



REPORT

The perception gap: Reading China's maritime strategic objectives in Indo- Pacific Asia

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EXECUTIVE SUMMARY

As China's power grows, it is perceived by others as a potentially destabilising force. This raises the stakes for strategic competition and increases the potential for conflict especially in the Indo-Pacific maritime domain. This Report seeks to identify both the real differences in interests between China and other powers in the Indo-Pacific, and also the sharp divergences in perceptions regarding China's maritime strategic objectives.

Close examination reveals a disturbing perception gap, with negative consequences for regional security. Even as China seeks to reassure regional countries about its peaceful aspirations, for instance, by developing infrastructure projects and constructing narratives of a 'community of common destiny', mistrust is growing. As a result of their perceptions of Chinese ambitions, regional powers are strengthening their maritime military capabilities, and intensifying their security ties with the United States and with one another. There is a need to address those instances where the problem is a difference in perceptions as opposed to a real difference in interests. Here regional middle powers such as Australia have an opportunity to make a constructive contribution by using their diplomacy to moderate some of the tensions they are witnessing by helping to address the perception gap.

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Global wealth and power continue to shift to a maritime region stretching from the Indian Ocean to the Pacific; Indo-Pacific Asia or the Indo-Pacific for short.¹ This maritime region is no longer dominated by one superpower but is being shaped by several great powers: the United States and China and, to a lesser degree, India and Japan. Among these four, China, in particular, is perceived by many others as a potentially destabilising force. This raises the stakes of strategic competition and conflict within the Indo-Pacific, creating a security problem of global dimensions: how to incorporate the expanding interests, military capabilities, and strategic goals of China without threatening the security of other powers to an extent that could lead to major conflict.²

As a starting point, it is necessary to identify both the real differences in interests between China and other powers, and also the sharp divergences in perceptions regarding China's maritime strategic objectives. The perception gap can be even greater than the interests gap, thus exacerbating tension and risk. This Lowy Institute Report outlines the deepening extent of that perception gap. This provides some parameters for states to recognise those differences and manage strategic tensions without worsening them further, as China's interests, capabilities, and presence in the Indo-Pacific continue to expand.³

The Chinese maritime objectives considered here relate not only to the contested waters of the Western Pacific littoral — the East China Sea and the South China Sea — but also to the Indian Ocean, where Chinese interests and activity have grown markedly over the past decade. An evaluation of China's strategic objectives must bear in mind not only the roles of domestic policy actors (a subject examined elsewhere⁴) but also such factors as: the economic, political, and security stakes in question; the development and deployment of Chinese maritime capabilities; policy rhetoric and other indicators of policy development; changes in its relationships with other powers; and its attitude to regional institutions.

China's objectives in these subregions of the Indo-Pacific are different in some important ways. Notably, in the Indian Ocean, China is seeking to protect its energy supply lines, including through being able to project power. But this is nothing like the level of control it is widely seen as seeking to exert in the South China Sea and the East China Sea. Yet these objectives also overlap, in terms of protecting and advancing what China perceives as its interests as well as national pride — potentially at the cost of serious friction with other powers. Moreover, the subregions are now joined in a Chinese geo-economic and geopolitical framework termed the Maritime Silk Road, which can be seen as analogous (or as a rival) to the Indo-Pacific.⁵

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Chinese policy objectives need to be understood in the strategic context of the response from other significant powers. The wider the gap between China's and others' perceptions of its motives and behaviour, the greater the risk to regional peace and stability.

Japan and India are two major regional powers whose strategic anxieties are becoming more acute in tandem with China's rise. In addition, this Report will briefly consider the ways in which some of China's maritime neighbours, notably Vietnam and the Philippines, perceive and respond to China's use of its power in the waters it shares with them. The security perceptions and responses of these four states — Japan, India, Vietnam, and the Philippines — will be major factors in determining whether China's growing strategic influence in the Indo-Pacific can be managed without confrontation or conflict. The near-term perspectives of Japan, Vietnam, and the Philippines will be assessed in light of the risks of escalation in the East and South China Seas. The perspective of India will be considered in the medium-to-long-term, going to the question of whether India-China strategic interactions can remain stable as China extends its role in the Indian Ocean and India, to a lesser degree, in waters east of Malacca. The perceptions of other maritime players, particularly Australia, will also be touched upon.

The strategic perspectives and response of the United States to China's rise as a maritime power have been examined exhaustively elsewhere. They are not the principal focus of this report. Of course, the US-China relationship will remain vital to the management of tensions in the Indo-Pacific, even when those tensions do not directly arise from US-China differences. If the United States and China can operationalise mechanisms to reduce risks and manage crisis in the spirit agreed to in meetings between President Xi Jinping and President Barack Obama in November 2014, the likelihood of inadvertent conflict between China and other powers in the Indo-Pacific could be substantially lowered. Conversely, security tensions between China and these other powers may well embroil the United States, and thus raise the prospect of wider strategic confrontation, given that Washington is a treaty ally of Japan and the Philippines and a security partner of Vietnam and India. None of the parties — China included — seek conflict. But the United States, its allies, and partners will want to deter what they perceive as Chinese coercion against one of their number, or efforts to challenge what they define as a rules-based regional order.

Thus, regardless of how well the United States and China manage their security relations in the years ahead, there will also be a need for a clearer understanding between China and other regional powers. An enhanced understanding of China's strategic objectives in the Indo-Pacific, and how other key regional states are responding, can improve the prospects for preventing conflict or escalation, even when interests differ. Indeed, any attempt to build regional stability without squarely

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In the following Report, the two authors individually identify the distinguishing features of Chinese and regional perceptions, and conclude with some joint insights into how to manage the perception gap and regional tensions.

WHAT DOES CHINA SEE AS ITS STRATEGIC OBJECTIVES IN THE EAST AND SOUTH CHINA SEAS?

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A useful starting point to explore China's understanding of its strategic maritime objectives is to contemplate China's perception of possible threats to its maritime periphery. The United States is the only country in the world that can patrol and control vital shipping lanes, technically known as sea lines of communications, on which China's continued economic growth relies. Japan, until recently, deployed a larger and stronger coast guard fleet. Vietnam and the Philippines, alongside other claimants, persist as adamantly as China in their claims to contested islands as well as the maritime rights stemming from these claims.

China's perception of its objectives is further informed by its long period of weakness starting from the 1840s, when foreigners carved up China and humiliated Chinese people in countless ways. To this day, the Communist Party of China (CPC) bases its legitimacy on having saved China from this shameful subjugation, vowing to never again allow foreigners to decide China's fate. The continuing emphasis by the CPC on this narrative cannot be overstated. It is an underlying thread to most Chinese analysis of future strategic objectives, maritime or otherwise.

A specific maritime component of China's 'century of national humiliation' is that foreigners invaded from the sea to bring about the empire's demise, because China lacked naval power. This sense of vulnerability is the driving force for China's desire to form what China analyst Peter Dutton calls a "ring of maritime control" around its periphery.⁶

Thus, if one combines China's historic angst about security threats from the sea with its restored economic and military strength, it is reasonable to presume that ideally China's 'near seas' would be her own seas. Therefore an aspirational strategic objective would be to dominate its near seas to the greatest extent possible. However, above all, China is pragmatic. The post-war global order and the predominance of the United States are realities. China does not desire conflict. China desperately needs a peaceful environment to continue its modernisation drive. China's top leader Xi Jinping reiterated China's firm commitment to peace at the Boao Forum in March 2015. Moreover, China has as strong an interest as any other nation in ensuring freedom of navigation, although China does not define it in the same way as many others in the region or, most importantly, as the United States.

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China's realistic strategic maritime objective, therefore, is to ensure that it is not denied access to its near seas and what it perceives as its sovereign maritime rights. China has legitimate motives to protect its wealthy South China Sea coastal provinces and the sea-lanes on which the entire country relies. The vast majority of China's energy imports and other goods pass through the South China Sea, and, to a lesser degree, through the East China Sea. Both seas also contain an abundant supply of vital fish stocks, hydrocarbons, and minerals.

China does not accept the accusation that it is challenging the openness of the maritime commons.⁷ But it does openly question some of the historical norms governing freedom of navigation; in particular, it opposes the American interpretation of what constitutes acceptable behaviour in the Exclusive Economic Zone (EEZ) according to the United Nations Convention on the Law of the Sea (UNCLOS). China objects to intelligence gathering by the US in China's EEZs, which Washington states is part of its defence of freedom of navigation. China, along with a handful of nations including Brazil and India, maintains that military activities, including intelligence gathering, are not allowed under UNCLOS in the EEZ without the permission of the coastal state. However, the United States disagrees. Further complicating the dispute is that the United States has not ratified UNCLOS; on the other hand, China, along with 165 other nations and the European Union, has done so.⁸

Of all the numerous disagreements potentially threatening stability in the South China Sea, this dispute between China and the United States could have the most profound consequences. In a worst case scenario an incident could spiral out of control and pit the two militaries against each other. China has, on a number of occasions, intercepted American aircraft and vessels on intelligence gathering missions, causing what the US has called "dangerous situations."⁹

A complex dynamic is at play here; one that is part of the underlying concern that China will one day seek to push the US military out of the Western Pacific.

From China's perspective, now that it is a major economic, political, and military power, there is no longer an imperative to allow the United States and its allies sole power to guarantee freedom of navigation in China's near seas. China, too, wants to ensure unfettered shipping lanes but is loath to continue to accept unequivocally the United States and its allies as being the most suitable to decide the rules of the seas. China is increasingly vexed at US intelligence gathering near its nuclear submarine base in Hainan.

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China views American actions as attempts to subjugate China.¹⁰ As China further develops its military capabilities, one can expect it to be even more assertive in defending what it deems to be its legitimate rights. China's naval modernisation effort includes a wide array of

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platform and weapon acquisition programs, including programs for anti-ship ballistic missiles, anti-ship cruise missiles, land-attack cruise missiles, surface-to-air missiles, mines, manned aircraft, unmanned aircraft, submarines, and aircraft carriers.¹¹ In Beijing's most recent Defense White Paper, 'open seas protection' was added to the PLA Navy's existing task of 'offshore waters defense'.¹² The Paper clearly confirmed what the 18th CPC Party Congress work report alluded to — the intention to develop China into a maritime power. "The traditional mentality that land outweighs sea must be abandoned," the Paper stated.

From Beijing's perspective, the development of naval power is part of a longstanding effort to overcome decades of weakness. Despite the focus of the People's Liberation Army (PLA) on potential Taiwan conflict scenarios, China's military power has been developed to respond to an array of regional contingencies, including the defence of territorial claims in the East and South China Seas. China has also substantially strengthened its Coast Guard.

As so often has happened during the last three decades, China today continues to send conflicting signals. By increasing PLA Navy and Air Force patrols in the East and South China Seas and continuing to build infrastructure on contested islands in the South China Sea, China is sending a clear message about its intentions to defend its (perceived) rights in its near seas. At the same time it wants to convey its peaceful intentions — and its desire to be perceived as a peaceful nation — by, for example, conducting 'goodwill' naval visits to countries throughout the region.

To further dissect China's strategic objectives in its near seas, one must consider China's new focus on the periphery and Xi Jinping's own articulation of the need for China to stand up more forcefully for its rights.

China's standard rebuttal to claims that its maritime behaviour has become more assertive is to argue that past restraint resulted in the encroachment of other claimants on China's maritime rights; hence, Beijing's conclusion that a tougher response is called for. For years, several maritime security actors have advocated for China to forcefully protect its national interests. Soon after coming to power, Xi Jinping gave credence to this stance by stating that "we must not forsake our legitimate rights and interests" and "no countries should expect us [China] to swallow the bitter fruit that undermines our sovereignty, security, and development interests."¹³ But because Xi in those remarks also underlined the firm commitment of China to peaceful development, ambiguity remains as to which is more important. Various actors — including the PLA, resource companies, and local governments — have seized on this ambiguity to advance their own interests, pushing the limits of the permissible in the name of protecting China's sovereignty.¹⁴

The more often Xi stresses the importance of safeguarding China's national interests, the bolder these actors become.

Xi's focus on the periphery is, at least in part, a response to Obama's rebalancing strategy to Asia. In October 2013, eleven months after becoming head of the CPC, Xi Jinping said, "the surrounding area is strategically extremely important to our country in terms of geography, natural environment and mutual relations."¹⁵ Many Chinese analysts interpret this to mean that securing beneficial relations in the periphery has been elevated to a status at least as important as, if not more important than, maintaining constructive relations with the United States.¹⁶

In 2013, Xi Jinping also started speaking about "letting the awareness of community of common destiny take root in the neighbouring countries." This term 'community of common destiny' was endorsed back in 2007 to describe Beijing's view of the special cross-strait relationship between Mainland China and Taiwan. Xi has continuously used it — again at Boao Forum 2015 — to encompass China's periphery more broadly.¹⁷ Equally important has been Xi's ongoing emphasis on a new Asian security concept. To date this has not been defined in detail but, according to Xi, it is time to "establish a new regional security cooperation architecture, and jointly build a road for security of Asia that is shared by and win-win to all."¹⁸

A leading Chinese political thinker, Yan Xuetong of Tsinghua University, sees earlier Chinese strategic objectives (based on Deng Xiaoping's 'bide your time' dictum) as different from Xi's 'strategy of striving for achievement' because previously regional cooperation was exclusively economic while Xi's vision of regional cooperation has political, security, cultural, and economic dimensions.¹⁹ It includes military cooperation, but, according to Yan, differs from a military alliance. It is too early to know how this vision could materialise and how China will go about trying to entice its neighbours to embrace it. China knows full well that it has antagonised its neighbours by its land reclamation efforts and infrastructure projects on contested islands.

China's strategic maritime objectives are part of Xi's national rejuvenation strategy. National rejuvenation literally refers to China resuming its status as the world's most advanced state, a position it held during the early Tang Dynasty (618–907 AD). Today this phrase is used by Chinese analysts implicitly to refer to China's efforts to catch up with the United States in terms of comprehensive national power.²⁰ But there is no mistaking China's vision of the need for Asia to develop without the United States. Xi's statement is explicit: "In the final analysis, it is for the people of Asia to run the affairs of Asia, solve the problems of Asia and uphold the security of Asia."²¹

Does this mean that China's maritime strategic objective is to drive the United States out of the Western Pacific? In the short-to-mid term it is

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evident that China recognises the inevitable need to share strategic space, even if in the longer term it wishes to see the US presence in the region reduced. As Taylor Fravel and Christopher Twomey write: “Even though China would strive to limit the role of the United States in a conflict over Taiwan, China’s strategy, at least for now, does not seek to prevent US intervention much more broadly in the Western Pacific.”²²

Sharing strategic space with the United States means daring “to dance with the wolf,” to use a term coined by strategist Yang Yi, a retired Chinese admiral.²³ While previously China tended to shy away from being proactive or fully participating in US-led regional initiatives, today China participates in US-led multilateral regional security exercises such as RIMPAC.

REGIONAL PERCEPTIONS AND RESPONSES IN EAST ASIAN WATERS

RORY MEDCALF

Many regional countries see China's maritime strategic motives and behaviour in East Asian waters in terms markedly different from China's narrative of self-defence and national rejuvenation. Japan, Vietnam, and the Philippines, in particular, have in recent years developed a heightened sense of threat perception about what they see as China's destabilising activities and perceived plans to dominate East Asian waters. At its starkest, the common perspective of these countries is that China is seeking control of the East and South China Seas and is willing to use destabilising coercive measures — and risk escalation to armed conflict — in order to do so. Policy elites and much public opinion in these maritime 'frontline' states see, not a reasonable assertion of China's rights, but rather an intimidating affront to their own countries' rights as equal and sovereign members of the international community.²⁴ They are thus acutely sensitive to any moves by China or other powerful states, including the United States, to privilege Chinese interests and perspectives over their own.

Chinese analysts and some other commentators sometimes suggest that East Asian countries' threat perceptions about Chinese maritime assertiveness are somehow artificial and cultivated solely by the United States to engender support for a policy of alleged 'containment'. This fails to acknowledge the very real threat perceptions, national pride, and pursuit of self-interest by multiple East Asian countries, and raises the risk of miscalculation when dealing with them.

Moreover, there is a glaring mismatch between, on the one hand, China's narrative that it is being offensively 'contained' by a US-led strategy, and, on the other hand, assertive Chinese behaviour that appears to be directed, not at the United States, but at smaller and weaker neighbours. To observers in Japan, Vietnam, the Philippines, and some other countries, perceived coercion against smaller regional powers raises concern about how China would behave were the United States to reduce its strategic presence in, or commitment to, the region — encouraging them to hew more closely to alliance or partnership with America. Thus, if one of China's motives is indeed to weaken strategic bonds between the United States and others, in order to expand its own and diminish America's strategic space in the Western Pacific, it has so far failed.

In Japan, the dominant policy view is that China is seeking to alter the balance of military power and reach in Asia so that it can coerce other

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Asian states, notably Japan, when their interests clash. In that sense, Japanese strategists and policymakers have for some years seen China's activities to assert its territorial claims in the East China Sea, such as sea and air incursions, patrols, and close-range encounters as unjustified and threatening.²⁵ According to Japan's first National Security Strategy, issued in December 2013, China has "taken actions that can be regarded as attempts to change the status quo by coercion."²⁶ The November 2013 move by China to declare a unilateral Air Defense Identification Zone over part of the East China Sea — overlapping with Japan's existing zone — which was accompanied by implied threats to intercept aircraft not complying with Chinese direction was seen in Japan as a particularly provocative step.²⁷

Japanese policymakers are concerned about Chinese military capabilities and activities that create or exploit Japanese vulnerabilities, for example, its island geography and dependence on seaborne energy supplies.²⁸ Japanese anxieties about Chinese power and assertive or risk-taking maritime activities are also connected to concerns about a perceived Chinese willingness to escalate confrontations laterally, for instance through cultivation of nationalist sentiment about imperial Japan's history of aggression in the 1930s and 1940s and through threats to damage economic links such as by restricting rare earth mineral supplies.

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These views inform Japan's response to Chinese power in the following ways. Japan's defence policies and posture are undergoing significant — although not yet fundamental — change. Japan is embarked on a modest modernisation of its already substantial and advanced armed forces. Chinese claims that Japan is 're-militarising' belie the modest scale of change: Japan is increasing its defence budget by about 2.8 per cent a year, partly to make up for a decade of stagnant defence spending at a very small proportion of GDP. What is more important is the type of change occurring in Japan's force structure and posture. Japan's 2014 National Defense Program Guidelines pointed to a clear reallocation of resources to high-end maritime capabilities, such as an increase from 16 to 22 submarines and from 47 to 54 destroyers, with new vessels including large flat-deck helicopter carriers.²⁹ In other words, Japan is significantly scaling up its capacity for maritime conflict and conventional deterrence of actions short of a fully-fledged invasion.

At the same time, the government of Shinzo Abe has taken the first dramatic steps towards reinterpreting Japan's constitution to allow flexibility in the way Japan uses or deploys force, notably in 'collective self-defence' under the alliance with the United States.³⁰ Indeed, a major feature of Japan's response to Chinese actions in the East China Sea in recent years has been a tangible intensification of alliance bonds with the United States, in rhetoric, diplomatic coordination, and military interoperability. Most importantly, Japan has sought and received affirmations that the alliance applies to security contingencies in the East

China Sea. The release of new defence cooperation guidelines to underpin a closer alliance was a feature of Prime Minister Abe's visit to the United States in late April 2015, marked by the message that Japan would do more to help the United States in regional and global security.³¹ It is now difficult to imagine that Japan would seek a regional security future with a diminished role for the United States, as the Hatoyama Government countenanced just six years ago before the sustained rise in Chinese assertiveness.

Japan's balancing response to Chinese power and perceived provocation has not been limited to the US alliance. Tokyo has also embarked on active and 'strategic' diplomacy aimed at affecting the regional balance of power and resolve, in Japan's favour. Under Prime Minister Shinzo Abe, Japan has taken the initiative in seeking to strengthen security partnerships (although not formal alliances) with such countries as India, Australia, the Philippines, Vietnam, and Indonesia. This has included not only high-level visits and joint declarations expressing degrees of concern about the changing security environment, but also variously bilateral defence exercises, intelligence sharing, and steps towards the transfer of military technology. Whether as capacity building (the supply of patrol boats to Southeast Asian countries) or a potentially massive defence industry collaboration (the exploration of submarine sales to Australia), this pattern of interest in defence exports marks an extraordinary shift in Japan's security behaviour. It is fair to assume that, for Japan, it is motivated in large part by a desire to balance against Chinese power and complicate China's strategic calculations. The same reasoning explains Japanese interest in bilateral and 'minilateral' security dialogues — such as those with India and the United States.³²

In the South China Sea, China's main rival claimants, Vietnam and the Philippines, are also responding to China in ways that suggest they are bracing to defend what they consider legitimate national interests. These countries hold deepening concerns about such reported Chinese actions as deployment of civilian maritime security forces, sometimes with naval backup, to harass fishing fleets and resource exploration activities. The threat perceptions of the Philippines have been deepened by Chinese blockades against Philippine vessels and personnel in and around contested land features. For Vietnam, a new heightening of tensions came with the deployment, in mid-2014, of a mobile oil drilling platform accompanied by a large security flotilla to disputed waters in an area claimed by Hanoi as part of its Exclusive Economic Zone.

Even when the pace of risky incidents at sea has eased, Manila, Hanoi, and some other countries within the Association of Southeast Asian Nations (ASEAN), as well many other stakeholders in regional security, are increasingly concerned by an acceleration of China's 'island-building' to expand its presence on small land features and build potential military facilities upon them.³³ Above all, and regardless of the ups and downs of

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China's day-to-day activities at sea, Vietnam, the Philippines, and several other Southeast Asian countries, notably Indonesia and Malaysia, are concerned about China's broad justification for dominance in the South China Sea, the poorly-defined 'nine-dash line' and its alleged basis in history rather than contemporary international law. Their long-term concern is that its broad and vague claim over most of the South China Sea — whether it is for land features or legal authority over the seas around them or both — will provide China with an ongoing rationale to infringe on others' claims and on freedom of navigation and overflight. These perceptions are shared widely by Indo-Pacific stakeholders, including the United States, Japan, India, Australia, and even European powers.³⁴

Amid these perceptions of China's actions as unjustified, Vietnam's responses over the years have included a substantial measure of military modernisation, such as the purchase of Russian Kilo-class submarines, and reported interest in other conventional deterrent capabilities, such as the BrahMos anti-ship cruise missile.³⁵ Vietnam is also expanding its fleet of patrol boats, with assistance from Japan, and India in particular. Hanoi is even signalling a degree of openness to some novel security partnerships, notably with Japan, India, and with its former enemy the United States.³⁶ The fact that Vietnam, as with Japan, has been actively seeking greater US strategic engagement in the region is starkly at odds with the apparent Chinese perception that its own regional security challenges are overwhelmingly due to American 'meddling' in Asian affairs.

For its part, even the Philippines, with one of the weakest militaries in the region, is beginning to acquire defensive weight. Philippine defence spending has increased from a tiny \$US1.24 billion in 2004 to \$US2.3 billion in 2009, then \$US3.47 billion in 2013, and is expected to grow by as much as 29 per cent between 2013 and 2015.³⁷ With US, Japanese, South Korean, and now potentially Indian assistance, the Philippines is acquiring a fleet of small naval vessels and coast guard patrol boats, although at best this is likely to constitute a surveillance rather than deterrent force. For deterrence, the Philippines has been hewing more closely to its once-neglected alliance with the United States, with moves to allow US forces to deploy to Philippines military bases, new cooperation in maritime surveillance, military capacity-building, and joint exercises near contested areas.³⁸

But the boldest element of the Philippines' response to Chinese maritime assertiveness, and the step that most illuminates a dangerous perception gap, is the decision to mount a legal challenge to China's South China Sea territorial claims by seeking international arbitration under the UN Convention on the Law of the Sea.³⁹ China's choice, signalled in advance, to ignore whatever judgement is made by the International Tribunal for the Law of the Sea, seems based on a calculation that China can diplomatically isolate the Philippines from its

fellow ASEAN members on this issue. There are, however, signs of strategic anxiety and frustration among a range of Southeast Asian countries — not only Vietnam and the Philippines — about developments in the South China Sea. Indonesia, Malaysia, and Singapore have each shown increased willingness in recent years to encourage the US naval presence in the region, and not to pin all their hopes for managing South China Sea tensions on the long drawn-out negotiation of a Code of Conduct with China. Parts of the Indonesian defence establishment are alarmed about the possibility of a territorial dispute with Beijing over the Natuna Islands, while a Chinese naval foray in early 2014 around the disputed James Shoal was noted with concern by Malaysia.⁴⁰

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WHAT DOES CHINA SEE AS ITS STRATEGIC OBJECTIVES IN THE INDIAN OCEAN?

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China's overriding priority in the Indian Ocean is to protect its energy security interests. China must safeguard the transportation of much-needed energy supplies and other resources from the Middle East and Africa. The security of sea lines of communication from Bab-el-Mandeb, Hormuz, to the Malacca Strait, is thus vitally important for China.

Energy security concerns were initially what propelled Beijing to dispatch PLA Navy vessels in 2008 to join international anti-piracy efforts off the coast of Somalia. As of April 2015, the Chinese had rotated 19 escort fleets through the region to combat piracy in the Gulf of Aden.⁴¹ This was an historic decision, considering China's aversion at the time to participation in US-dominated security cooperation mechanisms. During the first missions the Chinese Navy was cautious, wary of revealing its lack of operational experience in far-flung seas and fearful of blundering under the scrutiny of others. However, practice led to confidence, which in turn has led to a dramatic rise in Chinese naval activities far from home. While the focus of China's maritime power will remain in its 'near seas' and the 2015 Defence White Paper made no mention of the Indian Ocean, its naval modernisation is also developing capabilities that allow China to project power in far-off oceans, above all in the Indian Ocean.

A secondary Chinese priority in the Indian Ocean is enhancing its international status as a major Asian power. China has openly declared its intention to become a maritime power. As noted in the 2014 Blue Book, a prestigious compilation published annually by the Chinese Academy of Social Sciences, China needs to build the image of a powerful nation. The Blue Book says that as China seeks to ensure the security of maritime pathways within the international order, it should also proactively seek complementary backup sea-lanes to "hedge against the risks of others states threatening China with sea-lane security."⁴²

China's 2013 Defense White Paper for the first time stated clearly that the PLA must provide reliable support for China's interests overseas.⁴³ The White Paper says the PLA must also "strengthen overseas operational capabilities such as emergency response and rescue, merchant vessel protection at sea and evacuation of Chinese nationals, and provide reliable security support for China's interests overseas." Moreover:

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component of China's national interests. Security issues are increasingly prominent, involving overseas energy and resources, strategic sea lines of communication (SLOCs), and Chinese nationals and legal persons overseas. Vessel protection at sea, evacuation of Chinese nationals overseas, and emergency rescue have become important ways and means for the PLA to safeguard national interests and fulfill China's international obligations.⁴⁴

Chinese analysts write openly of the need for China to “reinforce its activities in the Indian Ocean in order to safeguard its legitimate interests and defend this strategic corridor for its peaceful rise.”⁴⁵ China has already deployed navy ships and aircraft to rescue Chinese nationals from turbulent conditions in Egypt, Libya, and, most recently, Yemen. The deeper the involvement of Chinese companies in Africa and the Middle East, the stronger the imperative for the PLA Navy and Air Force to project military power in the Indian Ocean. Chinese submarine patrols in the Indian Ocean are also on the rise, causing anxiety in New Delhi. New Delhi's anxiety is especially justified because China's submarine activities in the region cannot be attributed to its anti-piracy operations, as submarines are ineffective in dealing with piracy, which means “both the Bay of Bengal and the Arabian Sea may become frequent hunting grounds for Chinese submarines, which could lie waiting at choke points or off Indian harbours to operate against the Indian Naval fleet in a crisis.”⁴⁶

China is also keen to pursue mineral exploration in the Indian Ocean. The International Seabed Authority (ISA) gave its first ever approval for explorations in the Indian Ocean to the China Ocean Mineral Resources Research and Development Association, a subordinate body of the State Oceanic Administration, for the exploration of polymetallic sulphides.⁴⁷ According to Indian sources, a Chinese deep-sea manned submersible conducted exploration work in 2014.⁴⁸ (Just how wedded the Chinese are to long-term thinking is reflected in the fact that as early as 2001, the Association signed a 15-year contract with the ISA for the exploration of 50,000 square kilometres of seabed for polymetallic nodules in the eastern Pacific Ocean.)

China is increasing its presence in the Indian Ocean by launching a number of mammoth infrastructure and commercial initiatives, the 21st Century Maritime Silk Road and the related One Belt One Road initiatives being the most noteworthy. The former is designed to go from China's coast to Europe through the South China Sea and the Indian Ocean along one route, and from China's coast through the South China Sea to the South Pacific along another route. The One Road One Belt project focuses on bringing together China, Central Asia, Russia, and Europe (the Baltic); linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia; and connecting China with Southeast Asia, South Asia, and the Indian Ocean. It is

China is increasing its presence in the Indian Ocean by launching a number of mammoth infrastructure and commercial initiatives...

premature to assess the implications of these initiatives but it is reasonable to view them as China's attempt to strengthen its foothold in a region traditionally dominated by India.

China is also investing in and pursuing commercial projects with several Indian Ocean nations. China has invested in port facilities in Pakistan, Sri Lanka, Bangladesh, and Burma, while at the same time strengthening its political ties with the Maldives, the Seychelles, and Mauritius.

The Pakistani port of Gwadar on the Arabian Sea is a case in point. It has been developed with Chinese investment for over a decade. Whether China plans to use Gwadar as a 'semi-permanent facility' for fuelling and provisioning naval ships is a focus of constant speculation among foreign analysts.⁴⁹ Gwadar's importance is certainly destined to grow following Xi Jinping's visit to Pakistan in 2015, the first by a Chinese head of state in almost a decade. Projects valued at \$US45 billion were announced by China and Pakistan along a 3000-kilometre corridor stretching from Xinjiang in western China to Gwadar. The \$US28 billion in investments pledged by Xi to build roads, ports, and power plants, is nearly equal to the amount of foreign aid the United States has provided to Pakistan over the past decade to support its war in Afghanistan.⁵⁰ The sale of eight Chinese submarines to Pakistan would more than double Pakistan's existing fleet.

Officially, China dismisses any plans for creating military bases overseas...

Officially, China dismisses any plans for creating military bases overseas, however, some Chinese academics keep the issue alive by advocating for China to do so. For example, Shen Dingli states that China has the 'right' to establish naval bases in the Indian Ocean and argues: "The real threat to us is not posed by the pirates but by the countries which block our trade route."⁵¹ In the short-to-medium term, China will presumably use port facilities that Chinese companies own as logistical support facilities on an ad hoc basis, but will not take the step to establish a naval base.

The recent instance of a Chinese submarine docking at Colombo is an example of Beijing using its commercial ventures to send a signal to the region about its military presence in the Indian Ocean. In November 2014, the submarine docked at the Colombo International Container Terminals, which was constructed by China Merchants Holdings (International) Co. CMHI owns 85 per cent of the terminal.⁵² The submarine had been on an escort mission to the Gulf of Aden and had stopped for replenishment, a Chinese official said.⁵³ This followed earlier reports of a Chinese submarine berthing in Colombo for replenishment in September 2014.⁵⁴ However, in February 2015, the new Sri Lankan Foreign Minister, during his visit to Beijing, announced that Sri Lanka would no longer allow foreign submarines to dock at its ports, or at least not during sensitive times.⁵⁵ This development may be a result of the

election of the new Sri Lankan administration, or it may be due to India's pressure.

China is aware that it is in a weaker position in the Indian Ocean when compared to the United States or India. Hence it can be expected to pursue 'constructive engagement' between the US, China, and India, and concentrate on achieving 'greater space' in the Indian Ocean by promoting maritime security cooperation with the smaller island nations.⁵⁶ China wants to ensure a 'harmonious sea' through capacity-building and international cooperation.

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REGIONAL PERCEPTIONS AND RESPONSES: INDIAN OCEAN

RORY MEDCALF

Indian elite and popular perceptions of China's presence and motives in the Indian Ocean tend to be markedly at odds with Chinese self-perception of its activities as defensive, limited, and legitimate.

Mistrust of China runs deep in Indian public opinion. A nationally representative opinion survey conducted by the Lowy Institute in 2013 suggested that a large majority (83 per cent) of Indians considered China a security threat, although Indians were also divided about whether a more powerful China would be in their country's interest — there are large constituencies in India both for balancing against and cooperating with China. Particular mistrust was evident when Indians were asked whether they thought China's aim was to dominate Asia, with 70 per cent of respondents agreeing with this statement.⁵⁷ Indian popular mistrust of China can be partly attributed to Indian nationalism, which the Indian commercial media typically plays to, however nationalism is not deliberately cultivated through official policy.

Notably, China's efforts to strengthen its relations with third countries in the Indian Ocean is among the top four reasons given for Indian mistrust. Another reason widely identified for mistrust is China's longstanding military assistance to Pakistan. Indians are divided about how to respond: 39 per cent of respondents considered that China could be a good partner for India in the Indian Ocean, while 44 per cent disagreed. (By contrast, 72 per cent of Indians considered the United States, and 56 per cent considered Australia to be good partners in those waters.) Strikingly, 94 per cent of respondents agreed that India should have the most powerful navy in the Indian Ocean — which helps explain why India is intensely sensitive to the idea of large-scale foreign power projection there.⁵⁸

The idea that China has a 'string of pearls' strategy in the Indian Ocean — variously defined as military access points and close diplomatic ties with India's neighbours — has gained currency in the Indian and global media over the last decade. This term first appeared in a private consultancy report for the US Government, and was long derided as hype. Yet the increased tempo of China's economic, diplomatic, and security activity in recent years, dating perhaps from the counter-piracy patrols in the Gulf of Aden from 2009 onwards, has helped to reinforce perceptions in India that China's long-term intentions involve curtailing Indian power and influence in its own maritime backyard.

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India's security establishment is increasingly fixated on China as the main long-term strategic challenge to India's rise as a great power, its ability to protect itself from coercion, or its ability to wield dominant influence in the Indian Ocean. Prominent Indian strategist Raja Mohan has identified the need to manage Indo-Pacific rivalry with China as India's foremost security problem.⁵⁹ Even security thinkers associated with the centre-left Congress Party and traditions of non-alignment have come to hold and reflect such assessments,⁶⁰ which suggests that Indian anxiety about Chinese power in the Indian Ocean is much more than the product of nationalist feeling or the lobbying of a navy keen to secure a larger share of the defence budget.

Despite the substantial economic relationship between China and India, and New Delhi's professed need for Chinese infrastructure investment, such security anxieties are hard to shift and may, in fact, be worsening. Notably, in his visit to India in September 2014, Chinese President Xi Jinping missed a major opportunity to allay Indian concerns and focus on the kind of developmental or civilisational partnership often alluded to in Chinese and Indian diplomacy. Multi-billion-dollar promises about investment, tourism, cultural, and environmental cooperation were overshadowed by reported Chinese military incursions of the disputed Himalayan border and the Chinese submarine's visit to Sri Lanka. Whether these activities were at the direction or without the full knowledge of China's top leadership, the effect was an exacerbation of Indian concern about Chinese strategic intent, seriously undercutting the likelihood that India would embrace the Maritime Silk Road, China's new geo-economic concept justifying its more active role across the Indo-Pacific.⁶¹

Acting on these perceptions, India is showing signs of an increasingly coordinated and resourced set of policy responses aimed at limiting China's influence and presence in the Indian Ocean, enhancing India's own, and even adding to the complications facing Chinese policy in East Asian waters. Under Prime Minister Narendra Modi, India's 'Look East' policy has evolved into an 'Act East' policy, involving stepped-up security engagement with such partners as Japan, Indonesia, Singapore, Vietnam, and Australia.⁶² In particular, though, Modi's India seems very comfortable with a closer strategic partnership with the United States, announced during President Obama's visit to New Delhi in January 2015, and based in significant part on military and technology cooperation and a recognition of "the important role that both countries play in promoting peace, prosperity, stability and security in the Asia-Pacific and Indian Ocean Region."⁶³

Some of this terminology, along with language often found in other Indian speeches and statements related to the US partnership, can easily be read as code for concern about Chinese power and growing Chinese interest in the Indian Ocean.

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Although India's defence budget and military modernisation lag far behind China's, there is a renewed focus on maritime capabilities that, in a crisis, could help New Delhi capitalise on Chinese vulnerability in the Indian Ocean, particularly in terms of China's energy supply lines. These include moving towards domestic production of aircraft carriers, perhaps with eventual US help,⁶⁴ as well as improving submarine and maritime surveillance capabilities, notably with the US P-8 Poseidon aircraft.⁶⁵ A big test of India's seriousness about the perceived Chinese maritime threat will be the extent that it increases the naval share of its defence budget, which is only about 18 per cent of the total. Certainly, however, India is investing in a range of naval capabilities that appear designed, at least in part, to increase its options against China. And its nuclear-armed submarine (SSBN) program, widely considered to be aimed at providing India with a deterrent against China in a crisis, continues apace.

A notable recent shift in India's policy response to perceived Chinese power and activity in the Indian Ocean has been an unusually concerted Indian push to strengthen security ties with the region's island states, at the expense of Chinese influence. Indian provision of security capacity to these small powers now comes with a more open expectation of policy coordination and support of Indian interests. A highly-publicised tour by Prime Minister Modi in early 2015 shored up ties with Mauritius, the Seychelles, and Sri Lanka, prompting speculation that India will set up a five-way security arrangement of strengthening maritime capabilities, training, and sharing 'maritime domain awareness' among these states plus the Maldives.⁶⁶

...from an Indian perspective, Sri Lanka is becoming key terrain in the contest for regional influence with China.

Indeed, from an Indian perspective, Sri Lanka is becoming key terrain in the contest for regional influence with China. The submarine visits are widely reported to have stirred serious security anxiety in India. Some commentary has drawn a direct link between India's reaction to the submarine visits and the surprise defeat of the Rajapaksa Government in the January 2015 Sri Lankan general election, which has been described as a major setback for Chinese influence in the Indian Ocean.⁶⁷ There have even been allegations of Indian 'intelligence' efforts to encourage the political mobilisation of the Sri Lankan opposition.⁶⁸

Of course, not all of India's response to China in the Indian Ocean has been starkly competitive. Both powers are pragmatic, and pursue some security diplomacy alongside a large, if uneven, economic relationship. The pace of high-level interactions is accelerating, with visits by Prime Minister Narendra Modi to China in May 2015, and President Xi Jinping to India in September 2014, and by Chinese Premier Li Keqiang to New Delhi and Prime Minister Manmohan Singh to Beijing in 2013. There has been some limited defence cooperation, including on counter-piracy. Chinese and Indian ships exercised together off Australia in October 2013.⁶⁹ Chinese and Indian navies have developed some informal habits of cooperation through their counter-piracy deployments, and a bilateral maritime security dialogue was announced in 2013 but is yet to convene.

Some other maritime powers on the Indian Ocean rim, notably Australia, Indonesia, Malaysia, and Singapore, harbour their own quiet concerns about the long-term purpose and implications of China's Indian Ocean forays. Despite balanced rhetoric about China in Australia's 2013 Defence White Paper, and a willingness to cooperate on counter-piracy and in search operations, such as for missing Malaysia Airlines Flight 370, Australia also watches Chinese activity in the Indian Ocean with some misgivings. The early 2014 voyage of a Chinese surface action group through the Sunda Strait, to conduct a combat simulation exercise in waters near Australia's Christmas Island territory, was reportedly watched closely by Australian surveillance assets.⁷⁰ After all, the Indian Ocean sea-lanes, and the waters of the wider region, have long been dominated by Australia's ally, the United States. Chinese capacity to project military power in the Indian Ocean could, in theory, allow those forces to reach Australian territory or targets in a hypothetical future clash. Even though such possibilities are remote, Australian defence planners will at the very least want to guard against the uncertainty arising from strategic competition among military great powers in regional waters.⁷¹ Australia will also seek to play to its advantages as a naval power and US ally with strong maritime surveillance capabilities, by remaining vigilant for increased Chinese presence in the Indian Ocean.⁷² Australia is also seeking to work more closely on maritime security with fellow 'middle players' such as India, Japan, and Indonesia, partly to ensure that their interests are respected as Chinese power and activity extend further across the Indo-Pacific.

Australia is...seeking to work more closely on maritime security with fellow 'middle players' such as India, Japan, and Indonesia, partly to ensure that their interests are respected as Chinese power and activity extend further across the Indo-Pacific.

But, other than in India, perhaps the greatest anxieties about China as an Indo-Pacific power are held by some countries that are key external stakeholders in Indian Ocean security rather than local powers. Japan, in particular, is troubled by Chinese military power projection and diplomatic influence in the Indian Ocean — not least because of Japan's own acute dependence on those sea lanes for its energy supplies, as underscored in Japan's National Security Strategy. This helps to explain Japan's pursuit of closer maritime security relations with India and its interest in a modest but sustained naval presence in the Gulf of Aden and an airbase in Djibouti.⁷³

CONCLUSIONS

LINDA JAKOBSON AND RORY MEDCALF

This examination of perceptions of China and other maritime countries in the Indo-Pacific suggests a disturbing and worsening perception gap, with negative consequences for regional security. Put simply, China sees its motives and strategy in the East and South China Seas as being about gaining a degree of control in order to defend its interests and secure its status as the pre-eminent regional power, whereas others — notably Japan, Vietnam, and the Philippines — see coercion, assertiveness, and a destabilising attempt to control contested waters and restrict their own freedom of action.

In the Indian Ocean, meanwhile, China sees its motives as being about safeguarding energy and economic lifelines to the Middle East and Africa, as well as protecting its nationals far from home. Others, notably India, perceive a Chinese effort to thwart their own regional pre-eminence and place their own interests at risk, including through military power-projection and influence over third parties such as Sri Lanka and Pakistan. From India's viewpoint, the Chinese have either not sufficiently explained their actions or not consulted others, namely India, about Chinese activities such as long-range submarine patrols. As a result, the Indians fear the worst, even though China is plainly operating at a disadvantage with small-scale forces in far-flung waters.

Interests are entangled with perceptions. All the powers of the Indo-Pacific have a strong stake in stability and prosperity. Yet there are sharpening divergences around what role China should play as its power grows and about whether behaviour to pursue what it defines as its interests is acceptable to the rest of the region.

Thus, even as China seeks to reassure regional countries about its peaceful and cooperative aspirations, for instance, through developing infrastructure projects, new regional forums, and constructing narratives of a 'community of common destiny' and a 'Maritime Silk Road', there is evidence of enduring and even worsening mistrust. This is underlined by the growing trend of regional powers not only to strengthen their maritime military capabilities, but also to intensify their security ties with the United States and with one another. It is unlikely, for instance, that Vietnam, the Philippines, Japan, or India would be at such pains to deepen security partnerships (or in Tokyo's case its alliance) with the United States if they believed China's characterisation of its maritime objectives.

This clash of perceptions involves some obvious double standards. An intense propaganda war now rages across the region, which exacerbates suspicions and widens perception gaps. For instance, the views of Chinese analysts about the differences between the South

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China Sea and Indian Ocean are paradoxical. China would like the South China Sea to be its sea, but when it comes to the Indian Ocean, China “must insist on the free passage through the Indian Ocean” and says, “the Indian Ocean does not belong to India.”⁷⁴ In the same vein, Philippine and Vietnamese analysts’ accounts of Chinese assertive actions often fail to mention the assertive actions by their own respective country’s authorities. Likewise with the provocative island-building programs: China’s recent ‘land-reclamation’ actions, although at a generally accelerated pace and on a larger scale in area, follow many such instances by other claimants over the years.

There are growing indications — in the accelerated pace of economic flows, military deployments and diplomatic dialogues — that the Indo-Pacific is becoming an increasingly interconnected region, defined in particular by the expanding interests and influence of China and India, and the enduring interests of the United States, Japan, and others.⁷⁵ For this region’s peaceful interconnectedness and prosperity to continue, reducing the perception gap around Chinese maritime strategy and behaviour will be fundamental.

This requires establishing some clear parameters for honestly identifying and addressing gaps in perception, and in so doing to help distinguish those differences from states’ divergent interests. It would be naïve to presuppose that merely defining the perception gap would automatically diminish the clash of interests. But it is an essential first step to addressing them, especially since a propaganda war, involving a strong element of nationalism, is currently exacerbating regional tensions.

Here middle powers such as Australia have an opportunity to make a constructive contribution by using their diplomacy to untangle the complexity of the tensions they are witnessing. This needs to inform whatever stance they choose to take to signal displeasure or opposition to China’s actions. It is too easy to assume that all the region’s tensions can be boiled down to a US-China dynamic. This approach reduces China’s responsibility to respect the sensitivities and interests of smaller and middle powers. It also falsely assumes that all Japanese or Indian strategic behaviour takes place largely at the instigation of the United States. In addition, it is misleading — and unhelpful for policy solutions — to assume that all the risk-taking and assertiveness is the fault of one side. One role that smaller regional powers can take is to communicate to China that much of its assertive security behaviour in recent years has been counter-productive to its interests in a stable regional security environment and has strengthened, rather than diminished, US alliances and partnerships.

Much of the time, admittedly, the scope for positive momentum towards reduced risk will be up to the major powers concerned. A notable step in this regard is the announcement, in May 2013, of a China-India maritime security dialogue. A further positive step, two years on, would be for it to

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be operationalised. The visit to Beijing in May 2015 by Indian Prime Minister Modi represented an obvious opportunity for such progress, which was not acted upon.⁷⁶ A more ambitious bilateral bargain, in which India accepted a degree of Chinese security activity in the Indian Ocean and China countenanced something similar in the Western Pacific, remains unlikely at this stage. In any case, it would have only limited benefits in the absence of wider understandings involving the United States and others.

Likewise, the announcement in late 2014 of the resumption of China-Japan talks on maritime 'confidence-building measures' (CBMs), and the leaders' endorsement of a framework for US-China CBMs, are welcome signals, but only the resumption of a journey pursued on and off over the past decade. It remains to be seen how serious the parties are in taking all necessary steps to minimise risks of conflict. Regional risk-reduction efforts will be incomplete unless they include crisis management and confidence-building processes between China and its rival claimants in the South China Sea. These processes must address China's island-building and establishment of military structures as well as the day-to-day activities of all maritime agencies.

Just as other regional powers will need to reach clear understandings about what they can accept as legitimate Chinese interests, activity, and power-projection in the Indo-Pacific, so too will China need to consider the stabilising effect that narrowing its regional ambitions would have on its periphery. The limits of China's ambitions need to be shaped, not by the United States, but by the interests of all other regional powers. This would be a regional order in which, to paraphrase Xi Jinping in his speech about a community of common destiny, "all countries respect one another and treat each other as equals."⁷⁷

The limits of China's ambitions need to be shaped, not by the United States, but by the interests of all other regional powers.

NOTES

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³ These conclusions will help inform a future Lowy Institute Report about prospects for effective confidence-building and crisis-management measures to reduce risks of conflict in regional waters. The present report is part of a wider project supported by the MacArthur Foundation in which Lowy Institute researchers have identified the effect of Chinese internal dynamics on Indo-Pacific maritime tensions as well as whether and how those tensions can be managed.

⁴ The present Report is thus intended to provide strategic context for a recent detailed study by Linda Jakobson, *China's Unpredictable Maritime Security Actors*, Lowy Institute Report, (Sydney: Lowy Institute for International Policy, December 2014).

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