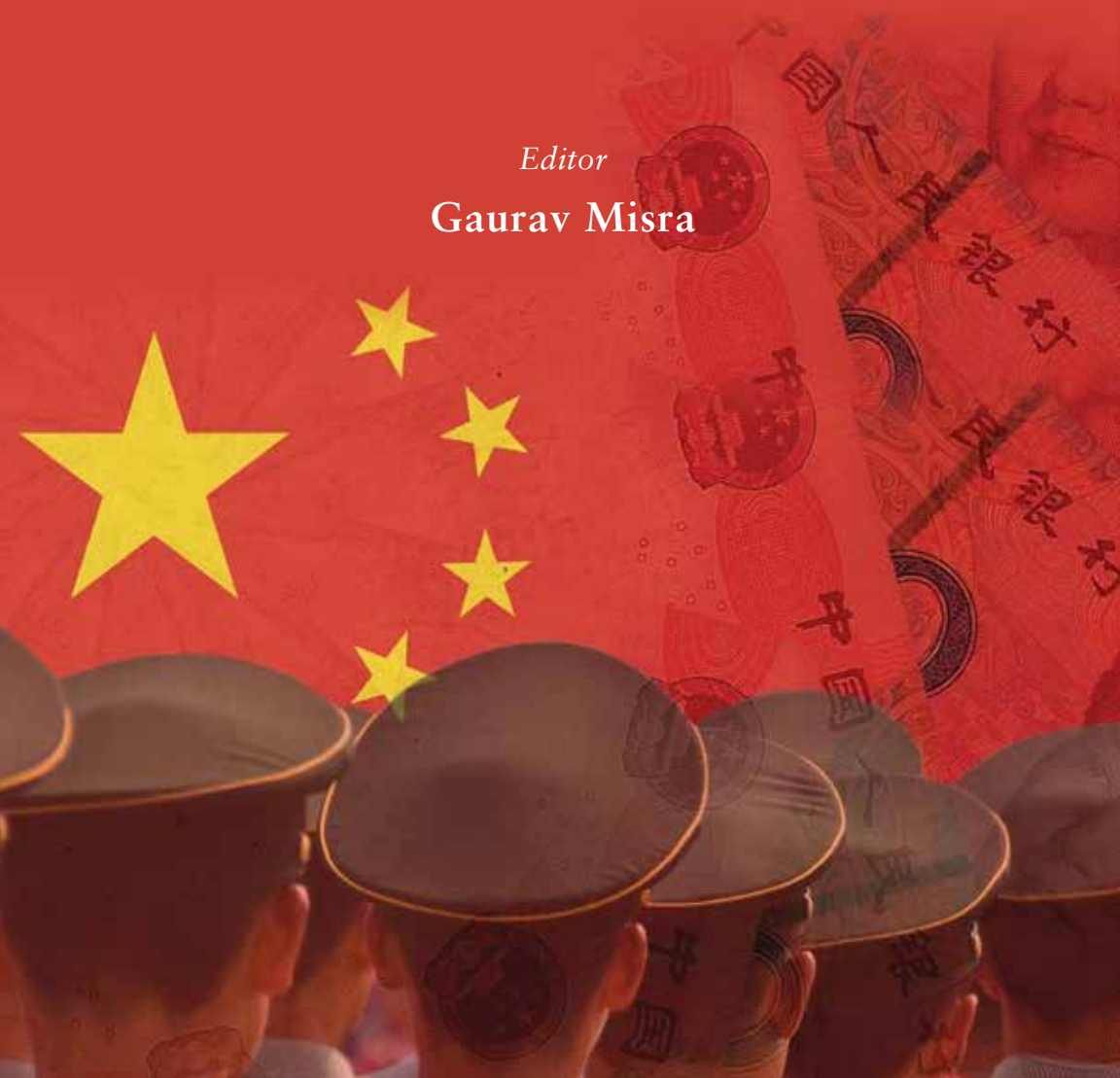
East Asia Strategic Review

CHINESE POWER

Trends in Engagement and Containment



Editor

Gaurav Misra

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Gaurav Misra

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1. Introduction: China's Strategic Engagement

Gaurav Misra

The geographical landmass of East Asia stretches from Sea of Okhotsk, to include Russia, China, Japan, North Korea, South Korea and Taiwan, up to the Eastern portion of South China Sea. Historically, the region has remained in the eye of the storm and has witnessed major catastrophic events for over a century, including major military upheavals, political crises, natural and man-made calamities and great power rivalry. Despite the establishment of League of Nations after the First World War, unprecedented bombing of Hiroshima and Nagasaki in August 1945 did not end the disastrous environment, and later establishment of United Nations after the Second World War. Instead, the region witnessed an upsurge in crises: Korean War of 1950-53; Sino-Soviet border clash of 1969; Taiwan Strait crises of 1950 and 1990; and so on.

Sovereignty issues for archipelagic landmass in the East and South China Seas has lead to straining of relations among the littoral states in the region, leading to unnecessary race for development of arms and nuclear arsenal. Involvement of extra-regional players, like the United States, has made the situation complex, giving rise to inter-relational dynamics. The testing of missile by North Korea and quest for development of nuclear weapons has created conditions where countries like Japan, which historically contented itself with constitutional moratorium of not having a military other than the self-defence force, are now on epoch-making juncture to undertake constitutional amendment for development of military force and development of weapon system to safeguard their interests. In this

entire stability-instability paradox, China remains the protagonist. With rising economic and military heft, capability and ambition to alter the world order, China desires to be a dominant regional power and possibly achieve global status by 2049. China has the propensity to shape the strategic environment in the region by all instruments of national power, that is, diplomacy, information, military and economy (DIME), to create conditions favourable to its ambitions. China, with President Xi Jinping in the driver's seat, is geared up to change the security calculus.

Prior to any viable analysis and evaluation of China's strategic outreach in the region, it is important to review the pertinent developments in the last couple of years which have influenced China's behaviour in East Asia:

- *Theatrisation and Modernisation of People's Liberation Army (PLA)*: In 2015, China announced major military reforms to transform PLA into an agile military force capable of deploying beyond China's territorial boundaries to protect its overseas interests. To achieve this military transformation President Xi enunciated three centenary goals, delineated during the 19th Party Congress. First, PLA to complete its mechanisation by 2020, second, to complete modernisation by 2035 and lastly, to be a world class military force by 2049, when PRC celebrates centenary of establishment of People's Republic of China. The military reforms focused on transforming the PLA Navy by equipping it with aircraft carriers, modern-day destroyers and submarines; upgrading the PLA Rocket Force with missiles having global reach, and developing a new service, PLA Strategic Support Force, with the aim to develop niche disruptive technologies in the field of cyber, space and electronic warfare. China's tryst to break out of the first island chain, exercise control up to second island chain and build potent capability to react in the entire Indian Ocean Region (IOR) in a strategic time frame has raised global concerns.
- *Militarisation of the Island Chain*: China has been on a reclamation overdrive in the East and South China Seas, stating claim over islands, shoals and reefs, with disregard to the sovereignty claims

of other littoral countries. It has been developing Paracel and Spratly Islands with airstrips and runways capable of landing operations by large military aircrafts. In addition, China has also deployed multiple surveillance sensors at terrestrial and sub-oceanic levels to monitor shipping and military activities. There have been umpteen instances of Chinese strategic bombers and surveillance aircrafts overflying in the region, transgressing airspace of regional countries. Though China has always claimed these islands will not be used for military purposes, however, the work on development in these islands have been going on unabated. The US has objected to the militarisation of island territories by China. In fact, the US has been undertaking freedom of navigation operations (FONOPs) to reinforce freedom to use sea lines of communication (SLOCs) by all nations. China has reinforced its domination by launching, well orchestrated Belt and Road Initiative (BRI).

- *Reunification of Taiwan*: One of China's top agenda is the reunification of Taiwan with mainland China. Though China remains dismissive about US intervention in its reunification efforts, the military bases of US at Guam, South Korea and Japan are of prime concern. In addition, the deployment of Terminal High Altitude Area Defense (THAAD) missile system and conduct of a large number of military exercises by the US with various regional and extra-regional players, including India, is posing greater challenges. The landslide victory of pro-democracy supporter Tsai Ing-wen in recently concluded elections in Taiwan, defeating Han Kuo-yu of Kuomintang Party (which is pro-unification), poses another challenge. This victory of Democratic Progressive Party (DPP) possibly relegates Communist Party of China's (CPC) top agenda of reunification of Taiwan. China also continues to castigate the influence of Western political forces in Taiwanese elections.
- *The US-China Trade War*: The two largest economies of the world are locked in a bitter trade war and both are imposing tariffs of hundreds of billions of dollars on one another's goods. The US has

accused China of unfair trade practices and intellectual property theft, while there is a general believe and perception in China that the US is trying to curb its rise as a global economic power. This trade war has had a cascading effect on the world economy. The global supply chains have been disrupted, creating uncertainty among the manufacturing units and raising costs for consumers, thereby leading to slowdown of global growth. Though "phase one" of the trade agreement in January 2020 promised to bring relief to the ongoing trade war, however, this was short-lived as COVID-19 further strained the relations between the two nations. This US-China trade war has brought the chilling era of the Cold War between the US and Soviet Union back to present.

- *Russia-China Alliance*: The relations between Russia and China have warmed up, especially against the US, symptomatic of the Cold War era when China-US got together in the 1970s after the visit of Henry Kissinger. Though there is no formal alliance, however, there are multi-tiered, multi-layered engagements in various international forums, such as Shanghai Cooperation Organisation (SCO), Brazil, Russia, India, China and South Africa (BRICS) and Russia-India-China (RIC). There has been stoic support of Russia in China's ambitious BRI. A pertinent facet of their relationship is an increase in the number of international military exercises between the two countries. A review of the military objectives of these joint military exercises indicate that the two countries visualise major attacks on their territory and are focusing efforts to evolve joint military drills to counter the same; case in point is 'Vostok' series, which is the largest exercise between the two nations. In addition, there have been convergences between the two countries on a gamut of international issues.
- *Economic Diplomacy*: China's economic heft is its major strength and it is using this as an instrument of statecraft. China, under President Xi, aims to establish "Beijing Consensus and Sino-centric world order" by employing economic diplomacy, with BRI as the most important tool for accomplishing this. Although China faces strong resentment from the US, India and certain

other nations, the lucrative financial assistance and paradigm of infrastructure development in the host nations seems a difficult proposition to refute. Prospects for China's regional economic initiatives, therefore, appear to be bright and may continue till major challenges or upheaval. Another pertinent facet of economic diplomacy has been China's engagement with various regional organisations, such as Association of Southeast Asian Nations (ASEAN), East Asia Summit (EAS), ASEAN Regional Forum (ARF), and SCO, and the desire to join South Asian Association for Regional Cooperation (SAARC).

- *Defence Diplomacy and Military Exercises*: China's biggest military weakness is the lack of combat experience: the last war it fought was the 1979 Vietnam War. The Gulf War of 1991 was the watershed of hi-tech modern warfare, and China found herself completely unprepared for such an eventuality. Though military modernisation was among the four pillars of modernisation initiated by President Deng in 1979, it gained traction only in the 1990s when China initiated her revolution in military affairs (RMA). Today, it is widening its military arsenal at a fast pace with modern, cutting-edge technologies. Influx of new technologies needs to be battle validated and military drills need to be absorbed by troops. A vital platform to achieve this is the conduct and participation in international joint military exercises. In addition, China is on a defence diplomacy spree with sale of military equipment to like-minded countries, such as Pakistan, Bangladesh and countries from Central Asian Republics (CAR), with lucrative loan options. China has not only been investing in building military and training infrastructure in host countries but has also established Confucian centres, so as to exploit its soft power.
- *China's Support to North Korea*: China has been extending clandestine support to North Korea for the development of missiles and its nuclear programme. Today, under Kim Jong-un, North Korea not only continues to tests its missiles but also threatens to use it against Japan, South Korea and the US, jeopardising peace

in the region. China, very skilfully, plays the North Korea card possibly, to counter the US.

- *China's One Country, Two Systems Policy and Hong Kong*: China has passed a new national security law in Hong Kong, with disregard to the Sino-British treaty of 1997. This has raised serious questions about China's most talked-about policy of One Country, Two Systems. Further, due of use of force to quell the pro-democracy supporters, and employment of PLA for the same, Beijing's international image has taken a beating.
- *Spread of COVID-19 from Wuhan to the World*: The spread of coronavirus from Wuhan has affected over 14.4 million people, with 600,000 deaths, the world over. Initially, though aware of the severity of the infection, the government at Beijing downplayed the lethality and detained the whistle-blowers. In the past too, China has come under tremendous international criticism for its human rights violations and excesses; aggressive posturing in the South China Sea; and issues of trade and intellectual property. This criticism has generally come from Beijing's traditional rivals like the US, while many smaller countries have maintained silence, mainly to prevent disruption of economic ties. However, the spread of virus and the corresponding global economic slump has opened the door to a wave of criticism and pushback not experienced by Beijing for years.
- *Pivot to Asia and the Quadrilateral Security Dialogue (Quad)*: The US rebalancing strategy, or pivot to Asia, during Obama administration brought the region into sharp focus. Involvement of extra-regional players like the US made the region extremely sensitive. As a counter, China declared an air defence identification zone (ADIZ) in 2013, with the aim to control aerial surveillance in the region.

This edition of East Asia Strategic Review, titled *Chinese Power: Trends in Engagement and Containment*, aims to discuss and examine Beijing's economic, military and political outreach in the region and what shall be her military and diplomatic manoeuvring.

The book has been divided into three main parts, excluding the introduction. Part I deals with regional dynamics. The Chapter 2 in this section talks about China-Japan relations. The author covers the subject from the time of establishment of diplomatic relations between the two nations in 1972, including how international and domestic structures that originally framed China-Japan relationship evolved. According to the author, China-Japan relations are largely influenced by complex geopolitical dynamics, geo-economics and the political environment in their respective countries. Chapter 3 relates to China-Russia relations, broadly covering Russia's policy towards East Asia with specific focus on its relations with China. The author analyses the cooperation between the two countries and host of other pertinent issues of regional parlance, to include, integration in Eurasia, the Korean Peninsula and South China Sea. It succinctly highlights the convergence and divergences between the countries and how these two nations and have achieved balance in their relationship. On each of these topics, both the Russian and the Chinese perspectives, identifying the common interests that bring the two countries closer as well as the divergent interests that pull them apart. Chapter 4 deals with China-Taiwan-US relations and how the cross-strait relations have witnessed sharp deterioration since May 2016 when Tsai Ing-wen, from the DPP, was sworn in as the President in Taipei. This deterioration also coincided with strains that developed in China-US relations. The landslide victory of DPP in January 2020 elections, with Tsai Ing-wen coming back for the second term, is likely bring a major shift in China-Taiwan relations.

Part II deals with militarisation in the region. Chapter 5 sheds light on the aspects: China's motivations for having a strong army; the capabilities that China has developed and if these can be used in Taiwan contingency; the extent to which the Chinese military can achieve its objectives in case of a conflict over Taiwan; and the US response to the rise in Chinese military capabilities and the challenges it faces in shifting its resources to Asia. The chapter focuses on Chinese military modernisation and capabilities and what shall be its impact in East Asia. Chapter 6 deals with China's desire to develop blue water capabilities

for PLA navy and its quest to dominate the seas from East China Sea to Indian Ocean Region (IOR). The development of island territories coupled with fast paced naval modernisation is premised for assertive posturing to achieve the status of a prominent maritime nation. Chapter 7 analyses the nuclearisation of East Asia, where China's clandestine support for North Korea's nuclearisation and missile development programme has made the latter more ambitious and belligerent, thereby adversely impacting the denuclearisation process of the Korean Peninsula. China's drive to compete with the US has motivated it to enhance her missile strength and bolster anti-access/area denial (A2/AD) strategy. The chapter attempts to analyse these issues and the potential ways in which they can impact the region in the future.

Part III deals with economic diplomacy and challenges. Chapter 8 addresses the US-China trade war and its impact on the regional economy. It also assesses if this has the potential to impact the global economy. Chapter 9 covers China's economic engagement with ASEAN and its signing of free trade agreement (FTA) with ASEAN as well bilateral engagement with individual countries. The chapter brings to focus the strategy of maximum engagement and limited hedging adopted by certain ASEAN nations towards China, to obviate any antagonism in the relationship. Further, it will also be fascinating to see how, China through its adroit economic and institutional statecraft ensures that these countries do not turn against China, even if there is factionalism within the association. Chapter 10 underscores China's trade policy as subject of economic statecraft. The chapter aims to present China's economic diplomacy towards the East Asian countries and regional organisations, like the ASEAN, Asia-Pacific Economic Cooperation (APEC) and EAS. It aims to bring to focus the aspirations and broad objectives of its economic policies towards the East Asian countries. Further, it reviews its approach to the regional organisations and communities in East Asia. Based on the critical analysis, the author deduces as how Beijing model or Beijing Consensus has acquired greater traction as compared to the American model.

PART I
Regional Dynamics

2. China-Japan Relations in the Abe Shinzo Era

Titli Basu

While the East Asian order is increasingly becoming fragmented with intensifying China-United States (US) strategic competition, one equation that will considerably influence regional peace and stability is the China-Japan relations. Since the normalisation of bilateral relations in the early 1970s, the international and domestic structures that originally shaped China-Japan equation have changed significantly. One of the pertinent features is the rise of China and stagnation of Japan since the 1990s. Amidst the unfolding structural changes, China-Japan relations are influenced by fluid geopolitical and geo-economic factors on the one hand, and domestic political dynamics on the other.

Existing literature has analysed the puzzle in China-Japan relations as "intimate rivals",[1] "distant neighbours"[2] or "charm rivals".[3] China-Japan bilateral relations present a paradox of political antagonism, with differing historical narratives, contested territorial claims and upsurge of nationalism in the political mainstream, regardless of deep economic interdependence embedded in densely integrated supply chains and intense trade and investment traffic. However, deep economic linkages have failed to guarantee peace and stability in China-Japan relations. This may be owing to the structural changes with the arrival of China as a major actor in the international system coupled with the relative decline of Japan. Some Japanese scholars also suggest that unlike in the Cold War period when China and Japan had a common adversary in Soviet Union, in the post-Cold War era Japan invested in its alliance with the US

to balance the emergence of a China-centric order.[4] In addition, there are other variables shaping the dynamics, such as: role of the political elites; legitimacy of Chinese Communist Party (CCP) contingent on economic prowess and anti-Japanese nationalism;[5] and lack of shared political values with differing regime types. Over the decades, Tokyo's China policy has advanced from friendship diplomacy from 1972-89 to an eclectic approach encompassing constructive engagement and pragmatic balancing to hedge against any imminent threats.[6]

More recent developments in China-Japan relations since 2017—in the backdrop of the 45th anniversary of the normalisation of diplomatic relations and subsequently, the 40th anniversary of the signing of the Treaty of Peace and Friendship—mark a departure from the antagonistic tone defining the bilateral relations following nationalisation of the Senkaku/Diaoyu Islands by Japan in 2012. This policy shift should not be seen in isolation. It is important to note that role of the US primacy constitutes an important intervening variable in China-Japan relations. The advent of the Trump presidency and his lack of nuanced understanding of alliance politics influenced Japanese policy debates on risks of US retrenchment from the region, leading to fears of abandonment. Thus, Japan adopted a prudent approach to ease bilateral tensions with China. Since 2017, China-Japan relation is manifesting a "tactical detente".[7] In the following year, Prime Minister Abe visited Beijing in October, manifesting renormalisation efforts.[8] Subsequently, Chinese reciprocity in the backdrop of intense trade friction with the US paved the way for President Xi Jinping's visit to Japan for the G20 Summit in Osaka in 2019, first since coming to power in 2013.

This chapter argues that the current phase of rapprochement in bilateral relations is shaped by respective tactical calculations of Japan and China in the backdrop of the advent of the Trump presidency and does not imply fundamental change in their respective outlooks as controversial issues continue to remain unresolved. There have been progressive and regressive phases ever since the normalisation of relations. However, going forward,

the trajectory of China-Japan relations will be shaped by China's approach to regional order.[9]

Since the 2000s, with economic rise paving the way for increased assertiveness in its foreign policy behaviour, China has demonstrated a readiness to define what it perceives as key stakes it wishes to secure, irrespective of its relationship with other states. With regard to its relations with Japan, this decade started with the trawler incident, followed by numerous escalations on both sides, including Japan's nationalisation of Senkaku/Diaoyu Islands, China's air defence identification zone (ADIZ) and alleged violations of territorial waters—reflecting the downward trajectory of China-Japan ties. However, with the change in the US presidency in 2017 and the unpredictability of Trump administration, dynamics of China-Japan relations marked a departure. At the regional level, the US pre-eminence constitutes an important factor in China-Japan relations. This chapter tries to critically analyse the geopolitical nuances and the geo-economic dynamics in the China-Japan-US relations. The subsequent section of the chapter will evaluate the domestic political variables shaping the China-Japan discourse.

Competing Perceptions on Order

One of the fundamental fissures in China-Japan relations is that there are competing templates of regional order. Tokyo, being an anchor of hub-and-spokes system of alliances following the post-Second World War, envisages its responsibility as a "stabilizer for the US led system".[10] Post-war Japan, as a beneficiary of the America-led liberal order, is opposed to the idea of emergence of a Sino-centric regional order. Meanwhile, President Xi Jinping argues for Asia for Asians. He suggested that "it is for the people of Asia to run the affairs of Asia, solve the problems of Asia and uphold the security of Asia."[11] For the CCP, the US-led order is erroneous[12] since in the political spectrum, US liberalism tends to impose values of democracy and human rights in different parts of the world. Also, in the security spectrum, the hub-and-spoke bilateral alliance system, which reflects the Cold War mindset, is analysed as a tool for encircling and containing Beijing.[13]

Opinions in the Chinese strategic community on the US-Japan alliance have changed over the years. Till the 1990s, the alliance was seen as a "useful constraint on Japan's remilitarisation". Subsequently, Beijing's thought evolved and it believes that "enhanced security cooperation between Washington and Tokyo compromises China's security interest".[14]

With Beijing's challenge to the US hegemony, great power management strategy of Washington has involved Japan's role in aiding the US to balance China's ascending clout.[15] For Japan, complementing the US' role in maintaining "a superior order structure" would restrain China's hegemonic rise.[16] Meanwhile, Japan has aligned its Free and Open Indo-Pacific vision with the goals of US Indo-Pacific strategy. It is true that Prime Minister Abe made efforts to recuperate China-Japan relations given Tokyo's own stress in alliance management under President Trump, but it is obvious that the defence administration regards incessant tension in the security domain unavoidable.

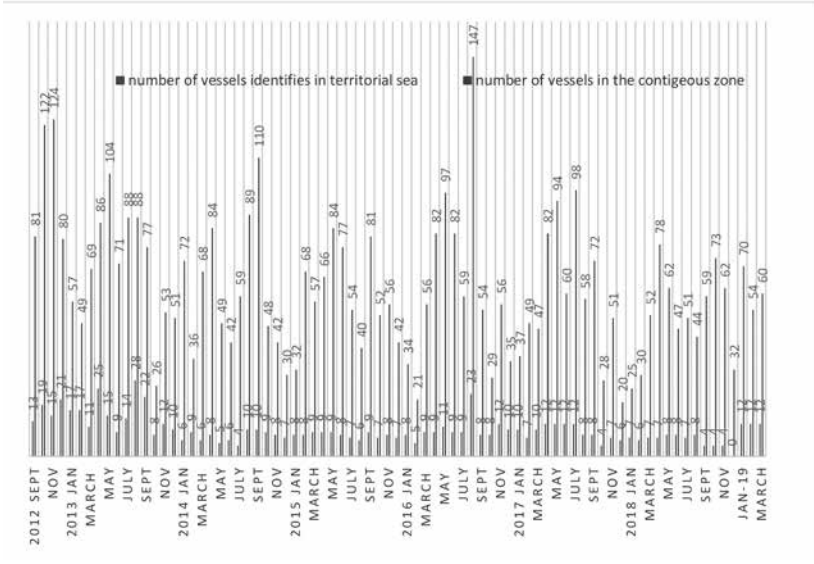
Even though Tokyo has realistically attuned its Free and Open Indo-Pacific "strategy" into a "vision", there is no dilution of the objectives and interests in promoting a rules-based order. For Japan, as a regional power and a traditional US ally, it is imperative to devise a pragmatic strategy as the US-China strategic competition intensifies. Tokyo is pursuing a dual strategic attitude towards Beijing that combines nuanced cooperation and competition at the same time, in coordination with the US.[17]

Chinese Maritime Assertiveness versus "Normalisation" of Japan

One school of thought argues that Japan's strategic calculations led it to pursue a "dual hedge" strategy, advancing security interests within the US alliance framework and furthering economic gains by way of trade with China.[18] Origins of China threat arguments in post-war Japan can be traced back to the 1990s when Tomohide Murai from the National Defense Academy argued that China may pose a threat after the collapse of the Cold War power structure

and the military modernisation of the People's Liberation Army (PLA). Especially with the enactment of the Territorial Waters Act in 1992, which declared the contested Senkaku Islands as part of the Chinese territory, arguments on China threat gained traction. The 1992 defence white paper documented China's augmented maritime activities in the surrounding seas for the first time.[19] By the mid-1990s, Japan started articulating concerns about China's military prowess and its increased defence budget. With the seizure of the Mischief Reef in February 1995, Japan became wary of China's expansionist behaviour. Subsequently, in 1998, the defence white paper reported the activities of Chinese naval vessels in Japanese territorial waters.

Figure 2.1: Alleged Violations by Chinese Government and Other Vessels in the Waters Surrounding the Senkaku Islands



Source: Based on data drawn from the Ministry of Foreign Affairs (MOFA), Japan, at https://www.mofa.go.jp/files/000170838.pdf (accessed April 1, 2019).

Threat assessments in Japanese policy papers have repeatedly maintained that Japan is experiencing the most "severe" security situation in the post-war history.[20] Japanese defence white paper of

2018 has articulated that "unilateral escalation of China's military activities poses a strong security concern for the region including Japan and international community".[21] Japan's National Security Strategy (2013) states:

> There is an expectation for China to share and comply with international norms, and play a more active and cooperative role for regional and global issues. On the other hand, China has been rapidly advancing its military capabilities in a wide range of areas through its continued increase in its military budget without sufficient transparency. In addition, China has taken actions that can be regarded as attempts to change the status quo by coercion based on their own assertions, which are incompatible with the existing order of international law, in the maritime and aerial domains, including the East China Sea and South China Sea. In particular, China has rapidly expanded and intensified its activities in the seas and airspace around Japan, including intrusion into Japan's territorial waters and airspace around Senkaku.[22]

Also, notwithstanding the institution of China–Japan Maritime and Aerial Communication Mechanism in 2018, with the objective of preventing accidental collisions between the Self-Defense Forces (SDF) and the PLA, the 2018 defence white paper has maintained its assessment of "strong security concern" with reference to China's unilateral endeavours to change the status quo around Japan. As a maritime state, Japan has consistently articulated, both individually and within regional frameworks, the significance of securing the rules-based maritime order. In addition to this, the white paper has closely evaluated PLA's advancing operational competence and enhanced anti-access/area denial (A2/AD) capabilities. It further indicates that infrastructure development under the Belt and Road Initiative (BRI) may amount to "further expansion of the PLA's activities in the area such as the Pacific Ocean and the Indian Ocean". This concurs with one view that argues that as Beijing seeks overseas bases, the PLA may secure improved access in BRI countries.[23]

Developments in the East China Sea have raised concerns. For instance, the presence of Shang-class submarines in contiguous waters near the Senkaku Islands in January 2018; increasing numbers of Chinese Coast Guard vessels and sometimes, the PLA Navy intelligence gathering vessels (AGIs) navigating Japanese territorial waters; and Chinese oil and gas exploration and drilling rigs that allegedly host advanced radars, helipads and have dual-use potential. Moreover, Chinese activities around the Miyako Strait in 2019 have raised concerns.[24] Subsequently, the US trained with Japanese Air Self-Defense Forces (ASDF) in the Western Pacific.[25]

Even though the Maritime and Aerial Communication Mechanism was instituted to manage maritime contingencies in the East China Sea, coast guards are not within its scope. Japan has strongly urged for upholding the maritime order founded on peaceful settlement of disputes and universal rules, including the rule of law and freedom of navigation. Besides the defence white paper, Tokyo's 2018 Basic Plan on Ocean Policy stresses on building comprehensive maritime security by gradually augmenting defence capabilities, bolstering maritime domain awareness capability with more patrol vessels, information-gathering satellites and coastal radars and protected information sharing between the Ministry of Defense, the Japanese SDF and the Japanese Coast Guard on the one hand, and reinforcing the international maritime order by coordinating in global frameworks on the other.

While the US is committed to defend Japan through the full range of capabilities, together with nuclear forces, the necessity to assume larger responsibility to support the alliance is a priority for Tokyo as it is aware of the possible entrapment concerns prevailing among a segment of the American strategic community owing to Article 5 of the treaty. The 2018 white paper argues that it is "more important than ever to strengthen the US-Japan alliance for the security of Japan". With the revision of the US-Japan Defense Cooperation Guidelines in 2015, a qualitative depth has been added to the security partnership. Institutional changes have reinforced mutual planning, intelligence sharing and crisis response

to several traditional and non-traditional scenarios in peacetime or during contingencies. The Alliance Coordination Mechanism has been created to enhance operational coordination, strengthen bilateral planning and facilitate communication among civilian and uniformed alliance managers.

Abe Shinzo was voted back to *Kantei* in December 2012. Under his leadership, Japan has stepped up to shoulder greater responsibilities within the alliance arrangement. It has incrementally expanded the scope of Article 9 to exercise a limited collective self-defence, initially through a Cabinet decision in 2014 and subsequently, through a package of security legislations in 2015; revised the US-Japan Defense Cooperation Guidelines in 2015 for augmenting operational coordination; loosened the conservative defence expenditure ceiling of 1 per cent of gross domestic product (GDP); loosened the arms export ban; intensified political debate on acquiring strike capabilities; and reorganised structures, including the institution of Acquisition, Technology and Logistics Agency (ATLA), and accelerated research and development (R&D) for attaining technological superiority.

For the defence of remote islands, Japan has stepped up its defence posture in the south-west with the establishment of the Rapid Deployment Brigade in March 2018 and units in Amami Oshima, Miyako Islands and Ishigaki Islands. It also instituted the Southwestern Air Defense Force in July 2017. To defend the remote islands, Japan is developing supersonic glide bombs which can be launched from missiles, and is also promoting the deployment of surface-to-ship guided missile units on Miyako and Ishigaki Islands in Okinawa. Besides this, Japan's approach emphasises on positioning units, increasing intelligence, surveillance and reconnaissance (ISR) in peacetime and ensuing maritime and air superiority. Previously, Japan instituted the 9th Air Wing at Naha Air Base to improve defence posture in south-west. In addition, Yonaguni hosts a coast observation unit.

Japan Ground Self-Defense Force (JGSDF) started new camps in March 2019 on Amami Oshima (Kagoshima prefecture) and Miyako

Island (Okinawa prefecture) with the objective of bolstering Japan's defence capabilities amidst China's increasing assertiveness in the region.[26] The then Defence Minister, Takeshi Iwaya, argued that the Miyako Island camp is on the front lines of Japan's defence in the south-western region. Miyako Island is approximately 210 km from the contested Senkaku Islands in the East China Sea where Chinese government vessels have frequently marked their presence. The JGSDF is trying to fill the defence vacuum, given the severe security environment surrounding Japan, with the deployment of the JGSDF in the south-western region. A 380-member security unit was deployed to the Miyako camp and there are plans to deploy a medium-distance surface-to-air missile unit and a surface-to-ship missile unit.[27]

The Liberal Democratic Party of Japan (LDP) has proposed converting its Izumo-class helicopter destroyers into aircraft carriers that can deploy the F-35B lightning vertical short take-off and landing strike fighter. This will eventually convert the helicopter destroyers from sea control platforms into potential strike carriers. This is likely to cast doubts on Japan's long-standing exclusively defence-oriented policy. While Japan will have to navigate concerns such as constitutional restraints and regional responses, Tokyo will seek to rationalise the decision by interpreting it as self-defence, given the considerable advancement in PLA Navy capabilities.

As Japan is adapting to the fast-changing security environment, its strategy encompasses both internal and external balancing. Tokyo is not only reorienting its post-war approach to Article 9 and narrow elucidation of right to collective self-defence, but is also demonstrating categorically its willingness to contribute more proactively to the alliance framework. It has also invested in building a network of universal values-based partnerships in the Indo-Pacific.

Evolving Geo-economic Dynamics: From "Competition to Cooperation" in Third Country

Even as China and Japan have competing geopolitical and security interests, there is congruence in the economic domain. That is why China-Japan relations are often analysed as "hot economics, cold

politics".[28] Prime Minister Abe's 2018 outreach to China was essentially motivated by geo-economic factors and the urgency to defend free trade amidst Sino-US trade war. Any escalation of trade war holds serious implications for Japanese economy, which is reliant on elaborate supply chains that structure China-US trade interdependence.

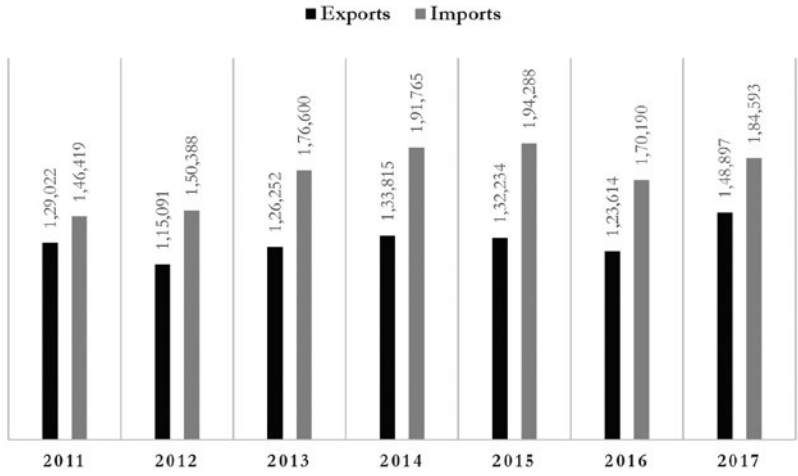
With Brexit and President Trump's inclination towards economic nationalism, protectionism and bilateralism, Abe assumed leadership and successfully delivered on concluding the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11). Furthermore, Japan's own trade frictions with the US have required Abe to not only concur on a bilateral US-Japan trade agreement but also conclude the Japan-European Union (EU) Economic Partnership Agreement (EPA). Meanwhile, Tokyo has also assumed an important role within the Regional Comprehensive Economic Partnership (RCEP) and accelerated negotiations on a Japan-China-South Korea free trade agreement (FTA).

In the bilateral spectrum, Trump's transactional attitude towards allies has not given Japan much leeway in the economic sphere. Steel and aluminium tariffs and the US Department of Commerce study (Section 232 of the Trade Expansion Act of 1962) to decide if auto imports compromise national security have pressured Tokyo. Also, American abandonment of TPP exerted adverse pressures on Japan's trade policy as Abenomics was relying on this mega-FTA to reinvigorate the economy by attaining access to new markets.

Adjusting to these geo-economic shifts, Japan has reoriented its focus on China. The leadership of both countries have strengthened the economic relations, based on the opportunities in each other's development, with the recommencement of China-Japan High-level Economic Dialogue after a gap of eight years in April 2018. China-Japan trade has remained robust irrespective of the political tensions in the relation. This is because of the integrated supply chain networks and trade and investment flows, especially since a large amount of Japanese investment in Southeast Asia depends on

China for assembly and value addition.[29] While Beijing is the largest trading partner of Tokyo, Tokyo is Beijing's second largest single-country trading partner.[30] The 2018 "Survey Report on Overseas Business Operations by Japanese Manufacturing Companies" has recognised China as the most favourable destination for business activities in the medium term, followed by India and Thailand.[31] Japanese investments have provided jobs, technology and capital to China, and Japanese technological pre-eminence is very important for China.

Figure 2.2: Value of Japanese Exports and Imports to and from China (unit: 100 million yen)



Source: Prepared by the author from "Financial Statistics of Japan 2018", Policy Research Institute, Ministry of Finance, Japan, at https://www.mof.go.jp/english/pri/publication/financial_statistics_of_japan/2018/2018.pdf.

Meanwhile, China and Japan have signed a Memorandum on Business Cooperation in Third Countries in May 2018 and instituted a Committee for Promotion of China-Japan Business Cooperation in Third Countries under the framework of High-level Economic Dialogue for inter-agency discussions. Prime Minister Abe attended the China-Japan Forum on Third Country Business Cooperation in October, in Beijing, where 52 memoranda of

cooperation were singed. This will allow Japan to seek its economic goals through greater overseas infrastructure investment. Japan's cooperation with China in third country projects is expected to augment the productivity of both Beijing and Tokyo's infrastructure projects given their common functional areas.

China-Japan cooperation in third country has led to a conversation on whether Tokyo has embraced President Xi Jinping's Belt and Road Initiative (BRI). As Nikai Toshihiro, Secretary General of the ruling LDP, attended the 2017 Belt and Road Forum, there are conjectures regarding a shift in Japan's approach. However, a closer look suggests that Tokyo is involved in a cautiously measured endeavour to shed a narrow outlook—as followed with regard to the Asian Infrastructure Investment Bank (AIIB)—and engage Beijing with the aim of shaping it as a responsible power and preserving the principles of international governance in keeping with global norms.[32]

Japan's powerful business lobby, Keidanren, not only supports a positive relation with Chinese economy but also buttresses the idea of a measured engagement in infrastructure projects. Even though Abe's strategy towards BRI has not altered drastically, Japan's tactics manifest more sophistication. Earlier, apprehension with regard to rules and norms were attributed as disincentive for Japan's engagement in China's project. Subsequently, Abe used the same set of variables as prerequisites for Japan's involvement in the BRI. Abe argued that Japanese expectation of engaging with China on infrastructure projects "in a forward-looking way" is conditional on project's openness, transparency, economic efficiency and financial soundness.

Tokyo's collaboration with Beijing on third country infrastructure projects will be dependent on its ability to find a way to advance regional connectivity without diluting the current geopolitical architecture on which its security interests continue to rest.[33] Japan's China policymaking is not monolithic. It is important to note that fault lines among policy elites in Tokyo were evident with Nikai Toshihiro-Imai Takaya taking the lead over Yachi Shotaro-Kanehara Nobukatsu on China policy.[34]

Nationalism, History and Domestic Politics

While China-Japan relation at the regional level is influenced by geopolitical and geo-economic determinants, at the bilateral level the relation is defined by key intervening variables, like nationalism and the history issue. Japan has played a critical role in shaping modern Chinese nationalism.[35] The struggle against Japanese imperialism continues to serve as a compelling tool for the CCP to legitimise its rule.[36] The May Fourth Movement, motivated by Twenty-One Demands of Japan, was an important highlight in the development of Chinese nationalism. Chinese nationalism is considerably shaped by Japan's invasion of Manchuria and the Second Sino-Japan War. In the countdown to War, China was split along regional, ethnic and ideological verticals. However, these actors joined forces to fight against Japan's occupation, which embedded nationalism into Chinese psyche. Japan pushed Mao and the Party to unify China after the Chinese Civil War (1945-49).

More than seven decades after the Second World War, one of the most important factors influencing Japan's relations with its neighbours is history. While Japan suffers from an apology fatigue, rising above the prevailing trust deficit in the region is a colossal challenge. Chinese political discourse has repeatedly urged Japan to face history squarely while advancing towards the future, which implies Japan "should not deny its aggressive history and colonial rule in the past, or duck the historical responsibilities he is obliged to assume, let alone indulge in words and deeds attempting to reverse the history". For China, "facing history squarely" is an important condition for advancing towards the future since China argues that "historical issues are like a ridge that cannot be sidestepped or detoured".[37]

Chinese public debate on how to manage relations with Japan gained momentum in the early 2000s, with influential writings talking about a "new thinking" on Japan. This school of thought was led by Ma Licheng arguing, and Shi Yinhong from People's University advocating, that rapprochement with Japan is in China's interests.

Shi argued that while history should not be ignored, China cannot stagnate in history either. There were others supporting the "new thinking", for instance, Xue Li from Qinghua University stressed that China should shelve the history question and pursue its national interests in reconciling with Japan. Meanwhile, counterarguments were presented by Japan experts in Chinese Academy of Social Sciences (CASS). Feng Zhaokui, for example, questioned such "new thinking" since the deep-rooted history issue remained unresolved. Yet, there were public intellectuals, like Pang Zhongying, and others, like Ling Xingguang, who took the middle path.[38]

September 3 and December 13 are respectively designated as the Victory Day of "Chinese People's War of Resistance against Japanese Aggression" and "National Memorial Day" to honour those slayed by Japan during the Nanjing Massacre to demonstrate the strong Chinese resolve to oppose aggression.[39] Meanwhile, Nanjing Massacre documents, including movies, pictures, memoirs and trials of war criminals, have been added to United Nations Educational, Scientific and Cultural Organisation (UNESCO) Memory of the World Register in 2015.[40] This triggered a heated response[41] from then Japanese Chief Cabinet Secretary, Suga Yoshihide, indicating discontinuation or cutting down on financial contributions to UNESCO.[42]

Prime Minister Abe's landmark speech at the 70th anniversary of the War in 2015 failed Chinese expectations as Abe stopped short of extending a personal apology. The Chinese foreign ministry articulated discontentment stating that Abe should have accepted Japan's responsibility for the War.[43] The most significant departure that Abe's statement made from the landmark 1995 Murayama apology was his articulation of uneasiness on the subject of obligating young Japanese, "who have nothing to do with that war, be predestined to apologise".[44] This underscored the apology fatigue which is predominant in Japanese discourse. Compared to the Murayama Statement that had been favoured by China,[45] Prime Minister Abe's account is described as "revisionist-laden statement"[46] and lacking in sincerity.[47] Japan has the responsibility of balancing the expectations of its neighbours and catering to domestic politics,

predominantly the influential right wing. Moreover, Japanese political elites have sometimes visited the controversial Yasukuni shrine, including Prime Minister Abe Shinzo in 2013, which sparks strong response from the region, which perceives such visits as reflecting an incorrect Japanese attitude towards history.[48]

Shadow of COVID-19: The Way Forward

The years 2018 and 2019 witnessed a fair degree of high-level interaction between China and Japan. Prime Minister Abe visited China and State Councillor and Foreign Minister Wang Yi visited Japan in 2018. Subsequently, President Xi Jinping visited Osaka for the G20 Summit in June 2019. 2019 also witnessed bilateral Foreign Ministers' Meeting, High-Level Economic Dialogue and Defence Ministers' Meeting. Also, China's Vice President, Wang Qishan, joined Emperor Naruhito's enthronement ceremony as President Xi's special envoy. This prepared the groundwork for the much-anticipated maiden state visit by the Chinese President (first since 2008) in April 2020.

However, Prime Minister Abe's careful planning to host President Xi Jinping was hijacked by the unexpected outbreak of COVID-19. The onset of 2020 was marked by one of the most unprecedented global pandemic, which led to postponement of the visit. In fact, President Xi's visit is not the only victim of COVID-19. Tokyo also had to postpone the much-awaited Olympics 2020. Japan had dedicated vast political capital and resources in preparation for the success of these two events that would have sealed Prime Minister Abe's legacy.

In the run-up to the April summit, both sides were exploring the prospects of creating a fifth political document governing China-Japan relations, as discussed in December 2019. There are already four political documents that were singed in 1972, 1978, 1998 and 2008. Nevertheless, irrespective of the diplomatic momentum in the bilateral relations, the pandemic will considerably change the context of Japan-China relations. Even though both sides have carefully used the pandemic to cooperate by way of "mask diplomacy",[49] it

would do little in terms of diverting attention from China's role and subsequent strategic response to the pandemic.

Furthermore, the pandemic has pushed the world economy into recession. It has severely unsettled supply chains and production networks, creating huge stress for the Japanese economy. Subsequently, Tokyo has decided to allocate US$ 2.25 billion to support firms to diversify their manufacturing supply chains out of China. The priority is to move them back to Japan or divert them to Southeast Asia.

Even before the pandemic, the need to safeguard critically important economic interests has led Japan's National Security Secretariat to add an economic unit last year to monitor suspected intellectual property abuses and technology theft by China. Japan also restricted Huawei Technologies and ZTE Corporation from public procurement contracts as worries concerning suspected espionage deepened.

COVID-19 has led to a larger debate on structural shifts in the world order. With escalating US-China strategic rivalry and the shifting texture of threats originating from China, the great power management strategy of the US will be increasingly reliant on its allies, including Japan, so as to constructively shape Beijing as a responsible power who honours global rules and norms. History of China-Japan relations since the normalisation of relations reflects both progressive and regressive phases but in the coming years, the course of China-Japan relations will be shaped by China's approach to regional order. Going forward, one of the biggest impediments in China-Japan relations continues to be the trust deficit.

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3. Russia-China Dynamics in East Asia

Manabhanjan Meher

Against the backdrop of continuing anti-Russian sanctions by a large number of countries, the comprehensive strategic partnership between Russia and China has made considerable progress in recent years. Both the countries have similar views on a number of global and regional security issues and have worked together on various occasions where their respective national interests have converged. They have frequently underlined their respect for each other's path of development and the socio-political system, and also asserted that inter-state disputes should be settled only through political and diplomatic means. Relations between the two countries go back to the times of the Soviet Union. When the People's Republic of China was founded in 1949, the Soviet Union was the first country in the world to recognise it, marking the beginning of diplomatic relations.

This chapter attempts to examine broadly Russia's policy towards East Asia, with specific focus on its relations with China. It also analyses the close cooperation between the two nations, along with each country's interests and policies on key regional security issues, such as integration in Eurasia, the Korean Peninsula and the South China Sea. The chapter also highlighted the divergent interests between Russia and China on certain issues which pull them apart.

Russia's East Asia Policy

Russia, with its traditional link to the countries of East Asia since the seventeenth century, has played an important role in international relations in the region, especially in the nineteenth and twentieth

centuries. In this context, one cannot deny the role of Soviet Union in the victory over fascism during the Second World War and the Soviet assistance for national liberation movements in Asia. After the collapse of the Soviet Union and emergence of a democratic Russia—of course, a considerably weaker Russian Federation—a new foreign policy course was proclaimed under Boris Yeltsin that was basically pro-West. Therefore, during the early 1990s, Russian foreign policy was primarily oriented towards the West and the East was subordinate to it.

The late 1990s and the early 2000s witnessed a shift in Russian foreign policy to a more pragmatic and balanced stance, better aimed at realising the country's national interests. A new figure in Russian foreign policy, Yevgeny Primakov, epitomised the need for altering the strategic course following Russia's economic troubles, political turbulence and reduced influence in the international arena. Primakov argued for a strategic triangle consist of three states, namely, Russia, China and India, and stressed on a multi-polar world aimed at counterbalancing American unilateralism in world politics. As China was the core East Asian country in region, the Russian-Chinese strategic partnership remained one of the prominent aspects of Russian policy in the East Asia.

As for other countries of East Asia, relations with Japan became a top priority in Russia's Asian policy in the beginning of the 1990s as Japan was considered one of the leaders of the developed world. Simultaneously, the Soviet imbalance towards North Korea also shifted in favour of South Korea in the 1990s. After recognising South Korea in 1990, Moscow put an emphasis on developing economic relations and technical cooperation with the country, which is currently Russia's third largest trading partner in East Asia, after China and Japan, and a promising source of high technology.[1] In his speech at the inaugural East Asia Summit (EAS) on December 14, 2005 at Kuala Lumpur, Russian President Vladimir Putin stated: "Our country, as an integral part of the Asia-Pacific region, supports peace, security and constructive cooperation throughout the entire region. We do not seek unilateral benefits. Our credo in Asia is an equal partnership

and mutual benefits." He further noted the importance of the forum: "Becoming involved in the integration processes taking place in the region will contribute to creating favourable external conditions for our country's overall socio-economic development, above all in Siberia and the Russian Far East."[2]

Meanwhile, China became the top trading partner for all East Asian states and in 2010, it concluded a free trade agreement (FTA) with Association of Southeast Asian Nations (ASEAN). It engaged with East Asian multilateral organisations, projecting an image of a benign great power. Against this backdrop, the balance sheet of Russia's presence in East Asia has not been impressive. From the early 2000s, Russia strived to return to the region that it had neglected in the decade following the collapse of the Soviet Union. Under the new conditions, Russia attempted to capitalise on the fact that not a single ASEAN state regarded Russia as a potential threat. It successfully established a network of political and diplomatic contacts with all the relevant actors and became member of the region's multilateral groupings, such as Asia-Pacific Economic Cooperation (APEC) and the EAS.

The Russian elite worked out a consensus on the basic ramifications for Russia regarding its place in the East Asian order: politically, as a balancing force between China and the US; economically, as the supplier of energy resources and weaponry; and as a transportation link between East Asia and Europe.[3] Russia's Eastern policy formally began in 2012 when the APEC Summit was held in Vladivostok. The main aim of this event was to create the potential for external economic cooperation between the Far Eastern Federal District of the Russian Federation and the leading countries of Northeast Asia, that is, China, South Korea and Japan.[4]

Currently, interactions between Russia and China in East Asia are usually seen as potential for both cooperation and competition. China considers the region to be of key importance for its national security and for consolidating its global great power standing. Russia, on its part, aspires to regain the position of an equal player in the region.

Developing a Comprehensive Strategic Partnership

The Sino-Russian relations have developed progressively. In the middle of the first decade after disintegration of the Soviet Union, the leaders of Russia and China termed their relationship as "strategic partnership". They established a "constructive partnership" in September 1994, then a "strategic cooperative partnership" in April 1996, finally formalising the relationship in a "Treaty of Good Neighbourly Friendship and Cooperation" in July 2001.[5]

Russia and China have a lot of converging interests in the international arena, and this also concerns stabilisation of the situation in the international arena. This was evident when North Atlantic Treaty Organization's (NATO) bombing of Yugoslavia and the US' unilateral decision to invade Iraq resulted in further convergence between Moscow and Beijing. Both nations believe in the idea of a multi-polar world order, maintaining that all countries have the right to pursue their own interests and to decide for themselves how to approach regional and global developments. According to Igor Ivanov:

> Russia-China relations are not developing in a vacuum, and the dynamics and prospects of these relations moving forward are largely contingent on the global political and economic situation as a whole. Over the past two decades, Russia and China have been promoting the idea of a "multi-polar world" as the most sustainable, dependable, and fair structure for international relations.[6]

Russia is the only power among the key players in the international field which has uninterruptedly and constantly supported China's struggle against Uyghur separatism; Beijing's stance on Taiwan and Tibet; and its territorial disputes in the South China Sea. On the other hand, China has shown support for Russia's Chechen policy ever since the conflict unfolded in the mid-1990s and has never criticised Russia's conduct of the repressive war in its Muslim-populated region. As Russian scholar Timofei Bordachev notes:

"Political relations between Russia and China were never as good as they are today. They are now almost free of any suspicion, and older-younger brother complexes in relations have been relegated to the past. There is no objective reason for either of the two countries to compete against the other. In fact, their economic and security interests are complimentary."[7] Moscow and Beijing have also consistently supported each other in combating domestic problems, such as national separatism, religious extremism and international terrorism.

Cooperation between Russia and China in the Eurasian Region

The Russo-Chinese relations are being developed in the framework of a special strategic partnership to promote the national aims of both sides that are not contradictory to each other. Besides their gradual interdependence in energy, trade and security sectors, Russia and China are mutually supporting each other's core and major interests, thanks to the alignment of the Eurasian Economic Union (EAEU) and the Collective Security Treaty Organisation (CSTO) with the Shanghai Cooperation Organisation (SCO) and the One Belt, One Road (OBOR; currently known as the Belt and Road Initiative [BRI]). Both Russia and China have launched ambitious regional projects that are promoted as a means to strengthen linkages with neighbouring states.

In 2014, the leaders of three countries—the Russian Federation, Kazakhstan and Belarus—initiated the EAEU as a regional economic union in order to enhance integration; eliminate barriers to the free movement of goods, services, capital and labour; and develop coordinated, coherent and unified policy in key sectors of the economy. The treaty was expected to move integration to a whole new level and establish the region's path of development for the next half decade. The project to establish the EAEU was one of the most important Russian integration initiatives since the break-up of the Soviet Union. The objectives and tasks of the new integration group, as well as the make-up of the integration core and potential participants, were determined. Similarly, President Xi Jinping first

presented China's vision for a "Silk Road Economic Belt" (SREB) during a 2013 speech in Kazakhstan. The idea was to "forge closer economic ties, deepen cooperation, and expand development in the Euro-Asia region."[8] In early 2015, the contours of Beijing's strategy began to emerge as China's leadership laid out plans for this "SREB" through Central Asia and a "21st Century Maritime Silk Road" through Southeast and South Asia. China referred to both collectively as "OBOR".

Initially, both the Russian led-EAEU and the Chinese led-OBOR looked completely different. However, Chinese President Xi Jinping and Russian President Vladimir Putin agreed to integrate the SREB with the EAEU, using the SCO as a coordinating platform, in a meeting held in Moscow on May 8, 2015, surprising many. The nature of three projects (the SCO, EAEU and SREB) was simultaneously developing, with a certain competition between them, and prospects for their integration were not clearly defined. Indeed, most of the scholars raised concern about its feasibility. Russian scholar Ivan Zuenko argued: "Yet, it is unjustified to talk about a complete linking and merging of the two projects since they present essentially different systems. The basic principles of the EAEU cannot be completely realized in those countries which, at the same time, participate in OBOR—and vice versa."[9] Similarly, Chinese scholar Zhang Xin stated:

> how to coordinate an already institutionalized multi-country economic mechanism (EEU) which has already developed its own identifiable organizational features and set of regulatory and legal frameworks, membership criteria and defined rules between its member states. While the SREB is still a proposal and initiative, and thus far from a fixed organization. It is even hard to define SREB as a single "project", as it is aimed at integrating many smaller ventures, programs, and initiatives across an extremely large geographic expanse, possibly by joint efforts with many other players.[10]

Moreover, Li Lifan wrote:

> This aim of developing connectivity between OBOR and the EEU is theoretically possible. However, its operationalisation will be very difficult. There are also a number of challenges to the efforts to connect the EEU and OBOR projects. One of them, the geographic scope and geopolitical composition of the EEU and OBOR are different, which means they cannot be docked as unified entities.[11]

Putin announced the Russian government's desire for a greater Eurasian partnership at the St. Petersburg International Economic Forum in June 2016. In the opening speech, Putin proposed for more extensive Eurasian partnership involving the EAEU, in which countries such as China, Pakistan, Iran and India would also be included.[12] Thus, the establishment of economic ties and modernisation of the legal regulation of international economic relations between the EAEU and China was crucial for the Eurasian continent's economic development.

The finalisation and signing of the Agreement on Trade and Economic Cooperation between the EAEU and China, in May 2018,created an international basis to unify and consolidate their economic interaction legal foundations for the first time. Negotiations were conducted on the basis of the Supreme Eurasian Economic Council decision of May 8, 2015. The signing of the agreement between China and the EAEU was a significant step in the processes of regional economic integration in Eurasia, in the EAEU and the Chinese "OBOR" conjunction.

Today, the strategic partnership between them is strengthening .In recent years, China has become Russia's leading trade partner reaching US$ 108 billion in 2018.However, it is still far from comparable to the Sino-US trade of US$ 360 billion and Sino-European Union (EU) trade of US$ 380 billion in the same year.[13]

Russia in Northeast Asia

In Northeast Asia, the main grounds of Russia-China cooperation are the North Korea nuclear issue and shared opposition to the

American anti-ballistic missile defence system, Terminal High Altitude Area Defence (THAAD). While South Korea's ties to the US and plans to deploy THAAD may not be a direct threat to Russia, they are viewed as a threat to the regional balance of power.

Russia alleges that the Korean missile threat has been used as a pretext for deploying THAAD systems close to the borders of Russia and China by the US. Russian policymakers perceive the THAAD deployment in South Korea as part of the larger vision of the US' "pivot" to Asia-Pacific. It expands the already substantial network of missile defence systems encircling China and Russia. Leonid Slutsky, the head of the State Duma's International Affairs Committee, has warned that the deployment of THAAD in South Korea to counter North Korea may endanger Russia's security. According to him, "Washington is creating a new regional segment of the US global missile defence system in North-Eastern Asia, close to the Russian border. This may put the security of our country at risk."[14]

Russia has significant economic, political and strategic interests in the Korean Peninsula. The policy toward North Korea is an important component of Russia's general strategy towards Northeast Asia, which is now regarded by Moscow as a vitally important area. The Fourth Eastern Economic Forum, held in Vladivostok on September 11–13, 2018, was anticipated to play a significant role in bringing peace and stability to the Korean Peninsula by integrating Northeast Asia and the Russian regions of the Far East and Siberia into regional economic projects with neighbours. Addressing the session, President Putin emphasised the importance of three-way cooperation between Russia, South Korea and North Korea. He stated, "I cannot fail but to highlight once again trilateral projects in infrastructure, energy and other spheres involving Russia, the Republic of Korea and the Democratic People's Republic of Korea. Normalising the situation around the Korean Peninsula is a key prerequisite for achieving progress on these projects."[15]

Russia firmly believes that there is no other way to settle the North Korean issue but through diplomacy. Indeed, Russia is interested in peace and stability on the Korean Peninsula through

cooperation with both Korean governments. However, it is only the Russian Federation which has consistently promoted the Six Party Talks at every forum—and to a certain extent, so did China—but other parties, such as the US, Japan, South Korea and most importantly, North Korea, do not seem to be interested in reviving the process at this moment. Besides the Six Party Talks, the Russian Federation has also put forward the idea of a phased approach to the settlement of the basic issues of the Korean Peninsula. Russia and China signed a joint statement on July 4, 2017, in Moscow, on the Korean Peninsula to coordinate efforts in finding a solution to the complex crisis and achieving lasting peace and stability in Northeast Asia.

The Russian President, Vladimir Putin, and the North Korean leader, Kim Jong-un, met in the city of Vladivostok in the Russian Far East on April 25, 2019, marking the first-ever summit between the two leaders. Speaking at the official reception, President Putin stated:

> We welcome DPRK's steps to establish direct dialogue with the United States and normalise relations between North and South Korea. We proceed from the premise that there is no alternative to a peaceful resolution of the nuclear and other problems in the region. For its part, Russia stands ready to stay involved in efforts to ease tension on the peninsula and strengthen security in Northeast Asia in general.[16]

Russia in Southeast Asia

In Southeast Asia, Russia has expanded its relations with the ASEAN countries. The year 2018 has been a momentous year for Russian foreign policy as far as multilateral institutions in Asia-Pacific are concerned. On November 13–15, 2018, President Putin made a state visit to Singapore and attended the Thirteenth EAS. It was the first such visit since Russia was made a member in 2010. At the same time, President Putin represented Russia at the Third ASEAN–Russian Federation Summit on Strategic Partnership. Two days later,

in Port Moresby, Prime Minister Dmitry Medvedev attended the APEC Summit, which had previously enjoyed priority attention of the President of the Russian Federation compared to other regional mechanisms.

The Joint Statement of the Third ASEAN-Russian Federation Summit on Strategic Partnership, held in Singapore on November 14, 2018, stressed on establishing stronger, deeper and mutually beneficial relations and continuing to build a peaceful, stable, prosperous and integrated region. Article 19 of Joint Declarations stated: "Support the full and effective implementation of the Declaration on the Conduct of Parties in the South China Sea (DOC) and early conclusion of an effective Code of Conduct in the South China Sea (COC) on the basis of consensus."[17]

Meanwhile, ASEAN-Russia Dialogue Partnership can be traced back to July 1991 when the then deputy prime minister of the Russian Federation attended the opening session of the 24th ASEAN Ministerial Meeting (AMM) in Kuala Lumpur as a guest of the Malaysian government. Russia was subsequently elevated to a full dialogue partner of ASEAN at the 29th AMM in July 1996 in Jakarta.[18] At the First ASEAN-Russian Federation Summit in December 2005 in Kuala Lumpur, ASEAN and Russia signed the Joint Declaration of the Heads of State/Government of the Member Countries of ASEAN and the Russian Federation. The Joint Declaration promoted and strengthened ASEAN-Russia Dialogue Partnership in a wide range of areas, including political, security, economic and development cooperation.

With reference to Russia's active participation in this region, Ekaterina Koldunova argues that "Russia has stepped up its participation in multilateral mechanisms in the Asia Pacific at a time when contradictions between the United States and China in the region have exacerbated, competition has once again intensified between the macro-regional projects proposed by these players in Asia, and emotions are running high around American trade protectionism."[19] Russian approach to the South China Sea cannot be seen in isolation from its policy towards ASEAN counties. The

total trade between ASEAN and Russia increased by 40.3 per cent (from US$ 11.96 billion in 2016 to US$ 16.79 billion in 2017), making Russia the eighth largest trading partner of ASEAN. The foreign direct investment (FDI) inflow from Russia in 2017 was US$ 47.72 million, making Russia the tenth largest source of FDI for ASEAN among the ASEAN dialogue partners.[20]

Russia's involvement in the South China Sea has been minimal since the collapse of the Soviet Union. The South China Sea row has been an issue between China and certain ASEAN members. China has territorial disputes with a number of ASEAN countries (Vietnam, Philippines, Malaysia and Brunei) over claims of the waters of the South China Sea. Russia has officially maintained neutral position with regard to the South China Sea. This is evident from the response of Foreign Minister Sergey Lavrov during the Russian-Vietnamese Conference at Ho Chi Minh City on February 25, 2019:

> We proceed from the premise that all the disputes must be resolved by the countries involved. The situation is far from being hopeless. It is my understanding that ASEAN and China have agreed to hold talks based on the 1982 UN Convention on the Law of the Sea. There is also a 2002 document (*Declaration on the Conduct of Parties in the South China Sea*) signed by ASEAN and China whereby the parties undertake to move toward resolving the matter through political means. Talks are currently underway to draft a legally binding code of conduct in the South China Sea.[21]

However, in 2016, Russian Pacific Fleet ships went to the South China Sea for joint exercises with Chinese naval forces. Eighteen ships and support vessels, 21 aircraft, over 250 marines and 15 units of military equipment were involved in the drills. The Russian group included Admiral Vinogradov and Admiral Tributs Udaloy-class destroyers, *Peresvet* battleship, *Alatau* rescue boat and *Pechenga* sea tanker.[22] These exercises, held on September 12–19, 2016, were characterised by many observers as a sign of Russia's clear support for China's position.

Vietnam, in turn, is the biggest arms importer from Russia and defence cooperation is one of the key components in its relations with Russia. During his visit to Hanoi on March 23, 2018, the Russian foreign minister reiterated that:

> Vietnam and Russia hold identical views on the world order. They stand for respecting international law and the central role of the UN, for a collective approach to any problems, as well as for an exclusively peaceful settlement of any disputes. We also uphold this position with regard to the situation in the Asia-Pacific Region. Our countries want to create a regional cooperation architecture there that will ensure the sustainable development and protect the security interests of all regional countries without exception.[23]

On the other hand, Russia has cooperated with Vietnam on extracting natural resources from the bed of the South China Sea; negotiated an EAEU-Vietnam FTA; and attempted to expand cooperation with Indonesia. A Vietnamese–Russian joint venture has begun crude oil production at a new site in the South China Sea—a project which is expected to contribute more than US$ 1 billion in revenue to Hanoi by 2032. However, the field is outside the so-called "nine-dash line", an area of the South China Sea where China presses its territorial claim. Vietsovpetro, controlled by state-owned Petro-Vietnam Exploration Production and its Russian counterpart, is working at the oil field 160 km off the southern coast of Vietnam. The site is near Vietnam's largest oil field, Bach Ho, also operated by Vietsovpetro.[24] Alexander Korolev has noted that "Russia's policies regarding the South China Sea (SCS) dispute are more complex than they might seem."[25]

Conclusion

Interactions between Russia and China in East Asia are usually seen as potential for both cooperation and competition. There have been a number of challenges to the efforts to connect the institutional

structures of EAEU and OBOR projects because of different level of economic development among the member states of EAEU and Chinese-led OBOR. The main grounds for Russia-China cooperation are shared opposition to the deployment of THAAD and the North Korea nuclear issue. Russia calls against involving third countries in solving the territorial dispute in the South China Sea but at the same time, it attempts to balance between China and Vietnam in the disputes without taking sides.

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4. Turning the Spotlight Back on the US-China-Taiwan Triangle

Prashant Kumar Singh

Introduction

The "pro-independence" Democratic Progressive Party (DPP) dominates the political scenario in Taiwan. Many may argue that the ascendancy of a "pro-independence" politics, together with a China-United States (US) great power jostling that is reminiscent of the Cold War presents the best strategic moment for Taiwan from the point of view of further deepening of US support for it since 1979 when the US switched diplomatic recognition from the Republic of China (ROC or Taiwan) to the People's Republic of China (PRC or China). Following the second straight victory of DPP's Tsai Ing-wen in the January 2020 presidential elections and President Donald Trump's relentless assailing of China after the COVID-19 outbreak, the strategic situation has become even more favourable for Taiwan from this point of view. A subtle revision in the US policy towards Taiwan promises somewhat "upgraded" relations. Thus, the emergent strategic situation in the Taiwan Strait will pose a major challenge for China and China-US relations in the near future. Given the fact that reunification of Taiwan with Mainland China[1] is the Communist Party of China's (CPC) unyielding commitment to the nation, the present situation has turned even more fraught with strategic uncertainties.

The chapter explains the existential contention between the DPP and China, and provides details of China's "punitive measures" against the Tsai government. This discussion is followed by an

analysis on the perceived upswing in Taiwan-US ties and how it is posing significant challenges to the PRC's version of "One China" policy. The chapter then makes an assessment of the prevailing strategic situation and offers some prognoses with reference to Taiwan's domestic situation, the possibilities of the use of force by China for reunification and the US' commitment for Taiwan.

The Thorny Issue of the 1992 Consensus

The DPP's[2] victory in the presidential elections in January 2016[3]—followed by its leader, Tsai Ing-wen, becoming President in May 2016[4]—was, indeed, as per the wishes of the people of Taiwan. However, this democratic outcome has proved to be a source of disappointment for those who had been hopeful about the future of cross-Strait rapprochement, witnessed during the Ma Ying-jeou presidency (2008-16) of the Kuomintang (KMT). For them, the DPP's victory has ironically triggered inverse developments in cross-Strait relations as it has led to undoing of the substantial progress made during the Ma years, in accordance with the 1992 Consensus.[5] This situation has emerged because of China's displeasure at the DPP victory, as it believes that this party has pro-independence agenda due to its reluctance to an unequivocal upholding of the 1992 Consensus. The current situation serves as a reminder of the fragility of cross-Strait relations, which stems from the lack of a tri-partisan consensus among the three key players—the PRC and the KMT and the DPP in Taiwan—on the nature of relations. The situation is unlikely to change as Tsai has secured a second term in January 2020.

Making Sense of the Contention on the 1992 Consensus

China wants the DPP to unequivocally uphold the 1992 Consensus[6] for being accepted as a legitimate dialogue partner. However, the DPP has been disinclined to walk the line set by China. In return, China accuses the DPP of harbouring pro-independence notions and pursuing the agenda of seeking de jure independence for Taiwan from Mainland China.

The ruling DPP emerged from Taiwan's struggle for democracy and symbolises the Taiwanese native nationalist assertion. This politics that perceives Taiwan to be distinct from Mainland China, resonates with the Taiwanese people's attachment to their democratic system, as opposed to the one-party rule on the Mainland, and secondly with their increasingly strong sense of being Taiwanese and not Chinese.[7] Thus, the entire ideological and political positioning of the DPP, which does not believe in "One China" or in eventual *necessity of* reunification, stands on the opposite end of the KMT, which has a pan-China conviction and upholds the 1992 Consensus and believes in Taiwan's eventual reunification with the Mainland (see note 5). Its policy documents, such as the 1991 DPP Charter and the 1999 DPP Resolution on Taiwan's Future (popularly known as the 1999 Resolution), are cited as examples of its desire to project Taiwan as a sovereign and independent nation, and also free from the ROC legacy.[8] Although the DPP tactically muted such assertions later on, it continues to argue that the fate of Taiwan will be decided by Taiwanese, without precluding any possible option, which means that eventual unification is not the only option and independence could be an option too. The DPP wants to enter into negotiation and dialogue with the PRC with this understanding. The PRC, however, refuses to oblige.[9]

During Tsai's unsuccessful bid for presidency in 2012, the DPP had vehemently rejected the 1992 Consensus, both as a historical fact as well as in its substance and interpretation.[10] During the 2016 election campaign, team Tsai was less aggressive. Its focus was on presenting itself as a responsible political stakeholder, thus projecting itself to be more acceptable to the people. After assuming power in 2016, Tsai promised "respect for the fact of the 1992 talks".[11] However, since the basic position remains unchanged,[12] Tsai's moderation rings insincere for the PRC as it believes that she is pursuing and implementing independence, without declaring it.

In an interview to the BBC after her re-election in January 2020, Tsai was more forthcoming than she had been earlier. She said her victory was "proof of how little appetite there now [was] for the

One China concept and the ambiguity it allowed over Taiwan's real status". Tsai further remarked, "The situation has changed … The ambiguity can no longer serve the purposes it was intended to serve." She went on to say:

> Taiwan's interests are not best served by semantics but by facing up to the reality … We are an independent country already and we call ourselves the Republic of China (Taiwan). We don't have a need to declare ourselves an independent state … We have a separate identity and we're a country of our own. So, if there's anything that runs counter to this idea, they will stand up and say that's not acceptable to us. We're a successful democracy, we have a pretty decent economy, we deserve respect from China …[13]

This candour, which her critics termed "unnecessarily provocative", was markedly different from her guarded responses after her first victory. It was seen as a message that she had moved beyond the 1992 Consensus and other conventional constructs. For her, these constructs were plain irrelevant now.[14] Later, after Tsai's swearing-in in May 2020, Mainland Affairs Council (MAC) Minister Chen Ming-tong remarked, "'A page in history has already been turned' on the issue of the so-called '1992 consensus' in cross-Strait relations."[15]

China's "Punishment" for Tsai

The DPP's victory in January 2016 did not evoke any immediate adverse official reaction from the PRC. It reiterated that it was willing to engage with any government in Taiwan, provided the 1992 Consensus was upheld. Tsai's "respect for the fact of the 1992 talks" was not enough. Seeing that no reaffirmation was forthcoming, China suspended cross-Strait dialogue in June 2016.[16]

The suspension halted regular contacts and dialogue between Straits Exchange Foundation (SEF) of Taiwan and the Association for Relations Across the Taiwan Strait (ARATS) from the Mainland. This undermined the "political" progress which was initiated in

2014 with establishing direct contact between Taiwan's MAC and Mainland China's Taiwan Affairs Office (TAO).[17] In a historical first, their heads travelled to each other's countries in 2014, marking the first cross-Strait "political or official contact".[18] Creating another history, President Xi Jinping and President Ma met in 2015 in Singapore.[19] However, the prevailing situation makes any such meeting unthinkable in the near future. Thus, the suspension amounts to going back to square one.

In 2008, Ma proposed a "diplomatic truce", which China reciprocated.[20] However, the "diplomatic truce" observed by Mainland China and Taiwan from 2008 to 2016 has collapsed. During the so-called diplomatic truce, China did continue to force the governments and private organisations such as publishing houses or book-sellers across the world, for a "correct" nomenclatural style of mentioning Taiwan in documents and pronouncements or its depiction in the maps. However, such friction was routine and took the form of relatively minor remonstrations, in keeping with China's regular reiterations of the "One China" policy, compared to the difficulties Taiwan is facing now. Taiwan has lost seven diplomatic allies in the last four years, without gaining any new ones.[21] The doors of World Health Assembly (WHA)[22] and International Civil Aviation Organisation (ICAO)[23] have been shut on it. The "One China" policy is being imposed even on private companies and non-governmental organisations (NGOs) which want to have commercial or any other form of contact with China.[24] Instances of China's interference in Taiwan's international space, following Chinese punishment for the Tsai government's non-compliance with the 1992 Consensus, are too numerous to list here.[25]

In addition, military manoeuvres and posturing by the People's Liberation Army (PLA),[26] reminiscent of warnings to Lee Teng-hui in the mid-1990s and Chen Shui-bian in the 2000s, are back. The instances of China's grey-zone conflict against Taiwan have increased. Chinese fishing boats ramming a Taiwanese coast guard vessel in March 2020 and Chinese fighter planes violating Taiwanese air defence identification zone in June 2020 are some examples of this.[27]

Besides, PRC has inflicted low-intensity economic punishment, such as discouraging travel agency-operated group tourism, followed by restriction on individual tourists, and limiting the quota of students studying in Taiwan's universities.[28]

Taiwan and the Sino-US Great Power Jostling

The present phase in cross-Strait relations testifies to another important change, that is, the US' changed approach and attitude towards relations with Taiwan, having a bearing on the cross-Strait ties. The DPP-PRC discord has provided the right context for the change in approach and attitude and helped turn the spotlight back on what used to be a US-PRC-ROC triangle during the Cold War,[29] or in other words, Taiwan's role in China-US great power jostling, presently.

The US' Taiwan Relations Act (TRA), 1979, governs the US-Taiwan relations.[30] The US has a commitment, under TRA, 1979, to ensure Taiwan's security against use of force and any other forms of coercion by the PRC. However, all along, the US has maintained strategic ambiguity regarding the conditions, forms and extent of its commitment to Taiwan's security. This ambiguity is in-built in the US' support for the "One China" policy. In the three US-China communiqués (1972, 1979 and 1982), the US essentially maintained that "the Government of the United States of America acknowledges the Chinese position that there is but one China and Taiwan is part of China" and it "does not challenge that position", and it "reaffirms interest in a peaceful settlement of the Taiwan question". This was a masterly play of words, which would in the future produce another usage "support for our One China policy" in the US.[31] On the whole, this ambiguity places limitations on US support and commitment for Taiwan's security; more importantly, it keeps China's proclivity for using force against Taiwan in check. It keeps a resentful China on its toes.[32]

Taiwan's Continuing Importance for the US in East Asia

The Trump presidency has reaffirmed Taiwan's continuing importance for the US in East Asia. Its tilt towards Taiwan has been

quite pronounced, which clarifies ambiguity in favour of Taiwan. As indicated by current developments discussed in subsequent sections, there is little possibility that the US will "say goodbye to Taiwan"[33] in the foreseeable future. These developments have answered the question, "does Taiwan matter", in the affirmative. As both Tsai and Trump have to deal with a strong Xi Jinping, the US appears be more forthcoming and generous in support for Taiwan since 2016.

Trump's Taiwan policy has evolved swiftly. In the early days of his presidency, and when he was still a president-elect, some moves by Trump were seen as possibly knee-jerk responses and were attributed to his possible personal ignorance about complicated cross-Strait problem.[34] The phone call from President Tsai[35] to Trump in December 2016, a sort of diplomatic coup by team Tsai, sent ripples across the Strait. Although Trump was still a president-elect when he received the call, his brief conversation with Tsai was seen by China as a breach of the US acknowledgment of One China, as per which the US and Taiwan do not interact at the top political-official levels. Taiwan's access and interaction with the US officials is quite regulated to ensure that the US should not appear to be conferring any signs of sovereignty on Taiwan in these interactions. Soon after, in a tweet, Trump implicitly criticised the US support for "One China".[36] These moves raised concerns as to whether all this had been fully thought through. It also raised concerns as to whether Taiwan was going to be used as a bargaining chip, and eventually sacrificed, for a few trillion dollars in the trade negotiations with China. However, as it turns out, Taiwan has actually benefited from deteriorating China-US ties in the strategic arena, as seen in the subsequent sections. The US, under Trump, has not only been quite favourably disposed towards Tsai but there have also been instances when one has been compelled to be alert to whether it is reviewing its approach to the cross-Strait issue (to be flagged in subsequent sections). With sufficient hindsight, one can say that these initial moves were precursors to the pattern, with deeper implications, that one sees now.[37]

A Strategic-Political Reaffirmation of Taiwan's Importance

After a long gap, Taiwan has found an important place in the strategic documents of the US. The National Security Strategy (2017) has made a categorical reference to Taiwan,[38] which, though not new, was absent in immediate previous reports: "We will maintain our strong ties with Taiwan in accordance with our 'One China' policy, including our commitments under the Taiwan Relations Act to provide for Taiwan's legitimate defense needs and deter coercion."[39] Besides, the US Department of Defense (DOD) and the Department of State reports on the Indo-Pacific strategy in June 2019 and November 2019 respectively, have highlighted Taiwan as an important partner in the US network of partners in the Indo-Pacific region. The 2019 November report states: "We [the US] are also strengthening and deepening our relationship with Taiwan. We have repeatedly expressed our concern over Beijing's actions to bully Taiwan through military manoeuvers, economic pressure, constraints on its international space, and poaching of its diplomatic partners."[40] In fact, the two reports on the Indo-Pacific strategy have listed Taiwan as a country. This forthright attitude is a new development as the US preference thus far has been to largely maintain a studied silence or issue qualified statements about Taiwan post-1979.

Besides, references to Taiwan have reappeared in the speeches of high-level political and official leadership in the US. For example, Vice President Mike Pence, expressing concerns about some Latin American countries switching diplomatic recognition from the ROC (Taiwan) to the PRC, condemned the poaching of diplomatic allies as a threat to "the stability of the Taiwan Strait". He reiterated the continuing respect for the US ("our") One China policy and remarked that the US would "always believe Taiwan's embrace of democracy shows a better path for all the Chinese people". He condemned China's compelling of "Delta Airlines to publicly apologise for not calling Taiwan a 'province of China' on its website".[41]

The US Secretary of State Mike Pompeo also characterised Taiwan as "a democratic success story, a reliable partner, and a force

for good in the world" and appreciated the decision by some of Taiwan's Micronesian allies to support it, in a statement which was released by the US embassies in the region and read out at the two-day 19th Micronesia Presidents' Summit in Palau.[42] In another important development, Pompeo, in his address to the National Governors Association in Washington, warned that "Beijing was increasingly taking its diplomatic battle [over Taiwan] to the local level" and that China was exploiting the US freedoms to "gain advantage over us at the federal level, the state level and the local level". He gave the example of China writing directly to state governments, and even pressurising high schools, to not have anything to do with Taiwan. He was very forthcoming, "I'd be surprised if most of you in the audience have not been lobbied by the Chinese Communist Party [CCP] directly." He "urged US governors to resist Chinese pressure to shun Taiwan".[43]

Reiterating the US obligation under the TRA, the US Secretary of Defense James N. Mattis, at the Plenary Session of Shangri-La Dialogue in 2018, stated that the US was committed "to make defense articles and defense services available to Taiwan for its self-defense" and "oppose all unilateral efforts to alter the status quo, and will continue to insist any resolution of differences accord with the will of the people on both sides of the Taiwan Strait".[44] Acting Secretary of Defense Patrick Shanahan repeated the pledge at the dialogue in 2019.[45] Chinese Defence Minister Wei Fenghe retorted, "While China would strive for a peaceful reunification with Taiwan, it will not rule out the use of force to do so … [and China] can find no justifiable reasons for the U.S. to interfere in the Taiwan question by its domestic law."[46] Again, he reminded the US Secretary of Defense Mark Esper, on November 18, 2019 in Bangkok during the 10th China-ASEAN Defence Ministers' Informal Meeting, that "China will never countenance major 'Taiwan independence' acts".[47] For a long period, Taiwan had reportedly not figured as an issue in China-US dialogue. However, the aforementioned examples indicate that Taiwan is making a comeback in the China-US dialogue.

A Diplomatic Recalibration for Taiwan

Trump's signing of the important Taiwan Travel Act, 2018 was an indication of the US' diplomatic recalibration with regard to Taiwan that authorised the government to allow high officials to undertake official travels to Taiwan. The framework that the TRA produced had constrained these travels. Extra-caution regarding the concerns about US-China relations also played a role in tightening the constraints.[48] Following this law, the US Secretary of Health and Human Services Alex Azar's visit to Taipei in August 2020, became the first high-level visit, which was also the first "highest level visit by a US official in more than four decades". This visit was seen by the Chinese experts as the paving way for the visits by "more officials from sensitive departments, such as foreign affairs and defense" to Taiwan.[49] On Azar's visit, the Chinese foreign ministry reminded, "What the US has done contravened its own promises on the [Taiwan] question"[50] and warned "… certain individuals in the US must not have any illusions or imagine they can get away with inappropriate [behaviour]. Those playing with fire will end up burning themselves badly."[51]

In a significant development, the US, perhaps for the first time, in an official statement expressed its concerns with regard to Chinese interference in Taiwan's international space when El Salvador switched recognition to the PRC.[52] This can be considered a solid example of recalibration as the US had hardly ever supported Taiwan in this respect after 1979. The US, in general, stayed aloof from Taiwanese grievances relating to China's poaching of Taiwan's diplomatic allies, though it did help Taiwan by facilitating its entry into some international organisations in which sovereignty is not the membership criteria such as the aforementioned WHA and ICAO. It is only recently, in the aftermath of Taiwan losing seven diplomatic allies one after another in the last four years, that the US expressed concerns about China's aggressive snatching of Taiwan's allies. In fact, the statement issued after El Salvador's decision was the first direct response on this issue.

Finally, the Taiwan Allies International Protection and Enhancement Initiative (TAIPEI) Act of 2019 may be deemed to be a

direct US intervention in the cross-Strait competition for diplomatic allies and as a move to dilute the US "acknowledgement" of the "One China" policy. Under the TAIPEI Act, the US will review and reassess its relations with the countries that switch to Beijing from Taipei.[53]

Moreover, the US Senator Ted Cruz introduced the Taiwan Symbols of Sovereignty Act, or Taiwan SOS Act, in the Senate in February 2020[54] to "reverse a ban on Taiwanese diplomats and military personnel displaying Taiwan's national flag [and wearing their uniforms] on US government property", "while in the US on official business", rescinding the supposedly confidential government guidelines of 2015 "that prohibit all symbols of Taiwan sovereignty from being displayed on US premises".[55] In case this bill also becomes a law, it along with TAIPEI Act would be solid proof that the US has moved away from "acknowledging" the "One China" policy in its balancing of relations with China and Taiwan. Incidentally, a Taiwanese military graduate waved the ROC flag at the US Air Force Academy ceremony in June 2019. This may have been spontaneous.[56] However, it could be pointer to the new-found relaxed atmosphere and permissiveness in the US towards the use of official symbols of Taiwan.

Further, a joint Taiwan-US business delegation to Saint Lucia in November 2019, "to increase private sector investment in the Caribbean nation", was the "the first time the two nations jointly embarked on a trade mission to one of Taiwan's diplomatic allies".[57] Similarly, a meeting between the US officials and representatives from seven of Taiwan's diplomatic allies, "to strengthen cooperation between Taiwan and its allies in the Western Hemisphere through a wide range of measures to facilitate infrastructure, trade and investment, as well as how to safeguard democratic values", was a response to the situation and a kind of meeting that has generally not come to attention.[58] Around the time of this meeting, Taiwan's Deputy Foreign Minister Hsu Szu-chien and David Stilwell, Assistant Secretary of the State Department's Bureau of East Asian and Pacific Affairs, held deliberations on the prospects of "collaboration [among] Taiwan's allies" and identified the Pacific Islands Dialogue between Taiwan and the US, set up in October 2019, as the forum

for this cooperation.[59] These are some significant and first-of-their kind instances of US-Taiwan diplomatic cooperation in which the US has expressed concern about Taiwan's ability to retain its allies.

Military-Diplomatic Signalling

Beginning July 2018, the US sent warships through the Taiwan Strait, which was widely publicised. Till June 2020, seven US naval ships had transited through the Strait in 2020, where the number was nine in 2019 for the entire year. Taiwan's ministry of defence started releasing information with the DDG-59 sailing through the Strait in July 2018.[60] The US confirmed that since 2005, it has stationed active military officers at the American Institute at Taiwan (AIT), which is the de facto US embassy in Taipei.[61] Of late, in a new development, the US Air Force activities in Taiwan's airspace have been reported too, which are perceived as a response to the PLA air force manoeuvres near Taiwan, and a signal about the US' commitment for Taiwan's security.[62] These relevant military-diplomatic illustrations are yet another indicator of the diplomatic recalibration for Taiwan by the US and the change in attitude.

A Less Hesitant Arms Sales to Taiwan

Following the TRA and the Six Assurances by Reagan in 1982, the US has been selling arms to Taiwan from time to time—arms which it describes as defensive in nature. This arms sale has been an issue between the US and China and has been fundamental to China's mistrust of the US. However, the Trump administration has appeared less hesitant about selling arms to Taiwan. The most significant example in this regard is the sale of the US$ 8.12 billion 66 F-16V jets to Taiwan, which had not materialised over the past nearly two decades due to diplomatic concerns relating to China's reaction.[63] The US DOD issued a draft Letter of Offer and Acceptance (LOA) in 2019 to sell 108 M1A2 Abrams tanks to Taiwan, which Taiwan has been trying to buy since 2000. The possible sale that included Stinger man-portable air defence systems and other equipment will cost Taiwan more than US$ 2.2 billion.[64]

The Department of State, in April 2019, decided that it may go for "a possible Foreign Military Sale ... for the continuation of a pilot training programme and maintenance/logistics support for F-16 aircraft currently at Luke AF Base, Arizona for an estimated cost of $500 million."[65] In 2019 alone, the Trump administration "approved and notified Congress of potential sales of critical defense equipment" to Taiwan, worth more than US$ 10 billion.[66] Recently, in May 2020, the US government "notified Congress of a possible sale of advanced torpedoes to Taiwan … worth around $180 million."[67]

The US has also allowed private companies to participate in Taiwan's submarine-building programme.[68] Besides, the two sides recently co-hosted, for the first time, the US-Taiwan Cyber Offensive and Defensive Exercises (CODE), "to combat the growing number of global cyberattacks, especially those from North Korea and China".[69] Incidentally, Senator Josh Hawley has moved a bill, the Taiwan Defense Act (TDA), "to maintain the ability to defeat a Chinese invasion—and in particular, a Chinese *fait accompli*—against Taiwan [which he termed "lynchpin of a free and open Indo-Pacific"] and to report regularly on its progress toward this goal."[70]

The COVID-19 Outbreak and the US-Taiwan Bonding

While the story of the global outbreak of COVID-19 in January 2020 is still playing and its geopolitical and geo-economic fallout will take some time to settle, the coronavirus has further severely infected the already deteriorating health of China-US relations. After initial downplaying of COVID-19, when Trump finally woke up to the gravity of the situation, he vehemently faulted China for the plight of Americans and the world. The post-outbreak months have seen a massive deterioration in bilateral relations. Rays of hope about a possible trade deal, seen towards the end of 2019 and early 2020, have faded.[71] The US has also withdrawn from the World Health Organisation (WHO) for its alleged complicity with China in hiding the reality.[72] It has withdrawn the autonomous status from Hong Kong, which had been granted for economic interactions with it, objecting

to China's new national security law for Hong Kong.[73] It has closed down China's consulate in Houston on espionage charges,[74] to which China has retaliated by shutting down the US consulate in Chengdu (Sichuan).[75] It has tightened regulations for Chinese students and research scholars and arrests have been made of researchers for visa fraud and unauthorised links with China.[76] A travel ban on the CPC members, including their family members, has also been proposed.[77]

On the other hand, Taiwan-US relations have displayed a great convergence as opposed to the wide chasm that has developed in China-US relations. They displayed a noticeable coordination on the issue of WHO's alleged complicity with China.[78] Taiwan, on its part, appeared to be endorsing the US accusations against China.[79] It also received a spirited support from the US and its allies for Taiwan's entry into the 73rd WHA of the WHO,[80] though the bid failed.[81] Its massive mask supplies to the US and the latter's unreserved praise for Taiwan's handling of the outbreak further highlighted their bond.[82] Taiwan's Ministry of Foreign Affairs and the AIT signed a "Taiwan-US Joint Statement on a Partnership against Coronavirus" in March 2020. In a subtle message, the joint statement was signed by the Ministry of Foreign Affairs from Taiwan's side.[83]

Hong Kong as a Common Cause

Hong Kong has emerged as yet another common cause for the US and Taiwan vis-à-vis China. The protests in Hong Kong and the months-long violence against the bill proposed by the Hong Kong authorities to introduce an extradition system between Hong Kong Special Autonomous Region (HKSAR) and Mainland China, in June 2019, would only strengthen Taiwan's resolve against the "One Country, Two Systems" model. All along, Hong Kong has been cited in Taiwan as an example of how "One Country, Two Systems" would be a "deadly or poisonous" embrace. The political situation in Hong Kong may have contributed to Tsai's hands-down victory in January 2020.[84]

The US had conveyed a message about its stand on the Hong Kong issue by legislating the Hong Kong Human Rights and Democracy Act (2019). Later, the Hong Kong issue snowballed

when China passed the new national security law for Hong Kong. The US withdrew the autonomous status granted to Hong Kong asserting that with the passage of this law, Hong Kong was no longer a special autonomous region. On the other hand, China has all along alleged a US hand in the unrest in Hong Kong.[85] Incidentally, similar accusations against Taiwan have also been reported.[86]

The Taiwan government has reminded the world that after Hong Kong, it is the turn of Taiwan's democracy that will be lost to China's authoritarianism, if not defended unitedly.[87] Tsai was categorical that she perceived a real and intensified threat from China, "and also, [with] the things happening in Hong Kong, people get a real sense that this threat is real and it's getting more and more serious".[88] The Taiwan government is preparing a Hong Kong humanitarian assistance action plan, which provisions for "shelter and other forms of assistance" for those who may seek asylum in Taiwan.[89] It has set up "an office to facilitate migration from Hong Kong" after China passed the national security law.[90] Incidentally, 5,858 people from Hong Kong were granted resident permits in Taiwan in 2019, a 40 per cent increase from 4,148 in 2018. Except for 474 out of 5,858 people, everyone received the permit from June 2019 onwards, a fact which can be attributed to the development of the politically turbulent situation in Hong Kong.[91] Meanwhile, the Taiwanese officials posted at Taiwan's representative office in Hong Kong have been asked to sign their reaffirmation for the One China policy for visa renewal, which has forced Kao Ming-tsun, the acting head of Taipei Economic and Cultural Office in Hong Kong, to go back.[92]

Encapsulating the Strategic Situation

On the whole, the overall strategic situation in Taiwan Strait can be described as the interplay between America's disappointment at China for not living up to the Nixon-Kissinger expectations of constructive engagement and encouragement, leading eventually to China becoming a liberal democracy;[93] Xi's pursuit of the great rejuvenation of Chinese nation or realisation of Chinese Dream

of regaining historical glory;[94] and Tsai's implicit Taiwanese nationalism.[95] Trump's trade war reflects America's deeper concerns relating to the Chinese challenge to their technological superiority[96] and China not living up to its promise of graduating to a full market economy.[97] In the US perception, it also reflects the security-strategic challenge posed by China to the rules-based order that the US has helped create. Gradual coalescing of opinions across the spectrum about Chinese challenges has been observed in the US in the last decade or so.[98] Until recently, the opinion was divided on whether there was a low-intensity Cold War going on between China and the US. However, considering the drastic turn China-US relations have taken in the wake of COVID-19, many now legitimately term this situation as a new Cold War—this time between the US and the PRC—which is unlikely to end anytime soon and will continue intermittently for a prolonged duration.

The recently enacted legislations having a bearing on cross-Strait relations may also be seen in the wider context of other recently enacted China-specific US laws, such as: the Hong Kong Human Rights and Democracy Act (2019); the Uyghur Human Rights Policy Act (2019); and the Reciprocal Access to Tibet Act (2018). These acts may be deemed to be the US leverage over China in the context of its deteriorating relations with that country. These and the aforementioned acts pertaining to relations with Taiwan have enjoyed bipartisan support and were passed unanimously, underlining the coalescing of opinions vis-à-vis China.

Similarly, the positions of the PRC and the DPP government on the nature of cross-Strait relations are intractable and it is difficult to visualise how they will be resolved. The domestic political developments in Taiwan and the US apropos China have perfectly synchronised with each other, posing a challenge to the CPC or China. For China, the DPP's equivocation on the 1992 Consensus remains anathema. It is watchful of the subtle adjustments in the nuances of the US approach towards Taiwan and the cross-Strait relations. Taiwan's reappearance in the US-China dialogue in a notable way tells of this watchfulness.

Similarly, Taiwan returned in China's 2019 National Defense White Paper. It had remained quite low-key in the White Papers during 2008-15, in which China principally focussed on endorsing cross-Strait rapprochement. However, the 2019 White Paper noted, "The fight against separatists is becoming more acute. The Taiwan authorities … have gone further down the path of separatism by stepping up efforts to sever the connection with the mainland in [favour] of gradual independence, pushing for de jure independence …" [99] Thus, Taiwan, at present, has yet again become a priority strategic challenge for Mainland China.

"Weather Forecast" in the Taiwan Strait

The discussion, thus far, begs an important question: how far the US course correction in its China policy goes towards benefiting Taiwan? The answer to this question cannot be given in isolation. This question begs an answer alongside the answers to some other important questions, such as: what is the course of cross-Strait relations from here onwards; what is the limit of China's patience; and whether we can anticipate any use of force by China against Taiwan? The answers to all these questions mainly depend on the turn Taiwanese domestic politics takes and how China responds to it, as well as what turn China-US relations takes.

How will Domestic Politics in Taiwan Shape Cross-Strait Ties?

The DPP's ascendance to power in Taiwan during Xi Jinping's tenure puts a question mark on his handling of Taiwan affairs. If the KMT had staged a comeback in January 2020, it would have further strengthened his political credentials. However, in the wake of Tsai securing a second term in January 2020, China's aggressive propaganda and manoeuvres and threatening military posturing targeting Taiwan will intensify in the coming period and the present stand-off will continue. Tsai is expected to carry on with her twin policies, namely, further strengthening cooperation with the US and reducing Taiwan's economic reliance on Mainland China, as exemplified by her New Southbound Policy.

Tsai may not resort to any aggressive anti-China rhetoric and posturing, though a more confident snub to the 1992 Consensus is a given. Analytically, one could still argue that two consecutive tenures of the DPP government may embolden the new hopefuls for the presidential post to take to aggressive and competitive China-bashing to shore up their prospects. Prolonged DPP rule in Taiwan, say, three or four consecutive DPP presidencies, is not an impossibility in democracy. Such a situation will raise legitimate doubts about the PRC's "One China" claim over Taiwan. The situation would get even more serious for China if some aggressively pro-Taiwan independence candidate wins in the future. How will China respond to the continuing DPP rule and its political/rhetorical aggression is the question? This will become a more critical question if the same US' policy towards China and Taiwan that bolsters the DPP's confidence were to continue irrespective of whether or not Trump retains office after the presidential elections in November 2020.

Pushing this analytical exercise a bit further, while the choice for the DPP is simple—that is, closer relations with the US to ward off anticipated Chinese threats—the situation might prove a bit tricky if the KMT comes back to power. For example, a KMT that has been ideologically vanquished by the DPP on the "One China" or the 1992 Consensus issue and has come around the DPP's position on this issue, will lose its value for China's reunification agenda.[100] With the DPP positions becoming the dominant frame of mind, China would suffer an irretrievable loss in Taiwan. On the other hand, if a KMT government with an excessive pro-business attitude for comfort towards China emerges in the future, it may produce a different complication.[101] This concern has a basis in Terry Gou's (Guo Taiming) bid for presidential candidacy from KMT in the presidential elections in 2020.[102] Gou, founder and chairman of Foxconn, has huge business interests in Mainland China. His candidacy raised many eyebrows as to whether such a candidate, who may have got huge conflicts of interest in China, can be entrusted with Taiwan's future. Gou, however, subsequently dropped out.[103]

So far, people's support for closer cross-Strait ties has been subject to the consensus that it would not lead to the One Country, Two Systems in the process. However, if a KMT government, or for that matter any other ruling regime in Taiwan, decisively acted against this consensus, Taiwan may erupt into social and political chaos, giving China the perfect excuse to intervene under Article 8 of its Anti-Secession Law, 2005. This article justifies the use of force if "major incidents entailing Taiwan's secession from China should occur".[104] One is also not sure about the US position in such a situation. This is indeed a wild-card scenario. Otherwise, in a normal case too, a KMT government that prioritises peaceful and stable relations with the Mainland would have to show greater deftness in handling relations with it, especially if Trump's policies towards China continue or become even more aggressive, either during his presidency or beyond his tenure.

Another dimension in Taiwan's politics that needs to be factored-in for scenarios in cross-Strait relations, is the role business lobbies might play. A successful diversification of Taiwan's foreign economic relations, reducing economic integration with China, will reduce the voice of business constituencies in cross-Strait ties. A failure to achieve this goal, combined with economic distress that they may feel due to deteriorated cross-Strait relations, may turn them against the ruling party and its policies, giving an opening for China to rekindle its influence in Taiwan's domestic politics. Incidentally, there were reports of declining Taiwanese investment in the Mainland, which could be partly due to the Tsai government's New Southbound Policy,[105] but on the other hand, "Taiwan's exports to China, including Hong Kong, grew to US$ 66.8 billion in the first half of [2020], up 9.8 per cent from the same period last year."[106] Wu Yi, economic research director of the Institute of Taiwan Studies at the Chinese Academy of Social Sciences, explained that this growth can be attributed to the early resumption of "normal production operations" after a successful curb of COVID-19 by China. This helped "mainland-based Taiwanese businessmen to resume their production capacity much earlier"; notably, Taiwan's exports to ASEAN and India, the target of

NSP, fell during the same period in 2020.[107] Teng Tai-hsien, a former official at the SEF, termed this situation as a "slap in the face" to the NSP. He argued "returning to normal exchanges with the mainland" was "the right direction".[108] The global economic distress created by COVID-19 may further deepen Taiwan's relations with Mainland China, as the mainland is the nearest, largest market and a kind of economic hinterland for Taiwanese businessmen. This should act as a reminder that decoupling of the Taiwanese economy from that of China's may not be structurally possible.

Will Xi Lose Patience with Taiwan too?

As to whether Xi Jinping will lose patience with Tsai and resort to force, the ground situation still does not corroborate any such possibility in the near future. Even though Xi Jinping has made some emphatic statements occasionally, they have largely been in response to a particular context. For instance, his emphasis on reunification and "One Country, Two Systems" in his speech at Taiwan Message Anniversary event on January 2, 2019 was on the occasion of the 40th anniversary of "Message to Compatriots in Taiwan" to which the "One Country, Two Systems" concept is traced.[109] Many actions, such as resuming the diplomatic struggle against Taiwan and changing M503 flight route, which China had kept in suspension during the Ma years,[110] or for that matter military posturing, have come about in the changed political situation in Taiwan after 2016. China's use of the phrase "One Country, Two Systems" has noticeably increased under Xi, which his predecessor generally avoided for the sake of good cross-Strait relations. However, "One Country, Two Systems" is the policy the Mainland upholds for cross-Strait unification. As reunification is the national agenda and Xi has, in general, pursued an aggressively nationalist foreign policy in the world, it is only natural that Taiwan will also receive its share of Chinese ire in terms of statements and actions, particularly when, in Chinese view, it is in the hands of a "pro-independence" force.

Otherwise, despite Taiwanese anticipation, Xi has not given any indication of setting a reunification timetable. His January 2,

2019 speech did not indicate any policy change, but re-emphasised "peaceful reunification". In his report at the 19th CPC National Congress in 2017, Xi was far from issuing any threatening and immediate ultimatum in his warning to "Taiwan Independence forces". In fact, stressing that "China's complete reunification… is in the fundamental interests of the Chinese nation", Xi reminded that "blood is thicker than water" and upheld the principle of "peaceful reunification".[111] Further, the 31 Measures, relating to social and employment issues and business issues and themes, enunciated by China's TAO in February 2018,[112] would suggest that, on the whole, the policy remains the same and relies on preparing Taiwan for peaceful reunification by offering it economic and other incentives. It further offered 26 Measures to "allow Taiwan-funded companies to take part in the Mainland's key industries, such as major technical equipment, 5G and civil aviation."[113] Here, it should also be noted that despite the "political breakdown" in cross-Strait ties, China has allowed cooperation between the relevant bodies under their respective health ministries in the backdrop of the global outbreak of COVID-19 from January 2020 onwards.[114] In fact, Mainland China announced 11 Measures "to support the development of Taiwan-funded enterprises and advance Taiwan-funded projects amid the coronavirus epidemic" on the Mainland.[115] Thus, China under him continues to offer carrots to the Taiwanese people, even if it shows the stick to the DPP government.

China remains constrained in the use of force due to the ambiguity about the US role in a cross-Strait military conflagration. The concerns as to how a 23 million-strong society would reconcile to the invasion, and how it would be absorbed into Chinese society, also constrain it in its use of force. In fact, it does not seem that China would like to create any major disturbance in strategic stability before 2049, the deadline to making China a fully developed society under the CPC's two centenary goals. Economic losses in any major strategic disturbance would be too high, at least, in the immediate term. Furthermore, the strategic outcome of the conflagration in the Taiwan Strait is at any rate uncertain due to US presence in the

scenario. Hence, while scholarly one-liners may highlight the fact that without Taiwan, there can be no realisation of Xi's Chinese Dream, this is still a long-term agenda without any specified timeline. Visualising it otherwise would only constrict Xi's elbow room. Thus, in the foreseeable future, China would continue to make life tough for Taiwan in the international arena. It may continue with its two-pronged policy of low-intensity punitive measures along with "carrots" in the economic realm. It may continue to influence or—as the Taiwanese would say—harass the Taiwanese businessmen in China. It may strive to re-energise the cultivation of political and business lobbies in Taiwan. It may intensify its cyberwarfare in Taiwan. Thus, within the aforementioned constraints, its immediate objective could be to help reshape public opinion in Taiwan in favour of good cross-Strait relations, against the DPP and other pro-independence sections, and eventually for reunification.

Although any military action is a bit difficult to visualise and the chances are very slim, theoretically it cannot be ruled out. The Chinese are convinced of the righteousness and justness of their cause and the world at large also does not recognise Taiwan as a normal state and accepts China's claim to it. It is implausible to assume that the recent US moves involving Taiwan, which would fall into the category of what Xi describes as black swans, could coerce China to soften its stand on the issue of the 1992 Consensus. Therefore, in exceptional circumstances, either under some provocation from Taiwan, or pushed by the factional politics within the CPC or if China-US great power contestation becomes more complicated and intense, is there a fear of military reprisal against Taiwan.

A military conflagration is also possible following an "inadvertent escalation" caused by unforeseen and accidental clashes between the Taiwanese military and the PLA, or the US military and the PLA, in the Taiwan Strait. However, any rational analysis of such a possibility suggests that the probability of "inadvertent escalation" is extremely low.[116] Thus, on the whole, the low-intensity war of attrition will continue to describe the strategic situation in cross-Strait relations and cross-Strait equilibrium remains as fundamentally delicate and

fragile as ever before, but is unlikely to implode anytime soon. The fear of military action by China is largely hypothetical in the ordinary course of events.

Will the US Stay the Course?

The discussion under the two preceding subsections leads to another more pertinent question here. The question is, in case China were to resort to military means to punish Taiwan or, say, invade it in some unforeseen extraordinary situations that fail rational explanations, would the US step in to defend Taiwan? As the Chinese military capabilities have grown impressively, there have been analyses as to whether the US would be able to repeat its decision of sending aircraft carriers to the Taiwan Strait in 1996, in similar circumstances. However, there are no certain diplomatic and military answers that can instil confidence in China to factor out a possible US role in its bid to use force against Taiwan. All the aforementioned developments in Taiwan-US relations point to an upswing in the relations, particularly from the Taiwanese point of view. Some of these developments and initiatives under Trump indeed lead to the speculation if these will eventually lead to a review of the US relations with Taiwan in a more qualitative way—which would no doubt benefit Taiwan and reassure the present DPP government. These can also be expected to stoke apprehensions in China about the US' strategic ambiguity towards cross-Strait relations, thus deepening the mistrust between them.

The moves and initiatives taken by Trump regarding relations with Taiwan point to him being not very concerned about Chinese sentiments and anger. More importantly, they beg the question as to the underlying understanding and policy objectives prompting these moves. Here, one should note that historically, Taiwan-US relations have been a function of China-US relations. The history of the US-Taiwan relations shows that the US support for Taiwan has always been determined by US needs and assessments.[117] At present, an across-the-board realisation in the US is that the hope during the Nixon-Kissinger era that constructive engagement with China

would result in a more democratic and friendly China was a mirage, thus the felt-need for course correction in the US' China policy.[118] The US Pivot to Asia, and its later Indo-Pacific military strategy and push for quadrilateral cooperation among Australia, India, Japan and the US, stems from this sentiment. This sentiment also requires the US to review its Taiwan policy, while not completely giving in to China's "overweening" demands on the Taiwan issue.

One can argue that the Nixon-Kissinger paradigm has stopped working. A new paradigm will emerge for China-US relations that will emphasise setting tough conditions in the negotiations on trade disputes, strengthened partnerships for strategic hedging against China and asserting American values. This paradigm change will reflect in the US' Taiwan policy as well and in the process, review it. Shedding the caution and inhibition that the conventional policy framework brought into being (see note 31), the US will be less constrained in aiding Taiwan to retain its de facto independence. This help will be seen in more generous and frequent arms sales, diverse security cooperation, increasingly dignified official contacts, more visibility for Taiwan-US relations and assistance to retain its diplomatic allies.

On the other hand, any fundamental rewriting of its China policy would still be counter-productive for the US and is almost unlikely. China is no longer the China of 40 years ago. It is an economic superpower, whose economy is deeply integrated with that of the US. It has modernised its military in an impressive way in such a short time that it is unparalleled in recent history. China has amply demonstrated its military-technological capabilities in the South China Sea where its military infrastructure building has come to be termed as a "new normal" and there is general agreement that it may not be possible for the US to impact the status quo ante. Given the example of the South China Sea, one can envisage a situation in which China's rapidly modernising military power may eventually persuade the US not to engage China on Taiwan, once the inflexion point is reached when China will completely close the military technological gap with the US.

However, this is open to debate whether the aforementioned inflexion point will ever be reached. The loss of every advantage and instruments of deterrence that the US has vis-à-vis China, leading to its eviction from cross-Strait scenario, is hard to visualise. As a matter of policy, the US has always supported cross-Strait dialogue. There is no indication available that it can have any undeclared political policy to oppose a peaceful and voluntary reunification. Nevertheless, a strong argument continues that a Taiwan that is separate from PRC would be in the US' best military-strategic interest as it restricts the manoeuvring space for the PLA Navy and will be its advance strategic asset ("unsinkable aircraft") in a China contingency. Thus, its security-strategic interest in the continuation of the cross-Strait status quo, normative and sentimental support for Taiwan and concerns about its prestige as a reliable alliance partner will possibly compel it to get willy-nilly involved in the eventuality of a military invasion of Taiwan by China. Here, Bonnie S. Glaser's words, shared with the author, would best answer the difficult question whether the US will stay the course:

> The commitments under the TRA are US law. The TRA is not part of a mutual defense treaty with Taiwan, as the US has with its allies, however. The TRA obligates the US to sell defensive weapons and services to Taiwan, and to maintain a US capability to prevent use of force or coercion against Taiwan. It does not obligate the US to defend Taiwan. The decision to defend, how to defend, or to not defend Taiwan would be up to the American President and Congress. Since Taiwan became a democracy, the moral imperative has become a key factor, which, along with intensified US-China strategic competition, has increased the likelihood that the US would come to Taiwan's defense.
>
> —(see "A Note on Field Trips")

Thus, the US' present, hardened approach towards China and China's priority to salvage relations with the US may continue to dissuade China from a military adventure against Taiwan. The

uncertainty in the long term notwithstanding, the US policy of strategic ambiguity that has worked well thus far, will continue to be factored into China's calculations for Taiwan in the foreseeable future. And, therefore, one can argue that Xi Jinping, or the leadership after him, would ideally prefer to settle the Taiwan issue first with the US—as for China, Taiwan is essentially a strategic issue with the US—instead of resolving it through military means directly with Taiwan.

Conclusion

While the One China policy or the principle and commitment to reunify Taiwan with the "motherland" appears to be cast in stone for the PRC, there are no takers of "One Country, Two Systems" in Taiwan—neither the two leading political parties nor society at large.[119] The developments in Hong Kong from June 2019 onwards have only solidified Taiwan's resolve against the "One Country, Two Systems" offer. However, in the face of PRC's power and resolve to thwart what it would perceive as pro-independence moves, the DPP's pro-independence sentiments and inclination are unmaintainable in the long run, without a powerful US support. On the other hand, the KMT's adherence to the 1992 Consensus is also no solution by itself and unsustainable in the long term. Whether it can buy endless time for Taiwan and where it will lead are the unanswerable questions. In the meantime, the KMT too has begun showing early signs of revising its stance on the 1992 Consensus.[120] On the other side, China's ever-increasing power gives little hope that it will ever accept anything short of unequivocal support for the "One China" principle, as defined by it. However, there is equally a challenge for it to have a prudent policy to bring even "heretics" of the "One China" to the dialogue table in some form, and keep everyone in Taiwan close, showing some flexibility, to arrest the increasing distance between the two sides of the Strait.

In this complex backdrop, how long will the US remain involved in the cross-Strait conundrum and "guarantee" Taiwan's de facto independence is always at the back of everyone's mind.

As of now, the US strategic ambiguity has worked well to deter China from using force for reunification. Out of all "pending" territorial claims, reunification of Taiwan is the most evocative for Chinese nationalism. However, diplomatic suppression and military posturing apart, Taiwan is yet to figure in President Xi's nationalistic assertion substantively. It is Hong Kong and the border with India which have witnessed a play of his nationalistic assertion. Despite all inherent ambiguities, the US' "legally non-binding" "political commitment" for Taiwan is quite clear and integral to China's strategy for its reunification. Meanwhile, the US seems to be moving beyond the post-TRA phase in relations with Taiwan, without overtly undermining the "One China" policy.

Thus, this author only partially agrees with the view that there is no US-PRC-ROC triangle any longer and Taiwan is merely an irritant in China-US bilateral relations. This view, which he frequently came across during his field-trip to China, stems from a sense of confidence of power. This confidence is an inevitable outcome of China's emergence as an economic superpower and its fast catching up with the US in the military and technology arenas, and in the meantime, leaving Taiwan far behind on every scale of power parity. The author argues that this view is true only in the sense that Taiwan-US relations are a subset of the US' China policy, and Taiwan is unlikely to have a larger-than-life salience of the 1950s and the 1960s. However, as long as reunification remains the issue and the US has a "commitment" for Taiwan, it is difficult to treat Taiwan as merely "a dot on the straight China-US line". A latent, irregular China-Taiwan-US triangle persists, which can come to the fore if strategic exigencies require so. The discussion thus far, makes a case to argue that at present, this triangle is active and very much at play (see "A Note on Field Trips").

It is hard to make a convincing prediction about anything in the long term or indeterminate future; one can only visualise the next stage of any strategic situation. As the "new Cold War" sets in between the US and China, Taiwan will be in the spotlight, which will be reminiscent of the Cold War era, though certainly

not in the same way. For two decades during the Cold War, the US recognised the ROC (Taiwan) as China and helped it retain the China seat in the United Nations. At present, although Taiwan's maximalist expectations—such as de jure independence, diplomatic recognition and membership in the international organisations where sovereignty is the criteria—are unlikely to be fulfilled, the US may exhibit a "non-committal" attitude towards the PRC's One China claims, to hurt and exert strategic pressure on it. The Taiwan issue may, once again, become a priority issue between China and the US. Therefore, in the coming period, one expects to see more about Taiwan in international politics.

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Notes

1. The author has used the terms "Mainland China" and "the Mainland" in keeping with pan-China convictions of the Kuomintang (KMT) and China. These terms are used in historical contexts and also to convey China's point of view. Apart from being standards usages, the terms China and the PRC have also been used in the DPP-China context, in which the former, being a product of democratisation and "localisation" of Taiwan's politics, does not have pan-China convictions.
2. Over the last two decades, a cross-Strait "knot" has been formed by two triangles: China-KMT-DPP triangle on the one hand; and the US-China-Taiwan triangle on the other. It was actually in 2000, when the DPP became the ruling party in Taiwan for the first time that China-KMT-DPP triangle emerged. Till then, there was only China-Taiwan-US triangle in which "Taiwan" and "KMT" were used interchangeably for more than

four decades, for all practical purposes. While "China" and the "CPC" remain naturally interchangeable in any cross-Strait context, "the KMT" lost this status in Taiwan after the DPP became a power to reckon with. The author's usage of the term "cross-Strait knot" is inspired by Richard C. Bush's usage of the phrase, "untying the knot", which he has used as the title of his book, *Untying the Knot: Making Peace in the Taiwan Strait*, Brookings Institution Press, Washington, DC, 2005. For Bush, the phrase "three knots" underscores the most vital issues of sovereignty, security and international personality for Taiwan in cross-Strait relations.

3. "Taiwan Election: Tsai Ing-wen is Taiwan's First Female President after Landslide Victory in Historic Poll", *South China Morning Post* (*SCMP*), January 16, 2016 at https://www.scmp.com/news/china/policies-politics/article/1901800/taiwan-election-tsai-ing-wen-taiwans-first-female, accessed on May 1, 2019.
4. "Taiwan's Tsai Ing-wen Sworn in as First Female President", BBC, May 20, 2016, at https://www.bbc.com/news/world-asia-36339276, accessed on May 1, 2019.
5. The 1992 Consensus is a latter-day metaphorical expression, which gained currency in the 2000s. It gives expression to the "informal" understanding reached between the PRC and Lee Teng-hui's KMT government in Taiwan in the early 1990s, when they agreed to talk to each other after total no-contact of more than 40 years between the two sides. Since 1949, the PRC has been unflinching in upholding its One China policy, as per which: there is only China; the PRC government is the sole Chinese government; and Taiwan belongs to China. From 1979, it has offered "One Country, Two Systems" as the best possible model for Taiwan's reunification with the Mainland. When the KMT went in for a dialogue in the early 1990s, it did so with the understanding that China was one, the ROC represented it, the sovereignty of the ROC was non-negotiable and the two sides of the Taiwan Strait would eventually reunify, though not in a time-bound manner, with a prosperous and democratic China (meaning ROC); thus, "One China, Respective Interpretations". It did not accept One Country, Two Systems. This act of reciprocally turning the blind eye to opposing theoretical claims was further covered up by the term 1992 Consensus, as the two sides began their dialogue in 1992. For greater clarity, the 1992 Consensus stands for "One China" for the PRC and "One China, Respective Interpretations" for the KMT. Prashant Kumar Singh, "Can Taiwan Talk 'Political' with the Mainland?", *Strategic Analysis*, 39 (3), May–June 2015, pp. 258–59.
6. As per the Chinese claim:

   The "1992 Consensus", on the "one-China" principle and its respective verbal articulation by both sides, was reached in a meeting in November 1992 held in Hong Kong by the Association for Relations Across Taiwan Straits (ARATS) of the mainland, headed by Wang Daohan, and the

Straits Exchange Foundation (SEF) of Taiwan, led by Koo Chen-fu. The consensus is that "both sides of the (Taiwan) Straits adhere to the 'one-China' principle" and orally explain the principle respectively

See "Backgrounder: '1992 Consensus' on 'One-China' Principle", *People's Daily*, October 13, 2004 at http://en.people.cn/200410/13/eng20041013_160081.html, accessed on April 25, 2019.

7. Denny Roy, *Taiwan: A Political History*, Cornell University Press, New York, 2003. One may also refer to the polls periodically carried out by the Election Study Center of National Chengchi University (NCCU), Taipei, which Taiwan's MAC has been commissioning, to grasp the mood of the society on issues, such as cross-Strait reunification and Taiwan's identity at https://www.mac.gov.tw/en/Content_List.aspx?n=854C3E4EF191080E.
8. Loa Iok-sin, "Members Spark DPP Charter Debate", *Taipei Times*, June 17, 2016 at http://www.taipeitimes.com/News/taiwan/archives/2016/06/17/2003648821, accessed on May 1, 2019; "DPP Resolution on Taiwan's Future", DPP Party Convention, Kaohsiung, May 8, 1999 at https://www.taiwandc.org/nws-9920.htm, accessed on May 1, 2019). For discussion on various DPP resolutions, see Su Chi, *Taiwan's Relations with Mainland China: A Tail Wagging Two Dogs*, Routledge, London and New York, 2009, pp. 100–01.
9. Precisely because of this understanding, the Chen Shui-bian government could not cut any ice with the Mainland and the situation took a drastic turn during his presidency. Su Chi, 2009, note 8, pp. 161-98.
10. 'Ma is Confused about Taiwan, Tsai Ing-wen Says', *Taipei Times*, January 2, 2011 at http:// www.taipeitimes.com/News/taiwan/archives/2011/01/02/2003492474, accessed on May 1, 2019.
11. "Full Text of President Tsai's Inaugural Address", *Focus Taiwan*, May 20, 2016 at http://focustaiwan.tw/news/aipl/201605200008.aspx, accessed on May 1, 2019.
12. "Restoring the Historical Truth of the 1992 Hong Kong Talks", MAC at https://www.mac.gov.tw/en/cp.aspx?n=34591B13E0BCBF3E, accessed on May 1, 2019; "Regular Press Conference Transcript: MAC Minister Chen's Comments on Restoring the Historical Truth of the 1992 Hong Kong Talks", MAC, January 3, 2019 at https://www.mac.gov.tw/en/cp.aspx?n=0DE729EABCF84D64, accessed on May 1, 2019; and "Regular Press Conference Transcript: MAC Minister Chen's Additional Comments on the Historical Facts of the 1992 Hong Kong Talks", MAC, January 11, 2019 at https://www.mac.gov.tw/en/cp.aspx?n=7A178A22C01EA988, accessed on May 1, 2019.
13. John Sudworth, "China Needs to Show Taiwan Respect, Says President", BBC, January 14, 2020 at https://www.bbc.com/news/world-asia-51104246, accessed on February 15, 2020.

14. David Spencer, "Tsai Ing-wen BBC Interview a Shift in Taiwan's Cross-Strait Policy", *Taiwan News*, January 18, 2020 at https://www.taiwannews.com.tw/en/news/3859843, accessed on February 15, 2020.
15. "Page has Turned on '1992 Consensus': MAC", *Taipei Times*, May 22, 2020 at https://taipeitimes.com/News/taiwan/archives/2020/05/22/2003736849, accessed on August 2, 2020.
16. Taiwan Affairs Office (TAO), "Mainland Spokesman Says Cross-Strait Communication Mechanisms in Suspension", June 25, 2016 at http://www.gwytb.gov.cn/en/SpokespersonRemarks/201606/t20160627_11492214.htm, accessed on May 1, 2019.
17. The SEF and the ARATS, presumed to be 'unofficial' bodies, were tasked with conducting non-political business and resolving technical issues between the two sides. Taiwan's MAC and Mainland China's TAO are the formal or officially recognised political bodies for managing relations and under whose supervision SEF and ARATS function.
18. "Historic China–Taiwan Talks Start Long Road to Closer Ties", *SCMP*, February 9, 2014 at https://www.scmp.com/news/china/article/1424451/historic-china-taiwan-talks-start-long-road-closer-ties, accessed on May 1, 2019; Lawrence Chung, "Beijing's Top Taiwan Man Zhang Zhijun Visits Island for First Time", *SCMP*, June 24, 2014 at https://www.scmp.com/news/china/article/1539812/beijings-top-taiwan-man-zhang-zhijun-visits-island-first-time, accessed on May 1, 2019.
19. Tom Phillips, "Leaders of China and Taiwan Meet for First Time in Nearly Seven Decades", *The Guardian*, November 7, 2015 at https://www.theguardian.com/world/2015/nov/07/chinas-xi-jinping-and-taiwans-ma-ying-jeou-shake-hands-in-historic-meeting, accessed on May 1, 2019.
20. Historically, both Mainland China and Taiwan have poached each other's diplomatic allies. In past few decades, they have focused on luring the smaller countries in Africa, Central and South America and Pacific Ocean over to their side. However, by the time Ma Ying-jeou assumed charge in 2008, it was clear that Taiwan was losing out in this game. Prashant Kumar Singh, no. 5, pp. 260, 270. China not only ceased poaching Taiwan's diplomatic allies, it even discouraged countries like Panama, which wanted to switch over to China. Reportedly, Panama approached China with the offer of switching recognition, but China did not accept it owing to concerns about its impact on cross-Strait relations. Shi Jiangtao and Catherine Wong, "Panama's Ditching of Taiwan is 'Latest Sign that Beijing Means Business'", *SCMP*, June 14, 2017 at https://www.scmp.com/news/china/policies-politics/article/2098185/panamas-ditching-taiwan-latest-sign-beijing-means, accessed on May 1, 2019. Instructive in this regard is that Gambia severed relations with Taiwan on its own in 2013, but Beijing finally welcomed Gambia as its diplomatic ally in March 2016—Tsai had won the election in January 2016. See Austin Ramzy, "China Resumes

Diplomatic Relations with Gambia, Shutting Out Taiwan", *The New York Times*, March 18, 2016 at https://www.nytimes.com/2016/03/19/world/asia/china-gambia-taiwan-diplomatic-relations.html, accessed on May 1, 2019.

21. Yimou Lee and Philip Wen, "Taiwan Says China 'Out of Control' as it Loses El Salvador to Beijing", Reuters, August 21, 2018 at https://www.reuters.com/article/us-taiwan-diplomacy/taiwan-says-china-out-of-control-as-it-loses-el-salvador-to-beijing-idUSKCN1L6058, accessed on May 1, 2019.
22. "Taiwan Slams WHO after being Left out of Major International Meet due to Pressure from China", *The Strait Times*, May 8, 2018 at https://www.straitstimes.com/asia/east-asia/taiwan-slams-who-after-being-left-out-from-major-international-meet-due-to-pressure, accessed on May 1, 2019.
23. Allison Lampert and J.R. Wu, "U.N. Agency Snubs Taiwan, Recognizing Beijing's 'One China'", Reuters, September 23, 2016 at https://www.reuters.com/article/us-taiwan-china-idUSKCN11T08P, accessed on May 1, 2019.
24. Bill Birtles, "Last Remaining US Airlines Give in to Chinese Pressure on Taiwan", ABC, July 25, 2018 at https://www.abc.net.au/news/2018-07-25/us-airlines-give-in-to-chinese-pressure-on-taiwan/10035874, accessed on May 1, 2019.
25. See "Instances of China's Interference with Taiwan's international Presence" at https://www.mofa.gov.tw/en/Content_List.aspx?n=218d65026c0f1d37, accessed on August 8, 2020.
26. Matt Yu and William Yen, "Numerous Chinese Military Aircraft Operate near Taiwan: MND", *Focus Taiwan*, April 15, 2019 at http://focustaiwan.tw/news/aipl/201904150011.aspx, accessed on May 1, 2019.
27. Emerson Lim, "Taiwan Faces Increased "Grey Zone Conflict" Threat: Scholar", *Focus Taiwan*, June 8, 2020 at https://focustaiwan.tw/crossstrait/202006080014, accessed on August 12, 2020; "China Fighter Jet Enters Taiwan's Air Defense Identification Zone", *Focus Taiwan*, June 16, 2020 at https://focustaiwan.tw/crossstrait/202006160024, accessed on August 12, 2020.
28. "Govt to Subsidize Tourism Sector after Chinese Visitor Drop", *The China Post*, November 5, 2016 at http://www.chinapost.com.tw/taiwan/business/2016/11/05/483088/Govt-to.htm, accessed on May 1, 2019.
29. The US-ROC dimension dominated the US-PRC-ROC triangle in Asian politics during the Cold War, till the 1970s. They signed the Mutual Defense Treaty in 1954. The US helped the ROC retain the China seat in the United Nations Security Council (UNSC) till 1971, recognising the ROC government in Taipei as the sole legitimate Chinese government. This was an effective measure to contain the PRC, which essentially formed the triangle.

30. Under the TRA, "It is the policy of the United States to make clear that '… to declare that peace and stability in the area are in the political, security, and economic interests of the United States, and are matters of international concern … the US decision to establish diplomatic relations with the PRC rests upon the expectation that the future of Taiwan will be determined by peaceful means; to consider any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the western pacific area and of grave concern to the US; to provide Taiwan with arms of a defensive character; and to maintain the capacity of the US to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or [economic] system, of the people of Taiwan.'" See "Taiwan Relations Act (Public Law 96-8, 22 U.S.C. 3301 et seq.), American Institute in Taiwan at https://www.ait.org.tw/our-relationship/policy-history/key-u-s-foreign-policy-documents-region/taiwan-relations-act/, accessed on August 13, 2020.
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PART II

Security Contours

5. Dreaming of a Strong Army: The Chinese Military in East Asia

M. S. Prathibha

Introduction

The Chinese President, Xi Jinping, has mandated that the People's Liberation Army (PLA) should develop into a strong army, dubbed as the "dream of a strong army" (强军梦). Xi believes that a "strong army" is when the PLA transforms itself into a capable fighting force that serves the Communist Party of China (CPC; also, in short, the Party) wholeheartedly and can "show the way forward" to realise the Chinese Dream. This call for a strong army is often justified through dire warnings that China will face stiff resistance to its dream of becoming a fully prosperous country by mid-century. The Chinese people are told to expect "some countries" to actively derail the CPC's strategic goals. Thus, a strong army is perceived as fundamental in achieving national rejuvenation, and also as a protection against such threats. It is termed as a security guarantee for China becoming prosperous and poised to achieve the dream of a "great modern socialist country" (社会主义现代化国家).

In this context, nothing is more important for the CPC than the unification of Taiwan with the mainland. The Chinese capabilities in this neighbourhood are a testament to this: the military reforms of 2015 have shown that the PLA is being trained to win wars and the breadth of the reforms show that the Chinese PLA is training for any eventuality.

The chapter analyses the following aspects. First, it sheds light on the discussions within China behind the motivations for a strong army. Second, among the capabilities that China has developed, those

relevant in the Taiwan contingency are analysed. Third, it shows the extent to which the Chinese military can achieve its objectives in case of a conflict over Taiwan. Finally, the chapter also comments on the United States (US) response to the rise in Chinese military capabilities and the challenges it faces in shifting its resources to Asia. There are, however, certain limitations to the discussions here. The chapter confines itself to Chinese military capabilities in East Asia, while acknowledging that the transformation of the Chinese military is broader and long term.

Creation of a "Strong Army": For What?

President Xi Jinping is not the first Chinese leader wanting to modernise the PLA so that it can be used as an effective instrument of power by the CPC. Xi has stressed the need for the Chinese military to be "professional" and "strong" and, in turn, the need to fully comply with reforms so that they can not only fight but also win wars.[1] Why is the Chinese leadership showing a sense of urgency for the PLA to complete its military development goals?[2] First, the Chinese leadership believes that an economically prosperous country like China requires a strong military. Without the support of military power to ensure security, China cannot transform itself into a fully developed country.[3] Therefore, the leadership has concluded that its military power is intrinsic to its prosperity because it provides support to its goals for the future and also prevents countries from causing obstacles to its strategic goals. The justification is that when the Qing Empire collapsed due to persistent colonial threats, the Chinese economy was prosperous. Due to the lack of a scientifically and technologically matched army in accordance with its wealth and status, it was not able to protect its prosperity. In the Chinese view, with a weak military, war would be imposed on such a country. It is not surprising that a rich country would want a strong military to protect its interests. However, in the case of China, the ambition to have a strong army goes beyond wealth protection and towards keeping up with its global aspirations and status.

Second, the development of military power cannot supersede national development. As economic slowdown has touched the

Chinese economy, Xi has stressed that diverting resources for military power cannot be pushed beyond the capability of national strength as it would be a heavy burden. Hence, the leadership has advised for a fine balance: build a military power compatible with rising economic and political power of the country and avoid overspending on the military at the cost of the national development strategy.[4] As a result, combat readiness has been given clear preference and training has been fine-tuned towards only spending resources to modify training that reflect actual combat conditions.

For PLA to become a strong army, Xi has outlined the plan with several timelines. For instance, a strong army means that the PLA should achieve mechanisation by 2020 and modernisation by 2035.[5] Once the modernisation of the Chinese military is completed by 2035, Xi expects the PLA to become a world-class military by 2050. According to Xi's vision, the building of a strong army is integral to the China Dream, therefore the PLA needs to carry out the reforms and restructuring according to his timeline. The political ideology behind the concept of a strong army is "Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era", which was enshrined in the Constitution after the 19th National Congress of the CPC in 2017. According to Xi, since socialism with Chinese characteristics has entered a new era (era of high-technology innovation), the PLA must build a strong army in line with the country's status. In other words, "dream of a strong army" means that a Chinese military under the leadership of the CPC is essential for achieving "rejuvenation of the Chinese nation, i.e., positioning China to its former glory".[6] The rejuvenation of the Chinese nation is the centrepiece of the Chinese Dream, which would be realised in the New Era.[7] The connection between Xi's new era and the PLA can be viewed in the defence white paper, "China's National Defence in the New Era",[8] where China has articulated that the national security threats and the new technologies are becoming more challenging and the PLA has to keep up with China's future aspirations. Further, it indicates a coherence between the political ideology and the strategic goals the Chinese leadership has set for the PLA.

Ingrained in the modernisation of the PLA has always been the need for reorganising its relationship with the CPC to guarantee its "absolute" loyalty to the Party. It is described as dialectic relationship between the "unchanged" (不变) and "changed" (变): unchanged is the leadership of the CPC over the army; and changed is the transformation of the international situation induced due to changing trends, threats and enemies.[9] The Chinese leadership believes that the relationship between the CPC and the army should be unchanged, that is, the army should resist the false political view that it should be neutral, labelled in the CPC lexicon as the "non-Party Army" (军队非党化) and "army of the nation" (军队国家化). Such discussions put to rest the old debate on whether the army should be subservient to the Party command. Moreover, the CPC has not been hesitant to impose these views on the PLA. Xi's anti-corruption campaign is an example of the CPC's renewed focus on ensuring loyalty of the PLA, and also using the opportunity to implement military reforms and removing top commanders, who were not compliant to the Party's agenda. Through anti-graft investigations, the leadership has removed many top-level generals from their posts and promoted those military officers, who are more subservient to the CPC's initiatives. Unsurprisingly, the CPC's relationship with the PLA has been to stress on the need for loyalty whenever the PLA undergoes major modernisation.

Finally, the strong army is created to avoid a small operational defeat. In the Chinese view, even if the conflict is local and the army fails at the localised operational war, the effect on its national security is significant. It is assumed that while the country may not collapse, it nevertheless would lead to widespread social unrest and turmoil.[10] Therefore, at least in the short run, the CPC views small operational defeat as a threatening factor to its leadership.

The need for a strong army to ensure that China reaches the two centenary goals is non-negotiable. Since the organisation of the command system had become complex and corruption had disincentivised promotion of officers based on merit, initial reforms were aimed at reorganising the headquarters and military commands, establishing a joint command system, improving the legal supervision

over corruption and promoting civil-military integration.[11] According to the 19th CPC Congress report, the Chinese military has achieved the following: "We have strengthened military training and war preparedness, and undertaken major missions related to the protection of maritime rights, countering terrorism, maintaining stability, disaster rescue and relief, international peacekeeping, escort services in the Gulf of Aden, and humanitarian assistance. We have stepped up weapons and equipment development, and made major progress in enhancing military preparedness."[12]

The concentrated effort to use national resources to create a strong army, and reforming the institutions to sustain it, is ongoing. While these reforms are broader, certain capabilities are more at play in the East Asian theatre. In case of a conflict over the unification of Taiwan in East Asia, the Chinese military has to rely on certain capabilities, which would play a decisive role, especially if it seeks to curtail the involvement of the US.

Combat Readiness in East Asia

China has developed its combat readiness in East Asia in various ways. The overall military reforms and reorganisation in China seek to fulfil both immediate and long-term plans. This is because China's concept of national interests has expanded beyond traditional territories, such as territorial sea and airspace, to high seas, space and information technology. In its view, the scope of national security has expanded from "territorial frontier" (领土边疆) to "interests frontier" (利益边疆).[13] Thus, China's growing strategic interests are going to determine the responsibilities of the strong army. Its modernisation is aimed at protecting its interests both away from its territorial boundaries as well as within its territory. If such is the case, then it has to be ready to confront stronger militaries in its quest. The goalposts of building the army, namely, the 2035 and 2050 modernisation goals and its plan of becoming a world-class military, respectively, explain these objectives.

Within the East Asian theatre, reorganisation, simplified command structure and realistic military planning and training have made its

theatre command exclusively focus on the threats emanating from the Taiwan theatre. For instance, by reducing the influence of army in military planning, the PLA Navy has now more say in the planning of military operations. Every major reform in training, education and equipment in the PLA organisations has, in turn, sharpened its capabilities towards mitigating the threats from the Taiwan theatre. Another example is the strengthening of the PLA Marine Corps. Though the reform of the PLA Marine Corps reflects the growing maritime interests of the Chinese Navy beyond its territorial waters, it nevertheless will help if there is an island invasion in a potential conflict over Taiwan. Therefore, overall, military training and education reforms have enabled the Chinese military to improve combat readiness; equipment modernisation has led it to invest in sophisticated weapons; and the growing maritime interests has made it expand its PLA Marine Corps. Also, these capabilities would specifically favour the Chinese military if a conflict arises over Taiwan.

Military Training and Education

Until 2019, China introduced more reforms in training and education than in any other field in building its army. "Training" was considered integral to changing the way of the Chinese Armed Forces.[14] In order to strengthen its combat readiness, special attention was given to improving the standards of military training and evaluation methods since 2015. For instance, in 2015, the Chinese leadership passed the "Cadre Education and Training Work Regulations" (干部教育培训工作条例) to cultivate high quality of cadres by improving training, education, supervision, cadre colleges, training institutions, training management, assessment systems and political education.[15] Significant was the "2015 All-Army Military Training Instructions" (二〇一五年全军军事训练指示) that overhauled the entire training system of the Chinese Army, while specifically focusing on changing the training to reflect real combat conditions.[16] In 2016, the General Office also issued the "Opinion on Carrying out Reforms and Strengthening Military-based Education Activities" (关于开展改革强军主题教育活动) and "Study Party Constitution and Party

Regulations, Study Series of Speeches To Become a Qualified Party Members" (学党章党规、学系列讲话，做合格党员).[17] This was to improve the ideological learning of the cadres as well as to the military. Therefore, it is not just about changing the training values in the field but also corresponding ideological and political education of its cadres and military personnel.

In 2017, Xi Jinping passed the "2017 National Defence Education Work Plan" (2017年全民国防教育工作安排) to deepen national defence reforms.[18] The provinces had to focus on building large bases for national defence education and training; enrich education faculty; guide military colleges and universities to concentrate on theoretical research; improve and standardise military academies and training institutions to enable them to carry out national defence education; and remove obstacles to innovation and development of national defence education.[19] Further, in 2018, the Education Department of National Defence Education Office issued a notice titled, "Key Points in Military Training for Students in 2018" (2018年学生军事训练工作要点). This was to improve military training for students, military courses for students in colleges and universities, and management of students' military training.[20] On March 1, 2019, Xi Jinping issued another document titled, "The Regulations on Military Training and Supervision of the PLA (Trial)" (中国人民解放军军事训练监察条例（试行）).[21] The regulations were to be implemented to supervise the military training field so that the training was followed in the correct direction, according to the instructions of the CPC leadership, and to ensure the smooth implementation of military orders in the field of training.

All these reforms are aimed at ensuring the Chinese Army is "combat ready". In fact, Xi made it as the "new starting point and open new ground for developing a strong military". He further stated that "the entire armed forces should have a correct understanding of China's security and development trends, enhance their awareness of danger, crisis and war, and make solid efforts on combat preparations in order to accomplish the tasks assigned by the Party and the people".[22]

Therefore, the call for combat readiness has come to symbolise Xi's mandate for the armed forces. In 2017, Xi made a call for combat readiness stating that "the CMC should lead the armed forces to be ready to fight and win wars, and to undertake the missions and tasks of the new era entrusted to them by the Party and the people".[23] Combat readiness meant that the armed forces would have to become prolific in understanding the conditions of national security; be able to comprehend the international situation, and also improve their abilities in areas of joint operations, joint command and training; and adapt to the ever-evolving security environment. In addition to military training, military education also came to represent enhanced training and skill.

According to one report, Xi asked for military-affiliated colleges to be strengthened as part of building a strong army. This resulted in 43 military education institutions, directly under the Central Military Commission (CMC), with 35 specialised in specific armed services and six for armed police forces.[24] For instance, after the reform, the National Defence University added new disciplines, such as advanced combat simulations systems, network systems, equipment study, software and hardware synchronisation, guided systems and simulated real-life training. China also started to allow civilians to enter the PLA, thus increasing the pool of highly professional and talented individuals. This intake was in either management or professional technical posts, to work in peacetime or in active duty if required.[25]

The reforms in military training and education have significance for China's capabilities in East Asia and have transformed the training and skills of joint commanders and naval officers. Previously, the Taiwanese military, supported by the US Armed Forces, was considered qualitatively better than the PLA, despite their numbers. However, the reforms have ensured stricter standards of training and evaluation of the PLA officers than before. This would have an impact on China's military capability when employed in the Taiwan contingency.

PLA Navy Marine Corps

The PLA Navy Marine Corps has seen tremendous change in perception regarding its value to Chinese strategic interests. In 2018, it conducted one of the largest trans-regional training exercises, with more than 10,000 troops. As China is trying to expand its marine corps strength, it plans to upgrade the military structure and organisation of the troops, and later would deploy these troops in its overseas ports.[26] The composition of the PLA Navy Marine Corps has increased from 20,000 troops to 100,000 troops. The marine corps has also added a helicopter transport and attack capability as it would increase its amphibious warfare capabilities. This corps has been the weakest link in Chinese military as its amphibious capabilities, both in terms of combat readiness and assault ships capability, were not sufficient in case of a conflict over Taiwan.

Increasing transport air capabilities has been important for the Chinese Navy. For instance, China is boosting its transport plane induction to increase its strategic projection capabilities. Y-9 is one such example, which is expected to improve the PLA Ground Forces' long-range projection capabilities, as it is more advanced with greater "carrying capacity and longer flight range".[27] Moreover, after a series of exercises in the South China Sea, these transport planes are now considered ready to undertake combat missions, including "safeguard oceanic sovereignty and security". Due to these transport planes, the Chinese Navy would be able to ensure the availability of military supplies, such as weapons, goods and personnel, both offshore and in the open seas.[28]

The expansion of the PLA Marine Corps has kept two factors in mind. One is expanding the amphibious capabilities, such as increasing amphibious brigades and assault vehicles.[29] These assault ships would have extended deck for helicopters that are integral to any operations involving Taiwan. The launch of the Type 075 with helicopter deck facilities would increase the PLA Marine Corps capability to conduct amphibious assault operations. The Type 075 is yet to become operational and the eight assault vessels that China already has in operation lack this integral part. Second, the growing

capabilities cannot be used unless China develops a highly capable marine corps. By increasing the troop size, China is developing similar to the US Marine Corps with its troop size of 240,000, but unlike the US, it is limited in its expeditionary capabilities. Moreover, the Chinese news reports are now speculating that the marine corps has developed "into its own unit" after the expansion.[30] The training of these units has also been increased and exercises are being conducted to improve combat capability.[31]

No doubt the expansion of the PLA Marine Corps and its training is due to China's interests in overseas ports. While developing these capabilities, the PLA Marine Corps is also being equipped to fight against any potential conflict over Taiwan. Some of the above-mentioned exercises have been carried out keeping in mind the Taiwanese capabilities, such the capabilities of its air force.

PLA Equipment Modernisation and Impact on East Asia

The modernisation of equipment within the PLA has been growing and special focus has been on the PLA Navy, PLA Air Force and PLA Rocket Force. For instance, one of the focus points of achieving world-class military is the space arena. In Chinese view, the PLA Air Force would create a strategic force by 2020 that will have "integrated air and space capability and balanced strength in both defensive and offensive operations".[32] As far as the navy is concerned, commissioning of advanced weapons, together with military exercises and training, is one aspect of it.[33] Thus, the carrier battlegroups, destroyers and the naval assets are training to become a "blue-water navy". On the other hand, the role of the army has been reduced. According to another report, after the reforms, the army now accounts for less than 50 per cent of the armed forces. In addition, theatre commands are now responsible for military operations and service commands are responsible for developing capabilities.[34] The digitisation of procurement process has also been implemented to raise efficiency and the Procurement Management Bureau of the Logistic Support Department of the CMC is providing the digital platforms.[35] This makes it easier for private companies to

assess the needs of the Chinese military as these platforms provide the information directly into the hands of the producer. This transparency would then benefit the company as they would be able to plan their production policies according to government needs.

The new equipment also refers to new surface ships, such as guided missile destroyers, frigates and aircraft carriers, and stealth bombers and aerospace capabilities. The PLA Navy has already shown significant improvement in its equipment upgradation and the resultant effect on combat formation in the high seas.[36] These have also led to the upgradation of military tactics so that it would suit the new equipment systems in the military.[37] The effects of integration of the new weapons systems, upgradation of the old systems, along with many systems that are nearing commissioning due to the decade-long investment are now visible to the observers of Chinese military.[38] Many would agree that the PLA naval assets are far from the capabilities of the US Navy. However, the impact on East Asia will be tremendous if China envisages a conflict over Taiwan. Within the East Asian theatre, these naval assets have the capacity to put the advantage in China's corner because the PLA Navy can use advanced ships in its coastal areas, with attack helicopters helping in its operations.

US Response to Chinese Modernisation

Not surprisingly, the US, under the Trump administration, has reacted strongly to these changes in the region. The concerns of its allies, such as South Korea and Japan, and the need to maintain its own dominance in the region have led it to reconstitute the nature of its forward deployments in the region. Renewed focus on nuclear weapons, including heightened presence, introduction of Indo-Pacific strategy and strengthened partnerships with Japan and South Korea, points to the necessity of understanding the emerging security environment in East Asia.

Obviously, there is enthusiasm from the Japanese side to cooperate and jointly counter the Chinese capabilities in the region, including joint training and education for operational concepts and

developing new operational thinking based on the Joint Concept for Access and Maneuver in the Global Commons (JAM-GC).[39] Trump's Indo-Pacific strategy, with its strong tilt towards using regional allies and partners, is geared towards the China challenge amidst growing concerns about its own capabilities.

The US is already facing issues because of budgetary constraints and lack of defence appropriations. There are ongoing debates within the US military about the size of its budget, efficient utilisation of the budget or readiness factor of the troops, in addition to the Trump administration criticising budget spending as unsustainable.[40] Discussions range from questions over the need to increase the force overall or to only improve the competitive edge of the US. Presently, the US is facing severe recruitment and personnel challenges that will affect its ability to counter China in the near future. The US is short of 2,000 pilots and there is apprehension that this acute shortage is here to stay and will affect the US Air Force combat capability.[41] This is also the case with many branches of the US military forces, with Army Reserve unable to fill the commander slots.[42] In addition, concerns over recruiting young soldiers are growing as many are them are unfit, and therefore ineligible, for the US military.[43] In fact, some argue that a high defence budget would mean that the US national security is less effective.[44]

There is an overwhelming consensus that continuous wars have exhausted the military forces and the stress on the military personnel has been growing. These problems are also causing several technical issues that are impinging on the US military readiness. For instance, the US Air force bombers have been grounded twice due to certain technical faults.[45] However, the Indo-Pacific strategy and modernisation of weapons in the US military is showing that it is moving towards maintaining its edge against the Chinese military.

Despite the problems and issues dominating the US military, many argue that China would be unable to confront the US military in East Asia in case of a conflict over Taiwan. The recent budgetary increases within the US military and the quick disavowal of the "third-offset strategy" mean that the US is learning to shed

strategies that cannot win a fight with China. The third-offset strategy was criticised for its absence of strategy and overemphasis on technological edge and offsetting adversaries. New strategies are being aimed at for improving operational thinking in the US military. In fact, its Indo-Pacific strategy is about finding new ways to counter China's anti-access/area denial (A2/AD) strategy in East Asia.[46] Moreover, the recent freedom of navigation operations (FONOPs) by the US and the selling of arms to Taiwan and its allies show that in the immediate future, the US is intent on equipping China's neighbours and competitors.

In addition, the US has allocated US$ 2.2 billion arms sales to Taiwan on weapons systems, such as 108 Abrams tanks and 250 Stinger missiles. Another US$ 180 million worth of torpedoes have been approved.[47] These actions, along with the passing of the Taiwan Allies International Protection and Enhancement Initiative (TAIPEI) Act, have been in response to the dwindling of Taiwan's diplomatic allies in the recent years. These US responses show that even if its military is undergoing several challenges, it is keen to counter Chinese dominance in the Taiwan Strait.

Taiwan Contingency and Chinese Military in East Asia

China's efforts to create a strong army pose some serious questions. The strong army capabilities that the PLA is developing are such that it will allow China to have a strategic outreach beyond the East Asian region. Also, the efforts to develop a blue-water navy and considerable investment in aerospace capabilities are supposed to lead to increased power projection capabilities. However, its naval power cannot move its forces freely in the East Asian region as it is surrounded by the US and its alliance system.

China's dream of a strong army depends on proving its success in a Taiwan contingency, but there are serious reservations whether it would be able to mount a successful amphibious invasion. In fact, some argue that in case of a conflict, China would not be able to win a war with Taiwan.[48] While military training has improved combat readiness and qualitative improvement in the PLA is growing due to

training and education reforms, it is tough to assess the success of these reforms without any combat experience. There are also other serious challenges to any Chinese assault on Taiwan.

First, any invasion would require China to mount a massive aerial strike on vital infrastructure as well as dominate the airspace of Taiwan. On ground, this would have to be accompanied by amphibious invasion by China's naval forces. These attacks not only require a high level of coordination between China's four independent service branches but also a highly efficient command system. Indeed, this would test the integrated joint warfare capabilities of the Chinese military. So far, China has started the deployment of integrated combat brigades for this purpose but it is going to require considerable training for them to be used in the Taiwan contingency. Moreover, the recent purchase of aircraft from the US by Taiwan have also significantly improve Taiwan's air capabilities and such developments continues to test Beijing's combat system.

Second, its amphibious capabilities, such as assault ships, are yet to be a major force in its naval service. Unless it can dramatically increase the number of amphibious assault ships, such as the Type 075, the Chinese naval forces would be incapable of performing such exercises in Taiwan against a force that has been trained and supported by the US military. The PLA Marine Corps has been expanded only recently and requires more training and education to evolve to perform such tasks. The military education and operational training required for such tasks has been updated but the ability of the troops to inculcate it has been slow.

Third, China has to coordinate its attack in such a way that it gives the US less time to react. This is highly unlikely as any mobilisation would require preparation and transport of troops and several associated activities that would indicate that China is preparing for an invasion.

Conclusion

China's dream of a strong army has succeeded in vastly improving the quantitative and qualitative edge of the Chinese military. However,

there are still gaps as to what it can achieve in its periphery, especially in East Asia. While it could be successful in the South China Sea, it faces more formidable navies to its east. Moreover, if the US calls upon its alliance with Japan to aid Taiwan in an event of an conflict with China over Taiwan, it would pose challenges to the Chinese military. Despite the COVID-19 pandemic, China has shown that is very much interested in maintaining its military readiness in the Taiwan Strait. In fact, China has been more aggressive in its naval actions to signal to the Taiwanese that the epidemic is not going to prevent its military readiness against Taiwan.

Hence, China faces contradictory choices. On the one hand, it can continue to modernise its military till it believes that it can confront the US. This, however, does not favour the Chinese leadership as they would not want the Taiwan reunification to be delayed further. Indeed, China's strong army dream is not successful if it cannot unify Taiwan to the mainland. On the other hand, while the strong army aims to be a world-class army, it cannot become one like the US without its expeditionary capabilities and regional control of the seas. The security dilemma has given the Chinese military the necessary caution to confront the Taiwan question. Uncertainties abound in Chinese military thinking due to these factors. As a result, there has been a stress on new operational research that could pave the way for the PLA forces to perform A2/AD strategies successfully. However, whether the PLA can find a way to counter the US without confrontation remains to be seen. Until then, "dream of a strong army" would be just a dream.

Notes

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6. China's Maritime Manoeuvring from the East China Sea to the Indian Ocean Region: A Quest for Maritime Primacy

Sarabjeet S. Parmar

Introduction

"Every Chinese school child learns that China's suffering arose partly because of the lack of a modern navy."[1] This statement from an online report is the epitome of China's quest for maritime supremacy as it seeks to nurture future generations who will see the maritime domain as a frontier in which China should reign supreme. This outreach to younger generations is an embodiment of the approach to become a maritime power both regionally and globally, as expressed by Hu Jintao in 2012 and voiced by Xi Xinping, in 2013, as part of his "Chinese Dream".

China's quest for maritime supremacy has seen a three-step approach, starting from "near-coast defence" (*jin'an fangyu*) to "near-seas active defence" (*jinhai jii fangyu*) and the more recent, "far-seas operations" (*yuanhai zuozhan*). While the first strategy was in force from 1949 to the 1980s, the second strategy was proposed by Deng Xiaoping in the conceptualised in the People's Liberation Army (PLA) Navy's Party Standing Committee conference in July 1979.[2] This strategy was further enforced by Liu Huaqing, who brought in the idea of "defend actively, operate in the near seas" (*jiji fangyu, jinhai zuozhan*).[3] Insofar as maritime space is concerned, the near-seas active defence was to cover the first island chain; the

Yellow, East and South China Seas; and the ocean waters adjacent to the outer rim of the first island chain. Figure 6.1 depicts the area of near and far seas.[4] The third strategy of far-seas operations was advanced as a concept in the late 1990s. In fact, China's first-ever military strategy white paper released in 2015 speaks of "near-seas defence" and "far-seas protection", while endorsing the ideas of "strategic guidance of active defence", "building and development of China's armed forces", "preparation for military struggle" (PMS) and "military and security cooperation".[5] These aspects have since resulted in the presence of Chinese ships in waters far beyond the far-seas area, as shown in Figure 6.1.

Figure 6.1: Near and Far Seas

Source: Nan Li, no. 4, p. 117.

This progressive outward movement from coastal areas has been supported by the rise of China as an economic power and the investments made in naval ship production, which in the recent years have seen a sharp increase. Further, the assertiveness and confidence level exhibited by China in responding to the presence of extra-regional navies, freedom of navigation operations by the US and other Western navies, reclaiming and arming of islands and questioning the existing rules-based order is an indication of its quest for maritime supremacy. This chapter examines the aspects of strategic maritime guidelines, naval force capacity and capability development and assertive posturing and lawfare being employed by China's in its quest to achieve the status of a prominent maritime nation by gaining primacy in the maritime swath from the East and South China Seas to the Indian Ocean Region (IOR).

Strategic Maritime Guidelines

China has issued nine white papers on defence since 1998. However, the first white paper on military strategy was unveiled only in 2015. This white paper lays down guidelines for the development and employment of China's armed forces, based on the aspects of safeguarding China's sovereignty and development interest, peaceful rise, pursuing a "defensive" defence policy and an independent foreign policy, with an anti-hegemonistic approach.[6] China's white paper on military strategy endorses what has been, in practice, China's stance over the past few years. In this regard, the paper contains nothing that is "new" or "unexpected". A number of assessments of China, made by various papers and reports in recent years, are supported by formal enunciations in this white paper. Essentially the following emerges:

- The paper asserts a larger role for China in the region and world, with emphasis on building itself as a maritime power, maintaining continued presence in relevant sea areas and taking actions to contribute to regional and global security through military presence and cooperation.

- The paper names its principal threats as the US, Japan, activities in the South China Sea by other nations, "terrorist" activities in East Turkistan and separatist tendencies in Taiwan and Tibet.

In pursuance of the above-mentioned aspects, the guidelines for the Chinese Armed Forces can be viewed as based on the following principles:

- Adapt to changes in the environment and continue modernisation.
- Follow the Communist Party of China (CPC) "party line".
- Implement the policy of "active defence".
- Provide a strong guarantee to aid realisation of the Chinese dream of rejuvenation of the Chinese nation by 2049 (centenary year of the CPC).

These aspects are covered under six sub-sections: national security situation; missions and strategic tasks of China's armed forces; strategic guidance of active defence; building and development of China's armed forces; PMS; and military and security cooperation.

National Security Situation

The paper states that although a world war is unlikely, the possibility of local wars exists. In this regard, it identifies hegemonism, neo-interventionism, terrorist activities and border and territorial disputes as threats, amongst others. While identifying national unification, territorial integrity and development interest as vital tasks, the paper pointedly identifies some pertinent issues: the US "rebalance strategy"; Japan's military and security polices; actions by nations party to the South China Sea dispute; independence movements in Taiwan, Tibet and East Turkistan; and China's maritime concerns (terrorism, piracy, security of sea lines of communication [SLOCs] and overseas investments, etc.) related to its development.

Missions and Strategic Tasks of China's Armed Forces

The white paper highlights that the PLA would continue its modernisation and innovative development so as to ensure the

capabilities of fighting and winning. The paper identifies eight strategic tasks for the armed forces, all of which PLA Navy would be deeply involved in:

- To deal with a wide range of emergencies and military threats, and effectively safeguard the sovereignty and security of China's territorial land, air and sea.
- To resolutely safeguard the unification of the motherland.
- To safeguard China's security and interests in new domains.
- To safeguard the security of China's overseas interests.
- To maintain strategic deterrence and carry out nuclear counter-attack.
- To participate in regional and international security cooperation and maintain regional and world peace.
- To strengthen efforts in operations against infiltration, separatism and terrorism so as to maintain China's political security and social stability.
- To perform such tasks as emergency rescue and disaster relief, protection of rights and interests, guard duties and support for national economic and social development.

The fourth task requires more scrutiny as it provides a passport for the armed forces, in particular the PLA Navy, to build requisite capacity and capability to cater for contingencies, especially overseas, which would be directed in all probability by the Central Military Commission (CMC) itself via the Joint Operations Command Centres (JOCCs) established at the theatre level and the Joint Staff Department level at Beijing. As per the reforms pushed by Xi Jinping since 2016, the Joint Staff Department at the CMC level would carry out combat planning, command, control combat support and formulate military strategy.[7] By instituting a JOCC at each theatre, Beijing has put the structures in place both for managing crises and conflicts on the periphery, as well as potentially for overseas deployments over the coming decades.[8] This aspect can be viewed as a follow-on from the 2013 white paper on defence entitled, "The Diversified Employment of China's Armed Forces",[9] which pointed

out the increasing importance of protecting resources, trade routes and citizens overseas.

Strategic Guidance of Active Defence

The basic element that finds prominence and repetition is the issue of PMS. The paper stresses the need for a holistic approach and far-sighted planning so as to deter and win wars, create a favourable posture and manage crisis.

Building and Development of China's Armed Forces

As per the paper, China would gradually shift its focus towards building and developing armed forces so as to concentrate on a combination of offshore waters defence and open seas protection. The paper clearly lists out guidelines for the PLA Army, the PLA Navy and the PLA Air Force in this regard. This would consist of building China into a maritime power, continued anti-piracy patrols and protecting maritime rights and interests by managing the seas and oceans. Stress would be laid on "informatisation", with focus on cyberspace and development of a cyber force.

Preparation for Military Struggle (PMS)

The PMS has been a carry forward from earlier thought processes. In 1993, Jiang Zemin directed the PLA to prepare for local war under modern, high-tech conditions after observing the US military operations in the Gulf War. In 2004, Hu Jintao ordered the military to focus on winning "local war under informatised conditions".[10] In line with this thought process, the white paper states that the PLA would improve its combat readiness system with interconnected strategic directions. The PLA Navy would continue to carry out regular combat readiness patrols and maintain presence in relevant sea areas; and the PLA Air Force would continue to observe the principles of applicability in both peacetime and wartime.

Military and Security Cooperation

The paper identifies Russia as a nation with which the Chinese

Armed Forces would further exchanges and cooperation under the strategic partnership. It also looked at fostering a new model military relationship with the US Armed Forces and without naming nations, the paper also looks at pragmatic cooperation with other militaries, which includes jointly securing international SLOCs.

Naval Force Capacity and Capability Development

In order to achieve maritime supremacy, a nation should be a maritime power to reckon with. In Chinese terms, a maritime power is a country that has great comprehensive strength in terms of development, use, protection, management and control of the seas.[11] As per a US analysis, in the Chinese context, maritime power encompasses more than naval power but appreciates the importance of having a world-class navy. The maritime power equation includes a large and effective coast guard; a world-class merchant marine and fishing fleet; a globally recognised shipbuilding capacity; and an ability to harvest or extract economically important maritime resources, especially fish.[12] These statements highlight the need for a strong navy, the attainment of which requires capacity and capability development or enhancement of the existing maritime forces, specifically the PLA Navy.

Development Phases

The development of China's naval power was to be achieved in three phases as follows:[13]

- Phase 1: Achieve sea control in the maritime area encompassed within the first island chain by 2000.
- Phase 2: This phase looks at extending sea control up to the second island chain between 2020 and 2030.
- Phase 3: The aim of this phase is to see the PLA Navy becoming a leading Indo-Pacific naval power between 2040 and 2050, with the trappings of a future global naval power.

It is obvious that the Chinese plan was highly ambitious as the first phase is still not in place. This could be due to the fact that China

retired old ships faster than they could be replaced by modern ships, which led to a reduction in force levels between 1990 and 2000. The PLA Navy first crossed the first island chain in 2013 when five naval ships entered the Pacific Ocean through the Soya Strait (between the Russian island of Sakhalin and the Japanese island of Hokkaido) and participated in a joint naval drill with the Russian Navy north of Japan. The ships returned via the Miyako Strait (between the Japanese Islands of Miyako and Okinawa) to their base in Qingdao, where the North Sea Fleet is based. This is considered the first time the PLA Navy conducted a long return trip after a major drill with no break, and also circumnavigated Japan.[14]

However, the second timeline may be met closer towards 2030, given the rate at which China is building ships. Presently, the major impediment is the lack of integral air in the Chinese fleets, which can be met by adequate aircraft carriers and a multi-role air wing, as well as land-based air support. The effectiveness of land-based air support reduces with distance from Chinese air bases. Although China has runways in its reclaimed islands (this aspect is covered in the next section), the area desired to be covered would still fall short of the requirements for achieving the third phase.

Limitations of Air Support

China is acutely aware that the lacuna of air support, both integral and land based, presently dilutes its ability to influence events in the IOR and the broader Western Pacific Region. Therefore, in a series of steps for building supremacy over these "far-sea" areas, apart from the third island chain centred on Hawaii, there is the debate of fourth and fifth island chains, which are in the Indian Ocean. The fourth island chain joins Diego Garcia to Gwadar through Hambantota and the fifth runs along the east coast of Africa southwards from Djibouti (see Figure 6.2).[15] Of particular concern is the possibility of Chinese maritime operations using Gwadar and Djibouti as bases, especially in peacetime. Jiwani, a Pakistani port west of Gwadar, could also be the next port that China would like to develop as it provides more proximity to the Strait of Hormuz and Chabahar as compared to Gwadar.

Figure 6.2: Prospective Fourth and Fifth Island Chains

Source: Wilson Vordnick, no. 13.

Shipbuilding Capacity

Till the time China can find a solution to providing adequate air cover from either or both integral air or land based, the mainstay to attain sea control, and therefore maritime supremacy, would be vested in missiles, like the anti-ship ballistic missile (ASBM), surface ships and submarines. The fast rate of ship and submarine production reflects the capacity of China's shipyards, as depicted in Figure 6.3.

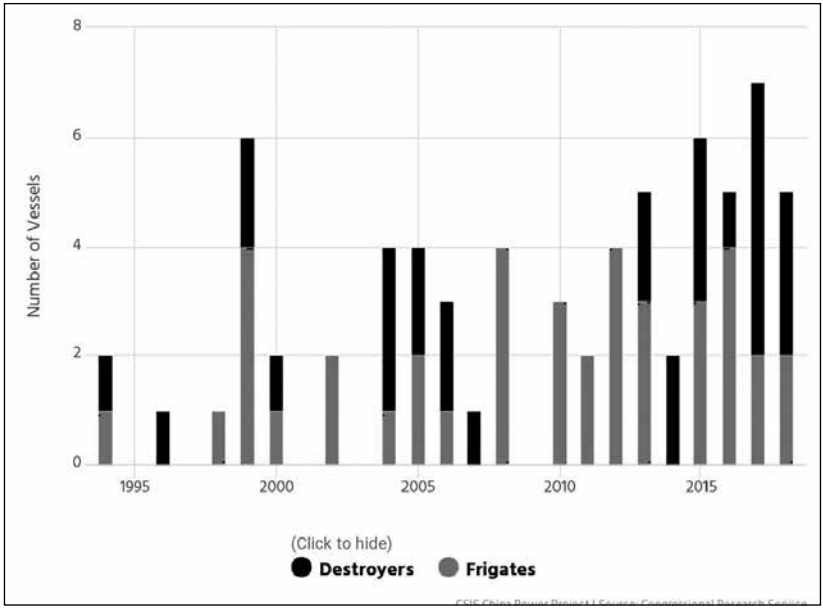
Posturing and Lawfare

The United Nations Convention on the Law of the Sea (UNCLOS), which can also be called the "Constitution for the Oceans",[16] is a multilateral convention, subject to the interpretation of signatory nations and national laws enacted based on this interpretation and the spirit of the convention.

Interpreting UNCLOS

One important aspect to bear in mind is the fact that UNCLOS was established "with due regard for the sovereignty of all States"[17] and it is a generally accepted principle of international law that

Figure 6.3: Number of Destroyers and Frigates Commissioned (1995–2018)



Source: How is China Modernising its Navy?, available at https://chinapower.csis.org/china-naval-modernization/, accessed on September 7, 2020.

sovereignty over land is the basis for determining maritime rights.[18] Therefore, maritime disputes would continue until the issue of sovereignty over land/islands is not settled. The complexity of the dispute depends on the number of land masses involved. For example, in the South China Sea, the dispute involves six nations and revolves around ownership of 250-odd islands. Most of these islands have no indigenous people and some are submerged at high tide. Further, there has been land reclamation by various nations that has complicated the interpretation of the law regarding rocks and islands and maritime zones emanating from them.

Apart from the nationalistic fervour of sovereignty, jurisdiction over maritime natural resources is a major factor dictating stances taken by nations. For example, Yongxing Island (Woody Island in the Paracel chain, claimed by China, Vietnam and Taiwan) with a land area of 13 sq km would provide a maritime jurisdiction of around 2 million sq km. This accounts for almost 57 per cent of South China

Sea's area of 3.5 million sq km,[19] which contains approximately 11 billion barrels of oil and 190 trillion cubic feet of natural gas in proved and probable reserves.[20] In addition, maritime jurisdiction would enable access to fishing stocks well beyond the coastline of nations. As China claims the maritime area within the nine-dash line, it issues licenses to Chinese fishermen to fish anywhere within the nine-dash line south of 12 degrees latitude.[21] China recommenced fishing in the Spratly Islands area in 1985 after a 30-year hiatus. Any reduction in the high seas area in the region would impact freedom of navigation and maritime military activities in the region. These aspects are resulting in the modernisation of maritime capabilities by China, and also other intra- and extra-regional nations, to ensure the following:

- protection of sovereignty and territorial claims;
- access to and protection of natural resources in claimed maritime zones; and
- protection and safety of maritime trade.

The guidelines regarding declaration of baselines and maritime zones, responsibilities and rights of all states in these maritime zones and methods of maritime dispute settlement are laid out in UNCLOS. These are interpreted by nations in support of their national interests. With respect to sovereignty and settlement of disputes, as covered in Part XV of UNCLOS, India, China, the Philippines, Malaysia, and Vietnam have submitted declarations (see Table 6.1).

Table 6.1: Comparison of Declarations Made on Ratification of UNCLOS

Sr.		Statement (extract)	Remarks
	India		
(a)		India reserves the right to make at the appropriate time the declarations provided for in articles 287 and 298, concerning the settlement of disputes.	(i) Declaration made on ratification of UNCLOS on June 29, 1995. (ii) Pakistan also made a similar-worded declaration on ratification on February 26, 1997.

Sr.		Statement (extract)	Remarks
	China		
(b)		IAW with the provisions of UNCLOS, China shall enjoy sovereign rights and jurisdiction over an EEZ of 200 nm and the continental shelf.	Declaration made on ratification of UNCLOS on June 7, 1996.
(c)		China reaffirms its sovereignty over all its archipelagos and islands listed in article 2 of the Law of the PRC on the territorial sea and the contiguous zone promulgated on 25 Feb 1992.[22]	
(d)		China does not accept any of the procedures provided for in Section 2 of Part XV of the convention with respect to all the categories of disputes in para 1 (a), (b) and (c) of Article 298.	Declaration made after ratification of UNCLOS on August 25, 2006.
	The Philippines		
(e)		The signing of UNCLOS shall not in any manner impair or prejudice the sovereign rights under and arising from the constitution.	Understanding made on signature on December 10, 1982 and confirmed upon ratification on May 8, 1994.
(f)		Signing shall not in any manner impair or prejudice the sovereignty over any territory such as Kalayaan Islands and the waters appurtenant thereto.	Understanding made on signature on December 10, 1982 and confirmed upon ratification on May 8, 1994.
(g)		Agreement to submission for peaceful resolution of disputes, under any of the procedures under article 298 shall not be considered as a derogation of Philippines sovereignty.	

Sr.		Statement (extract)	Remarks
	Malaysia		
(h)		Ratification does not constitute recognition of maritime claims of other nations which are inconsistent with the principles of international law and UNCLOS and which are prejudicial to the sovereign rights and jurisdiction of Malaysia in its maritime areas.	Declaration made upon ratification of UNCLOS on October 14, 1996.
	Vietnam		
(j)		The National Assembly reiterates sovereignty over Hoang Sa (Paracel) and Truong Sa (Spratly) archipelagos and its position to settle territorial claim disputes and other disputes in the Eastern Sea through peaceful negotiations.	Declaration made upon ratification of UNCLOS on July 25, 1994.

Source: Compiled by Author.

Note: EEZ: exclusive economic zone; nm: nautical miles; PRC: People's Republic of China.

The Philippines versus China Arbitration Case

As can be seen from the given stances, it is evident that nations are unwilling to accept any infringement on their sovereignty, and this aspect would need to be addressed before the issue of maritime zones. In 2013, the Philippines made 15 submissions for arbitration in accordance with the relevant articles of UNCLOS. In response, China stated: first, the issue was of territorial sovereignty and therefore, beyond the scope of UNCLOS; and second, there existed instruments, including the Declaration of the Code of Conduct in the South China Sea, by which disputes were to be settled by negotiations, which had now been breached by the Philippines. An example of successful negotiations is the Tonkin Gulf dispute, which started in the 1970s and was resolved via bilateral negotiations

between China and Vietnam in 2000. The understanding covered territorial sea, the exclusive economic zone (EEZ) and continental shelf delimitation and came with an additional agreement on fishery cooperation.

Further, in the case of the Philippines, China's stance was as per its declaration (see (d) in Table 6.1) and China refused to accept the judgements and did not participate in the proceedings. However, the proceedings continued under Article 9, Annex VII of UNCLOS, which states that "Absence of a party or failure of a party to defend its case shall not constitute a bar to the proceedings". This South China Sea case between the Philippines and China addressed four aspects, as follows:

- Ruling on China's historic claims on the maritime area within the nine-dash line.
- Ruling on the status of maritime features as islands, rocks or low-tide elevations, based on which maritime zones would be eligible.
- Ruling on whether the Chinese actions, like construction on islands, their control and fishing, interfered with the sovereign rights and freedom of the Philippines and also harmed the marine environment.
- Ruling if the Chinese actions of land reclamation and construction of artificial islands after the commencement of the arbitration unlawfully aggravated and extended the ongoing dispute.

Rulings by the Tribunal

In July 2016, the Tribunal awarded the following judgements:

- *China's Historic Nine-Dash Line Claim*: The Tribunal rejected China's historical claim stating that it was not compatible with the allocation of rights and maritime zones as per UNCLOS. Further, the claim prior to UNCLOS was based on high seas freedom rather than historic right and therefore, the claim was null and void once UNCLOS came into force.
- *Status of Maritime Features*: Article 121 (Regime of Islands)[23] of UNCLOS clearly lays down how islands contribute towards

maritime zones. Accordingly, the Tribunal concluded the following:

(i) The current presence of official personnel on islands did not support the clause of sustenance of human habitation or economic life.

(ii) The sporadic historical use of the islands by fishermen from various nations and mining enterprises also did not support the clause of sustenance of human habitation or economic life.

(iii) All high tide features in the Spratly Islands are rocks and cannot generate an EEZ or continental shelf.

(iv) The Convention does not provide for the Spratly Islands to generate maritime zones as a unit.

- *Chinese Activities—Sovereignty of the Philippines*: The Tribunal concluded that Mischief Reef, Second Thomas Shoal and Reed Bank form part of the EEZ of the Philippines and that there was no overlap with the maritime zones of China. Therefore, China had violated the sovereign rights of the Philippines by the following actions:

  (i) Interfering with the Philippines oil exploration at Reed Bank.

  (ii) Preventing Philippine vessels from fishing in its EEZ. Further, the actions by Chinese law enforcement vessels of high-speed approach to Philippine vessels was in contravention to UNCLOS Article 94[24] concerning maritime safety, as well as a breach of its obligation under the Convention on the International Regulations for Preventing Collisions at Sea, 1972.

  (iii) Protecting instead of preventing Chinese vessels from fishing in the EEZ of the Philippines.

  (iv) Constructing installations and artificial islands at Mischief Reef without approval from the Philippines.

- *Chinese Activities and the Marine Environment*: The Tribunal found that Chinese large-scale land reclamation and construction of artificial islands in several features of the Spratly Islands had

caused severe harm to the coral reef environment. This was in contravention to UNCLOS Articles 192[25] and 194.[26]

- *Chinese Activities—Aggravating the Dispute*: The Tribunal recalled the duty of parties engaged in a dispute to refrain from aggravating the dispute and therefore, found China had violated its obligation in that respect. This obligation flows inherently from UNCLOS Article 300[27] (Good Faith and Abuse of Right).

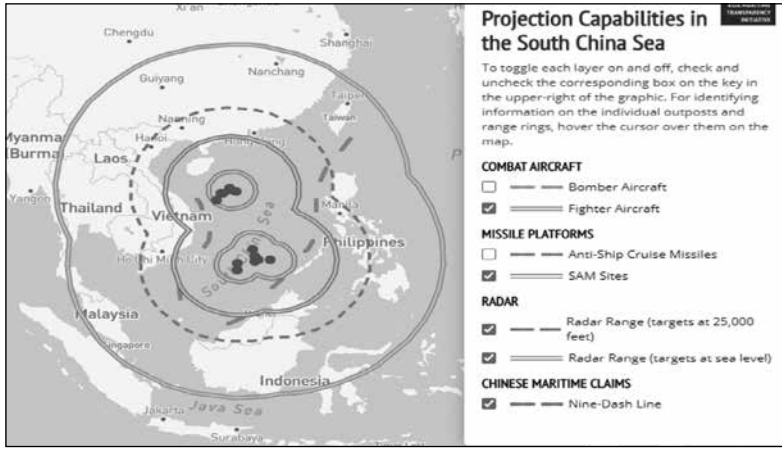
China's New Four Sha[28] Claims

Following this ruling, China has apparently realised that the path to establish and maintain supremacy in the South China Sea is via the sovereignty route. Therefore, China, possibly changing tack from the nine-dash line, is seeking sovereignty claims over four island groups (Pratas, Paracel, Spratly and Macclesfield) in the South China Sea, from which maritime jurisdiction over sea areas emanating from these islands would flow. As per open source reports, this new claim was discussed during a closed-door meeting with the US state department in August 2017. China claims sovereignty over these land features as per its Law on the Territorial Sea and the Contiguous Zone promulgated on February 25, 1992. This claim was mentioned in China's 2014 position paper,[29] disputing the Philippines claim, which was treated as a brief by the arbitration tribunal. In 1996, China had declared straight baselines around the Paracel Islands treating them as a single geographical unit. It is possible that China would do the same for the balance three groups of islands in order to maximise maritime claims. Though the overall claimed maritime area would be less than that of the nine-dash line, it would still be substantial. While UNCLOS Article 7 covers the methodology of drawing straight baselines, the clubbing of islands as a geographical unit is akin to considering them as an archipelago, for which Article 47 (Archipelagic Baselines) applies. This stance is also considered weak as per UNCLOS Article 46[30] and as China does not fulfil the definition of being an archipelagic state, Article 47 will not be applicable.

Arming of Islands

However, what is of greater concern is the arming of islands being undertaken by China. The three largest of the Spratly Islands (Fiery Cross Reef, Mischief Reef and Subi Reef) now host 3 km-long runways, hangars for combat aircraft, ammunition bunkers, barracks, large berthing facilities, anti-aircraft guns and close-in weapons systems. The seven Chinese-reclaimed Spratly Islands today house over 40 varying radar facilities that represent a significant enhancement of China's capabilities in the area relating not just to command and control but also intelligence, surveillance and reconnaissance. In April 2018, reports emerged that China had deployed jamming equipment to Mischief Reef in the Spratlys.[31] Figure 6.4 clearly indicates that China is trying to establish a surveillance area over the South China Sea and the various entry and exit points of this water body. This huge surveillance area can be extended by use of long-range maritime patrol aircraft operating from the islands.

Figure 6.4: China's South China Sea Surveillance Bubble

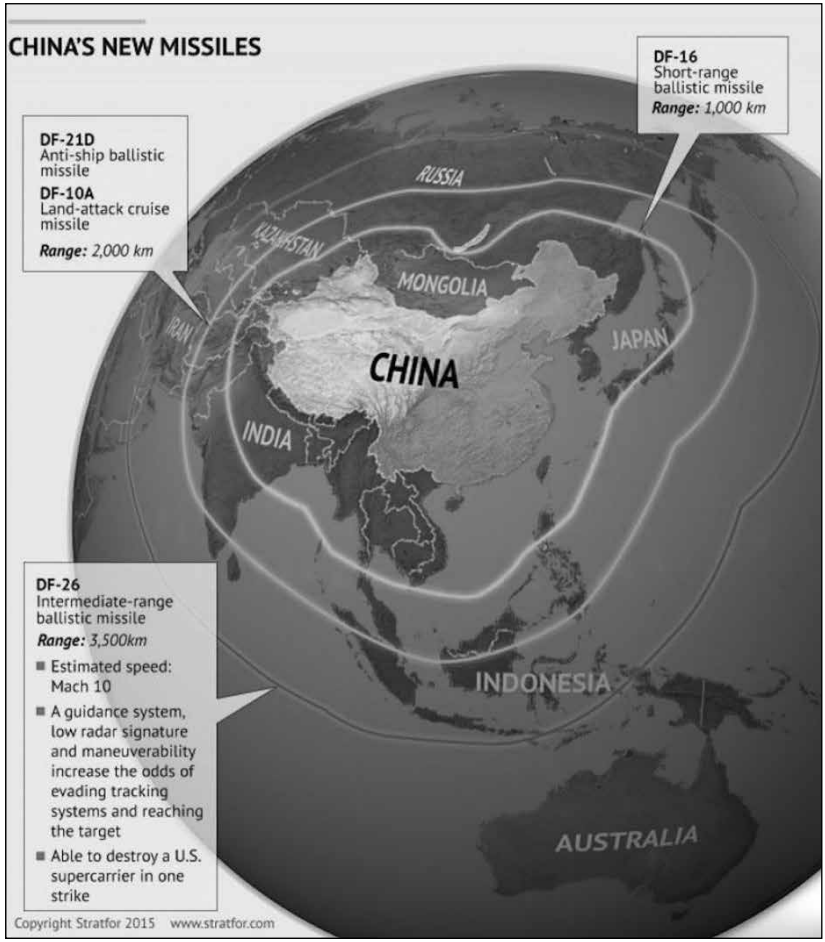


Source: Asia Maritime Transparency Initiative (AMTI) at https://amti.csis.org/chinese-power-projection/, accessed on September 7, 2020.

By using these islands as logistic and operational support hubs, China could increase her lines of operations well beyond the second island chain and into the "far seas". Further, the "threat in being"

posed by China's ASBM ranges (see Figure 6.5) could aid China in containing the threat posed by the US maritime forces and those of US allies in areas beyond the South China Sea. China has clearly stated that it is the legitimate right of a sovereign state to carry out construction on its own territory and deploy defence facilities in the face of threats.[32]

Figure 6.5: China's DF-21D Anti-ship Ballistic Missile (ASBM) Coverage



Source: Stratfor at https://worldview.stratfor.com/article/china-flaunts-its-missile-arsenal, accessed on September 7, 2020.

These aspects aid China's posturing and the endeavour to gain maritime supremacy by:[33]

- Enabling strategic depth and increasing the buffer to the mainland.
- Enabling encirclement and isolation of Taiwan with minimal interference from nations friendly with Taiwan.
- Providing a training ground and springboard for power projection beyond the first island chain.
- Enabling a higher degree of protection of energy and trade flow.
- Enabling a higher degree of unhindered access to the region's maritime resources.

Active Strategic Counterattacks on Exterior Lines: China's Anti-Access/Area Denial (A2/AD)

Analysts often equate the above-mentioned issues as enablers of, or a part of, China's A2/AD strategy. However, A2/AD is a Western concept and the nearest equivalency in the Chinese lexicon is called "Active Strategic Counterattacks on Exterior Lines" (ASCEL).[34] The term itself is indicative of the fact that China will seek to address challenges as distant as possible from her mainland and adjacent waters, for which maritime supremacy is a prerequisite. The main aspects that underline ASCEL are:[35]

- It would be exercised at the strategic level and not at the operational level.
- It would be conducted throughout conflict and as far away from Chinese mainland as possible, with the main area of operations lying between the first and second island chains. This area may extend outwards with an increase in China's military capacity and capabilities.
- It implies an asymmetric methodology to be used against a superior adversary, which is a clear indication of a pointer to the US and her allies in the region, especially Japan.
- As it is a counterattack, it would be exploited under the internationally recognised tenet of self-defence. Therefore, China would, in all probability, not fire first but may induce another nation to do so.

Conclusion

It is evident that China's quest for maritime supremacy has been following an incremental path, punctuated by periods of stagnancy and fast track movement. The rate at which China is constructing warships—of different classes to meet various envisaged roles—is the example of the rate of fast track movement. This overall development of the PLA Navy force structure is in line with the intent evinced in the white papers, which clearly laid out the plan to progress from "near-coast defence" to "near-seas active defence" and the present "far-seas operations". As mentioned earlier, the last aspect would be supported by several pillars, which would focus on strategic guidance of active defence, building and development of China's armed forces, PMS and military and security cooperation.

China's quest for maritime supremacy is severely handicapped by the regional maritime geography. In its quest, China needs easy and free access to maritime areas beyond the East and South China Seas. The path followed to cross the islands chain in incremental steps, as the PLA Navy force structure improves in terms of capacity and capability, is testimony to the Chinese endeavour. However, China has been unable to follow the planned path of egress from the area due to existing regional maritime dynamics. Therefore, the first step has always been the attempt to establish a "favorable and positive maritime environment" in the East and South China Seas, which would accord China a high degree of maritime domination and ease its access to the maritime areas beyond these seas. The interpretation of UNCLOS, passing of various national laws in support of the interpretations and the advocacy of the nine-dash line are the various methods adopted by China in pursuit of maritime domination.

After the ruling in the Philippines versus China arbitration case, which China rejected, China adopted a different stance based on sovereignty. Adoption of this approach could be based on the right of self-defence by a nation if its sovereignty is threatened or attacked and could be used by China to justify its use of armed forces. The "sovereignty" approach is currently ongoing and is being pursued

by China by naming of features and arming select islands in the South China Sea. These select "armed" islands would aid China's surveillance of the region, as also its ability to dominate by using the islands as forward naval and air bases. China's approach in its quest for maritime supremacy in pursuance of the "Chinese Dream" has apparently, thus far, been consistent. To realise this dream by 2049, China will continue to pursue its aim by utilizing a mixed bag of military, diplomatic, economic and legalese methods, aligned to its interpretations of international laws and national interests.

Notes

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16. Term used by Tommy T.B. Koh of Singapore, President of the Third United Nations (UN) Conference on the Law of the Sea at http://www.un.org/depts/los/convention_agreements/texts/koh_english.pdf, accessed on May 5, 2019.
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19. Sarabjeet Singh Parmar, "Yongxing Island: China's Diego Garcia in the South China Sea?", IDSA Comment, August 7, 2012 at https://idsa.in/idsacomments/YongxingIslandChinasDiegoGarciaintheSouthChinaSea_ssparmar_070812, accessed on September 7, 2020.
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22. As per Article 2, the land territory includes the following islands: Taiwan, Diaoyu (Senkaku—seven islands under Japanese control), Penghu

(archipelago of 90 islands/islets in the Taiwan Strait, presently under Taiwan's control), Dongsha (Pratas—three islets under Taiwanese control), Xisha (Paracel—under Chinese control), Zhongsha (Macclesfield Bank) and Nansha (Spratly).

23. UNCLOS at https://www.un.org/Depts/los/convention_agreements/texts/unclos/unclos_e.pdf, accessed on May 10, 2019, Article 121 states:

    1. An island is a naturally formed area of land, surrounded by water, which is above water at high tide.

    2. Except as provided for in paragraph 3, the territorial sea, the contiguous zone, the exclusive economic zone and the continental shelf of an island are determined in accordance with the provisions of this Convention applicable to other land territory.

    3. Rocks which cannot sustain human habitation or economic life of their own shall have no exclusive economic zone or continental shelf.

24. Ibid. As per UNCLOS Article 94, para 3: "Every State shall take such measures for ships flying its flag as are necessary to ensure safety at sea ..."; and para 5: "In taking the measures called for in paragraphs 3 and 4 each State is required to conform to generally accepted international regulations, procedures and practices and to take any steps which may be necessary to secure their observance."

25. Ibid. As per Article 192 (General Obligations): "States have the obligation to protect and preserve the marine environment."

26. Ibid. As per Article 194 (Measures to Prevent, Reduce and Control Pollution of the Marine Environment):

    1. States shall take, individually or jointly as appropriate, all measures consistent with this Convention that are necessary to prevent, reduce and control pollution of the marine environment from any source, using for this purpose the best practicable means at their disposal and in accordance with their capabilities, and they shall endeavour to harmonize their policies in this connection.
    2. States shall take all measures necessary to ensure that activities under their jurisdiction or control are so conducted as not to cause damage by pollution to other States and their environment, and that pollution arising from incidents or activities under their jurisdiction or control does not spread beyond the areas where they exercise sovereign rights in accordance with this Convention.

27. Ibid. As per Article 300: "States Parties shall fulfil in good faith the obligations assumed under this Convention and shall exercise the rights, jurisdiction and freedoms recognized in this Convention in a manner which would not constitute an abuse of right."

28. In Mandarin, *sha* means "sand".

29. Position Paper of the Government of the People's Republic of China on the Matter of Jurisdiction in the South China Sea Arbitration Initiated by the Republic of the Philippines at https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1217147.shtml, accessed on September 7, 2020.
30. UNCLOS, Note 23. As per Article 46:

    (a) "archipelagic State" means a State constituted wholly by one or more archipelagos and may include other islands;

    (b) "archipelago" means a group of islands, including parts of islands, interconnecting waters and other natural features which are so closely interrelated that such islands, waters and other natural features form an intrinsic geographical, economic and political entity, or which historically have been regarded as such.
31 *Military Balance 2019*, International Institute of Strategic Studies, London, Routledge, February 15, 2019, Chapter 6, p. 233.
32. During the June 2019 Shangri-La Dialogue, Fourth Plenary Speech, the Chinese Defence Minister stated: "It is the legitimate rights of a sovereign state to carry out construction on its own territory. China built limited defence facilities on the islands and reefs for self-defence. It is only when there are threats will there be defences. In the face of heavily armed warships and military aircraft, how can we not deploy any defence facilities?" at https://www.iiss.org/events/shangri-la-dialogue/shangri-la-dialogue-2019, accessed on September 7, 2019.
33. See Evan Braden Montgomery, "Competitive Strategies against Continental Powers: The Geopolitics of Sino-Indian-American Relations", *Journal of Strategic Studies*, 36 (1), 2013, p. 79.
34. See Si-Fu Ou, "China's A2AD and its Geographic Perspective", p. 93 at https://www.rchss.sinica.edu.tw/files/publish/1239_4394902e.pdf, accessed on June 4, 2020.
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7. China's Strategy, Nuclear Modernisation Trends: Implications for East Asian Security

Roshan Khanijo

East Asia's Complex Environment

The COVID-19 pandemic has changed the global socio-economic fabric and nations will require time to emerge from this quagmire. However, even during these distressing times, there are some things that have remained constant. One of these is China's continued aggressiveness in furthering its regional agenda. At a time when most nations are busy tackling the pandemic, China is trying to use the opportunity to capitalise on economic and security gains. Sinking a Vietnamese fishing vessel, exerting military tactics on Taiwan, landing a special military aircraft on Fiery Coast and the establishment of administrative districts are some examples that highlight China's excessive aggression and expansionist agenda.

Simultaneously, the Korean Peninsula is continuing with a nuclear stalemate. The United States (US) President Donald Trump and President Kim Jong-un of North Korea have had meetings in the past, but the US has not been able to broker a structured timeline for denuclearisation of the Korean Peninsula till now. On the contrary, North Korea has continued to test its short-range missiles. Earlier, there have been instances when North Korea has dragged out negotiations in order to buy time, only to eventually fall back on its original position of nuclear brinkmanship. As time lapses, the chances of a productive nuclear deal also seem to diminish. One of

the major reasons for North Korea's uncompromising stance is the implicit support it gets from China. In the past and even today, China has and is still supporting and sustaining Kim Jong-un's regime. If the negotiations between the Americans and the North Koreans fail, China would play a key role in reviving the nuclear talks. Chinese President Xi Jinping's high-profile visit to North Korea in June 2019 was to underline this fact. Further, absence of President Kim Jong-un in public events and rumours of his whereabouts indicate the fragile domestic conditions. Lack of clarity in political succession may make North Korea unstable in future and a nuclear North Korea will further aggravate the problems.

Other key contributors to instability in the region are China's military modernisation, militarisation of the islands in the South China Sea, frequent China-Japan skirmishes at the Senkaku Islands, and violation of Taiwanese airspace. All these acts are making nations in the subcontinent wary of China. China has also consistently increased its defence budget in the last few years and military spending has increased by an average of 10 per cent (inflation adjusted) per year from 2000 to 2016; in fact, China's total military-related spending for 2018 probably exceeded US$ 200 billion, a threefold increase since 2002.[1] This is a major cause of concern for those nations that have territorial disputes with China as they too must increase their own defence budget in a bid to maintain some status quo. China's aggressive behaviour is also pushing these nations towards the US as they are increasingly dependent on the US militarily as a counterbalancing force, but President Trump's unpredictability has made their condition highly precarious. China's ambition has always been to compete with the American military and to reduce the US involvement and influence in the Southeast Asian region. By systematically advancing its defence and space systems, China, in future, may successfully challenge the ability of the US "extended deterrence" commitments and there may be a possible emergence of new nuclear weapons states in East Asia. Thus, these are some issues which are impacting the stability in this region and need to be analysed.

China's Strategy

Over the years, one can trace a continuum of sorts in China's strategic thought. From Sun Zu to Sun Yat Sen and other such philosophers/strategists, China has adopted and developed its strategic thought in line with its philosophical traditions. China's *Science of Military Strategy* (SMS), published in 2013, elucidates this point further[2]. This medley of traditional and modern strategy has been incorporated in China's White paper of 2015, leading to organisational reforms for PLA's military effectiveness. The SMS (2013) focusses on three major concepts that are particularly applicable in East Asia. The first concept is 'active defense', further adapted to 'forward defense', which aims to expand the battle space beyond China's borders to increase China's strategic depth.[3] The second concept is 'strategic space', "where the scope of strategic directions should be expanded to combine areas inside and outside China's borders, Inland theatres should be extended beyond China's land borders, while coastal theatres should expand further toward the sea."[4] The third concept is the possession of strategic attack capabilities to create a 'strategic attack posture', which means that strategic offence should be an important operational type for active defense where weapons are deployed on Chinese territory or in the near seas to strike targets on the periphery.[5] Realpolitik evidence of this concept can be seen in China's development of island chains in the South China Sea, its Indian Ocean Region (IOR) policy and the development, diversification and deployment patterns of its defence forces.

In line with the 'forward defence' facet of its military strategy, China has made significant forays in all three domains of warfare, that is, land, sea and outer space. China's creation of seven artificial islands in the Spratly group, and their subsequent militarisation, is an attempt to increase its strategic space. Further, developing and expanding its efforts to go beyond the first island chain depicts China's ambitions to alter the traditional status quo in the future. Also, Chinese leaders have understood the significance of shipping, finance and the building of maritime infrastructure across the world. This stems from their astute understanding that 90 per cent of all

the cargo transmitted passes through the ocean. Hence, they have launched the Maritime Silk Road, which is one leg of the trans-Eurasian "Belt and Road Initiative", a network of Chinese-funded infrastructure projects along global shipping routes.[6] "As Chinese-led shipping portfolios expand further and international shipping firms increasingly turn towards China to fund their operations, ownership of the global shipping fleet seems to be moving into Chinese hands. There is a possibility that, in the near future, the global seaborne trade will be traversing via Chinese-funded ports, on Chinese-funded, Chinese-owned/Chinese-built vessels."[7] This would provide China with a strong oversight over the global supply chains and a strong leverage to direct those according to its interests, thereby fulfilling China's ambition to become a major stakeholder in the Indo-Pacific region.[8]

China is thus set to increase its strategic space, both territorially and economically. In order to achieve this, China has realised that it needs to build 'smart power', which is a conglomeration of soft and hard power. China has undertaken special efforts to build its military power by modernising and reorganising the defence forces. This chapter deals with modernisation trends of only the Chinese "Rocket Force", which China is diversifying with new precision-strike conventional and nuclear assets. On the sea front, China has transformed its PLAN from a "brown-water one to a blue-water navy" through strategic actions, such as increased construction of combat ships and submarines, acquisition of bases and control of ports, thereby, enhancing its global presence. All of these cumulatively speak of China's aspiration of becoming a major power. Chinese leadership understands the nuances of modern warfare and hence, special importance has been given to space, especially its use in strengthening the command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) activities. China is developing its space assets in order to enhance 'strategic attack capabilities'.

Further, the three-pronged approach which China is attempting in order to reshape the power dynamics in East Asia includes: first,

Chinese support to North Korea against all odds; second, divisive tactics employed against Association of Southeast Asian Nations (ASEAN) by placing importance on bilateral negotiations rather than multilateral forums in settling territorial disputes; and third, continue to put pressure on Japan through constant incursions in the waters around the Senkaku Islands. China is able to strategise this policy due to the remarkable contribution of her past leaders, who have systemically enhanced China's Comprehensive National Power (CNP). This is evinced by specific actions undertaken by the leadership, such as Deng Xiaoping's four-point modernisation policy "of developing Agriculture, Industry, Science and Technology and National defence",[9] China's modernisation of its nuclear and conventional systems under erstwhile President Jiang Zemin and finally, concentrated efforts towards ensuring economic prosperity undertaken by Hu Jintao. President Xi Jinping is, in a way, reaping the benefit of decades of structured and focused leadership policies. China's military reforms under Xi Jinping today are a clear reflection of that progress. However, the methods adopted by Xi are not in congruence with his declared policy of a peaceful rise, as China's deception and aggressiveness are making neighbouring nations wary of its intentions. Given that China is a nuclear power, it's enhanced naval and air patrolling (which often violates the neighbours' air defence identification zones [ADIZs] has become a major cause of concern for nations that have territorial disputes with China. This chapter tries to analyse some of these issues, especially China's Rocket Force and its modernisation trends.

China's Rocket Force and the Modernisation Trends

During the reorganisation of the People's Liberation Army (PLA) in 2015, the then Chinese nuclear force, Second Artillery Force (SAF), was renamed as PLA Rocket Force and upgraded to a full service. According to President Xi Jinping, the Rocket Force is "China's core force for strategic deterrence, a strategic buttress for China's position as a major power, and an important cornerstone for defending national security"[10] This statement reflects the PLA Rocket Force's

importance not only as a provider of key military capabilities, and as a potential source of coercive leverage for Beijing, but also as a highly visible symbol of China's great power status.[11] The main role of the Rocket Force remains the same as that mentioned in SAF, "Dual Deterrence and Dual Operations", incorporating both conventional and nuclear missile force. The Rocket Force's mission is to "deter other countries from using nuclear weapons against China … conducting nuclear counter-attacks, and precision strikes with conventional missiles."[12]

Over the years, China's capabilities have grown, "China is developing a new generation of mobile missiles, with warheads consisting of multiple independently targetable reentry vehicles (MIRVs) and penetration aids, intended to ensure the viability of its strategic deterrent in the face of continued advances in U.S. and, to a lesser extent, Russian strategic ISR, precision strike, and missile defense capabilities".[13] As of now, it has tremendous muscle power in all three domains of warfare, while also possessing the largest arsenal of cruise missiles in the world. China has a stockpile of approximately 280 nuclear warheads, which includes 120-130 land-based ballistic missiles, 48 sea-based ballistic missiles and bombers.[14] The DF-5A and DF-41 missiles also have multiple independently targetable re-entry vehicle (MIRV) capabilities. The DF-31AG has a new transporter erector launcher (TEL) which makes it difficult for the adversary to target this missile, thereby enhancing its survivability quotient. For the regional version, China has both medium-range ballistic missiles (MIRBMs)/and intermediate-range ballistic missiles (IRBMs), DF-21 and DF-26. It has approximately 40 launchers for the nuclear DF-21, each of which has at least one reload. It has also deployed two conventional versions of the DF-21: the DF-21C (CSS-4 Mod 4) land attack missile; and the DF-21D (CSS-5 Mod 5) anti-ship missile.[15] As far as the naval domain is concerned, China has four Jin-class (Type 094) nuclear-powered ballistic missile submarines (SSBNs). Each Jin-class SSBN is designed to carry up to 12 JL-2s (CSS-N-14), a submarine-launched ballistic missile (SLBM).[16] They are stationed at China's Hainan Island on

its southern coast. The satellite imagery shows the presence of railway tracks connected to nuclear bunkers, thus the submarines could be armed without detection and reports have come of the Chinese nuclear submarine patrolling the area. In the air domain China has the H-6K—and is developing the next generation long-range strike bomber, H-20—which is enhancing the PLA Air Force's ability to perform strategic deterrence and strike missions, elevating it to true "strategic service" status within the PLA.[17] As China's air and naval capabilities continue to grow, it will have an increasing number of strategic signalling options, thereby developing the leading edge of its regional conventional strike capabilities.[18] China is also developing other niche technologies mainly, ballistic missile defence (BMD), underwater drones, Directed-Energy Weapons (DEW), and its ambition to have dual use Hypersonic Glide Vehicles (HGV) is highly destabilising. China has one of the largest and most organized Unmanned Aerial Vehicle (UAV) programs in the world.[19] The Chinese plan—to use drone swarms against aircraft carriers with decoys, electronic warfare UAVs, anti-radiation drones, armed UAVs, and communications relay UAVs.[20] Thus the modernisation trends are bound to create problems and bring instability in this region.

China's Deployment of Missiles in the Island Chain of South China Sea

China has been propagating the "nine-dash line" in the South China Sea. It has 20 outposts in the Paracel Islands and seven in the Spratlys.[21] Further, in 2020, China established two new administrative districts: one headquartered on Fiery Cross Reef, an artificial island in the Spratlys and the other on Woody Island in the Paracels. It has also named 80 islets and reefs, including not only artificial ones but also 55 entities that are permanently underwater.[22] These actions are meant to create new facts to buttress claims to control the 1.4 million square miles of the South China Sea.[23] However, the reasons for militarisation of some of these islands can vary. In economic terms, around 80 per cent of China's oil imports,

as well as a significant amount of its trade, passes through the South China Sea.[24] Furthermore, the region also contains nearly 105 billion barrels of hydrocarbon reserves.[25] Thus, whoever controls and achieves sovereignty over the islands, reefs and waters of the South China Sea will have access to these huge energy reserves.[26] Militarily, the South China Sea is a buffer zone for the southern Chinese mainland and China's control of the region will allow it to create a barrier outpost of sorts, from where it can challenge any future military threat. Additionally, a significant Chinese presence in the region, with clearly defined military capability, will have the power of denying potential adversaries, access to the area, thereby, discouraging future military activity aimed towards China.[27]

China has adopted a strategy of anti-access/area denial (A2/AD) successfully against the US intervention in this region. The Chinese leadership is well aware, however, that these measures are interim ones, both spatially as well as temporally. China knows that it still requires a long-range air defense system and in the meantime, it has devised a naval counterpart, the HHQ-9 (additional H prefix in front of HQ refers to *Hai*, or "sea", in Chinese), which is an analogue to the S-300FM.[28] Currently, China is focused on procuring S-400s. The long-range surface-to-air missiles (SAM), capabilities, along with deployment of DF-21D/DF-26 anti-ship ballistic missile (ASBM) systems, are also a core part of this strategy. The three big islands of Subi, Mischief, and Fiery Cross Reefs have also been militarised and Beijing can now deploy military assets, including combat aircraft and mobile missile launchers, to the Spratly Islands at any time. Finally, "the buildings on those 'Big 3' artificial islands have retractable roofs, making them suitable launch points for medium-to long-range SAM systems like the HQ-9", which they had maintained on Woody Island for more than two years.[29]

Since the shoals in South China Sea are currently still disputed, China has attempted to channelise diplomatic support by stating that such territorial disputes will always be better managed and more effectively resolved bilaterally, and that discussion regarding the same is inappropriate for debate amongst regional organisations,

such as the ASEAN Regional Forum or the ASEAN Summit.[30] The problem with such statements is the fact that there is a clear power differential between the ASEAN states that China is belligerently manipulating.

China's Covert Assistance to North Korea

This section examines the multifarious reasons for China's interest in North Korea. First, due to North Korea's geo-strategic location, it remains a buffer state and any threat of regime collapse in the region concerns China, as it will lead to mass migration of refugees into China. Second, if the two Koreas were to reunite, this reunified Korean Peninsula under Seoul would be detrimental to Chinese hegemony in the region. Given South Korea's strong alliance with the US, China's counterbalancing weight in the region would effectively decrease if the two countries were to reunite, providing the US with increased regional influence and dominance. The fact that North Korea is dependent on China for food and energy, and is also a major trading partner, gives China requisite leverage to influence North Korean activities. In fact, China accounts for more than 90 per cent of North Korea's total trade volume.[31] The two countries signed the Sino-North Korean Treaty of Friendship, Cooperation and Mutual Assistance in 1961, which is up for renewal in 2021. From a political theatre standpoint, the North Korean leader's first trip outside his country after his ascent to power was to China.[32] This act of visiting the 'benefactorial figure' further highlights the significance of this relationship.

It has also been alleged that China has assisted North Korea militarily in its missile development programme. North Korea's test launch of nuclear-capable intercontinental ballistic missiles (ICBMs) was likely supported by Chinese technology and expertise. Allegedly, Chinese transport trucks were used for multiple North Korean missiles, as well as the bionic warhead design of the Hwasong-14 and other Chinese missile components.[33] Post-North Korea's February 7, 2016 test, when the debris were analysed, it was found that the rocket contained several foreign-sourced commercial items, including

components similar to those from the 2012 Unha-3 rocket debris. On analysis, the ball bearings and engraved Cyrillic characters were identical to those from the 2012 Unha-3 and based upon the serial number and manufacturer of the camera EMI filter, a UN panel examining the debris contacted the Chinese manufacturer, Beijing East Exhibition High-Tech Technology Co. Ltd., for the procurement route, the Panel has not received a reply.[34] In another similar case, when North Korea launched its Kwangmyongsong-4 satellite into space, the rocket parts that fell into the Yellow Sea were scrutinised by international weapons experts for clues. Along with motor parts and wiring, the investigators discerned a pattern: many key components were foreign made and acquired from businesses based in China.[35] A relatively large Chinese company, Shenyang Machine Tools Company, allegedly supplied sophisticated machine tools to North Korea in violation of supplier country trade control laws.[36] Its alleged that China's TEL was also used by the North Koreans to transport the missile. Finally, the wreckage of the recovered unmanned aerial vehicles (UAVs) in North Korea on analysis, further proved that one of the vehicles was manufactured abroad. It also provided clues that identified some of the intermediaries involved in the procurement process.

All this evidence cumulatively illustrates the continued reliance of North Korea on Chinese middlemen and continued cash transactions for procurement of commercial items for military purposes.[37] In the last few years, North Korea has progressed at a phenomenal pace and some of its recently acquired technologies are extremely intricate and complex. Given the tremendous technical and material expertise that would be required for manufacturing such products, it seems unlikely that they would have been produced indigenously. The dependence of the Koreans on the Chinese foretells that China may leverage these in future to buttress its ambitions and any solution to this problem will have to be in concurrence with them. Also, the Chinese control may increase further if North Korea becomes domestically unstable.

Denuclearisation of the Korean Peninsula

Currently, North Korea is alleged to have 10-20 nuclear warheads and alleged to have enough material to make more warheads in the future if necessary. Since the time that Kim Jong-un became President in 2012, the numbers of missile test launches have increased. North Korea already has a successful medium-range ballistic missile (MRBM)—Nodong missile—which can cover parts of Japan as well as the entire Korean peninsula. North Korea has also seen some success in developing its submarine-launched ballistic missile (SLBM) test program, and is slowly moving toward solid rocket motors for its ballistic missiles like the Pukguksong-2 (KN-15).[38] The Hwasong-12 is alleged to have a range of 4,500 km (2,800 miles) and Hwasong-14 supposedly has an even higher rage. Furthermore, its continuation of testing of missile technology is a key destabilising factor in the East Asian region. As the process of de-nuclarisation in the region has not progressed. In spite of meetings between President Trump and President Kim Jong-un, the outcome has been dismal to say the least. This is primarily due to key differences in leadership perception. The US wants North Korea to put its current arsenal—thought to consist of several dozen warheads, some mounted on missiles—on the negotiating table as well, whereas according to the North Korean Foreign Minister Ri Yong Ho, "Pyongyang had only demanded partial sanctions relief in return for closing Yongbyon".[39] Although the talks will continue between lower-ranked officials, a potentially threatening scenario in the region could emerge from the Americans losing their patience, leading to escalated tempers and a renewal of nuclear tests by the North Korean leadership. Such a scenario would be exactly what China would want as it might end up bringing China to the forefront of nuclear negotiations. China has always supported the North Koreans and even during times of sanctions, there have been reports of China's covert support to the North Korean leadership. China, on its part, would like to revive the Six Party Talks, instead of the bilateral negotiations currently being undertaken by the US and North Korea. China, traditionally, has been taking a conciliatory attitude towards North Korea and any negotiations without Chinese involvement are likely to fail.

US Nuclear Extended Deterrence Challenges

The countries in Asia, specifically Japan and South Korea, are tremendously dependent on the Americans for providing them with extended deterrence—the 'nuclear umbrella'—against the nuclear weapons of their adversaries. This is one of the reasons why both countries have avoided taking the nuclear route thus far, despite having the requisite technological prowess. However, given China's rise and the escalatory tactics of North Korea, there has been an increase in informal discussions in both the countries regarding the development of nuclear weapons. The reasons for this consideration of nuclear arms are twofold. First, with China's military modernisation and aggressive posturing, security commitments made by Washington decades ago could become harder to maintain.[40] Second, if North Korea restarts its nuclear tests and weaponisation programme and acquires the ability to target the American homeland, the security guarantee of the Americans may weaken as their self-preservation instinct might kick in. This phenomenon, "whereby a nuclear-armed adversary can separate a security guarantor from its ally, is known as "decoupling"; and in the past, it has successfully provoked angst in the North Atlantic Treaty Organisation (NATO) alliance for much of the 1960s".[41]

For South Korea, the nuclear option is much more viable as a response to North Korean nuclear tests as it would pressurise the Americans to put back the tactical nukes they had removed in 1991. Given the complex balance of power in the region today, this act may be seen as a belligerent move by China, leading to escalation in tensions. Furthermore, given its hegemonic position in the region, China may oppose the deployment of American tactical nukes, thereby pushing the South Korean leadership towards developing their own nukes. Polling done by Gallup Korea has shown that nearly 60 per cent of South Koreans would openly support nuclear armament, as stated by Yonhap News Agency.[42] Another key destabilising factor in this intricate geopolitical nexus is the fact that during the initial years of Trump's presidency, there were "serious concerns about the reliability of [erstwhile American] guarantees under President Donald Trump".[43] Furthermore, since his term

began, Trump has made no secret of the fact that he believes alliance nations should pay more for their own defence.

Japan is another key player in the region that has been very vocal about the North Korean nuclear tests. It is also currently embroiled in a territorial dispute with China regarding the Senkaku Islands. These islands are under the administrative control of Japan, but the Chinese claim them as part of their territory by stating that they are the Diaoyu Dao Islands. While it is fairly certain that Japan will not part with them and China, at present, also seems unlikely to apply force to acquire them, the constant confrontation is part of China's dual strategy of "issue linkage" and "coercive diplomacy".[44] China understands that for coercive diplomacy to succeed, it is essential that the same is backed by military strength. In the last few years, China's military has experienced rapid gains in modernisation that have enabled China to close much of the perceived gap in technological sophistication between its platforms and those fielded by Japan.[45] While the Japanese have increased and diversified their defence assets under their Maritime Self-Defence Force and the coast guard, they would nonetheless require a firmer commitment from the American's regarding the latter's intention to defend them against Chinese threats as, currently; they would be unable to handle the Chinese alone. As the Chinese become militarily strong and if the American involvement in this region decreases, then the status quo may quickly change and an attack may no longer remain a hypothetical scenario.

The contiguous zone of Japan's islands has already been violated a number of times by the constant intrusion of Chinese Coast Guard ships and maritime militia. Further, China has developed its nuclear triads through the acquisition of nuclear submarines and dual-use bombers. They also have long- and medium-range dual-use missiles. On the airspace front, the PLA Air Force has been regularly flying its H-6Ks, accompanied by Tu-154 reconnaissance aircraft and Su-30 fighter aircraft, through Japan and South Korea's ADIZs.[46] With both the countries claiming that they scrambled their fighters in response, the supposed incursions have "demonstrated a maturing capability for H-6K bombers to conduct off-axis strikes against U.S. and allies

facilities".[47] The Chinese Coast Guard is also rapidly increasing and diversifying its patrol boats and constructing heavier tonnage (10,000 tonnes) ships to patrol these areas. Initial US reluctance in acknowledging Japanese sovereignty over these territories has provided a window of opportunity for China to exploit certain grey areas in Article 5 of Japan-US Security Treaty (some islands under Russia and South Korea are not included in this treaty). However, since then, Washington has acknowledged that the islands fall under Japan's administration and are within the scope of the Japan-US Security Treaty. Furthermore, *Nuclear Posture Review 2018*[48] has also addressed some of those concerns, but the coming years are going to test the extended deterrence of Americans severely.

China's Taiwan Challenge

Taiwan is a sore area and a challenge for China. Being one of its core interests, China's goal is to ultimately annexe Taiwan. Politically, Kuomintang (KMT) party had a pro-China approach but the Democratic Progressive Party (DPP) that is currently in power is not inclined to this posture. Hence, the Chinese brinkmanship has increased in the last few years in order to counter this oppositional discourse. Taiwan depends on the Americans for its security. According to the Stockholm International Peace Research Institute's Arms Transfers Database, between 1979 and 2018, Taiwan was ranked as the ninth largest recipient of arms globally, with the US supplying more than three-quarters of Taiwan's imported weapons.[49] However, this large-scale import notwithstanding, according to a naval affairs specialist, Ronald O'Rourke, "Given the pace of PLA(N) (People's Liberation Army Navy) modernization, the gap in military capability between the mainland and Taiwan will continue to widen in China's favour over the coming years."[50]

Through the process of military modernisation, China has managed to develop capabilities that can challenge any other military within the region. Its navy is now being made ready to contribute to Chinese A2/AD manoeuvres aimed at deterring the US

in this region. The DF-21 MRBM and its variants, including DF-21D ASBM and DF-26, a road-mobile, multi-role IRBM with a maximum range of about 4,000 km, are capable of conducting conventional and nuclear precision strikes against ground targets as well as conventional strikes against naval targets. Further, China reportedly is also developing hypersonic glide vehicles that, if incorporated into Chinese ASBMs, could make the ASBMs more difficult to intercept.[51] While Taiwan is certainly trying to address this escalated military modernisation—as evinced by the efforts of the current government of President Tsai and the DPP, who have both emphasised plans to raise annual defence spending incrementally, with the aim of an increase of 20 per cent, or US$ 2.1 billion, by 2025[52]—it may not be enough to prevent the Chinese air and sea superiority, including China's subsequent aggressive violations. Today, more than ever, the survival of Taiwan depends to a large extend on the support which it receives from the Americans.

Implications for India

Given the after-effects of rapid globalisation, any instability in East Asia will impact India adversely. India's trade with Japan, South Korea and several other ASEAN countries has grown phenomenally in the last few years. A large number of cargo ships regularly pass through South-east Asia. It is, therefore, imperative that the sea lines of communication (SLOCs) are kept open and no new ADIZs are created as this would impact the smooth transit of cargos. Since China has successfully undergone military modernisation in congruence with its strategic thought, it is essential for India to transform its "Act East" policy in strategic terms to ensure the safety and security of its economic assets. India has raised this issue bilaterally as well as multilaterally across multiple forums. Currently, India already has strategic partnerships with various countries in East Asia. Few of the most significant ones being the "special strategic partnership" India has with South Korea, as also the memorandum of understanding (MoU) on defence cooperation with Vietnam, under which Indian ships regularly make friendly port calls to Vietnam, along with

the staging of an annually conducted security dialogue at defence secretary level.[53] On June 7, 2018, foreign ministry officials from India, Australia, Japan and the US (often referred to as "Quad") met in Singapore in order to consult on issues of common interest in the Indo-Pacific region and to find ways to pursue shared objectives in the areas of connectivity and development, regional security, counterterrorism and non-proliferation.[54] In March 2020, a meeting of what is informally called as "Quad-Plus" nations, which included Republic of Korea, Vietnam, New Zealand, along with the original Quad nations, was held. This is a significant move and though little premature at this stage, it nevertheless is a movement whose trajectory needs to be observed carefully in the future.

Regional initiatives aside, India also aspires to play a major role in global affairs and for this, there is an urgent need for defence capability projection alongside economic integration. In order to successfully compete with China on the global stage, it is essential to first build strong and diverse defence capabilities. Despite starting of defence indigenous processes, Indian dependence on foreign military weapons is still significant, which reduces its projected national capabilities. The first and foremost aim, therefore, should be to decrease dependence on foreign military weapons. Indigenisation efforts, such as "Make in India" initiative, are a good start but the administrative hiccups and sustenance have hindered progress in this area. Second, India also needs to increase its defence budget—which has remained dismal throughout the last decade, significantly, for example, in 2018, China's research and development (R&D) spending as a percentage of gross domestic product (GDP) was 2 per cent compared to just 0.8 per cent for India. The break-up of R&D spending for China in the same year by sector of performance was: business, US$ 286,453.2 million; government US$ 58,564.0 million; and universities US$ 25,572.6 million, comparatively, the Indian break-up according to sector of performance was: business: US$ 17,044.0 million; government: US$ 29,066.8 million; and universities: US$ 1,952.3 million.[55] This is a key area which needs to be addressed as soon as possible.

Conclusion

With the consistent rise in China's economic and military progress, it is going to continue to play a major role in East Asia. The signs currently project that the Chinese rise is not going to be as smooth as the Chinese leadership would have liked. This can be attributed to China's aggressive posturing and its military modernisation process, which is akin to a hostile takeover of the region. Furthermore, China's ambition to transform the traditional status quo in its favour by military modernisation, militarisation of islands in the South China Sea, frequent violation of airspace and contiguous zones of adversaries and covert support to North Korea are also issues that are increasingly alienating and destabilising the region. If not addressed in a systematic and orderly fashion, any one of these issues could escalate out of proportion.

However, some analysts believe that President Xi Jinping may not be able to sustain this aggression in the future as the Chinese defence forces are not modernised enough to challenge the US. They believe that Xi Jinping has abandoned Deng Xiaoping's strategic approach of "hide your strength and bide your time" prematurely. He has adopted a completely different position where, in the garb of realising the "Chinese Dream" of great national rejuvenation, China has adopted a more aggressive posture. This analysis may be true as China is undergoing economic challenges, which provides a window to other nations to recalibrate their strategies. However, with the onset of COVID-19, global politics and economics will be transformed. One may either see a revival of the Cold War era with new players, like the US and China, or the world may become more multi-polar, which will benefit stability in the long run.

India, for its part, needs to continue with bilateral and multilateral negotiations, while simultaneously building up her power projection capabilities both in the economic as well as defence domains. Without military and economic strength, India will be left behind. Hence, to become an effective counterbalancing power in the region, India must first invest heavily in itself, and then project that power on the global stage.

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PART III

Economic Diplomacy and Challenges

8. US-China Trade War and its Impact on the Regional Relational Dynamics

G Balachandran and *Nivedita Kapoor*

The year 2018 saw the United States impose tariffs on imports from trading partners like EU, China, Canada and Mexico. The administration of President Donald J. Trump argued that the measures were undertaken to deal with a high trade deficit, give an impetus to local manufacturing and generate jobs in America. In the case of Canada and Mexico, the dispute resulted in renegotiation of the North American Free Trade Agreement (NAFTA), now called the US-Mexico-Canada Agreement (USMCA).

In the case of China, a wide-range of tariffs were announced on imports in three batches by the US—July 6, August 23 and September 24, 2018—bringing the total amount of Chinese imports being impacted to US$ 250 billion. In response, China levied tariffs on imports from US worth US$ 110 billion. Organisations like the International Monetary Fund have cited the risk generated by ongoing tensions between the two largest economies in the world as a factor in slowing down global economic growth figures.[1]

Trade wars are, in general, considered antithetical to the theory of international trade, which rests on the principle espoused by David Ricardo in his 1817 work *On the Principles of Political Economy and Taxation*. As Paul Krugman has noted, at its simplest, the theory of comparative advantage underscores 'that trade between two nations normally raises the real incomes of both.'[2] Ricardo explained his idea through an example of two

countries—England and Portugal—producing two products, cloth and wine.

In Ricardo's example, Portugal takes 90 hours to produce one unit of cloth and 80 hours to produce one unit of wine. In contrast, England needs 100 hours and 120 hours to produce one unit of cloth and wine respectively. While Portugal has the absolute advantage in production of both cloth and wine, due to 'scarce resources,' the focus is on 'relative costs' and not absolute costs.[3] Hence, since Portugal has a relative advantage in manufacturing wine and England can produce cloth more efficiently, they should do so and trade in these products to the benefit of both countries.

The main argument here was that countries would trade in goods in which they have a 'comparative advantage'. Hence, even a country that is not economically the most developed would engage in exports of products where it has a comparative advantage.[4] Here, the advantage is not in terms of absolute production costs, but in comparative terms, where specialisation would occur in sectors where a country has comparative advantage.

While the theory does not elucidate on how this advantage would be divided between two trading nations, the basic idea has formed the cornerstone of argument in favour of international trade. Hence, the argument goes, because international trade is beneficial to the parties involved due to comparative advantages in production of goods, any attempt to disrupt it—like starting a trade war—would result in losses. In fact, the history of trade wars does provide evidence of the negative impact they have had. Since the escalation of the trade war between the US and China, there has been a renewed discussion on similar actions in the past. The most cited of these has been the Smoot-Hawley Tariff Act of 1930, which led the US to raise tariffs on more than 20,000 products being imported. The supporters of the Act said the measures therein would help protect farmers and local manufacturers from 'foreign competition.'[5] Responding to the measures, its trade partners in turn imposed tariffs on their imports from the US, which 'plunged 61 percent from 1929 to 1933'.[6]

The timing of this was particularly unfortunate, right at the beginning of the great depression. It had the effect of other countries retaliating with 'erecting trade barriers',[7] leading to a steep decline in the share of US in world trade. Some analysts have also held the Act responsible for negatively impacting the global trade and for exacerbating the economic depression[8] even though there is no consensus on the extent of the impact in both these areas. The more recent memory of the 'chicken wars' that began in 1962 has also been brought forth to examine the impact of tariffs. In this case, the European Economic Community imposed a higher tariff on imported poultry, an area where US had been registering an increase in exports. The EEC had classified poultry as 'an agricultural growth industry'[9] and wanted to encourage local producers in the sector to become self-sufficient.[10] As a result, US which had exported poultry to West Germany worth US$ 30.7 million in 1962 saw its entire share to EEC in the sector reach US$ 572,000 in 1974.[11] In retaliation, the US increased tariffs on European imports of 'potato starch, dextrin, brandy and light trucks'.[12]

The current debate has also seen echoes in the old arguments about reciprocity in the US, wherein it was argued that US manufacturing was being threatened by Japanese enterprises and that the superpower's rivals were playing by different rules. In the 1980s, this led to use of section 301 to threaten retribution if US commerce was burdened due to 'unfair and unreasonable foreign practices and policies'.[13]

However, it has been noted that the participants in the trade war do not win, especially when neither economy is disproportionately strong vis-à-vis the other.[14] In more recent memory, the administration of President George W. Bush in March 2002 levied tariffs on steel being imported into the US to the tune of 30 per cent on average to help domestic manufacturers and prevent excess steel from foreign suppliers from flooding the local market.[15] It classified the increased steel supply to the US as dumping. The WTO dispute settlement body ruling on the case brought about by the EU before it concluded that the tariffs were illegal in March 2003. In December 2003, just before EU's retaliatory measures were to come into force, President

Bush reversed the decision on steel tariffs.[16] In its overall impact, economists have argued that the imposition of tariffs by Bush did nothing to address the underlying problems of the steel industry.[17]

Other studies have pointed out that the tariffs had an adverse impact on 'steel users'. This meant that the businesses using steel faced difficulties because they could not acquire it at a cheaper level.[18] Also, the tariffs caused difficulties for those businesses that were using imported steel to make consumer products while doing nothing to address the problems being faced by the steel industry.[19]

- Tracing the current dispute between US and China.

On August 18, 2017, United States Trade Representative (USTR) launched an investigation as per Section 301 of the Trade Act of 1974. The section enables US to deal with actions deemed unfair on the part of its trading partners. As the USTR report explains, the investigation launched into Chinese actions focused on the category in Section 301 defined as 'acts, policies or practices that are unreasonable or discriminatory and that burden or restrict US commerce'.[20] The central issues under investigation were technology transfer, intellectual property and innovation.[21] The report of the findings of the investigation analyzed various issues involved therein concluded that certain Chinese actions were indeed 'unreasonable or discriminatory and burden or restrict US commerce',[22] as per the Trade Act under following four categories:

- Use of joint venture rules, administrative procedures, licensing requirements, foreign equity limitations among others to secure technology transfer to Chinese entities. The findings also noted that similar practices were used for transfer of intellectual property.
- Use of 'licensing and other technology-related negotiations,' making American companies unable to 'set market-based terms' due to official policies of Chinese government, which benefits local companies but erodes position of US companies in terms of control over own technology.
- Direction or unfair facilitation by the Chinese government of indigenous companies to invest in or acquire US companies

'to obtain cutting-edge technologies and intellectual property.' This is particularly done in sectors that the Chinese government considers important for its own industries.

- 'Unauthorized intrusion and theft from computer networks of US companies' through direction or support from Chinese government to get intellectual property, trade secrets, etc.

These issues formed the heart of USTR public hearings, in which industry representatives put forth their views regarding the actions being taken against China. The representatives of Best Buy and American Chemistry Council while supporting the aims of the investigation about controlling forced technology transfer and IP theft argued that the measures being undertaken in the form of tariffs would not change Chinese behaviour.[23] In fact, they argued, the move would negatively impact the American public in the form of higher costs. The US-China Business Council too expressed similar sentiments pointing out that there was a need for China to address issues like intellectual property protection and forced technology transfer but imposing tariffs in its opinion was not the best way forward towards that end.[24] The Internet Association pointed out the damage being done to the digital sector due to 'China's ongoing intellectual property rights violations, force technology transfer policies and state interventions.'[25] It also said that the rules in China about handling data locally and controlling its flow have also damaged American interests. However, the tariffs in the current form, the Association argued, would make products made in US more expensive and hurt jobs domestically. The Commercial Metals Company pointed out that their business in the steel sector has been suffering due to Chinese government's favourable policies ('including numerous Five-Year Plans specific to the steel industry and the Made in China 2025'),[26] which impinges on its ability to compete on equal terms.

While the USTR has focussed on the issues mentioned above, the US President Donald J. Trump has made the trade deficit to be the major problem area on the bilateral trade in goods with China, a figure that stood at US$ 375.6 billion in 2017. The corresponding

figure for 2016 stood at US$ 346.9 billion. In fact, China is the largest goods trading partner of the US while the latter is the third largest goods export market for the former.[27] On the services front, the US had a surplus of US$ 40.2 billion in 2017 with regard to trade with China. By the end of 2018, the trade in good deficit had touched US$ 419.16 billion.[28] As is clear from Table 1 below, the trade deficit continued to grow steadily till 2018 despite the imposition of tariffs measures before declining in 2019, which has been attributed to reduced trade flows.[29] In addition, this has led to increase of deficit with others including EU, Japan, South Korea, Taiwan to whom the trade flows have been directed as a result of the US-China dispute.

Table 1: Yearly US Trade in Goods with China (2007-18)
(in $ million)

YEAR	EXPORT	IMPORT	DEFICIT
2019	106,447.3	451,651.4	-345,204.2
2018	120,341.4	539,503.4	-419,162.0
2017	129,893.6	505,470.0	-375,576.4
2016	115,545.5	462,542.0	-346,996.5
2015	115,873.4	483,201.7	-367,328.3
2014	123,657.2	468,474.9	-344,817.7
2013	121,746.2	440,430.0	-318,683.8
2012	110,516.6	425,619.1	-315,102.5
2011	104,121.5	399,371.2	-295,249.7
2010	91,911.1	364,952.6	-273,041.6
2009	69,496.7	296,373.9	-226,877.2
2008	69,732.8	337,772.6	-268,039.8
2007	62,936.9	321,442.9	-258,506.0

Source: US Census Bureau.

- How has China responded to the charges against it?

In response to the charges laid down in the Section 301 report by the USTR, China released its own White Paper in September 2018, terming US actions as being 'trade protectionist' and 'trade bullyism'.[30] Criticising the 'America First' approach of the US the

White Paper accused the US of 'making false accusations' and intimidation through 'economic measures.'

Responding to the charges outlined in Section 301 report, the white paper argued that Chinese payments to acquire intellectual property from the US have been increasing steadily to touch US$ 7.2 billion in 2017. While praising American companies for their role in promoting efficiency and competition, it also pointed out the benefits accrued to them through entry into the Chinese market as well as in helping economic growth in the US. It has called the US charges 'a gross distortion of the facts,' arguing that the deficit in the trade of goods is due to American choices based on its 'comparative strengths.' Identifying other causes for trade deficit, China pointed out the low savings rate in US, preference of companies due to low production costs and the 'US export control over high-tech products exported to China.' It also blamed the US for 'exaggerating the deficit' with regard to goods trade, arguing that by Chinese calculations, the figure was less by US$ 100 billion. Arguing that over 61 per cent of US-China 'trade imbalance comes from processing,' the white paper believes that if the calculations were made only by looking at the value added, the deficit would not be as large as it is at the moment.

However, this explanation is only part of the argument, and as research has indicated, different factors account for the difference in trade deficit as cited by US and China. The difference of about 5 per cent (US$ 30-35 billion), can be attributed to the US using FAS terms (Free Alongside) for exports (which does not 'include the costs of clearing the goods for export and loading the goods') while China uses FOB (free onboard) terms, thus lowering the value of the former as compared to the latter. Also, the import data of China is calculated using CIF terms (cost, insurance, and freight) which 'places a lower value on imports from China.'[31] Another reason for that accounts for part of the US$ 100 billion difference in deficit is what has been referred to as 'eastbound trade,' wherein products that are re-exported to the US via intermediate countries but are originally from China.[32]

On the US charge regarding technology transfer, the white paper has argued that this has taken place 'voluntarily' wherein

foreign companies have entered into partnerships with their Chinese counterparts for their own benefit. It also denies Chinese government's role in 'policies or practices' to lead to forced technology transfer by foreign companies, calling the US charge a 'complete distortion of facts.' On the issue of intellectual property, China has cited its efforts to set up a complete system with regard to IPR protection. It has also denied that Chinese government is behind investment/acquisition to obtain cutting-edge technology, arguing that it is a result of local companies increasing strength and a feature of 'economic globalization'. Also, the white paper says the largest share of Chinese investments in the US is in 'real-estate, finance and services' with only a small share related to technology. It also accuses the US of following 'trade protectionist practices' through 'discrimination against foreign products,' using 'national security review' on foreign investment, subsidies, 'non-tariff barriers' and 'abuse of trade remedy measures'.

However, on several charges that US has levied against China, including those related to foreign ownership restrictions, joint venture rules, foreign equity limitations, licensing processes, cyber theft among others, the latter has not responded in clear terms in its white paper. Here, it must also be noted that several of these charges by US fall in a grey area wherein the charges are difficult to prove conclusively. For instance, in the case of alleged forced technology transfer, there is no clear US law that China can be proven to have violated. At the same time, Chinese claims that foreign companies did so 'voluntarily' is also difficult to believe, given that a refusal to do so would have led to being shut out from the huge Chinese market. Hence, in this case, the matter is not completely clear-cut. In certain areas like cyber theft, the attribution of the act to the Chinese state or companies can be an onerous one, thus posing difficulties in conclusively proving the charge. However, US claims have gained credence in the light of similar complaints from other technologically advanced European countries that have also made similar claims regarding Chinese practices.

- Statistical examination of the issues involved in the trade war through bilateral trade figures and its implications.

According to the USTR, in 2017, China was the largest goods trading partner for the US. This statistics remains unaltered for 2018 as well, where the trade in goods resulted in a deficit for US to the tune of US$ 419.2 billion. For the purpose of examination of the deficit, it is important to consider the bilateral trade figures in both US dollars and RMB (Chinese Yuan).

Table 2: China's Trade with the United States

	RMB 10000			US$ 10000		
	SURPLUS	EXPORT	IMPORT	SURPLUS	EXPORT	IMPORT
2018	214,040,521	316,008,984	101,968,463	32,327,262	47,839,581	15,512,319
2017	186,713,133	291,011,800	104,298,667	27,578,486	42,973,038	15,394,552
2016	165,367,928	254,270,175	88,902,247	25,082,587	38,527,101	13,444,514

Source: National Bureau of Statistics of China.

Based on the above trade figures, one can see that the change in surplus in RMB terms in 2017 is at about 13 per cent while in dollar terms, it is at 10 per cent. For 2018, the change in RMB terms versus dollar terms is roughly at 14 and 17 per cent. The rise/fall of RMB is also a factor this change, wherein even though the exports might not change much, there is a decline in dollar terms due to the fact that value of yuan has increased and vice versa.

Table 3: Exchange Rate for Yuan with Respect to US Dollar

2010	6.770
2011	6.461
2012	6.312
2013	6.195
2014	6.143
2015	6.227
2016	6.644
2017	6.758
2018	6.616
2019	6.908

Source: OECD

In 2018, Yuan witnessed a steady fall, at one point getting close to the exchange rate of 7 against the US dollar. A number of factors have contributed to this, including a slowing Chinese growth rate, strong numbers from the US leading to a stronger dollar and risks associated with the trade war.[33] But an unwitting consequence of this has been making Chinese exports cheaper, helping it to deal with the impact of tariffs to a certain extent. The US Treasury Secretary Steve Mnuchin noted that the administration was watching closely whether China is manipulating yuan or not.[34] The US had stopped short of labelling China as a currency manipulator as recently as October 2018, with Mnuchin noting that even though concern remained regarding 'lack of transparency and the recent weakness of the yuan,' the evidence that China was 'directly intervening to undermine the currency's value' was not found by the Department.[35] The other two criteria that have been set up in order to judge China to be a currency manipulator, besides sustained intervention in the currency market, are: 'minimum $20 billion trade surplus with US and current account surplus in excess of 3 percent of GDP'.[36] However, in August 2019, US called China a currency manipulator for the first time since 1994, arguing that China had actively undervalued the yuan in days before the designation to gain 'unfair competitive advantage'.[37] However, this is not in line with the IMF assessment in July that had determined that Chinese currency was at the desired level. In recent times, the value of yuan has been impacted by weaknesses in the domestic economy and selling pressure on the currency due to the ongoing trade war.

This is not to say that the yuan is not administered and this has been a grey area with concerns raised about the level of control being exercised by the government over its value. Since it is not a free-floating currency, yuan's value can be calibrated to make Chinese exports less expensive, also having a direct impact on trade deficit.

A large part of the trade in goods deficit is comprised of the Advanced Technology Products (ATP), which in 2017 amounted to US$ 135.4 billion and in 2018 was at US$ 134.4 billion. The

same figure for 2019 stood at US$ 102.7 billion. The highest deficit within the ATP category comes from 'information and communications' which stood at US$ 151.02 billion.[38] In 2018, this figure stood at US$ 153.13 billion and in 2019 at US$ 120.7 billion.

Table 4: US Trade in Advanced Technology Products with China in Information and Communication (in million US$)

YEAR	EXPORT (Information and Communication)	IMPORT (Information and Communication)	DEFICIT
2019	3,356	124,119	120,763
2018	3,988	157,118	153,130
2017	4,511	155,535	151,024
2016	4,809	132,769	127,960
2015	5,177	139,544	134,367
2014	4,619	139,411	134,792
2013	4,681	132,866	128,185
2012	3,920	126,964	123,044
2011	3,801	114,523	110,722
2010	4,040	102,292	98,252
2009	3,569	79,040	75,471
2008	3,666	80,377	76,711
2007	3,360	77,866	74,506
2006	3,155	64,395	61,240
2005	2,687	53,483	50,796
2004	2,156	41,380	39,224
2003	1,920	26,173	24,253
2002	1,856	16,582	14,726

Source: US Census Bureau.

Some of the highest imports in the category include cellular radiotelephones, automatic data processing machines, magnetic disks, semiconductor media, Card Key and Magnetic Media Entry Devices among others. This means that over 91 per cent of US imports of ATP from China comprise information and communications products. In 2017, the Congressional Research Service concluded that 'ATP products accounted for 33.8% of total U.S. merchandise imports from China.'[39]It also noted that when compared to US ATP imports from all around the globe, China had a share of 36.8 per cent, a rise from 14.1 per cent in 2003. In 2000, the US had a surplus in ATP trade with China, but the volume had suddenly experienced a decline to reach a level of US$ 5.3 billion. Since 2002, the US has seen a steadily increasing deficit in ATP trade with China.

Some see the large and growing US trade deficit in ATP with China as a source of concern, contending that it signifies the growing international competitiveness of China in high technology. Others dispute this, noting that a large share of the ATP imports from China are in fact relatively low-end technology products and parts, such as notebook computers, or are products that are assembled in China using imported high technology parts that are largely developed and/or made elsewhere.[40]

The Squire Patton Boggs Tariff Book reveals that despite the high deficit in the information and communications sector, it is not the one on which the highest tariffs have been imposed by the USTR. Instead, the sectors of electronics, flexible manufacturing and aerospace have been the ones in which most of the Chinese imports have been subjected to tariffs of 25 per cent. In these three categories, a tariff of 10 per cent is found only in the case of a few imports while most have been levied with a 25 per cent tariff.[41] In all these three sectors in 2018, US had a surplus trade with China to the tune of US$ 1803 million, US$ 2442 million and US$ 17121 million respectively.

In the high-tech industry, it is still the foreign funded enterprises in China that have the highest level of exports. As per the China statistics yearbook on high technology industry 2017, the combined

exports of foreign funded enterprises coupled with Hong Kong, Macau and Taiwan exceed that of state controlled and domestic funded enterprises (see Table 5). In addition, exports of foreign funded enterprises on their own exceed all the others, with particularly strong performance in the sectors of electronic and communication equipment as well as computers and office equipment.

Table 5: Exports in 2016 (in million yuan)

Sector of Manufacture	State Controlled Enterprises	Domestic Funded Enterprises	Hong Kong, Macau, Taiwan	Foreign Funded Enterprises
All Total	2718.5	12124.3	17317.3	23003.0
Medicines	148.0	920.8	201.0	338.6
Aircrafts & Spacecrafts	188.1	254.7	78.3	208.2
Electronic and Communication Equipment	1994.0	9387.5	11210.3	15698.7
Computers and Office Equipment	303.3	855.7	5526.6	5775.1
Medical Equipments	20.9	548.1	204.9	711.7
Electronic Chemicals	64.1	157.5	96.3	270.7

Source: China Statistics Yearbook on High Technology Industry, 2017.

- Tariff measures that have been taken by both sides in the ongoing trade war.

The USTR imposed the first batch of tariffs on July 6, 2018 on Chinese imports followed by additional ones on August 23, 2018 which total to US$ 50 billion.[42] Additional tariff measures that came into effect on September 24, 2018 on US$ 200 billion worth of Chinese goods, with threats to levy further tariffs on imports worth US$ 267 billion, which would bring all Chinese imports under the tariffs' scanner.[43]

In response, China has imposed tariffs on US$ 110 billion worth of US goods.[44] After a meeting between President Trump and President Jinping after the G20 summit on December 1, 2018, both sides decided to enter into negotiations and postpone imposition of any additional tariffs for a period of 90 days. This means that on January 1, 2019, US will refrain from raising tariffs on Chinese goods worth US$ 200 billion from 10 per cent to 25 per cent. If the talks do not succeed, US has declared, this measure would be implemented[45] that would bring the entirety of Chinese imports under tariffs.

After the December meeting between the two presidents, the White House in a statement said talks would focus on concerns that US had expressed earlier, including on 'forced technology transfer, intellectual property protection, non-tariff barriers, cyber intrusions and cyber theft, services and agriculture.'[46] The statement also claimed that china 'has agreed to purchase a not yet agreed upon amount of agricultural, energy, industrial, and other product' towards reducing the trade imbalance.

While the statement from Chinese Ministry of Foreign Affairs in its statement issued after the bilateral meeting did not go into any specific details, Foreign Minister Wang Yi was reported to have said that China was 'willing to increase imports in accordance with the needs of its domestic market' including from US 'to gradually ease the imbalance in two-way trade'.[47]

Meanwhile, in the hearings before the USTR, representatives from various American industries have put forth their arguments regarding their views about the tariffs proposed by the Trump administration—revealing both support and opposition to the policy.

In favour were some voices like that of Solar World Americas, which argued that Chinese policies had 'devastated' the solar industry in the US, highlighting that its hacking formed a part of the USTR investigation. It alleged that China stole 'proprietary information'[48] from it that resulted in a rival product from China being launched even before its own product could be launched. It also appealed for solar cells to be brought under the purview of higher tariffs, also

arguing that stealing from foreign companies by China takes place in sectors deemed important by the state. The representative of the International Association of Machinists and Aerospace Workers[49] raised concern about forced technology transfer from US to China in the aerospace industry, calling for higher tariffs on manufacturing in the industry that result in job losses in US.

The American Superconductor Corporation also raised the issue of intellectual property theft by Chinese company Sinovel, referring specifically to wind turbines. It alleged that while the latter's actions of stealing software had brought the company almost to its end, Sinovel continues to benefit from the theft. Some representatives of the steel industry, including Skyline Steel and United States Steel Corporation[50] also supported the tariff measures. The former pointed out that due to Chinese government 'distortive industrial policies,' the companies are able to ensure supply at lower price which means that 25 per cent duty on these imports would help the US domestic industry. The latter on its part drew attention to cyber-attacks leading to 'commercial secrets' being stolen and aiding the 'import substitution' goal of China. Both pointed out that the Chinese government has identified steel as a priority sector and is a part of Made in China 2025 programme.

However, significant opposition to the tariffs was also noted from different industry groups which highlighted how the move would negatively impact their bottom lines and ability to conduct business smoothly. In the hearings over imposition of duty worth US$ 200 billion of imports from China, the manufacturer of 'modular nylon gear bag system' for 'pilots and field professionals,' pointed out that its products are made in China and relocating to the US would result in a threefold jump in cost while lowering the quality. In fact, it was revealed that the industry no longer existed in the US and any attempt to do so would not be a success. Ross Bishop, the founder of BrightLine Bags,[51] argued that neither does his product threaten national security nor does the tariff do what it claims to accomplish i.e. lead to consumers shifting to American products. The exponential cost increase due to additional duties being levied

was also cited by a sport lifestyle company called 47 Brand. The threat of job losses due to inability to handle the increased cost while pointing out the catch-22 situation where the manufacturing cannot be moved back to the US because 'cut and sew infrastructure in the United States moved overseas decades ago.' Apart from China, the manufacturers argued, there is no other place producing the 'quantity and quality' of products being demanded by the company, with everyone in the industry in a dilemma over the situation. SEMI, 'the global electronics manufacturing industry association,' noted that a 25 per cent tariff would prove to be extremely harmful to the 'U.S. semiconductor manufacturing supply chain.'[52] The association argued that the result would be seen in job losses, reduced exports, lower revenue and higher costs. In addition, it has noted that the move will be a threat to America's leading position in this particular sector, warning that additional tariffs might lead to production being shifted out of the US. While agreeing that there is concern regarding IP theft, the greater issue for the sector is argued to be of supply chain disruption. Other industry members, like that belonging to automotive air conditioning compressors, said that the tariffs would increase import costs of 'components that it cannot source from US,' having a direct impact on their bottom line and employment level. In the case of televisions, there has been demand during the hearings to exempt it from the proposed 25 per cent tariff due to a combination of factors including lower cost and high quality that benefit US consumers. It was also noted by industry representatives that television manufacturing has moved out of the US and will not come back even if the tariffs are imposed, adding that 'there is currently no TV manufacturing in the United States.' This however supports jobs in the US in the form of designing, technology and sales, which will be adversely impacted due to tariffs.

Similar concern about jobs was raised by the Auto Care Association,[53] which noted that even though there are components listed as imports, they add to jobs in the US through a supply chain network. Given that long term contracts have already been secured, tariffs would only mean an increased burden on the American

consumer and reduce competitiveness of the companies at both local and global level. Like others, the association also pointed out that in its sector, 'minimal alternative sources exist as China is the primary supplier to the world.' Another consumer electronics company that deals in flat panel TVs noted that it had not witnessed 'any significant IP theft.' Given that most of such televisions being sold in the US are manufactured in China, tariffs would only cause difficulties for American consumers, especially since it would take years to shift to a different source. Meanwhile, companies of other foreign countries would continue their production through their subsidiaries.

- Examination of the impact of the said tariff measures.

The following trade statistics reveal the month-wise trade deficit US has with respect to China, comparing the period of three years before and after the imposition of tariffs.

Table 6: US Trade in Goods Deficit with China (in US$ million)

Month	2017	2018	2019
January	31,382.0	35,952.8	34,409.3
February	23,068.5	29,261.5	25,071.6
March	24,467.8	25,874.6	20,600.6
April	27,660.0	27,962.0	26,799.6
May	31,920.9	33,186.6	30,103.9
June	32,571.7	33,483.8	29,800.9
July	33,610.1	36,834.3	32,754.9
August	34,989.4	38,569.6	31,735.5
September	34,518.0	40,243.0	31,568.2
October	35,204.2	43,102.5	31,263.7
November	35,362.8	37,860.8	26,333.3
December	30,820.9	36,830.5	24,762.6

Source: United States Census Bureau.

It can be seen that even after the imposition of tariffs in July, the deficit continued in 2018. This has been attributed to a rise in US imports on account of positive economic growth figures and the subsequent rise in demand. Also, the US exports have shown a

downward trend in 2018 with respect to China. In fact, figures for the year 2018 have revealed that the trade deficit of the US, not just with respect to China, but with the rest of the world rose to US$ 621 billion, the highest in a decade.

There has also been the case of dollar being stronger in 2018 while renminbi has seen its value fall on the back of a weakening economy and falling exports. This has also made imports more expensive and exports cheaper, mitigating the impact of tariffs to an extent. The US has been clear that it is closely monitoring yuan and its value, after the Chinese currency witnessed a 'ten per cent' drop in value as compared to the dollar from February- October 2018.[54] Chinese officials contend that the renminbi's fall reflected the strength of the dollar, not currency manipulation on their part.[55]

There have also been some unintended consequences for the consumers in the trade war, as has been revealed to be in the case of washing machines, imports of which faced tariffs in 2018 imposed by the US administration. While predictably, the imports became more expensive, the domestic manufacturers too increased the price of washing machines. It is being reported that the total cost to American consumers till now has been US$ 1.5 billion.[56] In addition, the tariffs are estimated to have reduced real GDP by 0.3 per cent[57] and led to around 300,000 job losses.[58]

- The Phase I deal

The phase one deal was arrived at after a long period of negotiations, as part of which in December 2018, Presidents Donald J. Trump and Xi Jinping agreed that the scheduled increase of tariffs on US$ 200 billion of Chinese goods would not be implemented on January 1, 2019. However, in May, the tariff on these goods was increased from 10 per cent to 25 per cent, which led to a break in the talks. At the June 2019 G20 meeting in Osaka, Japan; the two sides agreed to restart the trade talks.

In January 2020, both the sides signed the first phase of the trade deal, according to which China agreed to increase imports from US to the tune of US$ 200 billion in the next two years, spread over sectors including agriculture, manufacturing, energy and services.

The deal also contains assurances from China over strengthening intellectual property rules. In turn the US will reduce the tariff on US$ 120 billion worth of Chinese goods to 7.5 per cent[59] while China too has also announced halving of tariffs on US$ 75 billion worth of US imports.

Six months after that agreement was signed, on August 24 US Ambassador Lighthizer and Secretary Mnuchin participated in a regularly scheduled call with China's Vice Premier Liu He to discuss implementation of the historic Phase One Agreement between the two countries. Although the Press Release by the Office of the USTR had a reference to "the significant increases in purchases of U.S. products by China"—over and above the 2017 base—available data suggests that far from a significant increase of US exports to China many of results of that Agreement may not be realised by 2021. In fact it is even possible that far from an increase in US exports to China in 2020 over the 2017 base, the exports may even be less.

- The results so far

While it is true that the trade deficit for the first six months of the 2020 was less than the deficit in 2017 (US$ 131.72 billion in 2020 vs US$ 226.7394 billion) it was due the fall in imports (from US$ 226.739 to US$ 181.207 billion). US exports to China during the first six months of 2020 was US$ 49.4908 billion against US$ 58.8787 in 2017. In 2017 US exports of goods covered by Phase One Agreement was US$ 78.8 billion. It was projected to be not less than US$ 142.7 billion in 2020. The projected target for the period Jan-Jun 2020 was US$ 71.3 billion against which the actual exports was only US$ 33.1 billion. It is, therefore, very unlikely that the targets set forth in the Agreement Phase One will be achieved. The reasons for the non performance are both exogenous and endogenous although the former may be the dominant factor.

The primary exogenous factor is, of course, the COVID-19 pandemic. The pandemic has affected all aspects of global and national economy and trade. All major economies have seen a contraction in their GDP. IMF growth projections for 2020 are not encouraging. According to their latest projections the global economy is expected

to see a contraction of 4.9 per cent (with the advanced economies experiencing a contraction of 8.0 per cent and the emerging markets and developing economies experiencing a contraction of 3 per cent. WTO has estimated that global merchandise trade shrank by 3 per cent year-on-year in the first quarter of 2020 and the initial estimates for the second quarter stands at 18.5 per cent contraction year-on-year. It is not surprising that these contractions are seen in US-China trade as well. According to Chinese official trade data Chinese imports fell by 6.4 per cent (in US$ terms) in the first half of 2020. Imports from US fared better falling by only 4.80 per cent. The non-performance of the Agreement Phase One should not be surprising.

The endogenous factors are the developments in the political/security US-China relations with possible negative implications for bilateral economic relations as well. These developments are the results of actions taken by both the countries. While the tariff actions were initiated by President Trump, the non trade related actions by various agencies of US—at the Presidential, Executive and legislative levels - with potential trade implications were in response to perceived aggressive domestic and foreign policies of the Chinese President Xi Jinping. These include the extension of the Chinese National Security Law to Hong Kong, the detention of Muslims from the Uighur region, the military confrontation in the South China Sea and the Himalayan region bordering India etc. While not all of the US actions had direct reference to China, all of them were aimed directly or indirectly at China. For instance the Foreign Investment Risk Review Modernisation Act of 2018 (FIRRMA) had no direct reference to China, although China figured prominently in the congressional debates leading up to the act. A principal motivating factor behind FIRRMA was the strong concerns of CIFUS (Committee on Foreign Investment in the United States) and a number of federal agencies about the legal and illegal transfer of US technology and data to China. Subsequent to the enactment of FIRRMA, a number of public enforcement actions were taken by CIFUS targeting Chinese companies.

In another case, on May 17, 2019, President Trump issued Executive Order 13873, Executive Order on "Securing the

Information and Communications Technology and Services Supply Chain", directing the Secretary of Commerce, in consultation with other federal agencies, to implement rules in order to prohibit persons subject to US jurisdiction from purchasing information and communications technology or services from "foreign adversaries" in transactions that threaten US national security, the US digital economy or US information and communications technology or services. Although the Executive Order did not specifically identify Huawei or any country by name, the same day the US Department of Commerce's Bureau of Industry and Security ("BIS") announced that it would add Huawei Technologies Co. Ltd. ("Huawei") and additional Huawei affiliates to BIS's Entity List. BIS explained that it is making this designation because it determined that "[T]here is reasonable cause to believe that Huawei has been involved in activities contrary to the national security or foreign policy interests of the United States." In fact the President Trump has issued a number of Executive orders targeting China relying on either already existing public law enacted by Congress or exercising his authority under the International Emergency Economic Powers Act ("IEEPA"), citing an "unusual and extraordinary threat" to the United States, which is a condition for the President to exercise his authority under IEEPA. These include executive orders directing government agencies to eliminate preferential treatments given to Hong Kong as compared to Mainland China, protecting United States Investors from Significant Risks from Chinese Companies, prohibiting any transaction that is related to TikTok and WeChat by any person, etc. The Congress too has been active in passing laws targeting China including The Secure and Trusted Communication Network Act of 2019, establishing (1) a mechanism to prevent communications equipment or services that pose a national security threat risk from entering US networks and (2) a programme to remove any such equipment or services currently used in US networks as well as The Hong Kong Human Rights and Democracy Act of 2019. Apart from the Uyghur Human Rights Policy Act of 2020, 'to condemn human rights violations of ethnic Turkic Muslims in Xinjiang and calling

for an end to arbitrary detention, torture and harassment of these communities inside and outside China,' the Congress has also passed a number of appropriation Acts that have sections relating to China.

Relying on these Executive Orders and public laws, various executive agencies have named Chinese persons and entities for sanctions/controls which fall within their purview. The Bureau of Industry and Security (BIS) is an agency of the US Department of Commerce that deals with issues involving national security and high technology. BIS maintains a list "Entity List" of names of foreign persons subject to specific license requirements for export of specified items. These license requirements are of varying nature including total denial of export licenses. In the past two years BIS has vastly increased the number of Chinese companies listed in the Entity List, including nearly 70 of Huawei and its affiliates worldwide (including its Indian affiliate).

The Office of Foreign Assets Control (OFAC) of the US Treasury Department administers and enforces economic and trade sanctions, relying on Presidential Executive orders and public laws, against targeted foreign countries, which pose a threat to the national security, foreign policy or economy of the United States. As part of its enforcement efforts, OFAC maintains and publishes a SDN (Specially Designated Nationals) List of individuals and companies owned or controlled by, or acting on behalf of targeted countries. Their US assets are blocked and US persons are generally prohibited from dealing with them. In recent days, OFAC has increased substantially the number of Chinese individuals and companies. For these actions it has not only relied on one or more of the Chinese directed Executive orders and public laws but also other laws such as the Global Magnitsky Human Rights Accountability Act.

China has voiced its displeasure and objection to all of these Executive orders, public laws and agency actions. It is, therefore, quite possible that these have also influenced the non-performance of Phase One Agreement endogenous factors in addition to the COVID-19 pandemic.

- What does the future hold?

The pandemic is likely to last well into the next year thereby having a negative effect on the economic growth of countries as also global trade. Because of the supply chain disruptions caused by the pandemic, multinational companies are re-examining their supply chains and are planning on re-shoring and near shoring their supply chains. That will have some effect on US-China trade. Moreover, it is, quite unlikely that the various sanctions and controls on Chinese individuals currently in place will change under a new US Administration after the 2020 November presidential elections in the US. There is a broad support, in some cases almost unanimous support, from both the national parties in US on the actions taken so far. Much will depend, whether the existing sanctions and controls are expanded or not, on the actions of China especially the policies of President Xi Jinping. Given the escalating military confrontation of China with its neighbours in South China Sea and Himalayan region, the future is not bright.

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9. China and the Regional Multilateral Architecture in Southeast Asia: A Geopolitical Flux

Atmaja Gohain Baruah

Introduction

China's foreign policy in the 1990s and early twenty-first century was steered by the doctrine of *Tao Guang Yang Hui* (韬光养 晦) or "hide your strength and bide your time", as adopted by the former paramount leader, Deng Xiaoping.[1] With Xi Jinping having taken over as the General Secretary of the Chinese Communist Party (CCP) and as the President of People's Republic of China (PRC), the country can be seen advancing towards establishing a more suitable domestic environment to assert global leadership.[2] As evident in numerous speeches by Xi Jinping and other Chinese foreign policy experts, a new strategic approach has been adopted, *Fen Fa You Wei* (奋发有为), that is, "striving for achievement".[3] Moreover, in a quest to broaden its influence and scope of diplomacy, China can be gradually seen revamping not only the regional economic order but also creating a new international order.[4] There has been particular stress on two twin trends: globalisation of the economy and multi-polarisation of the world.[5] New geopolitical relations have thus called for a "new type of great power relations" where China is seen as an emerging power that can bring about a power balance, doing away with "unjust" practices of the West.[6]

The Association for Southeast Asian Nations (ASEAN), in this regard, is of paramount importance in China's overall peripheral diplomacy. Their relationship is underpinned by strong economic

linkages and a strategic partnership, which has seen much reiteration and validation over consistent dialogues, joint statements and communiqués.[7] Indeed, signing of the ASEAN-China Free Trade Area (ACFTA) in 2002 created important value chains which, besides reducing the business cost, also brought about more integrated services, higher foreign investment and better trade facilitation. Such interactions follow a two-track approach: a bilateral one between China and the individual countries; and a collective one with the association as a whole. While bilateral relations are understandably different according to their domestic situations, China seeks to give priority to improving the overall relationship with ASEAN as well. This could be to further its self-interests and have more regional influence, while also portraying its rise as peaceful and cooperative.

However, this relationship has been adversely affected by China's growing assertiveness in the South China Sea, which conflicts with some of the Southeast Asian countries, like the Philippines, Brunei, Malaysia and Vietnam. Moreover, with China manoeuvring its trade and investment plans with ASEAN through the Belt and Road Initiative (BRI), there are opinions afloat that it is one of China's grand strategies to spread its footprints on the world map. Theories of China hounding smaller countries through debt diplomacy are persistent across most academic circles.[8] For China, the last thing it would want from its neighbours is to elicit allegations of being an expansionist or a revisionist power.[9] Being involved in the BRI therefore actually forwards this endeavour, as it is not just about building roads, bridges and railways but also about creating opportunities in trade, finance and people-to-people contact. Singapore, Thailand, Vietnam, Malaysia, Myanmar, Cambodia and Laos, all have China amongst their biggest trade partners, which makes it easier for China to continue a policy of engagement and continuity in economic affairs. While the free trade agreement (FTA) between the ASEAN and China has helped to deepen trading and investment relations, the BRI will act as a major catalyst for continued engagement and increased connectivity because of its links with the Master Plan on ASEAN Connectivity 2025.

At the same time, rising regional aspirations amongst these countries have created varying synergies in political, security and economic spheres of cooperation and contestation. With the United States (US) changing its pivot from Asia towards being more inward bound, China is flexing its geopolitical muscles towards a more assertive diplomatic stance.[10] The ASEAN too deals with Chinese aspirations differently. This is despite the three cardinal rules held dear by the bloc: sustaining the region's strategic autonomy; checking the occurrence of any kind of regional hegemony; and safeguarding a cooperative and inclusive regionalism.[11] As history bears witness, this region has time and again been seen as a theatre to exercise competition by major powers. From the time of intense geopolitical rivalry during the Cold War era to the rise of China, clashing with the interests of the US, an ASEAN-led regional architecture has always been punctured by the push and pull factor of major power rivalries.[12]

This chapter looks at how the various ASEAN countries are using varying strategies to deal with an omnipresent China and simultaneously, reinforcing balance by collaborating with other external powers. While the stakes are different and their relations with those powers are compromised by domestic factors, there is a sense of logic and rationality demonstrated by these countries in adopting their strategies of engagement. So, the chapter discusses how most of the ASEAN countries can now be seen adopting a strategy of maximum engagement and limited hedging towards China. Through its economic and institutional statecraft, China has made sure that these countries do not turn against it, even if it leads to internal ruptures within the association.

Connecting the China-ASEAN Synergy

The 1997 Asian financial crisis turned out to be a strategic turning point for China's relations with Southeast Asia. The Chinese government had adopted certain proactive measures then, such as providing financial aid to individual countries and to the International Monetary Fund's Southeast Asia recovery programme, to not just ease off the crisis but also earn brownie points with the

Southeast Asian countries. Countries like Thailand, Indonesia and Singapore too were facing startling economic downturns. In the wake of this, by desisting currency devaluation, Beijing offered credit and emergency support to the recession-facing countries.[13] Since then, the China-ASEAN interface has matured extensively. This is unsurprising considering ASEAN's geopolitical location and the economic leverage the countries hold. Geopolitically, these countries traverse major international sea lanes of the Strait of Malacca and the South China Sea. Using strategic points in the sea lines of communication, China finds it easier to communicate with Africa, Europe and the Middle East. What makes the situation competitive is that other major countries, like the US, India, Japan and Australia, also have similar strategic interests in Southeast Asia.[14]

In such a scenario, setting a standard "ASEAN position" is not only difficult but unsubstantiated, as the ASEAN countries face distinct challenges based upon their domestic compulsions. For instance, countries which previously held negative views on China, such as Indonesia during the Cold War, are rather neutral towards Chinese activities now. Countries which until a couple of years ago called themselves the "frontline states" against Chinese incursions, like the Philippines, are now one of the most non-threatening.[15] Though the recent skirmishes with China make conflict seem inevitable, there is more to that than what meets the eye, both economic and security-wise. National interests can change over time and in this regard, one's approach towards a bigger neighbour cannot remain one-dimensional. The ASEAN countries balance their strategic interests by engaging in dynamic bilateral diplomacy with major countries, and also being involved in multilateral engagement. Nonetheless, China remains a key importer, exporter, investor and aid provider. The Chinese government has successfully transformed China-ASEAN relations into one of high strategic significance based on a "community of common destiny".[16] Cooperation is sought using military strength, economic might and political sway.[17]

However, China-backed infrastructure and development is rife with claims of unsustainable and unprecedented debt on partner

countries, with Sri Lanka, Ethiopia, Laos and Cambodia being some recent instances. The former Malaysian Prime Minister Mahathir Mohamad has, in fact, charged China with practising a new type of colonialism and has suspended several Chinese-backed infrastructure projects.[18] However, other stakeholders hold a different perspective. The states which previously felt isolated and were not incurring the full benefits of globalisation, see tremendous potential in Chinese infrastructure and connectivity projects.[19] The prevailing lag in development and lack of investors has pushed several Asian, African and even European countries into the BRI embrace. Thus, the BRI, by offering a space to interlock small and isolated states to bigger avenues of trade and development, has created a new system of engagement without being "hegemonic". All ASEAN states too are members of BRI, implying a wilful act on their part to accept Chinese leadership for their development.[20]

China-ASEAN Relations: A Theoretical Understanding

According to international relations theories, in great power politics, a smaller state's strategy towards a bigger state usually oscillates between balancing, bandwagoning and buck passing.[21] According to the balancing approach, a state has two options: internal and external balancing. Internal balancing requires a state to improve its defence and security capabilities to secure better national power. External balancing, on the other hand, relies on forming external alliances and cooperating with other like-minded states against a potential adversary. Such balancing is pertinent for a smaller state to offset its dependence on, or the potential threat emanating from, a more powerful state. In the bandwagoning approach, a smaller state aligns its policies and strategy of power politics with a stronger state to incur benefits. States also sometimes engage in buck passing, where they try to remain in the sidelines while letting another state deal with the common aggressor state. It basically implies not confronting the aggressor in the hope that a different state will.

This typology, however, is too simplistic for understanding politics. Often, to offset a state's tendency to project the image of a

regional hegemon, pure balancing, bandwagoning or buck passing is usually inadequate. In this regard, the Southeast Asian countries can be seen employing a mix of strategies to broaden their foreign policy goals. Apart from outright balancing and bandwagoning, states also employ the strategies of hedging and engagement.[22] Aware of their small economic and geopolitical stature, the ASEAN countries have mostly adopted a hedging approach—they encourage the military presence of the US in Southeast Asia and also accept Japan's economic assistance.[23]

Retaining links with other major powers, such as the US, Japan, India and Russia, acts as a counterweight against Chinese domination in the region. Thereby the states have more than one strategic option in case of a potential security threat. In the absence of a formal military alliance with the US, some countries find the strategy of hedging and soft balancing useful in maintaining working relations with major powers.[24] This approach allows them to balance their relationships with external powers by engaging in non-military exercises with them, for instance, through global institutions, economic and other diplomatic statecraft. Balancing by engaging in military activities may lead to political disruptions, but soft balancing by focusing on non-military cooperation is more effective in promoting regional cooperation.

Southeast Asia's nuanced strategy of soft balancing is reflected in its use of regional institutional mechanisms, like the East Asia Forum, the ASEAN Regional forum, the ASEAN-Plus forums and ASEAN Defence Ministers' Meeting-Plus.[25] While each country surveys its options based on its economic and security relation with China and the US, in general, hedging and soft balancing is followed in an attempt to restrain Chinese expansion. On the other hand, countries who are pursuing an engagement strategy usually look towards socialising with China as a means to encourage economic and strategic cooperation. This is also because, for smaller states, it is difficult to resist a revisionist great power, especially when there is worldwide consensus that the great power shall dominate despite a handful of disapprovals.

Chinese Inroads and the ASEAN Response

In a 2017 report, "Sharp Power: Rising Authoritarian Influence", by the National Endowment for Democracy and International Forum for Democratic Studies, the notion of "sharp power" was introduced. The report discusses how Russia and China, the two "leading authoritarian regimes", have "raised barriers to external political and cultural influence at home while simultaneously preying upon the openness of democratic systems abroad".[26] While it is not necessary to get into the intricacies of their arguments, it is important to examine the context and consequences of a scenario where China might be exercising sharp power. Having sharp power refers to the capacity of a state to influence other states' decisions and attain a desired outcome through manipulation of information, distraction and deceit. Owing to China's current geopolitical ambitions of expanding the BRI, it actively carries out lavishly funded global influence operations and uses Chinese-language media outlets and China-backed community associations to garner support round the world. Its influence is "sharp" because it perforates the international information community through Chinese nationalist populism.[27] Providing heavy economic backing, establishing self-censorship and engaging in an all-pervasive engagement with the countries involved is China's typical modus operandi.

The Chinese not only have significant trade with ASEAN countries but also are major investors in infrastructure projects, such as dams, hydropower plants, roads, seaports, bridges and railway networks.[28] Such undertakings are not sustainable for small economies as they increase foreign loans and lead to accumulation of debt, thereby leading to an economic "drain".[29] Facing high-interest debt, the countries taking loan from China may end up losing sovereignty over key national assets and become dependent only on Chinese investments. Such leveraging of its economic might to gain diplomatic concessions has made China more of a threat than a partner country. Economic relations have also perforated into other areas of cooperation, including security and domestic politics.

Therefore, it is not surprising that the ASEAN countries majorly follow a two-track strategy—maximum engagement and limited constraints—when it comes to dealing with China. Since their economy and security agenda are so closely enmeshed with Chinese aspirations in the region, it has become imperative for ASEAN's strategic autonomy to keep a check on three kinds of balances: (i) a balance between its economy and security agenda; (ii) a balance between their "two-track strategy" of engaging and constraining; and finally, (iii) a balance between the various external stakeholders/powers.[30] The success of the ASEAN countries in maintaining these balances not only depends on their foreign policy structure but also in the cohesion they can build amongst themselves. While the issue of the South China Sea has created some differences, there is hope for future dialogue and engagement following the track I and track II-level workshops and meetings. Central to this type of conditioning is the fact that China's narrative of cooperative conduct is seen as the "new normal" now and the West trying to intervene is seen as illegitimate, costly and disruptive.

Cracks in the ASEAN: China's Opportunities and Challenges

While Xi Jinping has increasingly focused on building a "community of common destiny" with the ASEAN countries, the reality is a little more complex than that. First seen in China's white paper on peaceful development in 2011[31] and in Hu Jintao's report at the 18th National Conference in 2012,[32] this notion became more pronounced amongst the ASEAN countries when Xi Jinping laid out the blueprint in Indonesia and Malaysia in October 2013.[33] This "China-ASEAN Community of Common Destiny" illustrates a mechanism by China to develop trust and overall good neighbourliness with a win-win spirit at a time when the South China Sea had already become a flashpoint in the region.

For the ASEAN countries, the Chinese presence presents them with a modern version of the Faustian bargain: there are possibilities of getting richer but at the expense of something valuable.[34] For instance, cooperating with Chinese-backed BRI and the Asian Infrastructure Investment Bank (AIIB) has the potential to solve

ASEAN's need for capital, trade and infrastructure, but could be at the cost of its strategic autonomy and certain geopolitical costs.[35] Using its economic diplomacy and military capability, China has actively challenged the status quo, be it in the South China Sea, the Indian Ocean Region (IOR) or in its relationships with the regional countries.[36] The degree of threat perception from China is however based on a country's consent in letting China take the lead or even change the status quo, for instance, in the South China Sea islands.

While ASEAN as a bloc seeks to foster regional integration and a sense of "togetherness" and "solidarity" through agenda-setting—for instance, to solve regional issues—the verdict is usually decided by individual interests and motivations. The ASEAN way, which is characterised by "consensus decision-making", "non-interference", "informality" and "respect for sovereignty", is in fact internally challenged when juxtaposed with individual national interests.[37] The primacy of ASEAN centrality thus gets undermined when national interests are at stake.[38] For instance, the Singapore foreign minister's statement on ASEAN not having "one voice" on the status of Jerusalem argued: "There was no time and no opportunity to cobble together a consolidated ASEAN vote. But having said that, I am not even sure that would have been ideal … every country had to take a position based on its own analysis of its own national interests."[39]

Moreover, richer countries like Singapore and Malaysia react differently from smaller economies like Laos and Cambodia, who again act differently from geographically bigger countries like Indonesia. For Laos and Cambodia, China holds almost 50 per cent of their overall debt.[40] One can see the ramifications of this when ASEAN, for the first time, failed to release a joint statement on China (2012 ASEAN Summit). Cambodia was chairing then and held back all accusations against China on the issue of the South China Sea.[41] Additionally, the more prominent economies also have more to gain from FTAs as compared to smaller ones like Laos and Cambodia.[42] There is also the risk of being debt-ridden due to Chinese-backed mega infrastructure projects, such as the US$ 100 billion Forest City in Malaysia, Sino-Laos railway project, Sihanoukville port city in Cambodia and the

Kyaukpyu special economic zone (SEZ) in Myanmar. The Kyaukpyu SEZ is crucial for the development of China's inland provinces, its presence in the Indian Ocean and has, in fact, been underway way before the initiation of the BRI.[43]

Case of ASEAN's Uncoordinated Policy towards China

The differences in their foreign relations can also be understood in terms of changing foreign policy narratives that occur with power transition. This is not just in case of China but also in case of other issues, such as the vote on the status of Jerusalem or on the Rohingyas. During the Rohingya humanitarian crisis, the Philippines was the chair of the 2017 ASEAN Summit and blocked all criticisms towards the situation, which invited serious backlash about the fading away of ASEAN centrality.[44] A scholar of Asian security affairs, Prashanth Parameswaran, has argued: "Chinese pressure has exposed ASEAN' institutional flaws and threatened to undermine the grouping's relevance as a central player in regional affairs."[45] In 2017, the ASEAN Secretary General, Surin Pitsuwan, reiterated along the same lines: "ASEAN's agenda has been frustrated, its normal practices altered and its traditional solidarity undermined. A more assertive China has also undermined the basic assumption that ASEAN has always been solid when it comes to external relations."[46]

How China's modus operandi is handled by individual ASEAN countries falls within the domain of a changing political construct; in other words, the rise of China is seen contextually and is subject to domestic politics. For instance, Vietnam and the Philippines, during 2010 and 2011, were looking at China as a looming threat in the neighbourhood that needs to be squashed.[47] However, internal power struggle in both the countries created a situation where the "China threat" and the "China rise" theory started being used for political objectives. What could be observed is that in an effort to consolidate political authority, the ruling party would keep changing the narrative about China based on the voters' appeal.

For instance, though Vietnam is an authoritative regime ruled by a single party, there are party factions existing, divided between pro-

China conservatives and pro-Western reformists. Vietnam was pro-China before 2006, seeing China as a friendly economic powerhouse providing long-term benefits. However, when Nguyen Tan Dung, belonging to the pro-Western faction, became the Prime Minister of Vietnam, Vietnam's stance towards China became very critical. He was against most Chinese activities in the region and the relationship with China became quite complicated. When he was overthrown by the pro-Chinese faction, the new President Nguyen Phu Trong, again, changed Vietnam's stance to one of rapprochement, particularly in the case of the South China Sea dispute.[48] There was an exchange of high-ranking official visits between the two countries and bilateral trade was also expected to rise.[49] However, in Vietnam's latest 2019 defence white paper, without stating any country by name, Hanoi expressed concerns regarding the "new developments" in the zone. The articulation was rather strongly worded, using references like "unilateral actions, power-based coercion, violations of international law, militarisation, change in the status quo, and infringement upon Vietnam's sovereignty, sovereign rights, and jurisdiction as provided in international law".[50]

Nonetheless, Vietnam's national interests point towards adopting a combination of engagement and balancing. It has maintained a non-confrontational attitude towards China, while also participating in security cooperation initiatives and arrangements with the US, Japan, Australia and India. The 2019 defence white paper also mentions how "depending on circumstances and specific conditions, Vietnam will consider developing necessary, appropriate defence and military relations with other countries".[51] Tokyo and Hanoi, for instance, have recently collaborated in various military, financial and diplomatic efforts to strengthen ties. From 2018 to 2021, Vietnam is the coordinator of ASEAN-Japan relations and more cooperation is expected on the Regional Comprehensive Economic Partnership (RCEP) and creating a code of conduct in the South China Sea. Hanoi has also developed strategic partnerships with Singapore, Indonesia, Malaysia, India and the Philippines.[52]

In the Philippines, which is a democracy, having leadership legitimacy is crucial. The country under Gloria Arroyo (2001–10) considered China as a land of opportunities and signed 65 bilateral agreements, the highest Philippines has ever signed with any country.[53] However, when Benigno Aquino III was in power (2010–16), most of the infrastructure projects with China were cancelled as China was increasingly seen as forcefully asserting its power in the region. It was no longer looked at as an economic powerhouse but more as a destabiliser of regional stability. It was during Aquino's time and his "hardline" stance that a lot of anti-Chinese sentiments inflamed amongst policymakers and literati.[54] Thus, the Philippines's strategy could be seen changing from engagement to more overt external and internal balancing, especially after the Scarborough Shoal incident in 2012. This issue was raised almost in all international multilateral forums. Several new strategic partnerships were formed, such as with Vietnam (2014) and Japan (2015), and military exercises were advanced with Australia. Most importantly, the long-standing military alliance with the US was reinvigorated through the signing of an Enhanced Defence Cooperation Agreement (EDCA) in 2014.[55]

Presently, in the Philippines, the Rodrigo Duterte administration has also brought about a strategic change in ASEAN's response to Chinese incursions in the South China Sea. Manila has started re-engaging with China, following a heavy engagement approach, though also not abandoning an external balancing tactic. Under the Donald Trump administration, there has been severe scrutiny of Chinese expansionist activities. To make matters difficult for the Philippines-China camaraderie, Mike Pompeo, the US Secretary of State, has reinvigorated the US-Philippines defence pact.[56] This is actually a perfect example of how a smaller country is resisting the presence and power of a bigger neighbour. As Duterte is pursuing a fine balance of economic and security interests—encouraging China-funded infrastructure projects and avoiding confrontation over the South China Sea—he is also trying to rebalance the relations with external powers, like the US and Japan. When the Philippines became the ASEAN chair in 2017, it was clear that the United

Nations Convention on the Law of the Sea (UNCLOS) ruling against China shall not be acknowledged in the ASEAN summits. Even in the ASEAN 2017 statement, phrases such as "land reclamation", "non-militarization" and "escalation of activities" by China were removed, thus eliminating all stains of Chinese militarisation of islands in the sea.[57]

Other ASEAN countries paid heed to this and exercised extreme self-restraint in calling upon China to limit its inroads. Laos and Brunei refused to release a statement and Cambodia's then foreign minister, Hor Namhong, did not even allow the then ASEAN Secretary General, Surin Pitsuwan, to raise the issue of the South China Sea.[58] In the 2016 ASEAN Foreign Ministers' Meeting, no collective statement could be formed on the Permanent Court of Arbitration ruling against China, which invited serious backlash from the international community.[59]

Meanwhile, Myanmar, since it is a non-claimant state to the South China Sea dispute, has shown a neutral stance towards Chinese incursions so far.[60] China has mostly had Myanmar on its side historically, considering the times when China had opposed global sanctions against Burma in the 1990s and offered arms and training.[61] It is also a resource-rich and geopolitically important country. China sees it as a vital economic and strategic pathway to the Indian Ocean, securing Myanmar's extensive energy resources and also aiding the BRI vision. Myanmar too has no qualms about following an engagement approach, coupled with cautious balancing with the US, India and other ASEAN countries. It has been looking towards resetting ties with India by participating in joint military exercises and infrastructure projects. Russia has also been an all-weather friend and a supplier of arms and military aircrafts.[62]

China's role in facilitating Malaysia's economy has been one of the largest. While Malaysia's previous Prime Minister Najib Razak (2009–18) followed a policy of neutrality towards China, the Mahathir Mohamad administration (2018-March 2020) was driven more by pragmatic economic priorities. Razak held the belief that China is not a threat to regional security and disputes in the South

China Sea should not supersede economic relations. A hedging strategy combining broad multilateral engagement and restricted balancing was therefore the guiding foreign policy towards China.[63] However, Mohamad's arrival in 2018 precipitated a tectonic shift in Malaysia's approach. Seeking more equitable economic deals, he has cancelled some of China's mega infrastructure projects in the country.[64] While this has punctured the proceedings of the BRI, it has also encouraged other ASEAN leaders to re-examine their investment deals with Beijing. With Muhyiddin Yassin in power now, Malaysia is again fast advancing greater strategic cooperation with China. This includes negotiating bilateral cooperation in various fields including in economy, defence, trade, health, education, etc.

Although Singapore only established formal relations with China in 1990, economic and cultural links have been the most salient feature of their relationship. As ethnic Chinese make up the majority of population in Singapore, China avoids sparking controversies despite the Singaporean political leaders' effort to keep extreme Chinese influence at bay.[65] Singapore finds itself in a strategically vulnerable spot, with China's dominance in the region and the geographical distance from the US. Consequently, asserting strategic balancing between both major powers is considered crucial. Relying on a strategy of diversified diplomacy, Singapore actively vouches for an American military presence in its region, while strictly denying any China containment strategy.[66] Such pragmatism has helped Singaporean leaders to not antagonise China, and also keep warm relations with the US.

The broad contours of Indonesia's foreign policy too revolve around exercising a certain strategic autonomy, that is, having equidistance economic engagement and defence cooperation with external powers.[67] However, their foreign policy is not coherent. Strategic autonomy works fine when it is structured and well-thought-out. In Indonesia's case, however, there is an ambivalence in the foreign policy posture of the country. The current Joko Widodo (also known a "Jokowi") administration has been unable to release a consistent statement on the South China Sea issue—

while Indonesia has repeatedly asserted to not be a claimant in the issue, it does concern itself with the Natuna waters. The country has not been able to pursue a strategy of either engagement or balancing with China either. Indonesia's chief security threat emanates from domestic concerns and disruption of democracy, to the extent that even its defence modernisation is geared towards internal reforms.[68] Nonetheless, the Jokowi administration does rely on ASEAN-backed multilateral gatherings and forums to engage in some kind of institutional balancing.

Opportunities amidst the ASEAN Dilemma and India's Role

So far, the Southeast countries have been explicitly maximising their strategic relationship with China to help them minimise conflict in the future. The Free and Open Indo-Pacific (FOIP) strategy, instead of making them pick sides, should emphasise on maintaining bilateral economic frameworks to ensure their debt sustainability, rather than focusing on a zero-sum competition. The ASEAN countries too have attempted to realign and rebalance their ties with external powers at different occasions, mostly with the US. Bilaterally, they have signed memoranda of understanding (MoUs), partnerships, joint military exercises and defence cooperative agreements. In fact, the ASEAN-US Maritime Exercise that took place in September 2019 (AUMX 2019) in the South China Sea and the Gulf of Thailand was the first time ever that all the ASEAN countries had a maritime exercised with the US together.[69] While there have been maritime drills before between the US and some ASEAN countries, the AUMX is more symbolic as it signifies willingness on both sides to preserve maritime security and freedom of navigation, as well as uphold an inclusive Indo-Pacific regional architecture.

With ASEAN finally releasing the ASEAN Outlook on the Indo-Pacific (AOIP) after months of discussion at the 34th ASEAN Summit held in Bangkok in June 2019, a level playing field can now be expected to play out between China and the other Indo-Pacific countries. While ASEAN centrality is the underlying principle towards furthering dialogue, regional connectivity is expected to rise with the

East Asia Summit (EAS), Indian Ocean Rim Association (IORA), the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and the RCEP. The AOIP, thus, reflects ASEAN's willingness to opt for alternatives in a changing regional security architecture and in shaping the geopolitical narrative in the Indo-Pacific.

However, the fact cannot be denied that the ASEAN countries economic dependence on China is too heavy. The reach of the BRI, through the construction of airports, railways, ports, expressways and power generation plants, is such that it supersedes China building artificial islands in their backyards. This compromised cooperation is actually not new in China-ASEAN relations. Inviting mega funds from China for infrastructure development has remained a key priority for the Southeast Asian countries. Even when Vietnam and Cambodia were tussling with China over the South China Sea dispute, they still could not abandon their role in the AIIB.[70] Enhancing connectivity—physical, institutional and people-to-people—is, in fact, enshrined in the "ASEAN Connectivity" and China's BRI projects are an inseparable part of this. According to the Joint Statement of the ASEAN-China Summit in 2016:

> we will continue to strengthen cooperation in the area of connectivity that will bring mutual benefits, including through capacity building and resource mobilization for the Master Plan on ASEAN Connectivity 2025 (MPAC 2025), exploring ways to improve connectivity between both sides by synergizing common priorities identified in the MPC 2025 and China's Belt and Road Initiative, and encourage the active involvement of relevant multilateral financial institutions.[71]

Such strongly felt sentiments and motivation to link ASEAN's connectivity to China have translated into good political connections between them as well.[72] Laos, Cambodia, Thailand and Myanmar are particularly hopeful about Chinese-led infrastructure projects, such as the China-Laos Railway and high-speed railways.[73] While

all of these seem rewarding, it has resulted in a fading away of the division between economics and politics, leading to important security concerns. The association works best when it is decided by and for the ASEAN's well-being; and China exerting an influence in their domestic policymaking, or on the decision-making process within ASEAN itself, is detrimental to the cohesiveness of the grouping.[74]

An uncertain geopolitical and geo-economic scenario as such raises an interesting context for improving India's relations with Southeast Asia as well. As the ASEAN countries seek to increase their participation in the Indo-Pacific production network, India can chip in not just via its trading and textile industries but also by advancing its digital economy. The Indian business communities in these countries should strengthen their e-commerce and actively engage in building cross-country connectivity. The India-Myanmar-Thailand Trilateral Highway and the Kaladan Multi-modal Transit Transport project are also being developed, although at a much slower pace. In the maritime domain, India is developing its maiden deep-sea port at Sabang Port in Indonesia, which is going to give India primary access to Southeast Asia. The ASEAN Maritime Forum also complements IORA's agenda of enhancing maritime safety, security and connectivity.

There is an opportunity for Southeast Asia to act multilaterally, stay strong against Chinese inroads and contribute towards the upkeep of the balance of power in Asia. However, in the current geopolitical and geo-economic reality, the Southeast Asian countries have only attempted to avoid confrontation with China, despite having several contentious economic and territorial issues. These countries have become so deeply engulfed by China's economic policies that backtracking now would only generate hostility from China and halt their economic growth. China also requires the Southeast Asian markets and resources, a stable regional order and cooperative neighbours to sustain its economic and political security. Gaining ASEAN's confidence will further push the Chinese leadership's geopolitical ambitions and diplomatic endeavours in

Asia and beyond. Moreover, it will serve to test China's credibility as a fast-emerging responsible global power.

This situation, however, does not imply an ill-fated ASEAN future. Growth is estimated to be led by a boost in domestic private consumption, health infrastructure and various connectivity projects. The fastest-growing countries in the bloc will be Cambodia, Myanmar and Laos till 2022, while Vietnam and the Philippines are estimated to lead economically among the ASEAN five countries, namely, Indonesia, the Philippines, Malaysia, Vietnam and Thailand.[75] Their relations with other external powers, like the US, India, Japan and Australia, among other countries, are projected to get stronger. What will be important, however, for these smaller countries is to strive for an approach which is proactive and assertive when it comes to balancing their relationship in Asia. Supporting the FOIP and engaging proactively in the RCEP would be a positive step in this regard. Not a lot should be read into the cancellation of some of the BRI projects as China has always found a way around such obstacles. China's foreign policy towards ASEAN will remain that of continuity—market driven, having heavy engagement in the economic sphere and a constant strive towards more political and cultural influence.

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10. From Trade Ties to Economic Statecraft: China's Evolving Economic Diplomacy in East and Southeast Asia

Priyanka Pandit

Introduction

Over the years, China's economic engagement with East and Southeast Asian countries has undergone significant transformation. From the establishment of bilateral diplomatic relations to robust economic trade partners, economic diplomacy has emerged as a central theme of China's external economic engagements in the region. The precursor to China's economic diplomacy with regional powers can be traced to the mid-1990s when Beijing started integrating its economic interest into foreign affairs and improved its negotiation skills in matters relating to trade and investments. The 1990s also coincided with China's economic take-off. One of the key achievements of Beijing in this period was the membership of the World Trade Organisation (WTO), which came after a decade-long negotiation with the United States (US). The success of China's economic diplomacy in the region is visible in its push for strong economic ties with countries in the region, while putting contentious security issues on the backburner. The 2008 global financial crisis (GFC), however, served as an important moment in transforming China's economic diplomacy, wherein Beijing not only played a crucial role in mitigating the effects of crisis at the global and the regional levels but also vociferously demanded the

reform of multilateral economic institutions, like the International Monetary Fund (IMF) and the World Bank (WB),making it more assertive regionally as well as globally.[1] The aggressive dimension assumed by China's economic diplomacy after the 2008 global financial meltdown has serious implications for its ties with East and Southeast Asian nations. With China seeking to use economic statecraft in a more assertive and diverse fashion than before, it has generated much discussion among scholars and policymakers for possible implications on the regional order and stability.[2]

In this backdrop, the chapter aims to examine the evolution of Beijing's economic diplomacy vis-à-vis its East and Southeast Asian neighbours and various regional organisations, like the Association of Southeast Asian Nations (ASEAN), Asia-Pacific Economic Cooperation (APEC) and the East Asia Summit (EAS). The chapter is divided into two main sections. The first section discusses China's aspirations and objectives underpinning Beijing's early economic overtures towards the East and Southeast Asian neighbours. This section also provides a review of literature on economic diplomacy in general, and the strategies employed by Beijing in particular. The second section examines China's approach to the regional organisations and communities in East and Southeast Asia and the tools Beijing uses as part of economic diplomacy to build its influence in the region. Based on the empirical findings, it critically evaluates why the Beijing model or "Beijing Consensus" has acquired greater traction in the region as compared to the American model. "Beijing Consensus" refers to the Chinese model of economic development which is aimed at upsetting the dogmas of the liberal order. It promotes state intervention in market reform and favours economic rights over political rights.

China's Economic Diplomacy: Early Years

The seeds of economic diplomacy (*jingjiwaijiao*;经济外交) were planted by the historic leader Deng Xiaoping, as he laid the groundwork for China's subsequent decades of spectacular economic growth in the mid-1980s. During the Third Plenum of

the 11th Congress, the Chinese Communist Party (CCP) adopted the Open Door policy and in July 1979, the Party Central Committee decided that Guangdong and Fujian provinces should take the lead in conducting economic exchanges with other countries and implementing "special policies and flexible measures".[3] Deng said, "the World today is an open world" and "the development of China cannot do without the world", and this actually summed up his understanding of the international realities and most importantly, his concern about China and its immediate needs at that point of time.[4] In November 1978, Deng paid a state visit to Singapore because he was highly impressed by the Singaporean growth model and wanted to bring their experience to boost China's economic growth.[5] China's increasingly international outreach enabled the country to develop economic connections and trade with the Western countries, particularly to import major technological projects. Also, sending delegations on careful fact-finding tours abroad helped advance opening up efforts. According to the official statistics, during the three-year period from July 1977 to June 1980, the ministries and commissions of the State Council sent a total of 360 delegations abroad and the country's science and education institutions and trade departments sent 472 delegations.[6]Besides Deng's trip to Japan and Singapore, Gu Mu's—the Chinese Vice Premier and Deng's main aide in charge of economic management—visit to Western Europe was the most crucial in launching China's effort to open up to the world outside.[7]

The joint ventures in the early years of reform did play a significant role in promoting China's opening up into the global markets. What supported this activity in a larger way was the economic objectives of the Deng leadership to acquire international status, which overrode all the political and ideological concerns of the Chinese Communist Party elites. China's foreign trade relations in the reform era were less of a political tool, unlike the pre-reform era, and China's export

and import relations were determined to a considerable extent by non-political considerations. For example, the Sino-French Joint Venture Dynasty Winery exported 90 per cent of the wine to the international market and new markets in Hong Kong and North America were opened up.[8] In the 1980s, China signed contracts with the United Kingdom (UK), France, US and Japan for off-shore oil shore exploration. In less than two years, 48 oil companies from 13 countries took part in the exploration and detected more than 470 oil-bearing structures.

To break the state monopoly over foreign trade, the State Council, on August 13, 1979, promulgated Regulations on Issues Concerning Vigorous Development of Foreign Trade and Increase of Foreign Exchange Revenues, stipulating that all regions and departments should develop export commodities by all means and actively source non-trade foreign exchange revenues.[9] Foreign trade organisations were also established overseas. In 1980, the China Import and Export Corporation, under the Ministry of Foreign Trade, established agencies in Tokyo, London, Paris and Hamburg.[10] This further points to China's trade-promoting aspect of economic diplomacy in the early years, which was largely guided by establishing bilateral trade relationships and market for China's goods. There was a steady rise of both imports and exports during this period. For example, from 1978 to 1985, about 40 per cent of China's exports went into the developed countries. Among these countries, Japan was the most important market, absorbing more than 20 per cent of China's total exports. The US and Hong Kong became next important destinations.[11]While imports from developed economies grew in China, its role in Asian trade, especially for the Southeast Asian countries, also became important (see Table 10.1).[12] For example, the imports from ASEAN nations grew steadily from the 1980s to the 1990s. Among these countries, Japan was the most important market, with its share of imports increasing in the mid-1990s.

Table 10.1: 1Sources of Imports from Asian Countries as Percentage of China's Total Imports

Asia	*1980*	*1990*	*1995*
ASEAN	3.4	5.6	7.4
Japan	26.5	14.2	21.9
Korea	--	0.4	7.8
Taiwan	--	--	11.2

Source: E.S. Prasad, no. 12.

Review of Literature

The study of diplomacy has undergone conceptual shifts in the post-globalisation years. Scholars have shifted their analyses from a state security lens to recognise the role played by a wider variety of actors, both state and non-state, in diplomatic practice and processes. This new mode of diplomacy is understood as an instrument to promote trade ties and economic cooperation,[13] where governments enter into trade deals with foreign partners or attracts investments from foreign companies.[14] This view of economic diplomacy presupposes that trade interconnectedness or mutual economic interests defuse political tensions between countries, restraining competition between powers.[15] This positive correlation, however, is often challenged by scholars who do not agree to the positive image of economic diplomacy, and instead argue that the tools are an "integral part of statecraft" which can be used in achieving desired policy outcomes.[16] The diplomatic practice, as scholars like Woolcock and Bayne (2002) argue, not only entails expanding economic gains but also aims towards attaining certain long-term political and security objectives.[17] In other words, these scholars point to the inextricable linkage between political agendas, motives and economic interests underpinned in economic diplomacy.[18] Since the last two decades, the concept has been used interchangeably with economic statecraft to describe the "powerplay" motives of the states, sometimes as a tool to "restore ties".[19] As the states expand their economic ventures abroad, the security aspect of economic diplomacy gets revealed to a great extent. From protecting firms to wining contracts and ensuring

safe passage of goods in foreign countries, the states engage with other nations at many levels. China's diplomacy is a good case study in this regard. As China has quadrupled its international investments abroad, a substantial part of its diplomacy is motivated by economic concerns, mostly in the form of securing natural resources and new markets to support the rapidly growing domestic industries.[20] The term economic diplomacy, however, began to appear in Chinese official discourse from the early 2000s.[21] In 2004, at the 10th Conference of Chinese Diplomatic Envoys Stationed Abroad held in Beijing, Premier Wen Jiabao referred to "economic diplomacy" as one of the key instruments of China's overall diplomacy and argued that as part of its integration strategies, China would actively promote foreign trade, foreign investments and go ahead with all other tools of integration, thereby contributing to China's overall economic development.[22] In fact, as of 2004, the Chinese government began acknowledging the need to focusits own foreign relations on incentivising imports, attracting foreign investments as well as foreign exports and expanding its own capabilities of foreign investment abroad. Thus, after the "opening up", the other means China adopted as part of its early economic diplomacy was the "go-global" policy. The objective was to encourage domestic enterprises to open operations overseas. During this period, the number of high-level visits from China rose.[23] These high-level exchanges and visits became synonymous with Beijing's "good neighbour policy", particularly for countries in the Southeast Asian region.[24] At the institutional level, Zhu Guangyao, the Director of the Chinese Ministry of Finance and responsible for fiscal policy and external economic engagements, took part in the regional and multilateral meetings of the G20, Asian Development Bank (ADB) and the ASEAN and learnt about the various tactics of negotiation central to economic diplomacy.[25]

In the East Asian region in particular, China began targeting business opportunities in almost all sectors and has recently expanded its investments in the form of connectivity projects, mostly physical infrastructure, joint ventures, etc. A review of

China's economic engagement in the region points to a decisive shift in Beijing's diplomatic thinking, which has essentially become a function of its domestic economic growth and market power. In advancing the goals of economic statecraft, China has deployed three core strategies:[26] (i) providing capital aid; (ii) expanding trade via preferential trade agreements (PTAs) or free trade agreements (FTAs); and (iii) promoting Chinese companies and the usage of renminbi in the region. Although Beijing uses these strategic resources selectively, sometimes to offer unconditional benefits to the neighbours and sometimes as a form of punitive measures, they have become a source of acute anxiety among the East Asian neighbours, thereby raising doubts about Beijing's motives and interests in the region. At the same time, China's growing economic and political influence has become an attractive substitute for East Asian governments, leading to substantial increase in Beijing's overall significance in the region.[27] Thus, in essence, East Asia's political and economic landscape is increasingly experiencing China's emerging footprint. China's success in the region has raised much debate in academic and policy circles regarding the former's strategies. Among the subjects for debate, China's tactic in economic diplomacy has been in the forefront. Traditionally, the trade pacts have been mercantilist in character as they have been designed with the intention of opening foreign markets to their exports. The preferential trade agreements (PTAs) that Beijing has signed so far, however, have been unequal in character and mainly to the advantage of China's regional partners. Again, this can be attributed both to China's pragmatic and functional approach and to its desire to use economic instruments for securing diplomatic advantages.[28] The Chinese government is not driven primarily by economic concerns when pushing its FTA agenda; political factors play as important a role, especially with its neighbours. While political motives behind domestic economic decisions and foreign policy concerns behind external economic engagements have long been a key feature of Chinese foreign policy, they have become more

ambitious in scope and scale since the GFC in 2008–09.This has been increasingly evident, especially in the way China tried to mitigate the effects of the global recession. For example, Beijing used its huge foreign reserve to stabilise the renminbi exchange rate; provide some degree of stability to the global economy by loans to foreign governments and foreign financial institutions; and even purchase foreign assets at depressed prices.[29]

Economic diplomacy has received a fresh impetus under Xi Jinping's vision of "economic regionalism", which currently constitutes the central focus of China's diplomacy in the region. In this regard, the Chinese leadership's international economic initiatives, for example, Xi's decision to build additional financial hubs after the Shanghai Free Trade Zone and the grand Belt and Road Initiative (BRI), are viewed as more aggressive form of economic statecraft. Providing a justification of China's expansionist strategy, Wang Jisi of the Peking University, in his *Global Times* piece, proposed the "March West" theory, which rightly captures the security tensions China faces in the East Asian region due to Washington's Pivot to Asia, especially its push of the economic integration initiative, Trans-Pacific Partnership (TPP) agreement. The theory urges Beijing to concentrate its focus on Central Asia, South Asia and the Middle East, as these regions bear little risk of being dominated by Washington.[30] Although the theory holds direct relevance for China's long-term strategic plans, it however reinforces the political and security motivation underpinning China's economic diplomacy regionally and globally. President Xi's speech at the 19th Party Congress also outlines China's new international role, where he stated "the Chinese nation … has stood up, grown rich, and become strong—and it now embraces the brilliant prospects of rejuvenation … It will be an era that sees China moving closer to centre stage and making greater contributions to mankind."[31] The speech serves as an important indicator of both the enduring foundations and the new departures that have occurred in China's diplomacy policy over time. President Xi now lies at the pinnacle of the Chinese

economic and diplomatic transition that has been underway since the 1980s, which began with Deng Xiaoping's reform era, followed by decade-long structured political project of Hu Jintao's presidency.

China and the Regional Organisations

The East and Southeast Asian region has served as the primary testing ground for China's economic statecraft. Beginning with the state-led efforts for developing trade relationships to the creation of regional organisations, the shift essentially reflects Beijing's expansionist moves vis-à-vis the region. Also, owing to geographical proximity, the Southeast Asian states have always felt the impact of a rising China more directly and substantively, as compared to other neighbours. China's use of economic statecraft in this region, therefore, has been characterised by both activism and restraint to assuage the concerns of the Southeast Asian states from time to time.

China's early contacts with individual states in the ASEAN can be traced back to ancient times, when the tributary system existed, especially under the Ming (1368–1644) and Qing (1644–1911) dynasties.[32] The conspicuous presence of the ethnic Chinese communities in Southeast Asia today constitutes the most lasting legacy of centuries-old contacts between China and various states in the region. Although the issue of overseas Chinese migration has cropped up many times in the past, and still remains a thorny problem between China and Southeast Asian countries, the overseas Chinese have played an important role in the development and expansion of two-way trade between China and Southeast Asia. During the Cold War, the relationship suffered due to ideological divide, mutual suspicion and hostility. Beijing viewed ASEAN as a Western ally, which was working against Vietnam. However, with Sino-American rapprochement and the rift in Sino-Vietnam relations, especially after Vietnam's incursion into Cambodia in the late 1970s and Beijing's introduction of "Open Door" policy and economic reform, China began to look upon ASEAN as a possible partner in the region.[33] Further, China's diplomatic normalisation with Jakarta

initiated a positive momentum in China-ASEAN relations in the 1990s. The ASEAN's shift in perception towards China began with the invitation of Vice Premier and former Foreign Minister Qian Qichen to attend the ASEAN Ministerial Meeting (AMM) as a guest in 1991.[34] This was the first time when China participated in a track I function with ASEAN.

The end of the Cold War and the withdrawal of US troops from the Philippines, accelerated the need to form a regional forum to deal with security issues and ASEAN Regional Forum (ARF) was created in response, where China became the consultative partner and finally, received an invitation to attend the Second ASEAN Summit in 1997. The beginning of the 2000s, however, marked a new phase in China-ASEAN relationship when the idea of a free trade areawas proposed to integrate the region with China's core. An ASEAN-China Expert Group on Economic Cooperation was established to conduct the feasibility studies in this regard.[35]In October 2001, the Expert Group issued its report and concluded that an FTA would be in the interests of both parties. Following the recommendations, the ASEAN-China Free Trade Area (ACFTA) was established and a Framework Agreement on Comprehensive Economic Co-operation between ASEAN and China was signed. This marked the start of the tariff reduction process, leading to the eventual elimination of tariffs. Thus, the interaction between China and ASEAN can be summed up under the following frameworks: (i) political consultation at the senior officers level which includes high-level political and military visits; (ii) joint committee on economic and trade cooperation; (iii) joint committee on scientific and technological cooperation; (iv) joint committee on investment and personnel exchanges; and (v) ASEAN-Beijing Committee.

Though it was in the post-Cold War years that the ASEAN states realised the urgency to create a regional cooperation forum where China would be the security anchor in the region, it was the 1997 Asian financial crisis which taught the ASEAN important lessons.[36] Beijing's decision not to devalue its currency, which would have otherwise helped China make economic gains at the expense

of Southeast Asia, came as a great relief to the ASEAN states and established the image of China as a "regional leader".[37] Thus, China's call for an FTA during the same time was too good an offer to be rejected. In the political sphere, China invoked the principle of "non-interference" and stopped meddling with the domestic affairs of some countries of the region, and also supported the authoritarian regime of Myanmar ignoring criticisms from the West. While carrying out FTA negotiations with ASEAN, China agreed to give special concessions to weak economic states, like Myanmar, Cambodia and Laos. The kind of FTA model that ASEAN government followed was based on "10 minus X" principle, which allowed member states to individually liberalise certain sectors for their economies without waiting for the rest of the ASEAN membership to follow suit, and it marked the departure from the ASEAN's established practice.[38] The ASEAN did consider an FTA with Japan but it required Japanese to loosen their restriction on agricultural imports, which the domestic political situation did not allow during the time. On the other side, China had agreed to an early liberalisation of agricultural imports from ASEAN countries.[39]

Given the changing strategic landscape, ASEAN was slowly integrated into the Chinese markets. China, on the other hand, was investing heavily in the Southeast Asian states and gave up its skepticism towards any form of FTAs and custom union, even before it entered WTO in 2001. The ACFTA also guaranteed the ASEAN states a first-mover advantage vis-à-vis China and acted as an important instrument of Chinese economic diplomacy, especially after the Asian financial crisis of 1997. China's global involvement accelerated after 1991, which increased its interdependence and as a consequence, Chinese views on regional trade agreements (RTAs), FTAs and globalisation started changing.[40] However, it is not that simple and linear and China's pursuit of FTAs has to be viewed as an economic statecraft employed to promote China's new foreign policy strategy of "peaceful rise". Scholars argue that during the 1990s, Chinese leadership was preoccupied with adjusting itself to

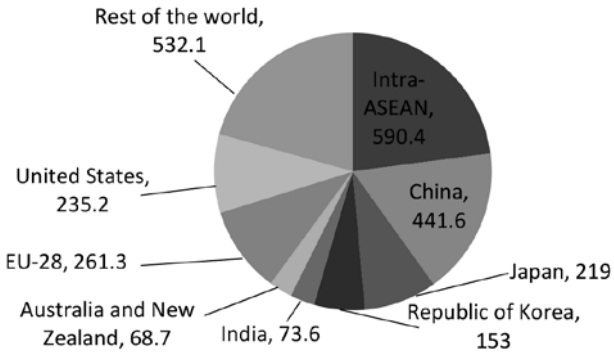
the reform consequences carried out to enter WTO, and therefore did not pay much attention to the domain of FTAs. However, things changed as China's trade scope and volume increased. Its share in world exports grew from 5.9 per cent to 9.5 per cent between 2000 and 2009.[41] Japan's relative decline in the decade-long recession and the Asian crisis of 1997–98, in a way, provided China with greater opportunities to play an important role in the region. The scope of trade diversification increased and China emerged as the largest market for goods from ASEAN countries (see Table 10.2). Figure 10.1 shows ASEAN's trade in goods, with China being the largest trading partner with around US$ 441.6 billion worth of trade with the ASEAN nations as a whole. It remains a huge market of various goods from ASEAN member countries till date.[42]

Table10: Per cent Share of ASEAN Countries in China's Trading Basket and Vice Versa

	ASEAN's Share in China's Exports		ASEAN's Share in China's Imports		China's Share in ASEAN's Exports		China's Share in ASEAN's Imports	
	Year							
Country	2005	2017	2005	2017	2005	2017	2005	2017
Brunei	0.0	0.0	0.0	0.0	2.4	4.7	8.2	19.6
Indonesia	0.1	0.2	0.0	0.1	0.5	6.9	16.6	34.2
Cambodia	1.1	1.5	1.3	1.6	7.8	13.7	10.1	21.5
Laos	0.0	0.1	0.0	0.1	4.3	28.6	9.3	21.5
Malaysia	1.4	1.9	3.0	3.0	6.6	13.4	11.6	18.4
Myanmar	0.1	0.4	0.0	0.2	3.9	36.5	21.2	31.4
Philippines	0.6	1.4	1.9	1.0	9.9	11.1	6.3	17.2
Singapore	2.2	2.0	2.5	1.8	8.6	14.7	10.3	13.9
Thailand	1.0	1.7	2.1	2.3	8.3	12.4	9.4	19.8
Vietnam	0.7	3.2	0.4	2.8	9.9	14.5	16.0	25.8

Source: https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2018_32@50.pdf, accessed on August 13, 2020.

Figure 10.1: ASEAN's Trade in Goods by Selected Partner Countries, 2017 (US$ billion)



Source: ASEAN Statistics Web Portal at https://www.aseanstats.org/.

A broad range of planned and systematic motives underlined China's initiative to form ACFTA: (i) to establish and promote "good neighbourly" policy with the states of ASEAN; (ii) the Taiwan factor; (iii) regional security environment, especially on the Korean Peninsula; (iv) as a means to curtail the US and Japan's influence in Southeast Asia; (v) to accelerate domestic economy by increasing international competitiveness; and (vi) to secure market for raw materials. The "Early Harvest Package" and the decision to open up the agricultural sectors raised a huge internal debate between the liberal and protectionist forces within the CCP.[43] This programme allowed reduction of tariffs on certain agricultural products even before the onset of the FTA. As part of the package, China agreed to extend concessions on 130 manufactured goods to Brunei and Singapore on account of they being non-agricultural exporting countries.[44] Simultaneously, the FTA unleashed an internal competition between China's provincial governments. For example, the provinces of Yunnan and Guangxi competed for the right to hold the annual China-ASEAN Trade Fair and for funding from Beijing for infrastructure construction in the Mekong River sub-region.[45] This makes it clear that the "give and take" involved in the FTA largely depended on China's

political and economic interests. It was through this "trade diplomacy" that Beijing was trying to convert the Southeast Asia region into its "sphere of influence" and become the pre-eminent actor in the region.

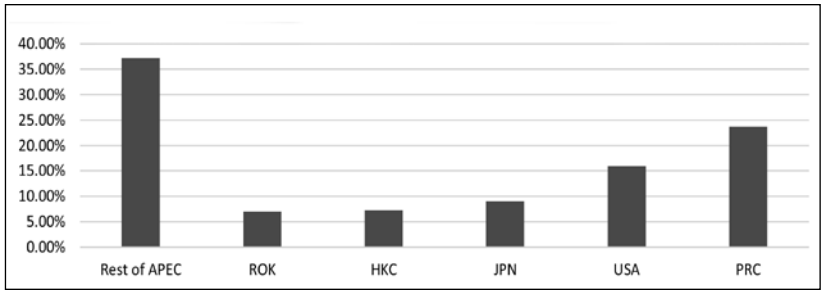
Similarly, in the case of APEC, China's greater willingness to join regional institutions was clearly evident. Although China was not invited to the ministerial meeting in Canberra in November 1989 as part of the sanctions it was facing due to the Tiananmen Square incident in 1989, Beijing's enthusiasm surrounding the nascent APEC was no less. It joined the organisation a year after its inception in 1990, and its role grew bigger and bigger with time. Taiwan's inclusion into the group became a sticking point in negotiations. The name "ROC" put forward by Taiwan was rejected by China. Beijing demanded that Taiwan should enter into APEC as a province of China by using names, including "Taipei China" or "Taiwan China", implying Taiwan's dependence on mainland. Eventually, both sides agreed on the name "Chinese Taipei" for Taiwan in APEC. Also, the increased relevance of Asia-Pacific in the world economy, both in terms of output and trade, intensified the cooperation in the region during the 1980s. The newly industrialised countries of Japan and Australia led the increased liberalisation initiative, which was also joined by the US. The initial proposal of a Pacific Free Trade Area (PFTA) was replaced by an alternative path of liberalisation known as "open regionalism".[46] The concept of open regionalism traces its origin into the debates between regional liberalisation and globalisation. This concept was seen as an effort to reconcile the differences between the two and strengthen the larger goal of multilateral liberalisation and rules-based order through regional liberalisation.[47]Renato Ruggerio, Director General of the WTO, defined open regionalism as: "... the gradual elimination of internal barriers to trade within a regional grouping ... at more or less the same rate and on the same time table as lowering of barriers towards non-members."[48] The APEC embraced the concept and its underlying principles of working in a General Agreement on

Tariffs and Trade(GATT)/WTO consistent framework, while opposing any bloc that hinders free trade pursuits. This defines the foundation of APEC as a regional economic integration without discriminating against outsiders, through gradual elimination of internal barriers and lowering of tariffs towards non-members consistent with the WTO rules.[49]

While outlining the APEC vision, Chinese President Jiang Zemin, in his speech in Seattle in November 1993, highlighted the enormous potential that the region offered in terms of its size and economic complementarity, thereby increasing economic cooperation, trade and investment.[50] This reflected China's pragmatic attitude towards a proposal yielding mutual benefits and common development, indicating win-win outcome for the Asia-Pacific region. This was also evident in the white paper released in 2005 on China's peaceful development, which emphasised "mutual benefit and common prosperity".[51]China's enthusiasm about the APEC marked a departure from the pre-Deng era, where China perceived economic multilateralism as a Western tool aimed at exploiting weaker and developing countries. In contrast, the history of China's joining of APEC and its role in the organisation indicated Beijing's desire for integration with the East Asian region (see Figures 10.2 and 10.3). Figures 10.2 and 10.3 indicate that three APEC countries, namely, China, Japan and the US, accounted for almost half of intra-regional exports (48.7 per cent) in 2017, while China, Hong Kong and the US accounted for 51.8 per cent of intra-regional imports in the same year. Furthermore, the idea about creating Free Trade Area of the Asia-Pacific (FTAAP) was fully endorsed by Beijing and it actively promoted the FTAAP creation. Chinese President Xi Jinping referred to it as a "historic step" after the APEC summit endorsed his "road-map" towards the creation of the vast free trade zone.[52]

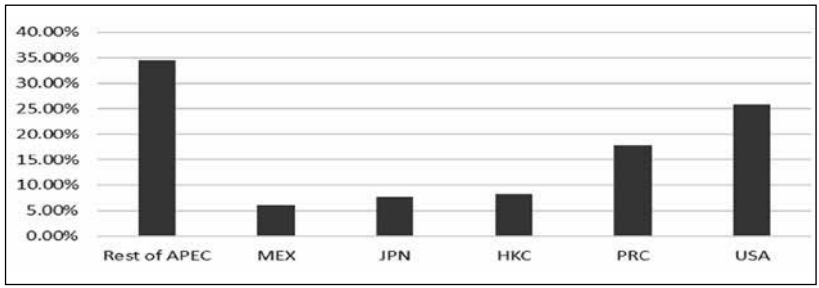
Currently, in east Asia, China remains the largest trading partner of both Japan and South Korea, and talks about an FTA between the three countries are underway. South Korea and China already have a bilateral agreement between them, which took effect in December 2015 after three years of negotiations. The deal has reduced tariffs and eliminated

Figure 10.2: Per cent Share of APEC's Trade by Partner Countries, 2017: Export Indicators



Source: "APEC in Charts", 2018, at https://www.apec.org/Publications/2018/11/APEC-in-Charts-2018. (accessed on 12 January 2019).

Figure 10.3 % Share of APEC's Trade by Partner Countries, 2017: Import Indicators



Source: "APEC in Charts", 2018 at https://www.apec.org/Publications/2018/11/APEC-in-Charts-2018, accessed on January 12, 2019.

duties on over 90 per cent of goods on each side, along with covering topics such as e-commerce, services trade and public procurement. Another factor which drives the Sino-South Korean relationship is the economic links borne out of geopolitical proximity. The business ties between the two countries have expanded dramatically and Seoul now balances between Washington and Beijing. However, China's relations with Japan and Taiwan are exceptions in the otherwise peaceful and stable region. Historical issues, like the Japanese Prime Minister's visit to the Yasukuni shrine, the East China Sea oil fields dispute, the Diaoyu/Senkaku Islands dispute and Japan's security dilemma arising out of tensions in China and Taiwan relations, remain a major source

of confrontation and conflict between the two countries.[53] These limitations become apparent in China's dealing with the APEC. It is cautious about the strategic environment in the Asia-Pacific region, and about the role of Japan and the US in particular.[54] Beijing plays aggressively when its sovereignty and territorial claims, particularly in the South China Sea, are under threat. For instance, Beijing has time and again weaponised strategic supplies by either imposing export ban or slashing export quotas whenever its core interests have been at stake. In its dispute with Japan's detention of Chinese fishing trawler in 2010, the Chinese side blocked export of rare earth minerals to Japan, upsetting its manufacture of crucial products like hybrid cars, wind turbines and guided missiles.[55] In these circumstances, China's economic diplomacy vis-à-vis the region takes a back seat and it resorts to bilateral negotiations to deal with these sensitive issues. Despite being an old forum in the region, this has sometimes led to downgrading of the APEC as a loosely organised body.

China also had apprehensions about Japan and the US when the talks about an East Asian community were underway in the late 1990s. The idea of creating a confidence-building mechanism in the region, which would reduce conflict and promote cooperation, was borne during the first meeting between ASEAN and the northeast Asian countries of China, Japan and South Korea, popularly known as ASEAN Plus Three. The Chinese leadership had high hopes regarding ASEAN Plus Three and viewed it as a key agency for promoting East Asian regionalism. However, the growing US-Japan alliance and Japan's bid to dominate the region through its spreading of democratic ideals dampened Beijing's enthusiasm to a great extent.[56]The resulting Sino-Japanese competition also became a constraint to the expansion of the EAS membership. Beijing was highly opposed to Japan's idea of including countries like Australia, New Zealand and India.[57] It argued that the inclusion of these countries would dilute the voice of the East Asian community and affect the process of regional integration. Notwithstanding all the objections, the lead taken by ASEAN countries towards making EAS an "open regional area" not only allowed Australia, India and New

Zealand into the EAS but also established ASEAN centrality in the forum. It also declared that EAS will be held annually alongside the ASEAN summit in Southeast Asian countries only.

Beijing's use of the RTAs as an instrument of economic diplomacy has taken off significantly in the last five years. Confronted with the US proposal of TPP, Beijing is pushing for a stronger role in economic multilateralism vis-à-vis Washington.[58] Although TPP stands dead now under the Trump administration, China's immediate reaction to the proposal in 2015 was to push for initiatives both within and outside the multilateral trade framework of APEC. Currently, it is complemented by the Regional Comprehensive Economic Partnership (RCEP) and bilateral forms of economic cooperation, such as the China-South Korea FTA.[59] The pact led by China involves the 10 ASEAN members, as well as China, Japan, South Korea, Australia, New Zealand and India, the six Asia-Pacific countries with whom the ASEAN has working FTAs. Currently under negotiation, this trade agreement is crucial for China's economic future. The effect of the US–China trade dispute has forced Beijing to explore new markets for its goods. In this context, a successful conclusion of RCEP will provide China with diversified markets as well as new hubs for shifting its manufacture for low-end products. China's RCEP promotion, therefore, makes a good case for understanding how domestic economic imperatives have recently taken the driver seat, thereby guiding China's economic diplomacy in the region.

Guided by similar domestic goals are President Xi Jinping's new initiatives. However, these initiatives envision a win-win situation for China as well as the beneficiary countries. This marks a striking departure from China's economic initiatives in the past. At the Conference on Interaction and Confidence Building Measures in Asia (CICA) in May 2014, President Xi proposed the idea of a common security and development concept for Asia which takes into account common interests and features of the relevant countries.[60] The key highlight of the speech is that it underlined China's centrality in the region, unveiling Beijing's mega infrastructure and connectivity

plans. These plans are part of China's "BRI" and "21st Century Maritime Silk Road", which project unbridled opportunities for an ever-expanding economic cooperation among the countries but also aim to create a web of economic interdependence with an enhanced sense of common security across the region. Also, the new financial institutions created under China's leadership, like the Asian Infrastructure Investment Bank (AIIB) and New Development Bank (NDB), to support the infrastructure and the connectivity projects have received warm responses from the Southeast Asian neighbours who face an infrastructure deficit and are not hesitant about welcoming Chinese investments in the region.

Xi's "Grand Strategy" and the East Asian Region

The BRI, which was announced with much fanfare by the Chinese government, seeks to integrate the goals of China's economic policy with its foreign policy. The BRI has been launched on an unprecedented scale, with the aim to enhance China's connectivity with the Eurasian region through large-scale infrastructure development and investment initiatives.[61] It is widely regarded as China's grand strategy project that seeks to change geopolitical dynamics through economic statecraft. The South and Southeast Asia, considered as the "main axis" of the BRI, have seen the largest capital announcements since the First BRI Forum in 2013 (refer to Table 10.3).[62] Most of the BRI vision in this region is operationalised through a series of land-based.[63] The three major railway routes planned under BRI seek to connect the city of Kunming to the Southeast Asia region. First, the central route, which starts from Kunming to Vientiane in Laos, stretches up to Bangkok in Thailand and eventually, plans to bring Kuala Lumpur in Malaysia and Singapore in the web of connectivity. Second, the eastern route, starting from Kunming to Hanoi in Vietnam via the newly constructed Mengzi-Hekou railway, intends to go all the way up to the Ho Chi Minh City. The third is the western route, from Kunming to Yangon in Myanmar via the Dali-Ruili railway, which is currently being built. The central railway route planned under the BRI is most important as it seeks to connect the highest-income countries

in this region, such as Thailand, Malaysia and Singapore. Under the BRI, these rails links will be further connected to the maritime routes and offer seamless connectivity between maritime and land spaces for movement of goods and services.

Table 10.3: Top 10 Largest BRI Projects in ASEAN

Rank	Year	Chinese Entity/ Project	Cost (US$)	Sector	Subsector (where applicable)	Country of Investment
1	2017	Kuala Lumpur–Kota Bahru Rail (Construction)	14,300,000,000	Transport	Rail	Malaysia
2	2013	Preah Vihear–Kaoh Kong Railway	9,600,000,000	Transport	Rail	Cambodia
3	2017	Vanke, Hopu, Hillhouse, Bank of China	9,060,000,000	Logistics		Singapore
4	2015	Kyaukpyu Deep-Sea Port (Construction)	7,300,000,000	Transport	Posts/ Shipping	Myanmar
5	2015	China General Nuclear	5,960,000,000	Energy		Malaysia
6	2016	Vientiane–Boten Railway Project	5,800,000,000	Transport	Rail	Laos
7	2017	Bangkok to Nakhon Ratchisima High-Speed Railway (Phase I)	5,352,905,500	Transport	Rail	Thailand
8	2013	Zhejiang Hengyi	3,440,000,000	Energy	Oil	Brunei
9	2017	China Railway Engineering	3,190,000,000	Transport	Rail	Indonesia

10	2017	China Railway Construction, China Railway Engineering	2,690,000,000	Transport	Rail	Thailand

Source: CIMB ASEAN Research Institute (2018) at https://www.cariasean.org/publications/chinas-belt-and-road-initiative-bri-and-southeast-asia-publication/the-impact-of-bri-on-trade-and-investment-in-asean/#.XzTIHOgzY2w, accessed on January 21, 2019.

However, these mega connectivity projects are not without challenges. The success of these projects depends crucially on China's diplomatic ties with the countries involved. Beijing is clearly aware of the concerns and adverse reactions which the BRI projects may generate in the participating nations. This is mainly because the BRI projects, while promising large returns, also entail serious risks of failures, which makes the countries cautious towards these proposals. This is evident in the recent discords that have erupted between China and Southeast Asian countries, like Malaysia and Sri Lanka, over the implementation of projects under the BRI. As a result, there is a sense of caution among the ASEAN nations about the future of BRI.[64] For instance, in 2018, after Malaysia's Prime Minister Mahathir Mohamad's new government came to power after the ousting Najib Razak, two large BRI projects, namely, the China-linked East Coast Rail Link project led by China Communications Construction Co. and Malaysia Rail Link Sdn, were called off.[65] Although the projects have been resumed this year, they have been scaled down to a large extent. The concerns related to financial transparency, terms for loan payments and environmental sustainability still remain.

The Chinese-held belief that the BRI is designed to benefit all parties equally is now in doubt. Beijing had hoped to counter any political resistance by providing the leaders of these countries with monetary incentives. China, in fact, has used this strategy with many countries in the Asian and African region, wherein these countries have agreed to accept Chinese loans on fairly liberal institutional conditionalities as opposed to stringent ones imposed by the IMF

and the World Bank.[66] In return for soft loans, the Chinese either seek management rights of ports or direct equity investment in strategic assets.[67] Although such deals appear to be mutually beneficial in the short term, their sustenance in the long-term is clearly challenging. The experience in countries like Sri Lanka shows that success of the BRI depends strongly on diplomatic arrangements, as opposed to sound economic or financial arrangements. In case of Sri Lanka, for instance, the problems occurred when Sri Lankan authorities in 2016 decided to sell about 85 per cent stakes in the Hambantota Port project to China Merchants Port Holdings, with a 99-year lease on land.[68] The deal would have ensured the repayment of debts totaling about US$ 1.1 billion. This deal, nevertheless, raised serious protests from Sri Lankan public as it raised the specter of China's impending economic colonialism in the long run. Under pressure due to the simmering public discontent, the Sri Lankan government agreed to decrease the Chinese equity share to 70 per cent after a decade and tried to assuage public concerns over the deal.[69] Similarly, the protests erupting in Balochistan province are largely attributed to the skewed financials underpinning the Gwadar project.[70]

Adding to the uncertainty is the current COVID-19 pandemic, first identified in Wuhan city of central China's Hubei province early this year. As the virus began spreading rapidly from one country to another, infecting millions worldwide, trade, travel and tourism came to a sudden halt. The adverse implications are now being felt, both in regional and global supply networks, triggering the possibility of huge financial losses. For instance, exports from the ASEAN countries have been badly hit due to contraction of demand in the Chinese markets. The Chinese government's ban on travel and other outdoor activities has affected consumption and business activities, and led toa cut down in imports. The negative impact on growth, compounded by the fear of contagion, has in turn redirected countries to focus inwards. As a result, it is becoming difficult for the Chinese leadership to resume the BRI projects, despite its ramped up medical assistance to the East and Southeast Asian countries. Travel restrictions, as part of quarantine measures imposed by the host

countries, are preventing the Chinese workforce from reaching the project sites to resume work. Also, Chinese workers residing in these countries are being stigmatised as the carriers of coronavirus by the locals. Despite assurances by President Xi about zero new cases of COVID-19 in mainland China, host countries remain extremely wary of future outbreaks. In Malaysia, for example, the Chinese workers hailing from Wuhan have not been not allowed to return to the East Coast Rail Link project even after obtaining clearances from the Chinese health officials. These misperceptions have intensified among countries (particularly the Southeast nations) with poor healthcare systems where the situation remains critical vis-à-vis the pandemic.

Thus, China's economic diplomacy initiatives face a host of short-term and long-term challenges. The current challenge in hand, the COVID-19 pandemic, serves as a good reminder to BRI supporters that over-dependence and over-reliance on China may not be rewarding always. It might compel the Southeast Asian countries to revisit their economic engagements with China, look for new markets and diversify their trade relationships.

Conclusion

The empirical evidence of China's evolving economic relations with East and Southeast Asia clearly indicates how China's stature has increased from being merely a trade partner to an indispensable market and player in the region. Beijing, through its various economic incentives, sometimes unconditional in nature, has tempered the anxieties and tensions among these nations over its motives and intentions to a large extent. Similarly the East and Southeast Asian region has also proven to be a successful test case for Beijing's diplomatic economic pursuits. A careful reading of China's initiatives in economic diplomacy in the region indicates three broad phases. In the first, the emphasis of the leadership was to establish economic ties which were part of China's opening up strategy and integration with the region. The second phase was about consolidating economic relationships through offering

concessions and incentives to proactively shape China's influence in the region. In the third phase, there is a clear display of innovative economic statecraft by the Chinese leadership as an attempt to counter Washington's influence, as well as to promote its stature as an 'indispensable player' in the region.

However, the current coronavirus pandemic poses a new set of challenges for China's economic diplomacy initiatives in the region. China now faces a credibility crisis, owing to its initial cover-ups about the outbreak. The Western narrative about China being the epicenter of coronavirus and its attempts at obfuscation have created anti-China sentiments amongst the common people. Although the governments of these countries have refrained from being critical of China, uneasiness about Beijing continues.[71] Thus, it remains to be seen whether the Chinese leadership is able to work out new ways of economic engagement, or offer greater financial incentives, to redeem its reputation and credibility in the region.

Notes

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