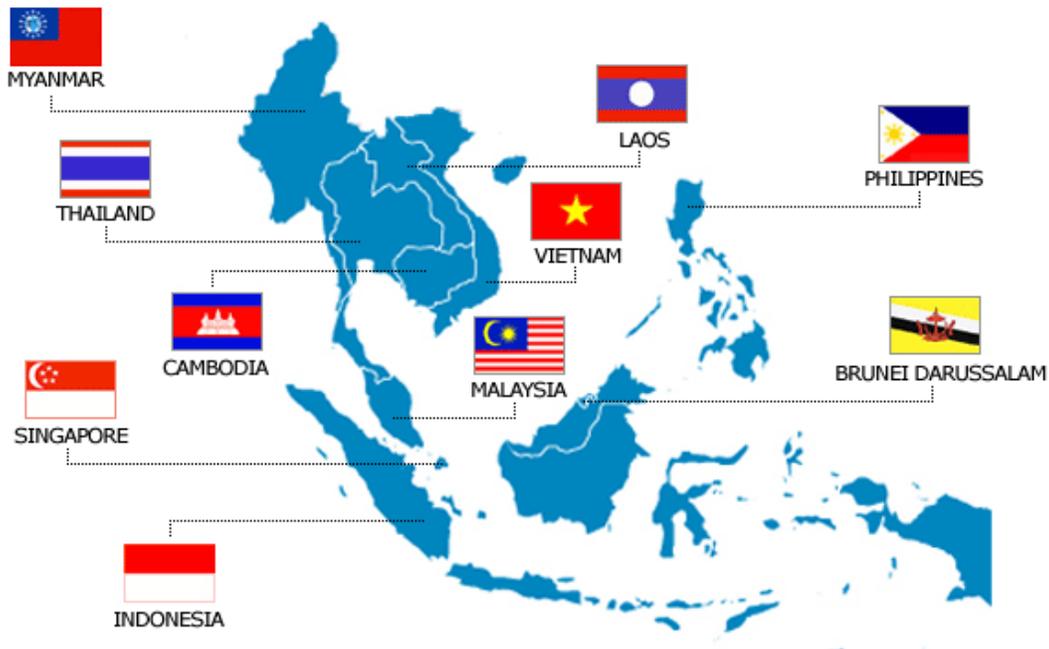


THE UNITED STATES-CHINA COMPETITION IN THE SOUTH CHINA SEA: STRATEGIC IMPLICATIONS FOR REGIONAL SECURITY

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Introduction

The existing disputes in the South China Sea used to be the main obstacle of improving relationship between China and ASEAN countries. For many years, China's assertive approach toward the South China Sea became the core of security concern for ASEAN. To ease away tension and mistrust in the South China Sea, China and ASEAN

countries in 2002 made an effort to sign the “Declaration on the conducts of the parties in the South China Sea (DOC).” The anxious situation in the South China Sea appears to be quiet down later. However, eight years on, much has not been implemented as it was planned for let alone the progress of building confidence and trust measures among all claimants. On the surface, all related parties would have to respect what they agreed upon. But, in reality, all claimants except for Taiwan continue their effort of expanding control over islets and reefs in the South China Sea. Quite ironically, the declaration remains a piece of diplomatic document and has not been able to regulate any attempts initiated by claimants. Over the years, China and ASEAN are still at loggerheads with each other in the South China Sea, notwithstanding their mutual diplomatic acquaintance.

How should all claimants review what it has been so far delivered since the declaration was signed? Would the only next step following through the declaration be the legal binding code of conduct in the South China Sea? How do ASEAN and China realize the fact that the members of engaging in the process of negotiating the code of conduct should be inclusive? Already these questions have directed regional attentions to possible resurface of the prolonged disputes. The year of 2010 came with an astonishing verbal diplomacy between the United States and China on claiming the interest in the South China Sea.

This paper attempts to review the reality on the ground after signing of the DOC and to examine the implications of current power politics between the US and China that has extended to the South China Sea. With an unusual diplomatic showoff, the United States strongly emphasized its national interest in the South China Sea as referring to the Chinese earlier claim of core interest in the South China Sea. The US-China competition in the region will definitely bring about profound implication for regional security and ways of cooperation. The issues of the South China Sea have thus become an inevitable part of the present US-China relation. While there is no any clear progress on the peaceful settlement in the South China Sea, the change of the US and China strategic competition will shape up new terms.

US-China New Relations in the Shaping

At the peak of the global financial tsunami, President Obama came to the office in January 2009. The national power of the US was weakened and thus American options on foreign policy were substantially limited. At the end of 2009, during President Obama's first visit to Asia, a clear and friendly gesture to the region was shaped. The new Democrat's government was obviously trying to transform the American negative image to a positive one. In particular, Obama was trying to build a new friendship with Chinese leader, Hu Jintao. Following President Obama's first trip to China, the US-China summit concluded with the US-China Joint Statement, which stressed establishment and deepening of bilateral strategic mutual trust. The US was seeking for more Chinese cooperation in bilateral, regional and global issues. Many believe that the bilateral relationship was going to march through a cozy period of time, as new friendship was established between Obama and Hu. More specifically, the US was thinking of setting a new tone with a forthcoming message to China: the bilateral relation would become more comprehensive.

Under such an unprecedented and unfavorable circumstance, what the United States could do was trying to carry a positive message to Asia and China. A conciliatory gesture was clear. The US needs to work closely with China and the rest of regional countries. It is clear that the US was beginning changing the course of engaging Asian countries and China. Especially, in the wake of the global financial tsunami, China becomes the US government's number one foreign debt owner. As a result, it would substantially constrain ability of free maneuver in US foreign policy toward China. It is understandable that the US therefore needs to be more conciliatory to China than ever before. With this new development, it further complicates the US-China bilateral relations. Toward the end of 2009, the positive impression on the US-China relation was a significant landmark left to the region.

Quite surprisingly into 2010, the relationship however turned sour. Following through a number of issues popped up, the US government announced to approve the

arms sales deal to Taiwan and agreed to welcome Dalai Lama visiting the US. The Chinese government reacted with a strong protest on those political issues which have been considered as breaching integrity of sovereignty and interfering domestic affairs. In responding to arms sales deal to Taiwan, Beijing immediately announced to cease military exchange with the US indefinitely canceling several rounds of official visits. In June, US Defense Secretary, Robert Gates proposed to visit China, but the proposition was rejected by Beijing right away. Although the bilateral Strategic & Economic Dialogue continues, military exchange was unfortunately called to a halt. Then, on 23 July 2010, US State Secretary Hilary Clinton in the occasion of ASEAN Regional Forum ministerial meeting highlighted that “the US has a national interest in freedom of navigation, open access to Asia’s maritime commons” and all disputes should work through regional multilateral platforms.¹ Chinese officials responded with criticism as if the US is trying to interfere in the South China Sea disputes and internationalize the issues, which China can not accept.²

As the US-China’s military exchange was put on halt, both the US and China announced to conduct different scale of military exercises to express certain dissatisfactory gesture to each other. It is important to examine the extent of US Asia policy and fundamental change of the US-China relation over the past two years since the beginning of the global financial tsunami. Under the Obama Administration, a more cooperative approach toward China is desirable. It would definitely lead to US’ keen interest in engaging in regional multilateralism. The US government has repeatedly emphasized that it would encourage multilateral effort to find solution on the South China Sea disputes.

¹ Stephen Kaufman, “Clinton Urges Legal Resolution of South China Sea Dispute,” *US Government*, July 23, 2010. <http://www.america.gov/st/peacesec-english/2010/July/20100723154256esnamfuak4.879177e-03.html&distid=ucs>

² Li Hongmei, “Unwise to elevate “South China Sea” to be core interest ?” *People’s Daily Online*, August 27, 2010. <http://english.peopledaily.com.cn/90002/96417/7119874.html>

The United States Reinvigorating Asia Strategy

After the US clearly bogged down in the Middle East and global counter-terrorism campaign, American leadership was not strongly presented in the region. Especially, throughout the process of regional mechanism buildup in Asia over the last decade or so, the US was completely left behind and considered an outsider. Based on the process of regional cooperation, two factors were affecting the US policy in Asia. First, the US national security strategy was overwhelmed by major focuses on counter-terrorism and Middle East. It left insufficient resources to cover the rest of Asia. As such, US negligence of Asia was an inevitable outcome. Second, the momentum of Asian regionalism was mainly driven by Asian countries and accompanied with the different intentions of big power competition. Initially, the China-led regional cooperation was exclusive to the US. As it develops, it has also left no any credible room for the US. While the process of Asian regional integration went uncertain, the US did not show any interest in it.

Subsequently, US negligence to Asia has resulted in decline of its influence in the region and the emergence of Chinese dominance. From the American perspective, it is very important at the outset of President Obama's term to make strong commitment to its Asian allies and friends, as his policy approach will be completely different from what President Bush gave to the region. Thus, it has become the first priority on the policy Agenda of the Obama administration to assert the US is back to Asia.³ The rationale behind the Obama administration is that the US would like this strong message to be sent to Asian nations and stress that the US is not distracted by its wars in Iraq and Afghanistan.

Now, the US intends to broaden and deepen its partnership with the region. The most constructive effort by the US so far is making direct link with "ASEAN plus"

³ "U.S. 'is back' in Asia, Secretary of State Hillary Clinton declares," *NY Daily News*, (The Associated Press), July 21, 2009.

http://www.nydailynews.com/news/national/2009/07/21/2009-07-21_clinton_us_is_back_is_asia.html

mechanisms. In 2010, the ASEAN plus 8 (adding Russia and the United States on the original plus 6 list) is on the making. The first ASEAN Defence Ministerial Meeting plus 8 took place in October 2010 in Ha Noi and the first ASEAN plus 8 Summit (East Asian Summit) was successfully convened thereafter. In addition, the US is increasing the frequency of high level visits to Asia. In November 2010, US President Obama tours to four Asian countries, India, Indonesia, South Korea, and Japan. Regional analysts tend to interpret it as big powers' intensifying rivalry in the region.⁴

For now, what President Obama should be addressing is US strong presence in and commitment to Asia. For far too long, the region has not seen American leadership with clear direction and seriousness in regional cooperation, especially clear American initiatives of regional cooperation. What questions remain to be answered: whether the US would be able to rise up from here to lead the region and regionalism? How much has Washington decided to move the region forward? Is it perhaps only for near term policy consideration to make its comeback to reengage with regional partners or would the US intend to restructure the order of regional cooperation? To answer these questions, the Obama administration would have to build on the credit of its Asian strategy, which will have to be in accordance with various national interests in the region.

Shift of US Policy and Awareness of Declining Influence in Asia

After the September 11, 2001 terrorist attacks, U.S. foreign policy has been fully preoccupied with a counter-terrorism campaign and Iraq and Afghanistan-related issues. Asia has been largely disregarded by the U.S. It was common to see that while China tries hard to woo regional countries by offering substantial economic incentives, the U.S. appeared to be only interested in pressing and demanding that regional countries fall in line with its counter-terrorism campaign. Over the years, China's good neighbor policy has successfully changed its image and won friendship around the region. In contrast, the

⁴ Norimitsu Onishi, "US and China vie to win over Jakarta," *International Herald Tribune*, November 10, 2010, p. 1.

U.S. is considered by regional countries as not serious enough about the region. While a preoccupied Washington continuously ignores what regional countries want and look for, Asian regionalism continues to progress and is more likely tilting toward China's advantage for years to come. As a result, the U.S. is not only losing a sense of close friendship in the region as a whole, but is also losing influence. Its voice is frequently shut off from regional forums.

The progression of Asian regionalism indicates that economic-focused integration does pave the way for a more cohesive regionalism, but at the same time strategic competition between the United States and China, as well as between China and Japan, also contributes to new momentum for regionalism. As this integration is taking place to a large extent under China's leadership, the immediate policy implication for the United States is that it must review and reshape its Asia policy into a more serious and sincere commitment to the process of regionalism. The U.S. approach to Asian regionalism under the Bush administration, in which it only made effort to reemphasize significance of APEC and ARF to regional issues and tries to propose a political pie in the sky -- the Free Trade Area of the Asia-Pacific (FTAAP), is insufficient. In fact, the U.S. may not be able to completely catch up with the new drive that has developed in the region. Asian countries still need American leadership, but U.S. policy may have forced them to distance themselves from different U.S. interests. No matter how strategic evolution may affect the course of regionalism in Asia, the U.S. should return to the region with genuine leadership.

What the region now interprets the effort of returning to Asia made by the Obama administration is a responsive action to the Chinese regional expansion and a realization of declining influence in the region.

China Gaining Stronger Role in Asia

When Malaysian former Prime Minister Mahathir Mohamad proposed an East Asian Economic Caucus (EAEC) in early 1990s, the U.S. tried to dissuade regional

countries from participating in it. U.S. supremacy was impressive, but its blunt reaction to regional initiatives was not welcomed in the region. Fifteen years later, critiques of the U.S. attitude then are still voiced with dissatisfaction. The general impression in East Asia has been that the U.S. wants to maintain its dominance and would undermine any attempt to build new regional groupings, which may potentially deviate from U.S. interest from the region.

Asian discontent with the U.S. loomed larger in the wake of the 1997 Asian financial crisis.⁵ Those regional countries that suffered during the crisis all accused Western speculators of undertaking a financial assault on their economies. During the critical moment in which they could not withstand dysfunction of their financial markets, the U.S. and the International Monetary Fund came to the rescue with “capitalist regulations.” The imposing image of the IMF in particular would be remembered among several generations in Asia. In one particular example, as the then Korean President Kim Dae-jung was reluctantly forced to sign the IMF rescue deal in front of TV cameras, the head of the IMF standing nearby and pointing fingers. Watched by millions of Koreans and even more across Asia, President Kim seemed to accept what was considered the humiliation of his nation. Furthermore, later when regional countries proposed an Asian Monetary Fund to pool financial resources within the region, the U.S. blocked it, perhaps considering regional financial cooperation to be a threat to American interests.⁶ Struck by the crisis, many Asian leaders realized that there simply was not a substantial financial cooperation mechanism that existed within the region, and those existing trans-Pacific regional institutions did not work.

One serious lesson learned after the crisis was that as long as the U.S. and Western influences remained critical within any Asian regional institutions, there would not be any

⁵ Edward Lincoln, *East Asian Economic Regionalism* (Washington D.C.: Brookings Institution Press, 2005), p. 5.

⁶ Chang Noi, “Asian regionalism in a high wind,” *The Nation*, December 25, 2006.

http://www.nationmultimedia.com/2006/12/25/opinion/opinion_30022430.php

chance for Asian countries to look after themselves. Desire for an effective regional grouping among Asian countries to protect them from devastation by Western influence grew stronger and stronger. It was critical that China withstood international market pressures and maintained the value of its currency, Renminbi (RMB), as the RMB's depreciation would mean absolute devastation to the entire region. Compared with China's sacrifice to save regional economies from crumbling, the ambivalent United States tried to distance itself from the region at a critical time, and generated anger in the region.

American New Attempts to Asia Since 2006

Over the past few years, the United States' war on terror was the overwhelming concern in Washington, and has complicated its relations with regional countries. U.S. policy in Asia has not been proactive, especially with regard to the regional building process. American interests in Asian regionalism generally include open regionalism and inclusiveness, assurance of U.S. alliance interests, and contribution to regional economic growth.⁷ The United States may be overconfident in believing that regional groupings will not jeopardize American interests, even if the United States is excluded. Regional countries have not seen an American emphasis on projecting future development in the region. Even when the region encounters danger, such as North Korea's development of a nuclear capability, the United States by reaction insists in exercising a tough line against North Korea. But, a more realistic assessment reveals that the United States and international community may have to make certain compromises, perhaps even considering seriously the existence of a nuclear North Korea in Northeast Asia. There seems to be no clear strategy for the United States to manage regional security as yet.

Beyond economic development and security, it was apparent the United States has not paid enough attention to the progress of regional integration in Asia. Many experts

⁷ John Miller, "The roots and implications of East Asian regionalism," *Occasional Paper Series*, Asia Pacific Center for Security Studies, (September 2004), p. 13.

around the region worry that the U.S. did not seem alert to broad changes in the region.⁸ While the region is marching toward economic integration and cooperation with China, the U.S. has been content to watch from the sidelines. In the past few years, the U.S. has been either too confident or too naïve in coping with new trends of regional cooperation. In the 2004 Indian Ocean earthquake and tsunami disaster, the U.S. was the first to arrive on the scene and brought in the largest disaster relief program, of which it is justifiably proud. It of course shows that the U.S. is the only country with full competence and capacity to help in time of crisis. But the American perspective is simply that the region should be thankful.

In 2005, when Secretary of State Condoleezza Rice skipped the annual ARF regional security conference, her absence sent a negative message to regional leaders, as if the U.S. was overwhelmed by many burning issues and did not really care about Asia. Media and think tanks have warned that this neglect would cost U.S. diplomacy in the region. This is not to suggest that the region dislikes the U.S., but to point out that Asia needs the U.S. for security assurance. Regional leaders even believe that U.S. presence could effectively balance against China's expanding influence in the region.

Since 2006, however, the U.S. has attempted to express a serious commitment to regional cooperation. In August 2006, U.S. Trade Representative Susan Schwab met 10 ASEAN economic ministers and signed a Trade and Investment Framework Arrangement (TIFA). The signature of the U.S.-ASEAN TIFA reflects a strong U.S. commitment to establishing the architecture that will serve as a platform to facilitate vigorous U.S. economic engagement in the ASEAN region. "The TIFA will be a platform to intensify our trade and investment relations with the ASEAN region, which collectively constitutes

⁸ Experts reflected the concern at the Senior Policy Seminar. "The United States and Asia: Assessing Problems and Prospects," *Senior Policy Seminar 2006*, (Honolulu: East-West Center, 2006).

our fourth largest trading partner and represents one of the most rapidly growing and dynamic economies in the world.”⁹

In 2006 APEC Economic Leaders’ Meeting, President George Bush took the occasion to call for a bold strategy for trans-Pacific trade liberalization, a region-wide Free Trade Area of the Asia-Pacific (FTAAP).¹⁰ The initiative, which was discussed and designated for senior officials to explore and report to the next APEC meeting in Canberra, marks the U.S. comeback effort to Asian regional cooperation. When asked if this grand proposal shows a decisive effort to return to the region, U.S. officials do not seem quite sure whether there is exactly a clear strategy. The U.S.’ top priority on trade now is to revive the delayed progress of the Doha Round global trade negotiation. On region-wide trade cooperation in Asia, the U.S. takes a realistic approach and focuses more on bilateral FTAs than a regional one. As economic development is so varied within ASEAN, the U.S. may prefer a bilateral FTA or TIFA with individual ASEAN countries to regional FTA. Obviously, the U.S. up to that particular timeframe did not have an immediate plan for a single bilateral FTA with ASEAN. Looking from a critical perspective, FTAAP for the time being is not a realistic project for the U.S., because it can not comply with existing U.S. trade practices. Trade experts nevertheless saw the proposal as a reflection of American concern with its declining economic influence in the Asia pacific region.¹¹

Trying to improve their image in the region, President Bush and Secretary Rice visited more individual countries in Asia in 2006. Some may see that during the Leaders’

⁹ “U.S. Trade Representative Susan C. Schwab Meets with ASEAN Economic Ministers and Signs TIFA,” August 25, 2006.

http://www.ustr.gov/Document_Library/Press_Releases/2006/August/US_Trade_Representative_Susan_C_Schwab_Meets_with_ASEAN_Economic_Ministers_Signs_TIFA.html

¹⁰ “Results of the 2006 APEC Leaders’ Meeting -- Asia-Pacific Economic Cooperation (APEC) 2006,” The White House, 2006. <http://www.whitehouse.gov/apec/2006>

¹¹ “US pushes for APEC free trade agreement,” *ABC Online*, November 7, 2006.

<http://www.abc.net.au/news/newsitems/200611/s1782553.htm>

Meeting the proposal was brushed off for the following year. But, one would have to think more positively that as long as the U.S. keeps initiating new proposals for follow-on regional cooperation, the message of the U.S. resuming strong and active leadership to the region would be clearly understood. It would always be a better use of time and effort to undertake real policy debate than just argue against the idea of keeping the U.S. out of regional new groupings.

In short, US attempt to strengthen its presence and leadership in Asia has not been able to pump up American influence automatically as it imagines. Throughout the Bush administration, there were several decent attempts to raise American profile in the region, but did not literally lead to a grand strategy, which the region is hoping for. It seems that American Asia policy then was more sort of taking the short-term problem-solving approach than a long-term overarching structure. The real concern is in whatever form the US would be introducing to the region, it seems that the US lacks of sufficient prudence and seriousness to regional development. Thus, the US policy could not really catch up with the momentum of regional progress.

Inattentive US Asia Policy: Beyond Bilateral Frameworks?

Obviously, Asian regional cooperation has flourished and the growing steam is driving the way forward. While Asian regional cooperation has moved toward broader issue areas and includes a variety of structures, like the Boao Forum for Asia sponsored by China, Asian Cooperation Dialogue hosted by Thailand, and different ASEAN-related regional forums, such as ASEAN plus and East Asian Summit, U.S. policy surprisingly did not reflect the dynamism of regional cooperation. Rather, the U.S. government then continued mostly to emphasize the conventional “hub and spokes” strategic system of bilateral security arrangements with individual countries in the region, and gives little attention to existing regional multilateral organizations such as APEC and ARF. The American system of Asian alliance may have worked well during the Cold War, but it is

questionable whether it can manage today's regional and national realities.¹² Asian leaders have begun to express their concern with the insufficient American attention, to Southeast Asia in particular. Singapore Prime Minister Lee Hsien-loong cautioned that “distracted by problems elsewhere, the U.S. isn't paying enough attention to Southeast Asia, losing its regional influence to a rising China and potentially weakening antiterrorism cooperation.”¹³

Regional experts have warned that the U.S. does not have a clear strategy and strategic vision for coping with the rise of China. Washington's reliance on outmoded structures may not only have weakened the U.S.'s definitive influence in the region, but also forced allies and friends to opt for their own hedging approaches.¹⁴ Perhaps, the American system of Asian alliances has to be renovated to cope with today's political reality, as many new factors and developments have emerged in Asia.¹⁵ The question is whether the US would be able to expand its influence beyond traditional bilateral frameworks. To comply with the current momentum for region cooperation, the US may need to consider an overarching framework to push through the region. Perhaps, the US should think through how to position the US in a region-wide mechanism, like Australian version of Asia Pacific Community and Japanese East Asia community.

Many in American policy circles feel that the Bush administration failed to articulate a strategy to engage East Asia.¹⁶ The real concern over the last few years has been that the United States has not been able to come to term with new reality of ASEAN's central role in the process of Asian regionalism. While most of America's

¹² Francis Fukuyama, “Re-envisioning Asia,” *Foreign Affairs*, vol. 84, no. 1 (January/February 2005).

¹³ Yaroslav Trofimov and Paul Beckett, “Politics & Economics: Singapore Prime Minister urges US to bolster its ties in Asia,” *Wall Street Journal*, April 18, 2007, p. A9.

¹⁴ Wendell Minnick, “Special report - China rising: East Asia braces as American influence fades,” *Defense News* (March 19, 2007), p. 11.

¹⁵ Francis Fukuyama, “Re-envisioning Asia,” *Foreign Affairs*, vol. 84, no. 1 (January/February 2005).

¹⁶ Daniel Sneider, “Asia's polite reception to Bush masks declining US influence,” *YaleGlobal*, November 17, 2005. <http://yaleglobal.yale.edu/article.print?id=6531>

regional allies rely on active strategy and policy coordination in Asia, the U.S.' benign neglect toward the region has gradually resulted in confusion and uncertainty among regional countries on how to effectively deal with the rise of China. This is not to suggest that the United States has already lost its influence in Asia, but to underline some of the results of the U.S. preoccupation with problems in the Middle East. It is odd to see the U.S., which once dominated the development of regional cooperation, sidelined in the new wave of regionalism in Asia. U.S. policy momentum may not be able to catch up with Asian dynamism. Now, it has become real burden or obligation for President Obama to make a comeback for the US in Asia. The region of course has more expectation from Obama, but at the same time also a lot more criticism to the US than ever before.

Obama's Asia and China Strategy

As soon as the Obama administration took the office in January 2009, newly appointed Secretary of State Hillary Clinton visited Asia and carried a strong and firm message to Asia that the Asia is very important for the US.¹⁷ As the Secretary of State, Clinton's first ever overseas official visit made to four Asian countries, Japan, Indonesia, South Korea and China changed the traditional practice of first going to Europe and reflected the emphasis of the Obama administration on Asia. Secretary Clinton's second trip to Asia came in July 2009, when she was in Thailand for regional security dialogue. By signing up the ASEAN Treaty of Amity and Cooperation (TAC), Clinton took the occasion of the ASEAN Regional Forum to announce the US is back to Asia. It won of course a round of applause from regional leaders. It also set a right tune for the US to push further with the bilateral leaders' meeting in November. President Obama arrived at Singapore and formally kicked off the ASEAN-US leaders' meeting in November.

In late November 2009, President Obama made his first trip to Asia, since taking over the office, in which many important regional issues were highlighted. During the

¹⁷ Dan Twining, "A U.S. Asia strategy for Hillary Clinton's trip," *Foreign Policy*, February 15, 2009.

http://shadow.foreignpolicy.com/posts/2009/02/15/a_us_asia_strategy_for_hillary Clintons_trip

visit, he addressed many issues with his counterparts, such as US-Japan security alliance, US-ASEAN future cooperation, US in APEC and Asian regionalism, US-China strategic relation, development of the cross-strait relations, and North Korea nuclear issues. Basically, what Obama has been trying to do is to reassure the region that the US will now be taking more active role to engaging the region. After Obama's visit to Asia, regional analysts found his trip encouraging but without much substance in it. It is not surprising to learn that his visit was full with expectation from around the region. But, the problem is there has not been a systematic and forthcoming initiative in place. No wonder why some corners in the region were not that satisfied with US leadership in Asia up to that moment.

Currently, it seems that the most important development in the region is robust momentum of regional economic integration. How would the US do about it? What the region has seen is US new effort to engage with a regional mechanism by linking up with ASEAN. Nevertheless, it left the region an impression after his first Asia trip that there has not been a forward looking planning proposed by him and his attitude toward America's rivals seems to be kinder than to its friends.¹⁸ Sooner or later the region will find out whether Obama's diplomacy is subtle and strategic or naïve enough. Would there be a new American Asian structure for the future of regional cooperation? The presumption of American real intention remains to be seen. President Obama looks likely to lead the US to a new era with Asia. But, how much will he be able to move around? Would the US still be capable enough to turn the tide in its favor?

Engagement with Asian countries seems to be necessary and required for Washington, as the US has formally announced to return to the region. But, restructuring regional order may be just too heavy a duty to carry for the US at the time of emergence of a rising China. On his trip, what Obama may have developed so far is to strike the strategic balance in the region. Looking into the near future, how does the US see through

¹⁸ "The quiet American," *The Economist*, November 28, 2009, p. 11.

critical issues in Asia? It would gradually come into the structure of the Obama's national security strategy on Asia.

US-China Heading for a New Era of Complex Relation

On the visit to China, a new US-China relation has been highlighted as if the most important bilateral relationship in the world will be upgraded from sharing the concept of the responsible “stakeholder” to building strategic mutual trust. The US-China Joint Statement on 17 November 2009 emphasizes on building a positive, cooperative, and comprehensive relationship. What does it really mean to build strategic mutual trust between the US and China? Before President Obama arrived at China this time, Chinese intellectual community was probing whether the both sides should confirm strategic reassurance to move this bilateral relation into a new era, when two leaders met. It seems that it was Chinese high hope for a more equal and fair relation, but the US tended to be caring more about solving some pressing issues between them. It is obvious that President Obama was kindly asking for Chinese cooperation on a number of bilateral, regional, and international issues, as the US position has been weakened during the global financial tsunami.

Before the two leaders, there were two significant factors, which have fundamentally changed the global power structure. They are: a powerful China in the international community and a much weakened US. It is to say that the US today has faced an unprecedented awkward situation that like it or not, it has to work with China closely on almost everything concerned the international community today. What message of the Obama administration was trying to send was to foster a positive and cooperative policy approach toward China. It is obvious that through working jointly on a number of pressing global and regional issues, the future development of US-China relation will be likely led to mutual working partnership. Of course, based on the possible format of G2 in the international community, the US and China will be sharing more

responsibilities and have to carried out more policy coordination in the future.¹⁹ In view of complication of international issues, the policy coordination between the US and China has been facilitated further in establishing the Strategic and Economic Dialogue (S&ED) held in Washington in July 2009. The second S&ED held in Beijing in May 2010.

Looking on the bright side, it was very encouraging. Obama's visit to China ended with the US-China Joint Statement. It was a beginning touch of the Obama administration with Hu's regime in Beijing. Although disagreement remains between them, it seems that all related issues, global, regional and bilateral ones, could be put to bilateral discussion. Policy teams in Beijing and Washington wanted to make a positive beginning and thus sent friendly gesture to each other. In Washington, his visit to China, the Obama Administration even made some adjustments to cultivate favorable environment for the US-China summit to take place by declining the meeting with President Obama requested by Dalai Lama and delaying the decision of arms sales to Taiwan. The American belief at that time tended to be more accommodated to Beijing and hopefully it could thus bring about mutual trust between them.

Nevertheless, as have been seen in the past few months after the 2009 bilateral summit, Chinese assertiveness has been accelerated not merely by its own effort but lately more by the outcome of the global financial tsunami.²⁰ China strengthened its claims to the South China Sea and later in March 2010 referred to it as Chinese "core interest". China manages to strengthen its position in the South China Sea by taking a series of measures: military exercise, deploying fishery administration ships to the region, and

¹⁹ Although Chinese premier Wen Jiabao rebuked the idea of G2, he remains affirmative to have US-China cooperation and coordination on a number of international issues. Many see US-China relation as developing to a G2 format. "When: China disagrees to so-called G2, calling for effort to fight protectionism," *China Daily*, November 18, 2009.

<http://english.peopledaily.com.cn/90001/90776/90883/6817072.html>

²⁰ Thomas Wright, "America must find a new China strategy," *Financial Times*, August 8, 2010.

<http://www.ft.com/cms/s/0/1c9ec504-a32e-11df-8cf4-00144feabdc0.html>

organizing fishing boats to increase frequency of operating in the area. Although President Obama attempted to start the relation with China in a more accommodated way, there may be a clear line drawn on his policy toward China, especially on national security. It becomes clear that Obama hoped to develop a cooperative relation with China on many policy areas, but not necessarily on national security.²¹

Toward the end of 2009, at the United Nations Framework Convention on Climate Change (UNFCCC), the United States and China found their position and interest hard to compromise with each other. At the center of the global issue, the US and China turned out to represent different national groups of interest. Obviously, the US and China can not be conciliatory on the progressing agenda of the climate change issue. Early 2010, a news about Dalai Lama's visit to Washington broke through the newly developed pleasant-sounding atmosphere between the US and China. While Washington considered that the meeting between Dalai Lama and Obama was postponed late last year and it was a matter of routine business to be completed, Beijing saw it differently as it may imply for American intention of touching the Chinese nerve, sovereign integrity.

Furthermore, the US government on January 30 informed the Congress to approve the \$6.4 billion US Dollar arms sales deal to Taiwan, which immediately angered China. In spite of better relation developed with China, the US does not want to make Taiwan security to be an issue subject to Chinese pressure, as the US will for decades follow what its national interest develops. After the announcement, China fired a few hard shots criticizing the US' policy decision. But, the hard core of Chinese military continues to slash the US for making such an attempt as a great source of disruption to Sino-American relationship.²²

²¹ Minxin Pei, "Obama is right to be hard-nosed on China," *Financial Times*, August 30, 2010. <http://www.ft.com/cms/s/0/7aa3ba86-b460-11df-8208-00144feabdc0.html>

²² General Ma Xiaotian, Deputy Chief of General Staff, People's Liberation Army, China at the 9th IISS Asia Security Summit, *The Shangri-La Dialogue*, Singapore, June 5, 2010, Second Plenary Session: New Dimensions of Security, Q&A made the points. <http://www.iiss.org/conferences/the-shangri-la->

US Secretary of Defense, Robert Gates, proposed a trip to China in June, but unfortunately the proposition was rejected by Beijing. The rejection of Gates' visit to China was seen by the US as sending a strong message of stopping mil-to-mil exchange. Though China later made a suggestion that China would welcome Secretary Gates to visit at an appropriate time, so far the US-China military relation has not yet returned back to the planned momentum.²³ Then, it came with Secretary of State Clinton's statement on the South China Sea in July and followed by a series of joint military exercises between the US and its allies in areas surrounding China, i.e. the South China Sea and the Sea of Japan/the Yellow Sea. The US this year tries hard to deepen the ties with Viet Nam, Indonesia, and South Korea. Its policy approach is "no longer reluctant to clash with Beijing to protect its interests and values." It seems that new spat is building up between the US and China. Regional security tension has also been increased as a result.

What specific messages do military exercises by the US and China in East Asia send to the region? Today, Chinese military buildup becomes a reality in Asia. As a result of a rising power, China is now very reluctant to constrain its military activities vis-à-vis US military presence in the region. Chinese official keep criticizing the US for selling arms to Taiwan and continuously operating naval and air reconnaissance along Chinese coast as main obstacles to US-China military relation. China wants to have certain respect in the international community and begin to think of pushing the US influence back away from its coast. Of course, on the political front, both governments have started to show conciliatory attitude toward each other. On September 7, 2010, U.S. National Economic Council Director, Larry Summers, and Deputy National Security Adviser Thomas Donilon came to Beijing for talks.²⁴ Both sides are now trying to step back after the summer heat and think of pushing through the exchanges.

dialogue/shangri-la-dialogue-2010/plenary-session-speeches/second-plenary-session/copyof-ma-xiaotian/

²³ "China welcomes Gates' visit at an 'appropriate' time," *Xinhua*, July 1, 2010.

http://www.china.org.cn/world/2010-07/01/content_20397207.htm

²⁴ Chris Buckley, "UPDATE 1-China, U.S. aim to ease tensions; Hu visit on agenda," *Reuters*, September

The South China Sea: A Future Focus of US-China Strategic Competition

Over the past eight years, what has the DOC brought forward the agreement of regional cooperation? What positive signals has the region so far witnessed? On the diplomatic level, the signature of DOC was a critical part of China's strategy to woo ASEAN's friendship and to change China's negative perception in the region. As a result, it led to China's accession of ASEAN Treaty of Amity and Cooperation in 2003, which marked a new era for the bilateral relationship. Since then on, ASEAN countries have begun to transform negative perception of China in their societies. Thereafter, China became a partner of ASEAN.

The real political impact that the DOC may have carried forward is to help stabilize the situation in the South China Sea at least on the surface. As the relationship built on the South China Sea is a part of very critical engagement between China and ASEAN, every party understood the significance of DOC and thus would not want to publicly obstruct it. On the diplomatic field, as long as DOC is in existence, ASEAN will have certain diplomatic framework to engage directly with China on the South China Sea issues. For ASEAN, the conclusion of the DOC has a significant implication for regional security and its relations with China. Many may have simply looked into the effect of developing relationship between ASEAN and China as a result of the DOC. It is more important to project the DOC to a much broader ground, as the DOC has eliminated tension in the South China Sea.

How does China interpret the new situation in the South China Sea? Why did China need to reconcile its position through the DOC? What does the DOC benefit its national interest? Under the consideration of the "calculative strategy",²⁵ China at that time did not have overwhelming military power in the South China Sea and realized that ASEAN countries were hoping to settle disputes with China for peace. The realistic

7, 2010. <http://www.reuters.com/article/idUSTOE68603Z20100907>

²⁵ Michael Swaine, and Ashley Tellis, *Interpreting China's Strategy: Past, Present, and the Future* (Santa Monica, C.A.: Rand, 2000), p.132.

strength of China then gave a clear answer why China would change its traditional approach. So far, China has taken advantage of the benign environment and encouraged regional cooperation.

Over the last few years, accelerated by several factors in the region, claimants started with new attempts to strengthen or expand their own claims in the South China Sea. They are: increasing demands for energy, attempt to legalize disputed claims, emerging nationalism, Chinese military buildup and regional arms races, and big powers increasing involvement. Nevertheless, there exists certain effect of regional political strain among all claimants. Once there is a new attempt or announcement by anyone related to possible sovereign claims, it will immediately serve as a political pressure for the rest of claimants to react. Over the past few years, the South China Sea issues have also been internalized by claimants into the domestic political process. The region shall see more and more reflection of nationalist sentiment in responding to the South China Sea issues in years to come. Nationalist factors have become one of new elements in the South China Sea disputes, which may cause for destabilizing regional security.

Among other challenging factors, the most relevant to strategic change is continuous Chinese military buildup, which would be the main reason why the US and China are increasingly competing for advantages in the South China Sea. The US active involvement in the South China Sea issues is direct response to Chinese military dominance in the future. From a regional perspective, once China can completely dominate the South China Sea in military terms, ASEAN countries will lose its edge in coping with China. For ASEAN, the best strategy would be to welcome the US, Russia and perhaps India to the region in order to balance Chinese influence.

Along the line set by the US government, it is not surprising to see Secretary Clinton's remark at the occasion of ARF meeting. It may be a reminder to China. The serious question is now: how would US' "national interest" accommodate with Chinese "core interest"? What would China respond to it? At least, after the US made the point in the South China Sea, China is ever eager to push the process of negotiating the code of

conduct with ASEAN. It has been seen as a way to slow down the US direct influence in the South China Sea issues, should the DOC reasonable process cannot be fully respected and implemented.

Conclusion

Following through the global financial tsunami, the economic centrality of Asia to the world has been recognized. The rise of China is at the center of rising Asia, not Japan. China has expanded its influence not simply on the aspect of economic affairs, but also political and military aspects. China has even become the driving force of Asian economic integration in many ways. For decades, the United States is now at its abyss. Its supreme role has relatively declined as a result of the financial crisis at home and the rise of China. Under such a new context, the US-China relation is now entering into a complex situation. As an emerging power, China is desperately asking for respect and its leading place in the international community. This is perhaps in history that we have now seen the closest development gap between the US and China. More cooperation and consultation on international issues and policy issues between the two are more desirable.

After the first year of accommodated test, President Obama is taking a more sophisticated approach toward China. Since the national power of the US was weakened, US options on foreign policy were substantially limited. What the US now can do and should do is to continuously and fully engage in the region. This clear understanding has been put forward at its core of foreign policy. The US was seeking for more Chinese cooperation in bilateral, regional and global issues. So far, a new engagement strategy is critically essential to the US. A new structure of bilateral relationship is on the making. It would follow what the US-China Joint Statement indicated in 2009 that instead of taking confrontational and competitive approaches, the bilateral relation could become more comprehensive with positive and cooperative nature.

The South China Sea becomes an issue between the US and China. For the time being, it will constrain Chinese maneuverability in the South China Sea. China would

now push the process of bilateral negotiation with ASEAN in a hope of keeping the US away from it and will prefer to engage the US in a more bilateral context, like S&D Dialogue. Obviously, the last thing China would want to perceive is being forced to open up the South China Sea issues on a multilateral platform.

It is obvious that the South China Sea issue now is no longer a regional issue. Instead, it has perched at the overarching structure of the US and China relation with greater security implication. As a result, it may lead the South China Sea issues to be a strategic focus in East Asia. Possible strategic implications would include:

1. It will accelerate a hopeful development on negotiation of the code of conduct between China and ASEAN. The region now needs to have a legal binding code of conduct in the South China Sea in place.

2. On military buildup, the US and China would soon have to resume the channel of military exchange, which is currently suspended by the Chinese side. Military operation would have to be made transparent to each other. It would substantially reduce the risk of regional arms races.

3. China will face increasing pressure for consideration of discussing the South China Sea issues on an appropriate multilateral forum.

4. The United States is now making a big noise on the South China Sea issues. By realigning with regional countries against China, it would gradually strengthen its security base in the region.

5. As the US will be stepping in the issue more and is supported by ASEAN countries, the ventures currently conducted by many claimants will have to be discontinued to prevent from further escalating the tension.

6. Recent tension is built on the basis of dissatisfaction with lacking the progress of implementation on DOC. The US has thus advocated settling differences under the multilateral context. It may lead the region to reconsidering dialogue through

certain multilateral mechanism existed. /.

Author's Biography

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Dr. Liu was Chairman of the Research and Planning Committee at the Ministry of Foreign Affairs, ROC (2002-2004) and consultative adviser of the Mainland Affairs Council, ROC (2004-2006). He devotes his research on Asia Pacific security, terrorism in Southeast Asia, Asian regionalism, national security and the South China Sea, peace process across the Taiwan Strait, US strategy in Asia, and Taiwan foreign and security policy. In 2009, he received a three-year research grant from the MacArthur Foundation by which the Center for Security Studies was established. His current research focus is on Taiwan security, US-Taiwan relations and the cross-strait cooperation. He received a Ph.D. in Politics from the University of Hull in the United Kingdom.