

PERSPECTIVE

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The Future of US Strategic Rebalancing Toward Asia

By David Arase*

EXECUTIVE SUMMARY

- After the Cold War ended, the US chose to maintain existing alliances and troop presence in Asia to hedge against instability. It also decided to positively assist China's modernization to win its trust and long-term strategic partnership in upholding the existing international order.
- On assuming office in January 2009, the Obama Administration sought to negotiate the terms of this long-hoped-for strategic partnership with China on the basis of "mutual strategic reassurance" that some nicknamed "G-2."
- China responded with a selective turning away from US hegemonic leadership at the global level. At the regional level, China began to claim novel governance rights in the seas surrounding China.
- Diverging ideas of how the South China Sea should be governed came into focus at the 2010 ASEAN Regional Forum (ARF) where there was a verbal confrontation over how South China Sea disputes should be peacefully managed and ultimately resolved.



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- The US subsequently announced a “pivot” or “strategic rebalancing” toward Asia in 2011. It injected more effort into the existing two-track post-Cold War strategy to, on the one hand, hedge against instability while, on the other hand, engage China to win its support for the existing international liberal order.
- China’s response to US rebalancing in early 2012 was to initiate the campaign to seize administrative control of Scarborough Shoal/Huangyandao over the resistance of the Philippines. A similar campaign began that summer to take control of the Senkaku/Diaoyu islands despite Japanese resistance.
- Xi Jinping’s assumption of Party leadership in November 2012 led to increasing Chinese assertiveness. In 2013, Xi began to set out a vision of China as an independent great power with the right to negotiate new rules for engaging the world, and to have its paramount interests in Asia respected by others. China added new elements to its efforts to “regain” ownership of claimed islands and waters in the South China Sea.
- China’s claimed right to stop the peaceful passage of foreign warships through its EEZ and coastal territorial waters in the South China Sea, together with the construction of a chain of artificial islands with military basing potential to enforce its claims, today threatens to deny the US Navy its right to lawfully transit and patrol sea lanes in the South China Sea.
- If the US fails to challenge China’s new South China Sea regime, it gives up vitally important maritime rights and privileges; but if it challenges China, it risks armed confrontation. If China backs down it risks a loss of face; but if it enforces its claimed rights it risks the start of armed conflict.
- The unavoidable and irreconcilable conflict over freedom of navigation in the South China Sea is a litmus test of whether China’s values and beliefs about regional and global governance can coexist with those of the US.
- If differences truly are unavoidable and irreconcilable, and China-US military confrontations become chronic at the beginning of the US presidential campaign season, the next US administration could give up current hopes for strategic partnership with China and replace them with determination to meet a strategic challenge mounted by China.
- In conclusion, four possible future scenarios for East Asia are outlined: 1) Southeast Asia’s acknowledgement of Chinese leadership; 2) polarization of East Asia into rival camps led by China and the US respectively; 3) a breakdown of consensual rules of behaviour in the maritime domain among states; 4) Sino-US mutual accommodation.

INTRODUCTION

The US strategic rebalancing has a “China engagement” emphasis with a lesser “China hedging” element. US engagement seeks to stabilize the liberal international order on the basis of a great power partnership—what some may call a “G-2”—with a rising China. Meanwhile, the US maintains hedging diplomacy (e.g., keeps existing alliances alive) to guard against the risk that China will reject US overtures and challenge fundamental US interests. The US has optimistically discounted this risk and has maintained an emphasis on engagement.

However, since Xi Jinping took leadership in November 2012 and consolidated his power in 2013, China-US strategic divergence that began in 2009 has deepened in existing areas and spread to new issue areas. This is nowhere more evident than in the South China Sea. The emerging clash of fundamental Chinese and US interests there casts a new light on both the nature of China’s great power ambitions, and the relationship between the US and China.

What follows is a summary of how US strategy in the Asia-Pacific region has evolved in dialectical fashion since the end of the Cold War. It explains the origin of US strategic rebalancing to Asia, what it originally signified, why it is changing, and with what possible consequences.

US POST-COLD WAR STRATEGY IN EAST ASIA

At the end of the Cold War, the US was tempted to close down overseas military bases and reduce costly overseas security commitments. However, in East Asia it was mindful of unresolved conflicts in the Korean peninsula, the Taiwan Strait, and the South China Sea. At the same time, a modernizing China would eventually emerge as a powerful Asian power, but as yet, it remained an unknown quantity. Under Deng Xiaoping’s leadership, China was “hiding its light and biding its time” (*tao guang yang hui* 韬光养晦) while catching up with the advanced Western economies. After June 4, 1989, one could still hope, but not predict, that China would join the community of democratic nations and support the liberal international order. Finally, Japan might eventually rearm and create new risks if the US distanced itself from Japan’s security concerns.

By 1995 the US settled on an East Asian strategy that was articulated in the Pentagon’s so-called Nye Report.¹ It called for maintaining alliances and Cold War levels of forward troop deployments to guarantee stability, freedom of navigation, and an ability to manage the Korea, Taiwan, South China Sea, Japan, and China risk factors.

With respect to China, the Clinton Administration decided to overlook human rights differences and welcome it into the WTO to help China’s economic modernization. By doing so, Clinton hoped to win Beijing’s partnership in upholding an international order that

¹ US Department of Defense, Office of the Assistant Secretary of Defense (International Security Affairs), *United States Security Strategy for the East Asia-Pacific Region*, (Washington, DC: Dept. of Defense, Office of International Security Affairs, 1995).

promised to be beneficial to China. After a decade of inclusion in solid benefits provided by the liberal trading system, the Bush Administration actually proposed such a strategic partnership to China when it offered it a “responsible stakeholder” role. Deputy Secretary of State Robert B. Zoellick explained that, “From China’s perspective, it would seem that its national interest would be much better served by working with us to shape the future international system.”²

THE OBAMA ADMINISTRATION SEEKS CHINESE STRATEGIC PARTNERSHIP

When the Obama Administration entered office in 2009, it offered China “mutual strategic reassurance”—some observers nicknamed it a G-2—to cooperatively manage the existing international order across the full spectrum of issues.³

However, the Obama initiative was made from a position of weakness. The 2008-2009 global financial crisis had hit the US, and failed wars in Afghanistan and Iraq appeared to put the US on a swift downward trajectory. In contrast, China’s still rising GDP surpassed Japan’s in 2010, and forecasts showed that Chinese GDP in purchasing power terms would soon surpass the US (the threshold was crossed in 2014 according to the IMF).⁴ Thus, 2009 was an opportune moment for China to begin to think and act like an independent great power for the first time since the Opium War.

China signaled a selective turning away from US global leadership at the 2009 Copenhagen climate change summit when it rejected a US call for shared commitments and called a meeting of non-Western leaders to counter the US agenda.⁵ High Chinese officials also openly called for a new global currency regime to replace the US dollar-centred system.⁶

At the regional level, China expressed new great power ambitions by asserting territorial claims in surrounding seas—the Yellow, East China, and South China seas. It revived dormant territorial claims that had been shelved by Deng Xiaoping when China was “hiding its light and biding its time.” China began to unilaterally send fishing vessels and coast guard elements backed by growing naval power to occupy land features and to control surrounding waters that were being normally occupied and used by China’s neighbours.

China advanced its claims in other areas that clashed with international legal norms. Its imprecisely drawn 9-dash line claim in the South China Sea was neither specified nor justified

² Robert B. Zoellick, Deputy Secretary of State, *Whither China: From Membership to Responsibility? Remarks to the National Committee on U.S.-China Relations*, 21 September 2005. <http://2001-2009.state.gov/s/d/former/zoellick/rem/53682.htm>

³ James B. Steinberg, Deputy Secretary of State, *Administration’s Vision of the US-China Relationship, Keynote Address at the Center for a New American Security*. Washington, DC, September 24, 2009. <http://www.state.gov/s/d/former/steinberg/remarks/2009/169332.htm>

⁴ “Is China’s economy really the largest in the world?” *BBC News*, 16 December 2014. <http://www.bbc.com/news/magazine-30483762>

⁵ “Low targets, goals dropped: Copenhagen ends in failure,” *The Guardian*, 18 December 2009. <http://www.theguardian.com/environment/2009/dec/18/copenhagen-deal>

⁶ “Chinese officials call for end to dollar’s global dominance,” *The Telegraph*, 6 July 2009.

using UNCLOS principles and procedures. Within the line, China claimed a “historical right” of ownership that took precedence over the legal and historical claims of other coastal states. China rejected the use of impartial international adjudication mechanisms designed to settle such international disputes. And it asserted a right to regulate foreign militaries operating in China’s claimed EEZ, even though UNCLOS states that the EEZ remains the high seas for purposes other than economic development.⁷

Finally, China’s new assertiveness expressed itself in the rapid development of “area access/area denial” military capabilities designed to neutralize naval forces operating inside the first and second island chains. This critically changed the balance of power between China and neighbouring maritime states, and challenged the US Navy’s ability to guarantee open sea-lanes and the security of US friends and allies in East Asia.

THE OBAMA ADMINISTRATION PIVOTS TO EAST ASIA

The July 2010 ARF meeting became a key turning point for US perceptions and policy in the region. Secretary of State Hillary Clinton indicated that the US had no territorial ambitions, and took no side in the disputes over island ownership in the SCS. But she indicated that the US had a “national interest” in maintaining peace and stability, respect for international legal norms, and freedom of navigation (FON) in the SCS. She also offered to mediate territorial disputes among rival claimants. The US interest here was self-evident. The importance of Indo-Pacific growth after the global financial crisis became huge and would continue rising for at least another generation. This made US economic and strategic presence in the Indo-Pacific region, which the South China Sea conjoins, indispensable to fundamental US interests. Chinese officials reacted with outrage at a perceived US failure to respect China’s interests.⁸ Thus, it became clear that the US needed to pay more attention to the region.

The Obama Administration announced a “pivot” or “rebalancing” of strategic focus in late 2011. It had six elements: 1) engage Asia in more active diplomacy; 2) engage Asia’s rising powers, including China, India, and Indonesia; 3) strengthen military deterrence and seek new security cooperation partners; 4) attract Asian countries to join the TPP; 5) support regional multilateral forums; 6) promote democracy and human rights. The 2012 Defense Strategic Guidance mandated the rebalancing of US force deployment to assure a continued ability to access the region.

Strategic rebalancing promised more of the post-Cold War two-track approach, i.e., more engagement and more strategic hedging. And the US still optimistically hoped that mutual strategic reassurance and cooperation in global governance issues could win China’s strategic trust and partnership.

⁷ Carlyle A. Thayer, *China’s New Wave of Aggressive Assertiveness in the South China Sea*, (Washington, DC: CSIS, 30 June 2011). <https://csis.org/publication/chinas-new-wave-aggressive-assertiveness-south-china-sea>

⁸ “Offering to Aid Talks, U.S. Challenges China on Disputed Islands.” *The New York Times*, 23 July 2010. <http://www.nytimes.com/2010/07/24/world/asia/24diplo.html>

China viewed US strategic rebalancing as an effort to “contain” China’s rise to Asian preeminence. It responded in early 2012 with a lengthy maritime campaign to take control of Scarborough Shoal/Huangyandao in spite of Philippine resistance. After succeeding in this effort, China initiated a similar campaign against Japan to gain control of the Senkaku/Diaoyu islets in the East China Sea from August 2012. The crisis peaked in September 2012 just as Defense Secretary Leon Panetta arrived in Beijing with a message of strategic assurance. Then, in November, Xi Jinping took over as leader of the Communist Party of China. The US waited to see whether the new leader would continue China’s assertiveness.

CHINA UNDER XI JINPING

Xi Jinping began his term in office by recalling China’s century of humiliation and promising a “great rejuvenation of the Chinese nation” (中华民族伟大复兴). He offered a Chinese Dream that promised more material abundance, national pride, and international respect and deference. In foreign affairs, Xi prioritized military power and put the world on notice that, although China wanted peaceful development, it would adhere to a “principled bottom line” that would never sacrifice core interests (governance by the Communist Party; sovereignty and territorial integrity; and continuing development) for the sake of peace. In domestic affairs, he combated structural corruption inside the Party; tightened Party control over political discourse, information, and organizations; and concentrated power and decision-making in his own hands. He has achieved such personal popularity and power that he could set China’s course to last well beyond the years of his official tenure in office.

Xi held an informal summit with Obama in June 2013 at Sunnylands, California and called for “a new type of great power relationship” (新兴大国关系). In return for giving China space to shape Asia according to its interests, China would respect the primacy of US interests elsewhere, and both could maintain mutually peaceful and cooperative relations as great powers.

Then in September and October of 2013, Xi Jinping visited Central Asia and Southeast Asia to announce the One Belt-One Road (OBOR) initiative. This was an ambitious agenda of economic cooperation to build physical transportation infrastructure to link major ports and sub-regions in inland and maritime Eurasia to the growing Chinese economy. Xi also laid out a vision of a Asian community under Chinese leadership called the Community of Common Destiny (*ming yun gong tong ti* 命运共同体). China would use its diplomacy and economic resources to link the economies of China’s Eurasian neighbors to China through OBOR. And in May 2014 at the summit meeting of the Conference on Interaction and Confidence-Building in Asia (CICA), Xi called for a New Asian Security Concept that excluded non-Asian powers from having a regional security role and called for the end of traditional military alliances in Asia.

With respect to the maritime environment, China's efforts to "regain" ownership of territory inside the first island chain became more unilateral and assertive under Xi Jinping. China declared an air defense identification zone (ADIZ) over the disputed Senkaku/Diaoyu islands in the East China Sea. It rejected compulsory arbitration of a maritime delimitation dispute under UNCLOS provisions that was initiated by the Philippines. It began an unprecedented programme of artificial island construction in the South China Sea that has produced an island chain designed to permit coast guard and naval forces to enforce China's disputed maritime jurisdictional claims in the distant (i.e., distant from China) corners of the 9-dash line delimitation. And China claims a 12nm territorial zone surrounding artificial islands constructed on reefs and submerged rocks, which is explicitly not permitted under UNCLOS. It does not recognize the legal right of foreign naval vessels to freely transit its EEZ, nor does it respect the lawful right of foreign military vessels to peacefully transit the 12nm territorial zone (right of innocent passage). The resulting Chinese maritime navigational regime in the South China Sea would effectively block foreign naval vessel passage through the artificial island chain that China is building in the South China Sea.⁹

A LITMUS TEST FOR CHINA-US RELATIONS?

From a structural viewpoint, China's emergence as great power changes the basis of regional order in East Asia. Previously, stability in the maritime region of East Asia was based on a US-China-Japan strategic triangle in which the US was the only great power. As lesser powers, China and Japan did not challenge a US-led regional order. Now, however, China is claiming great power status with paramount regional interests. This means that the regional maritime order now rests on a triangle of two great powers and one lesser power. If the fundamental interests of the two powers diverge, the current basis of regional order would be threatened.

Under Xi Jinping, China's relations with the US have grown more troubled in a growing number of areas. These include sanctions against Russia over the Ukraine conflict, cyber-enabled theft of commercial secrets of US firms, the development of anti-satellite weapons, increasingly discriminatory treatment of US firms in China in sectors where Chinese industrial policy wishes to develop "national champions", the continuing opaqueness of PLA strategic plans and intentions, treatment of US journalists and NGOs working in China, human rights practices, and Chinese leadership initiatives that undermine international trade, monetary, and finance regimes established by the US.

But among these areas of bilateral friction, the South China Sea dispute is especially revealing. It directly tests whether China wants to compromise to achieve a cooperative strategic partnership with the US and neighbouring countries in accordance with existing international norms or alternatively, whether it wants to use its superior power to govern according to the "might makes right" principle. The lesson derived from this dispute can provide a basis for

⁹ "Chinese diplomat outlines limits to freedom of navigation," *The Associated Press*, 12 August 2015. <http://bigstory.ap.org/article/37dbcca730424f3c803ce38555c817ba/chinese-diplomat-outlines-limits-freedom-navigation>

interpreting the meaning of less critical and more ambiguous conflicts between the US and China.

The US must now decide whether or not to test and clarify China's intentions by running naval patrols through the South China Sea to assert freedom of navigation (FON) rights. The critical and contradictory nature of competing claims and interests mean that neither China nor the US can find a win-win solution in this situation.

If the US runs FON patrols, China might resort to force to enforce the rights it claims. But if the US does not run FON patrols, it tacitly consents to a Chinese maritime governance regime that not only nullifies a freedom of navigation principle that dates back to the birth of modern international law in the 17th century, but also prevents the US from protecting its global commerce and the security of allies.

If China does not challenge US FON patrols, Beijing will lose face and domestic political consequences for Xi Jinping will be considerable. But if China responds with force, it could face dire consequences—escalating conflict and an end to regional stability upon which its continued development and stability depend. This is a classic double bind, or lose-lose situation, produced by an unavoidable clash of irreconcilable objectives.

It would appear that confrontations of the sort that we saw in the 2001 EP3, 2009 USNS Impeccable, and 2013 USS Cowpens incidents in the South China Sea could become more frequent, especially if China takes another step by asserting a new South China Sea air defense zone after landing strips on China's new artificial islands become operational.

As the 2016 US presidential election campaign gets under way, escalating Chinese assertiveness could be used to argue that the engagement strategy towards China has failed, and the next president will be pressured to treat China as a strategic rival. This scenario could lead opinion in the US toward the conclusion that engagement to win China's trust and friendship has failed, and that the two sides are fated to strategic rivalry.

FOUR POSSIBLE FUTURE SOUTH CHINA SEA SCENARIOS

One possible future scenario is that Chinese demonstrations of political will and military capacity will induce ASEAN to join a China-led Community of Common Destiny. China could use its economic resources to make ASEAN members' loss of international legal rights and protections, and their acquiescence to China's South China Sea territorial demands more palatable. However, it cannot unilaterally control Southeast Asia's strategic environment, and ASEAN does not make collectively binding decisions. Vietnam, the Philippines, Indonesia, and perhaps even Malaysia, appear unwilling to give their respectively claimed South China Sea jurisdictions to China. Moreover, other stakeholders in the South China Sea conflict (such as Japan, India, the US, and Australia) have maritime rights and interests at stake that exist independently of any arrangements that ASEAN and China might agree to.

A second scenario features China-US conflicts that polarize the Indo-Pacific into states that cooperate with the US to support the international rule of law, and states that are prepared to recognize a new regional governance regime based on China's power and interests.

A third possible scenario is a fluid and complicated strategic environment in which neither the US nor China can assure maritime stability and security. The result would be a disintegration of normative order. Some local states may actively resist China's expansive claims with the assistance of outside powers like the US, but all would pursue their national interests independently using the most expedient means. The foreseeable consequences for regional trade and economic growth strongly recommend against this scenario.

A fourth scenario is a turn towards Sino-US mutual strategic accommodation. This would be possible only if certain conditions are met:

- China gains more international status and security for its expanding global interests;
- The US secures freedom of navigation, the international rule of law, the peaceful resolution of disputes, and a continuing strategic presence in the Indo-Pacific;
- A generally accepted method to settle, or at least manage, territorial disputes must be found. Existing international legal norms and institutions could be used if all parties agreed to rely on them.

This kind of settlement would have to be acceptable to all regional states to create an inclusive cooperative security community, codified in multilateral agreements that contain legally binding arrangements. But a strategic bargain between China and the US based on China's desire for more status and influence, and the US requirement that existing legal norms remain in place would be a necessary precondition.

Arms limitation agreements, codes of conduct, and joint monitoring, patrol, and security agreements have the potential to combine into a suitable regional security regime. The status of islands can be determined under general international law provisions, and UNCLOS norms and institutions are available to define uniform maritime rights and deal with maritime jurisdictional disputes.

With the easing of security dilemmas and an acceptable common and cooperative security framework consistent with international legal norms, China would be free to pursue its Community of Common Destiny with a greater chance of success. At the same time, US interest in freedom of navigation, the international rule of law, and continuing strategic access would be satisfied.

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