis, MD: Naval Institute Press, 2014).

23. Dennis M. Gormley, Andrew S. Erickson, and Jingdong Yuan, *A Low-Visibility Force Multiplier: Assessing China's Cruise Missile Ambitions* (Washington: National Defense University Press, 2014); and Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2013* (2014).

24. See Sutter, "Dealing with America's China Problem in Asia — Targeting China's Vulnerabilities."

25. Aaron L. Friedberg, *Beyond Air-Sea Battle: The Debate Over US Military Strategy in Asia* (London: The International Institute for Strategic Studies, Adelphi Paper 444, 2014).

26. Of course, this may be giving China's assertions too much credit: Even under normal circumstances the desire to protect a global commons gives the United States an interest in ensuring that other countries can help uphold the rule of law and defend their immediate areas.

27. Patrick M. Cronin et al., "The Emerging Asia Power Web: The Rise of Bilateral Intra-Asian Security Ties" (Center for a New American Security, 2013), http://www.cnas.org/sites/default/files/publications-pdf/CNAS_AsiaPowerWeb.pdf.

28. Along with appropriate equipment such as MV-22 Ospreys and amphibious assault vehicles, the Japanese are acquiring a limited but targeted amphibious capability to deter and if necessary defend the Senkaku/Diaouyu Islands.

29. There is some evidence that small steps in this vein still provoke significant, if mostly rhetorical, consternation in Beijing. See "China denounces appointment of U.S. special coordinator on Tibet," Reuters, February 24, 2014, http://www.reuters.com/article/2014/02/24/us-china-us-tibet-idUSBREA1N0AV20140224.

30. As with sovereignty issues, the release of information, even by private journalists, about elite corruption provokes harsh responses from Beijing, indicating the pain the party feels on these topics. Benjamin Carlson, "China to expel New York Times, Bloomberg journalists: Reports," *Global Post*, December 5, 2013, http://www.globalpost.com/dispatch/news/regions/asia-pacific/china/131205/china-expel-new-york-times-bloomberg-journalist.

31. Xi told Obama at Sunnylands: "The vast Pacific Ocean has enough space for two large countries like the United States and China." See "Chinese leader Xi Jinping joins Obama for summit," BBC News, June 8, 2013, http://www.bbc.com/news/world-asia-china-22798572. In Beijing in July 2014, Kerry said: "We mean what we say when we emphasize that there's no U.S. strategy to push back against or be in conflict with China." See Jane Perlez, "Kerry Assures China That the U.S. Can Have Many Allies in Asia," *The New York Times,* July 10, 2014, http://www.nytimes.com/2014/07/11/world/asia/china-kerry-cyberspying.html?_r=0. On the margins of the RIMPAC naval exercise that included China as a participant for the first time, an unnamed official explained the U.S. position this way: "Those things exist but the intent of these meetings is to look at ways that we can work better together so we can improve the understanding between our navies." See Agence France-Presse, "U.S. Admiral in China for Top-Level Navy Talks," *Defense News,* July 15, 2014, http://www.defensenews.com/article/20140715/DEFREG03/307150025/US-Admiral-China-Top-Level-Navy-Talks.

32. We develop these issues in Cronin et al., "The Emerging Asia Power Web: The Rise of Bilateral Intra-Asian Security Ties."

33. Quoted in Christopher M. Bell, *Churchill & Sea Power* (Oxford: Oxford University Press, 2013), 12.

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