Chapter 3

China's Responses and Engagement in the Indo-Pacific

3.1 Introduction

China's increasing economic might places it in a new strategic geography, from the Pacific to Africa and the Middle East, as reflected in its key strategy, known as the Belt and Road Initiative. Beijing's maritime advances have sprawled across the two oceans in a bid to secure its energy requirements and boost its trading ties. The Indo-Pacific concept, formally rejected by Beijing, seeks to integrate the expansion of Chinese power into a multi-lateral framework, which would give rightful place to China's power while also looking after the interests and decision-making abilities of all actors in the region. Moreover, Beijing's rapid military build-up, coupled with its tough rhetoric and behavior in territorial, diplomatic and economic disputes with its neighbors, is widely perceived as an expression of Chinese assertiveness. China seems to be reluctant to identify itself as part of the Indo-Pacific; Chinese leaders believe that the US-led Indo-Pacific strategy aims to contain China's rise. Chinese domination substantially affects strategic, political, and economic interests in the Indo-Pacific region and elsewhere. The Indo- Pacific—the maritime area stretching from the Pacific and Indian Oceans, with the South China Sea as intervening waters—is increasingly important in China's "strategic calculus." Within these waters, China is seeking to establish control of the South China Sea and of the east China Sea, and from there penetration into the Western Pacific and Indian Oceans—in effect a drive for a two- seas control followed by a strong two- oceans presence and consequent influence *(Junbo,2013)*7. This chapter delineates, explains, and evaluates China's Indo- Pacific strategy.

7 The author's interview with Professor David Scott, 2018 and 2019

3.2 China's Maritime Strategy

China's maritime strategy is based on a simple premise, to develop its "sea/maritime power" capabilities *(Wenmu, 2016; Xiaoqin, 2011; Xiaoyan, 2014, Wei, 2015).* China's hopes for establishing "maritime power" are designed to establish energy security flows in the Indian Ocean, underpin the maritime Silk Road initiative, and gain control in its (disputed) claims areas of the east and South China Seas. Thus, Liu Zongyi's states that "China's maritime power strategy" involves "maritime security, especially the protection of China's islands in east and South China Seas and China's energy and trade sea lanes" *(Zongyi, 2016).* In this context, Andrew Latham discussed the four major goals that China has been pursuing as its precise maritime strategy. They are as follows:

1. Deter, delay, and, if necessary, degrade potential U.S. military intervention in maritime sovereignty disputes or clashes with Taiwan. This is as much about defending China's coastline and ports as it is about asserting and defending sovereignty claims.
2. Deny the United States command of the seas or control of commercially and geopolitically vital waterways and chokepoints. This is not simply a matter of deploying ships. It also requires the capability to sustain a maritime presence in strategic locations, in hostile conditions, and for extended periods.
3. Deny India, the other emerging great power with a growing naval presence in the Indian Ocean and adjacent seas, the ability to control or interdict vital sea lanes and choke points out to the Fifth Island Chain.
4. Deter, delay, and, if necessary, degrade potential U.S. military intervention within China's far seas orbit *(Latham, 2021).*

The 2013 Defense White Paper outlined a "strategy to exploit, utilize and protect the seas and oceans, and build China into a maritime power." *(Ministry of Defense, China, White Paper, April 2013).* It is no surprise to find the maritime logic of Alfred Mahan—with his geopolitical emphasis on sea power applications in the Pacific and Indian Oceans and on the usefulness of basing/ berthing facilities—gaining popularity in Chinese strategic thinking. Such "naval nationalism" has involved public sentiment as well as government utilization *(Ross, 2009).* The 2015 Military Strategy White Paper argued that "the traditional mentality that land outweighs sea must be abandoned, and great importance has to be attached to managing the seas and

oceans" and for China "building itself into a maritime power" *(State Council Information Office, May, 2015).* China continues to officially stress cooperative peaceful nature of its maritime drive, the "harmonious ocean" being a recent catchphrase coined for the outcome of China's growing naval presence and slotted alongside the other foreign policy catchphrase of "harmonious world" *(Scott, 2018).*

This maritime drive has been directed at the highest level from Xi Jinping. In 2013, he pinpointed the need to "'strategically manage the sea', and continually do more to promote China's efforts to become a maritime power" (*Xinhua, 2013; Martinson, 2015; Scott 2018).* Xi went on to argue in 2017 that "a strong navy [...] is a pivot for building the nation into a 'great maritime power" *(Xinhua, May 2017; Scott 2018).* In March 2018, Beijing announced three major changes to maritime institutions as part of a sweeping set of reforms to party and government institutions. China's official news service Xinhua stated that the reforms were intended to "make the government better structured, more efficient and more service-oriented. Furthermore, according to Xinhua, the changes reflected China's "larger role on the global stage. This phrase harkened back to Xi's declaration in his report to the 19th CCP Congress in October 2017 that China is "moving closer to center stage. Beijing openly has stated its aspirations to play a bigger role in shaping global governance, and the ocean features prominently in its efforts. China's so-called 21st-century Maritime Silk Road, part of the much-vaunted One Belt, One Road (OBOR), is key. It aims to build convergence between China and other countries on economic, political and security matters in line with China's preferences for global governance. Beijing's 2017 Vision for Maritime Cooperation Under the OBOR makes this clear *(Tobin, 2018).*

China has been developing and deploying air, naval, and missile forces in its near sea's backyard for over a decade in order to create an anti-access/area-denial bubble encompassing the East China Sea, Taiwan, and the South China Sea. This is what includes China's coastlines along with the disputed islands and seas that it claims as its own. China has sent submarines, surface combatants, planes, anti-aircraft weapons, and anti-ship cruise missiles for this task. Major naval bases at Qingdao, Ningbo, Zhanjiang, and Hainan Island, as well as facilities in the Paracel and Spratly Island groups, support these forces. China has developed and deployed naval forces to dominate the seas beyond this near-seas defensive zone, all the way out to the

Second Island Chain. These forces include advanced land-attack ballistic and cruise missiles to threaten US military facilities on the islands of Okinawa and Guam, in addition to the A2/AD capabilities. Anti-ship ballistic missiles, which use advanced re-entry vehicle technology to strike with precision and defeat most sea-based missile defense systems, are also used. The goal of these systems is to deter, delay, and, if necessary, degrade potential US military operations that would deny the US control over the seas surrounding the Second Island Chain.

China's maritime policy is based on a drive for a blue water navy, with forward projection into the South China Sea, penetration of the "island chains" in the Pacific, and development of a "two-ocean" navy operating not just in the Pacific Ocean, but also in the Indian Ocean (*Ji, 2016*). This was encompassed in the 2013 PLA Science of Military Strategy sense of a Chinese "arc-shaped strategic zone that covers the Western Pacific Ocean and Northern Indian Ocean" *(Erickson, 2016).*

Chinese expectations are high that "the Chinese navy must grow into a blue- water navy" since "China is growing into a global power and should have a navy that fits its status" *(Xiaokun, 2013).* Consequently, Chinese naval strategy has moved from a "near-coast defense" strategy prior to the mid–1980s to the "near-seas active defense" after the mid–1980s, and then to the advancement of a "far-seas operations" strategy by the mid–2000s *(Li, 2011; Scott, 2018).* The far seas are in effect the Indo- Pacific stretches of the Western Pacific and the Indian Ocean, those two waters being the arena for "China's expanding maritime ambitions" *(Heung, 2002)*. These are on top of China's naval drive to establish its "core interest" claims over the South China Sea *(Zhan, 1994).*

Chinese strategists are concerned with two island chains constricting China. One is the "first island chain" running from Japan through the Ryukyus, Taiwan and the Philippines. The "second island chain" runs down from Japan to the Northern Marianas and Guam*(Erickson and Wuthnow, 2016).*The Chinese state media has been explicit on this maritime strategy, whereby "the Chinese navy has fulfilled its long- held dream of breaking through the 'first island chain blockade,' and its vessels have gained access to the Pacific Ocean through various waterways," leaving a situation in which "the Chinese navy has the capability to cut the first

island chain into several pieces"*(Xiaokun ,2013)*. Benefits of this strategy are clear in China: "obviously, to break through 'the first chain' […] would mean that the effective security boundary of China really pushed to the deep- sea areas of the western Pacific" *(Wenmu, 2016)*. Penetrating the first island chain means pushing past Taiwan or Japan. China's offshore balancing strategy entails maintaining a favorable balance of power as far afield as the "Third Island Chain" (encompassing Alaska, Hawaii, and New Zealand), the "Fourth Island Chain" (linking Pakistan, Sri Lanka, the Maldives, and the U.S./U.K. military facility at Diego Garcia in the midst of the Indian Ocean), and the "Fifth Chain" extending from Djibouti on the Horn of Africa, past Madagascar to South Africa, and encompassing the Persian Gulf region. In the Chinese context, a favorable balance of power is one that is dominated by no one state, but that tilts in favor of China. Among other things, this means a balance that is not favorable to the United States. *(Latham, 2021)*.

The final development in Chinese maritime military strategy has been its shift into a "two-ocean" strategy of operating not just through the first and second "island chains" of the Pacific, but also of deploying into the Indian Ocean *(Kaplan, 2009; Sun and Payette, 2017)*. It is worth noting that in 2003, in their article published in Guafang Bao, Jiang Hong and Wei Yuejiang depicted the first island- chain (normally thought of as stretching from Japan to Sumatra) as bending around all the way to Diego Garcia in the Indian Ocean (*Scott, 2019)*. This points to China's two-ocean strategy. India is increasingly sensitive to this Chinese presence in what India considers to be its own strategic backyard and to a degree "India's Ocean" *(Ramadhani, 2015; Sakhuja, 2015)*. For India, China's growing maritime presence in the Indian Ocean creates maritime encirclement to match land encirclement of India. Such naval force posture brought Chinese naval operations into the eastern and then western quadrants of the Indian Ocean on an unprecedented scale in 2017. It was striking that in February 2017 there were 11 Chinese warships simultaneously operating in the Indian Ocean—in the shape of the earlier mentioned flotilla drilling in the east Indian Ocean, the newly arrived anti- piracy escort force of three warships patrolling the Gulf of Aden, and its preceding anti-piracy escort group being on port call to Cape Town on its way back to China *(Scott, 2018)*.

In the eastern quadrant of the Indian Ocean, February 2017 witnessed the Chinese cruise missile destroyers Haikou and Changsha conducting live- fire anti- piracy and combat

drills to test combat readiness. Rising numbers of sightings of Chinese surface ships and submarines in the eastern quadrant of the Indian Ocean were particularly picked up in India during summer 2017, a sensitive period of land confrontation at Doklam *(Pandit, 2017; Singh, 2017).* This Chinese presence included Chinese surveillance vessels dispatched to monitor the trilateral Malabar exercise being carried out in the Bay of Bengal between the Indian, Japanese and U.S. navies. In the western quadrant, another first for Chinese deployment capability was in August 2017 when a Chinese naval formation consisting of the destroyer Changchun, guided- missile frigate Jingzhou and the supply vessel Chaohu conducted a live- fire drill in the waters of the western Indian Ocean. The reason given for the unprecedented live- fire drill was to test carrying out strikes against "enemy" surface ships *(Xinhua, August 25, 2017).* The enemy was not specified, but the obvious rival in China's sights was the Indian navy, which was why the South China Morning Post described the drill as "a warning shot to India" (*Ng and Jingtao, 2017; Yuandan and Yusha, 2017).*

China's arguably aggressive maritime behavior has almost entirely been directed at defending or advancing its nearby maritime sovereignty claims, which Beijing views as part of its core interests *(Etzioni, 2016).*

3.3 Understanding China's view on Indo-Pacific

China looks at the Indo -Pacific strategy as proposed and pursued by the USA under President Trump as a continuation of President Obama's rebalancing strategy to maintain US dominance in Asia and to hedge against China's rise. When China and America engage in comprehensive competition in both the economic and the security realms, small and middle powers in the region have ample strategic flexibility, and hedging strategies are more likely to be the predominant choice *(Kuik, 2008; Chang, 2018; Lim and Cooper, 2015; Koga, 2019; author's interview with Prof. Shambaugh).* Though the USA has defined the Indo-Pacific as a free and open region – with cooperation among all allies, partners and regional institutions, there are still concerns that it may in fact be nothing more than an exclusive regional security arrangement to counter China *(Zongyi, 2016).*

It is widely perceived that China has abandoned the 'keeping a low profile' strategy introduced by Deng Xiaoping in the early 1980s and has turned to a more proactive approach to its place in the world *(Yang, 2011; Yang,2015)*. Moreover, Beijing's rapid military buildup, coupled with its tough rhetoric and behavior in territorial, diplomatic and economic disputes with its neighbors, is widely perceived as an expression of Chinese assertiveness *(Chang and Chung 2018)*.

Since the inauguration of Donald J. Trump's presidency in early 2017, America has shown greater hostility and has gone on the strategic offensive towards China *(Nordin and Weissmann, 2018)*. This changing strategic relationship was given official recognition in December 2017, when the Trump administration named China as a 'strategic competitor' and shifted the US strategic focus to the 'Indo-Pacific' region. *(Ikenberry, 2018)*.

Not surprisingly, China and America are clashing more frequently over a series of issues such as trade, disputes in the South China Sea and cyber security *(Guilfoyle, 2019)*. Some are wondering whether these two Great Powers will fall into a new Cold War or the 'Thucydides trap'—a collision course to war between a rising power and a dominant power *(Zhao, 2019)*. In the economic domain, China is promoting its Belt and Road Initiative (BRI), while supporting the ASEAN-led Regional Comprehensive Economic Partnership (RCEP) negotiations on multilateral trade arrangements. America has shifted from its 'Asia–Pacific rebalancing' to a 'free and open Indo-Pacific' strategy, abandoning the Trans-Pacific Partnership (TPP) economic agreement for a unilateral approach that gives it freedom to exert trade pressure on regional countries, with no exception even for close allies such as Japan and South Korea. In the security arena, China is actively pursuing development of its anti-access/area denial (A2/AD) capabilities, while simultaneously advocating adoption of the 'new Asian security concept' in multiple institutional forums. Meanwhile, the Trump administration is laying emphasis on an increasing US military presence in the Asia–Pacific region while demanding greater responsibility from its allies and promoting multilateralization bilateral alliances and security partnerships in the Asia–Pacific region within the framework of the Quadrilateral Security Dialogue or 'Quad' *(Zhang, 2018)*.

The Indo-Pacific strategy, as illustrated by the Pentagon report released in June 2019, aims to sustain US influence in an emerging center of Great Power rivalry through ‘preparedness, partnerships, and promoting a networked region’ *(United States Department of Defense, 2015).* As revealed in various official documents, there are three major elements of the US regional presence over which China is seriously concerned *(Erickson, 2018).*

Beijing’s primary concern is the US military presence in east Asia—particularly its forward-deployed troops and military bases in Japan and in South Korea. *(Heginbotham, Samuels and Denial, 2018).* China is seriously concerned about the development of US regional missile defense systems, which are detrimental to the viability and credibility of its own nuclear forces. Evidence of this was seen in 2016, when the deployment of the Terminal High Altitude Area Defense (THAAD) system in South Korea prompted strong diplomatic opposition and economic coercive measures from China, whose nuclear deterrence capability would be undermined by the system *(Tiancong, 2017).*

Second, the tightening of America’s relations with its allies and security partners in Asia has been perceived as an indicator of the US strategic attitude towards China and is therefore seen as a threat to China’s national security. Recent moves to enhance US security commitments in the region have increased suspicions among Chinese policymakers and scholars alike of a US intention to balance or contain China. Third, US positions on a variety of regional hot spots, including Taiwan, the Diaoyu/Senkaku Islands, and the South China Sea, pose serious concerns for China’s defense of its national security and maintenance of territorial integrity *(ibid).*

From the Chinese perspective, America’s position as a third party in these disputes endows it with great responsibility and relevance, because its implicit and/or explicit involvement can cause other parties to provoke or resist China. Indeed, according to some Chinese officials and analysts, it is the US rebalancing strategy that should be blamed for the intensifying of disputes in the South China Sea *(Zhang, 2015; Zhang, 2018; Ying, 2016).* China has shown greater willingness to shape the regional order and to display its strength through practical actions *(Scobell, Lin, Shatz, Johnson, Hanauer, Chase, Cevallos, Rasmussen, Chan,*

Strong, Warner, and Ma, 2018). To enhance its security leverage, for example, China has begun to acquire stronger military capabilities, a blue-water navy, and power-projection assets. In dealing with territorial disputes, China has also changed its practice of unilaterally shelving such disputes to take advantage of opportunities to alter the status quo. During Xi Jinping's tenure as president, China has adopted the more ambitious goal of national rejuvenation; Xi believes that China 'has achieved a tremendous transformation: it has stood up, grown rich, and is becoming strong' *(Jinping, 2017).* In other words, the pursuit of economic development is no longer Beijing's primary goal. To become stronger, China is attempting to assert its Great Power status and transform its accumulated economic power into regional and global influence *(Beeson and Fujian, 2016).*

In May 2014, President Xi observed 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' *(Jinping, 2014).* This assertion was interpreted by some analysts as a 'Chinese Monroe Doctrine' that seeks to exclude America from Asian security affairs and to establish a China-led security architecture *(Holmes, 2012; Navarro, 2014).*

China's official response to the Indo-Pacific strategy has been to persist in references to the Asia–Pacific. Several official remarks regarding whether Beijing will endorse the concept of the 'Indo-Pacific' at all, or whether it will even develop a Chinese version of the 'Indo-Pacific strategy', have shown its reluctance to use the term *(Zongyi, 2014; 2016).*In March 2018, the Chinese foreign minister Wang Yi told reporters that the Indo-Pacific concept is 'like the sea foam in the Pacific or Indian Ocean'—that it 'may get some attention, but soon will dissipate'*(Krishnan, 2020).*Chinese foreign ministry spokespersons persist in referring to the 'Asia–Pacific region' even when they are responding to questions concerning the 'Indo-Pacific' concept. In contrast to the official reticence, Chinese scholars have provided numerous policy analyses and media commentary on the concept of an Indo-Pacific strategy *(Ma, 2020).*Lin Minwang, a south Asian expert at Fudan University, argues that 'with the development of China and India's maritime interests and navies, the growing strategic competition has led to the integration of the separated Indian and Pacific Oceans', and that the concept 'demonstrates the strategic importance of Australia and India to the United States' *(Minwang, 2017).*

Chinese scholars generally take the view that the Indo-Pacific strategy will have negative implications for China's security environment. For some, increasing US involvement in China's neighborhood has created a so-called 'four-seas linkage' dilemma, bringing together the disputes concerning the South China Sea, the Taiwan Strait, the East China Sea, and the Yellow Sea (the Korean peninsula). Whether America strengthens its diplomatic relations with key regional actors or its military capabilities in Guam and Diego Garcia, China will nevertheless feel less secure, further intensifying the strategic uncertainty between the two powers. Also, America's promotion of the Indo-Pacific strategy will lead to continuous and intensified regional arms races, particularly with respect to building up naval arms *(Fangyin and Wei, 2018).* Regional maritime disputes between China and other regional states will be exacerbated, possibly magnifying issues of legitimacy in China's maritime claims, thereby undermining its attempts to resolve island disputes *(Zhao, 2013; Desheng, 2018).* Most importantly, countries with pre-existing maritime disputes with China may receive mixed signals from America as it adopts a more hard-liner stance towards Beijing *(Liping and Qi, 2018).*

Some Chinese observers tend not to attribute much actual impact to the Indo-Pacific strategy. In their view, the current strategy is still at the conceptual level, without much substantive content. These scholars identify three inherent defects in the implementation of the strategy. First, some contend that America lacks the strength and resources to implement the Indo-Pacific strategy unilaterally. To state that America has fallen into the 'decline trap' may be an overstatement, but it is no exaggeration to say that America's ability to expand its hegemony and support the cost of that dominance has waned. Thus, America will increasingly expect its regional allies to take on more of the costs associated with maintaining the regional order *(Xizhen, 2016; Minghao, 2018).* If the US fiscal revenue and military budget can support the Indo-Pacific strategy militarily, it may elect to strengthen its military presence in the region.

However, given the Trump administration's intention to cut US 'logistical, opportunity, and operational costs' in the region, the best option is to optimize its military presence and share more defense burdens with its allies *(Katagiri, 2020).*

Second, the Indo-Pacific strategy is a regional strategy that lacks both an economic dimension of its own and the capacity to resist China's growing economic influence *(Zongyi, 2016).* After Trump took office, he pursued his 'America First' policy by successively withdrawing from multiple multilateral institutions, among which was the TPP, negotiated over a long period by the Obama administration. This US-led Asia–Pacific trade circle would have excluded China. It was considered by Chinese scholars as one of the pillars of the rebalancing strategy, posing a very serious threat to China during the Obama administration *(Zhang, 2015).*One Chinese scholar goes so far as to argue that 'Trump's unilateral pursuit of more "fairness and reciprocity" in the economic realm ... and Trump's decision to abandon TPP poses a problem to the logic of this "continuation" thesis—without TPP, the so-called "Indo-Pacific strategy" lacks any economic pillar'*(Yujia ,2018).*

Washington is, of course, aware of the importance of economic pillars to its regional strategy. On 30 July 2018, when National Security Advisor Mike Pompeo attended the Indo-Pacific Business Forum held by the American Chamber of Commerce, he announced that America would invest US$113 million to promote interconnectivity between India and the Pacific, of which US$25 million would be used for digital interconnectivity, US$50 million for energy development, and US$30 million for infrastructure development. In response to this US plan, a spokesman for the Chinese foreign ministry commented that 'such a pledge by the US side, out of what purpose notwithstanding, will help the development of regional countries ... meanwhile, we ... will watch if and how the US fulfils its promises' *(Ma, 2018).* Shortly thereafter, the Japan Bank for International Cooperation, the Overseas Private Investment Corporation (the US government's development financial institute), and the Australian Ministry of Foreign Affairs and Trade issued a joint statement announcing that the three states were 'currently negotiating a framework for cooperation'. Chinese scholars believe that while America is attempting to bring life to the military facet of the Indo-Pacific strategy, it is also trying to piece together an economic version to restrain China's expanding influence *(ibid).*

Third, other states in the region are not necessarily staunch supporters of the Indo-Pacific strategy. They differ in their understandings of the future of the regional order, their abilities, and their willingness to participate. Among the members of the Quad, India takes the most unresolved stance *(Pant and Bommakanti,2019).* Despite its willingness to balance

against China, India is unwilling to offend Beijing. Chinese scholars perceive India as a weak party in the Quad coalition. *(Le, 2019; Hu and Meng, 2020).*

Owing to their relatively long history of trilateral talks, the relationships between America, Japan and Australia are stronger than those with India, making it the weakest link in the Quad coalition. For its part, India openly opposes the idea of forming an exclusive club in the Indo-Pacific region. Instead, as Prime Minister Narendra Modi has said, '[By] no means do we see it directed at any country ... New Delhi's engagement in the area will be inclusive.' *(Ministry of External Affairs, Government of India, June 2018).* Since the Doklam standoff in 2017, partially because the Trump administration failed to support India's position, New Delhi has expressed a strong desire to rebuild its ties with China *(Pant, 2019).*

3.4 <u>China through the traps</u>

The Thucydides Trap The most famous of the traps is the deadly Greek trap in which the fear of a hegemonic power sparks catastrophic war with a rising power. Both Organski's power transition theory and Gilpinian realism see great-power wars as most likely to occur when a rising challenger is about to surpass a declining hegemonic power. Some debate exists as to whether the rising power attacks first in an attempt to turn the tables on the dominant power or whether the dominant power launches a preventive war against the rising power. The former perspective is associated with Organski and Kugler's power transition theory, the latter with Gilpin. Both perspectives stress the rising power's incentives to establish, and then take advantage of, its own rules of the game, more explicitly conceptualized as status quo dissatisfaction in Organski and Kugler's theory. The Thucydides Trap is highly relevant insofar as we have a clear incumbent power, the United States, and according to several metrics of great powerhead – military capability, manufacturing as well as commercial and corporate power – we also have a clear rising power, China. For if China aspires to become the primary superpower, it must indeed rein in the current primary power, the US. Since the US shows no signs of wanting to renounce its top dog position, China is clearly bound to clash with the US under this scenario. If China is revisionist, it could seek to challenge the rules enshrined in international institutions and close unfavorable power gaps. Assuming China is revisionist,

attempts to establish regional hegemony would certainly qualify as a more restrained form of revisionism without triggers for great-power war necessarily being pulled. China's policies towards Taiwan and Hong Kong certainly reflect this. For quite some time, foreign policy experts have concluded that the more limited ambition of regional hegemony is precisely what China has sought to achieve. It would, however, be foolish to turn a blind eye to China's more assertive posturing beyond its region – the Belt and Road Initiative (BRI), the Asian Infrastructure Investment Bank (AIIB), and its cyber-security attacks. The Thucydides Trap is a powerful analogy for the way in which a hegemonic power reacts to a rising power, to devastating effect.

The Kindle Berger Trap refers to the failure of the rising power to provide international public goods once the dominant power has lost the ability to singlehandedly provide them. Public goods have two properties, non-rival benefits and non-exclusion. They are goods everyone can enjoy without diminishing anyone else's enjoyment. Since no one can be excluded from the benefits, this creates a dilemma. When everyone is able to benefit from public goods without limitation, no one will contribute to their realization. If no one contributes, public goods will fail. Examples of international public goods are free trade, international security, and international financial stability. Kindle Berger blamed the severity of the Great Depression on the United States' failure to lead when the flailing Great Britain no longer had the capacity to fully provide the public good of financial stability. Had the United States stepped in to cover the public good burden of ensuring financial stability, the Great Depression may have been averted. By analogy, as the United States declines and is unable to provide the public goods undergirding the contemporary international order, China should pitch in to ensure their adequate supply. While the Kindle Berger Trap is seductive, and has some relevance in the trade area, as an overall assessment of US-China relations, it has two major drawbacks. First, China has not really failed to provide public goods when required to do so. The 2007 financial crisis serves as a notable example of China assisting the US with global public goods provision. Second, although the United States has clearly lost the willingness to lead under the Trump presidency, it has not lost the ability to do so. The US remains the single most powerful country in the world, with a continued capacity to provide global public goods. China may have grown strong enough to contribute to certain areas, but the US remains fully able to provide global public goods in times of duress.

3.5 <u>China's geopolitical engagement in the Indo- Pacific</u>

Beijing views the growing military activity of the United States off its shores, including in the South China Sea, as a threat to regional stability. According to the authoritative Chinese sources, the Indo-Pacific strategy of Donald Trump is part of broader efforts to prevent China from becoming a dominant regional and global power. At the same time, the development of the Association of Southeast Asian Nations (ASEAN) understanding of the Indo-Pacific region is less of a concern to Beijing, as the South-East Asian countries interested in balancing China and the United States are unlikely to fully join the fight against the "authoritarian threat." *(Denisov, Paramonov, Arapova, and Safranchuk, 2021).* This section seeks to address and study China's maritime security engagements in the Indo- Pacific region. It studies from three specific angles- the South China Sea, The Pacific Ocean, and the Indian Ocean. There is no denying of the fact that as a littoral state has its presence and interest throughout the wider waters of the Indo- Pacific.

3.5a <u>South China Sea</u>

Located at the south of China from where it gets the name – South China Sea is bordered by Philippines, Vietnam, Cambodia, Brunei, Indonesia, Singapore, Taiwan, Thailand, and Malaysia. The cartographic location of the South China Sea plays a significant role in the geopolitics of the Indo-Pacific. Situated between the Indian Ocean and the Pacific Ocean this 1.35 million-square-mile body of water is spread over three distinguished straits with water bodies of vast geo-economic, geo-strategic, and geopolitical importance which are as follows:

1. The Taiwan Strait- which separates the island of Taiwan from Mainland China.
2. The Karimata Strait -separating the Indonesian Islands of Sumatra and Borneo (Kalimanta).

3. The Malacca Straits- the main shipping channel between the Indian Ocean and the Pacific Ocean, and arguably the most important shipping lane in the world. The area around the Strait is also one of the busiest shipping routes in the world.

More than half of the world's annual merchant fleet uses the route, and a third of all maritime traffic worldwide passes through these waters. An estimated $3.4 trillion worth of international shipping trade passes through the SCS each year which accounts for a third of the global maritime trade *(Zhang, 2019; Zejun, 2017; Rongming, 2018; Zheng, 2017; Vuving, 2017; Salna, 2019).* More than half of all oil transported by sea crosses through this region. This traffic is three times greater than that passing through the Suez Canal and fifteen times more than the Panama Canal. The recent economic growth has contributed to a large portion of the world's commercial merchant shipping passing through these waters. The South China Sea is a key commercial thoroughfare connecting Asia with Europe and Africa. One-third of global shipping, or a total of US$3.37 trillion of international trade, passes through the South China Sea. About 80 percent of China's oil imports arrive via the Strait of Malacca, in Indonesia, and one- then sail across the South China Sea to reach China. The Department of Defense states that "the South China Sea plays an important role in security considerations across East Asia because Northeast Asia relies heavily on the flow of oil and commerce through South China Sea shipping lanes, including more than 80 percent of the crude oil [flowing] to Japan, South Korea, and Taiwan" (*ibid).*

Apart from being a vital sea trade route, the South China Sea is also rich in marine resources. The U.S. Energy Information Administration (EIA) estimated that there are 11 billion barrels of oil in the South China Sea, as well as 190 trillion cubic feet of natural gas. As East Asia continues to grow in importance, these resources — and who gets to control them — will become more important. The Sea's barrels of untapped oil and natural gas—have an aggravating factor in maritime and territorial disputes *(Nicol, Folger, and Taylor, 2015).* The waters in this region contain lucrative fisheries, which are crucial for the food security of millions in Southeast Asia. The South China Sea accounts for 10 per cent of the world's fisheries, making it a key source of food for hundreds of millions of people. In fact, 12 percent of the global catch comes from the South China Sea *(ibid).* Astonishing as it may sound, this may be a far bigger point of contention than the fuel reserves. Fishing is a crucial industry for

China, which is currently the largest producer of fish in the world. China accounts for 17.4 percent of the world's marine catch, nearly three times that of runner up Indonesia, according to a report from the Centre for Naval Analyses. China is also the world's biggest exporter of fish products *(ibid).*

The major island and reef formations in the South China Sea are the Spratly Islands, Paracel Islands, Pratas, the Natuna Islands and Scarborough Shoal. China's "nine-dash line" -as presented to the United Nations in 2009, is a geographical marker used to assert its claim. It stretches as far as 2,000km from the Chinese mainland, reaching waters close to Indonesia and Malaysia. Naturally, this has proven contentious. Over the years, the claimants have seized control of a raft of sea features, including rocks, islands, and low-tide elevations. The major disputes in the region are as follows:

1. A dispute over the Paracel Islands in the SCS, which are claimed by China and Vietnam, and occupied by China.

2. A dispute over the Spratly Islands in the SCS, which are claimed entirely by China, Taiwan, and Vietnam, and in part by the Philippines, Malaysia, and Brunei, and which are occupied in part by all these countries except Brunei.

3. A dispute over Scarborough Shoal in the SCS, which is claimed by China, Taiwan, and the Philippines, and controlled since 2012 by China; and

4. A dispute over the Senkaku Islands in the ECS, which are claimed by China, Taiwan, and Japan, and administered by Japan *(Kipgen 2020).*

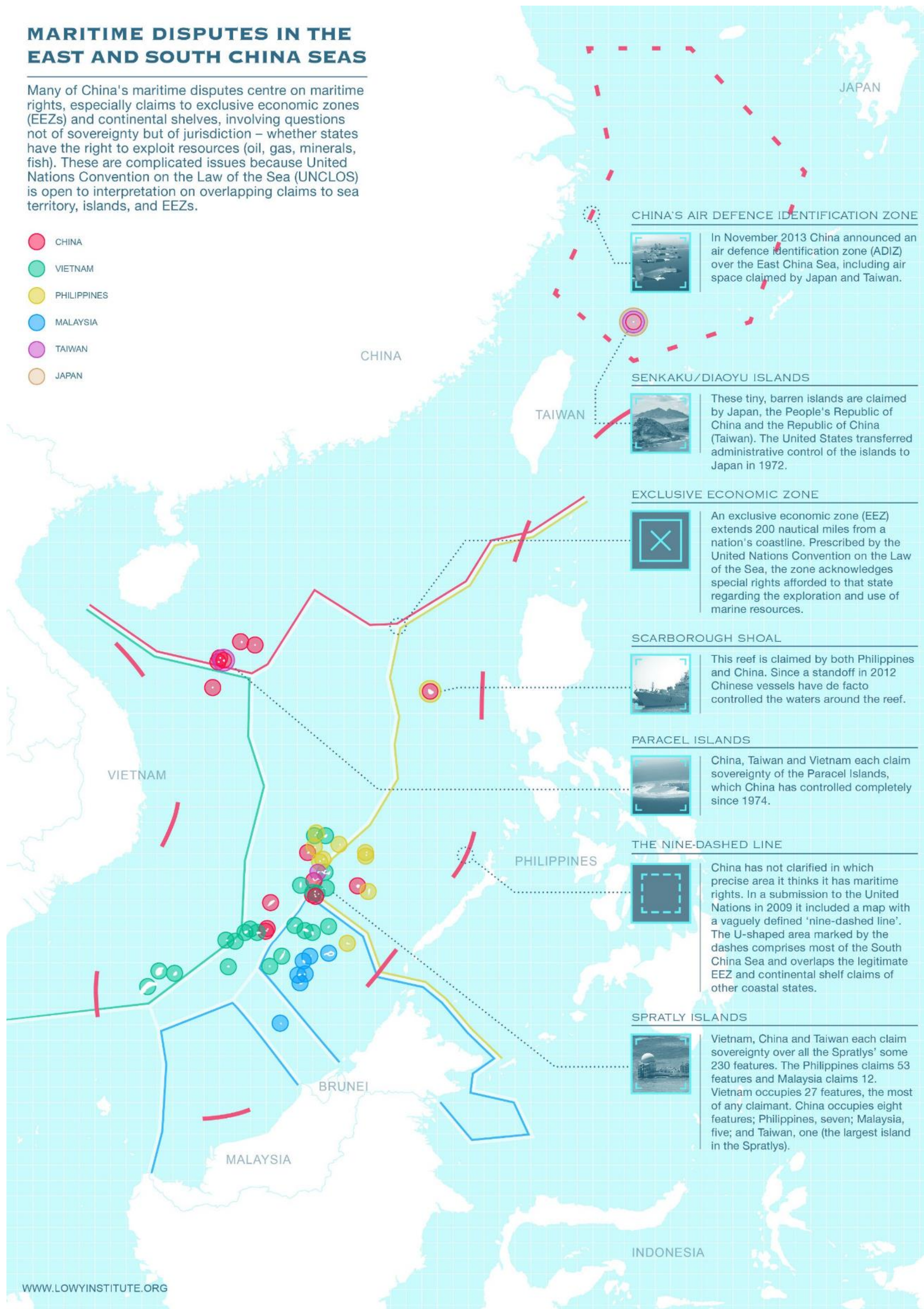

Image 3.1 Maritime disputes in South and East China Sea.

Source: www.LOWYISTITUE.ORG

China’s territorial claim to most of the South China Sea is increasingly treated as a “core interest” issue of China’s territorial integrity. China claims sovereignty over the Paracel and Spratly scatterings of (so-called) islands, rocks, atolls, and reefs, associated exclusive economic zones, and indeed most of the South China Sea under the (questionable) “nine dash/U-shaped line” *(ibid)*. This brings China into maritime and territorial disputes with Brunei, Malaysia, Indonesia and most of all, the Philippines and Vietnam (*ibid)*.

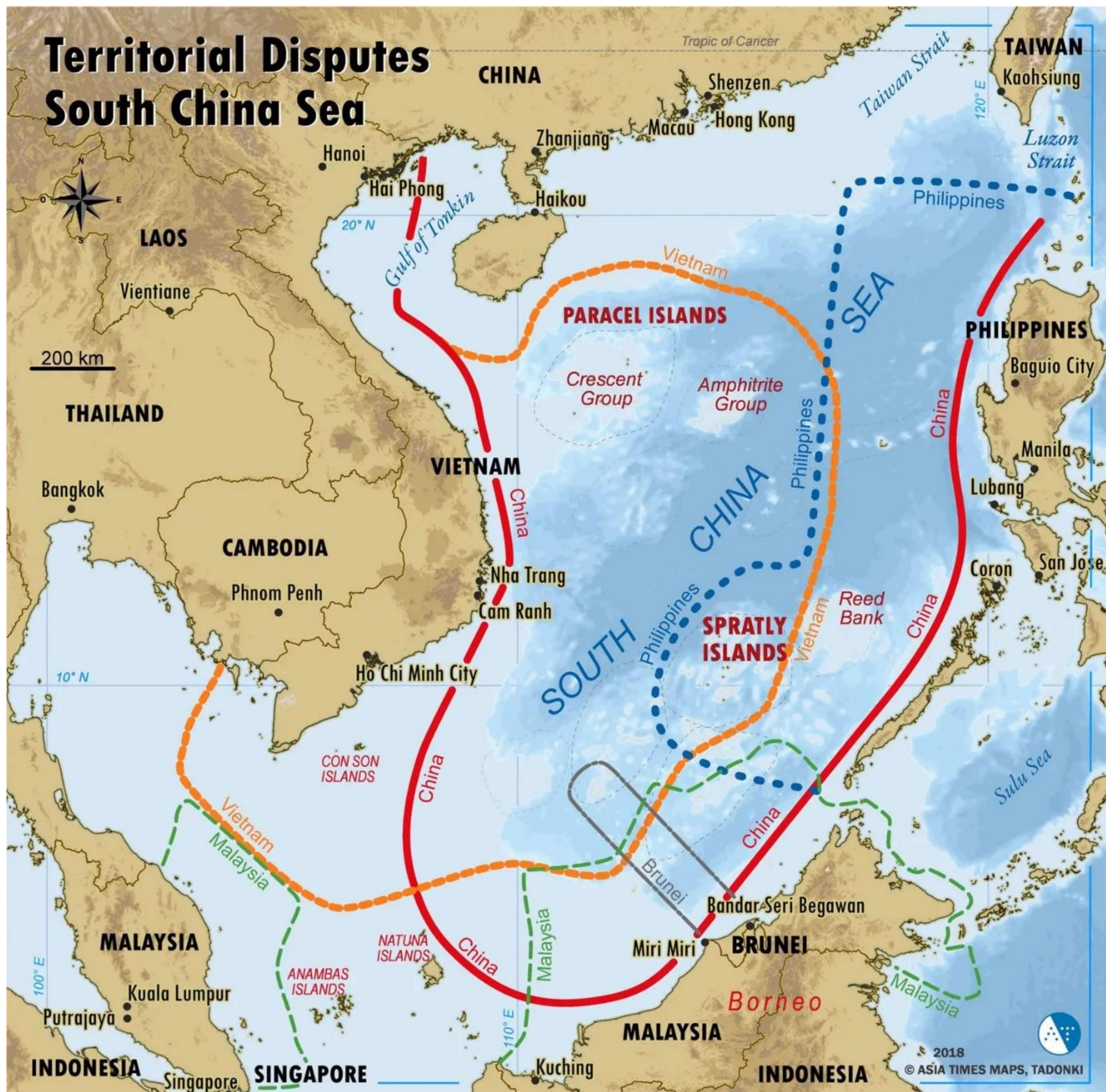

Image 3. 2 South China Sea Disputes

Source https://defencedirecteducation.com/2020/07/14/south-china-sea-dispute-all-you-need-to-know//

Disputes and contests in the SCS also aggravated since 2013 when China started its island-building activities in the region as an increased efforts to reclaim land in the South China Sea by physically increasing the size of islands or creating new islands altogether. China's island-building plan sits on a contentious intersection of technology, politics, and the environment. These artificial islands are a showcase of Chinese engineering, and this muscle-flexing has provoked strong reactions from China's neighbors in the region and a prime motivation is to reinforce China's claim over the region. By transforming reefs and cays into military installations, China is extending its military capabilities in the South China Sea. Airstrips, radar arrays, and all such buildings give China the ability to project force throughout the region.

In addition to piling sand onto existing reefs, China has constructed ports, military installations, and airstrips—particularly in the Paracel and Spratly Islands, where it has twenty and seven outposts (*ibid).* China has militarized Woody Island by deploying fighter jets, cruise missiles, large anti-aircraft guns and probable close-in weapons systems (CIWS) and a radar system. Construction activities on Fiery Cross, Subi, and Mischief Reefs in the Spratly Islands and on North, Tree, and Triton Islands in the Paracel Islands. Since 2014, China has added a total of 290,000 square meters, or 72 acres, of new landmass. China has also established a new city– Sansha on Woody Island – in turn leading to an increased Chinese tourism. *(Ian, 2018).*

China's breakthroughs in scientific and technical achievements played an important role in increasing its influence in the South China Sea. The proposed construction of floating nuclear plants, the creation of a deep-sea surveillance network to match those of maritime peers, and the launch of two new ultra-deep-water offshore exploration platforms, Blue Whale I and II, further illustrate China's upgraded capacity to dominate the entire South China Sea in the face of competing claims *(ibid).* Most importantly, economic incentives to expand Chinese control over maritime areas inside the nine-dash line have been revitalized by the development of new technology for finding and exploiting flammable ice, although economically feasible exploitation may be years away *(ibid).*

In 2014, the deployment of a Chinese drilling rig in waters near the Paracel Islands led to several confrontations between Vietnamese and Chinese ships and provoked protests in Vietnam. That same year, Beijing began land reclamation operations in some of the features it controls in the Spratly archipelago, increasing surface area with man-made structures and in turn building military installations on them *(Kipgen, 2020).*

The political implications of this island-building plan are dire, as are the environmental consequences. Coral reefs are delicate ecosystems, made up of thousands of various creatures, and the sand piled on top of the reefs smothers these organisms. This is troubling because, although reefs occupy a tiny fraction of the world's oceans, they are among the most populous marine areas, supporting thousands of different species. The damage does not stop at the reefs, either. The sand and silt stirred up by the dredgers covers most of the lagoon and settles on the remaining reef. The sand will kill nearly any bottom-dwelling organisms on which it settles in large quantities and clog the gills of most fish. This damage to coral reefs is not easily fixed, either. A coral buried under sand cannot recover. As a result, thousands of species in the sea could be destroyed, and this could have consequences beyond the ecological. Coral reefs are, amazingly enough, important to the development of pharmaceuticals as scientists have developed several drugs by studying marine organisms.

On the other hand, at the top of the South China Sea, Hainan Island gives China immediate geopolitical anchorage and power projection advantages. The submarine base at Yulin enables immediate Chinese deployment into the South China Sea, and then into the West Pacific or into the Indian Ocean. This is part of the growing significance of the South China Fleet for power projection further afield *(Khurana, 2016).* A related venture was the decision by the Hainan Commerce department in March 2018 to set up new port facilities at Sanya for deep sea research vessels to operate in the South China Sea and the Indian Ocean, to be completed by 2019. Hainan is set to become a free trade zone by 2025 and forms the first starting point in the Maritime Silk Road network *(Scott, 2019).* With regard to the Paracels, Chinese forces evicted South Vietnamese forces in 1974. Woody Island (Yongxing) has been built up at the administrative level, redesigned as the Sansha city prefecture- level body in 2012, complete with jurisdiction over China's Paracel and Spratly holdings, and reflect bureaucratic "lawfare" being deployed by China in establishing maritime claims. *(Hsiao,*

2016). Woody Island has continued to be built up as a center for naval and air force power projection by China further down in the South China Sea, with H-6K advanced bombers landing on it in May 2018. With regard to the Spratly holdings, the 1980s saw conflicts with Vietnam, for example the Johnson South Reef skirmishes of 1988, while more clashes with the Philippines resulted in China moving onto the Mischief Reef in 1995 and Scarborough Shoal in 2012. Chinese strategy during 2015–2017 focused on the creation (dubbed the Great Sand wall of China) of artificial islands through massive concrete operations to provide China with a range of harbors and airfields deep in the south of the South China Sea, and now militarized with anti- ship missiles, electronic jammers, and surface to air missiles (SAMs) which have been dubbed the Great Wall of SAMs. *(Scott, 2019).*

Chinese strategy in the South China Sea has been to establish clear physical military control of these waters, and avoid sovereignty talks at the regional, multilateral, or international level. Beijing remains keen to localize the issue and avoid the involvement (what China calls "interference") of outside nations, which of course would enable it to operate from a position of strength against the smaller littoral nations. *(Jie,2018).*

This rejection of outside legal involvement was most clearly seen in the Permanent Court of Arbitration (PCA) case of The Republic of the Philippines. The People's Republic of China brought by the Aquino administration in January 2013 with regard to the Spratly area. The PCA arbitral tribunal in applying the United Nations Convention on the Law of the Sea (UNCLOS) found that:

1. China's claims to "historic rights" in the area enclosed by the nine- dash line gave it no EEZ rights.
2. none of the existing Spratly land outcrops were "islands" under UNCLOS 121.3 criteria of being able to "sustain human habitation or economic life of their own" leaving them as "rocks" with 12-mile territorial waters but no EEZ: and
3. artificial constructions onto partially submerged reefs and atolls did not generate territorial waters or EEZS (UNCLOS 60.5), but merely had a 500-meter "safety zone" around them (UNCLOS 60.8) *(Davenport, 2018).*

Not surprisingly, having rejected the PCA competency in the first place, China vehemently rejected the subsequent PCA findings, and set out to nullify any further outcome from them. In effect China brazened it out, with China's geopolitical power seeming to outweigh its weakness in international law *(Zhao, 2017).*

Despite the PCA ruling, the new Duterte administration in the Philippines pursued economic cooperation with China, as did ASEAN. desultory discussions running since 2013 to agree to a "legally, binding" Code of Conduct (COC) on the South Sea between China and ASEAN remain to be concluded, though in August 2018 a 19-page Single draft Negotiating Text (SDNT) surfaced in the COC discussions. Significantly, the SDNT had no provisions for the COC being "legally binding," and of course did not deal with matters of sovereignty or maritime disputes" *(Thayer, 2018).*

Although the Philippines and ASEAN chose to drop the PCA ruling; other powers in the Indo- Pacific like the U.S., Japan, Australia, and India and France called on China to accept it, and with China in mind, such powers continue to issue varied joint statements on the need for the "rule of law" to be upheld in the South China Sea. It is significant that the U.S. has carried out increasing numbers of Freedom of Navigation (FON) deployments around these PRC holdings in 2018 as part of its Free and Open Indo- Pacific (FOIP) strategy and has been joined by similar FON deployments by Australia, France and even the UK. Beijing continues to see such FON deployments as "a serious political and military provocation" *(Scott, 2019).* It is also noticeable that, to China's discomfort, the U.S. has reasserted their own ongoing military presence in the South China Sea, with growing U.S. military links with Vietnam a further concern to China *(ibid).*

Observers frequently characterize China's approach to the SCS and ECS as a "salami-slicing" strategy that employs a series of incremental actions, none of which by itself is a casus belli, to gradually change the status quo in China's favor. Other observers have referred to China's approach as a strategy of gray zone operations (i.e., operations that reside in a grey zone between peace and war), of creeping annexation *(Dupont, 2014)* or creeping invasion *(Diehl, 2014)*, or as a "talk and take" strategy, meaning a strategy in which China engages in

(or draws out) negotiations while taking actions to gain control of contested areas *(Corr, 2017; Goswami, 2017).* To sum up, China's approach to maritime disputes in the SCS and ECS, and to strengthening its position over time in the SCS, can be characterized in general as follows:

1. China appears to have identified the assertion and defense of its maritime territorial claims in the SCS and ECS, and the strengthening of its position in the SCS, as important national goals.
2. To achieve these goals, China appears to be employing an integrated, whole-of society strategy that includes diplomatic, informational, economic, military, paramilitary/law enforcement, and civilian elements.
3. In implementing this integrated strategy, China appears to be persistent, patient, tactically flexible, willing to expend significant resources, and willing to absorb at least some amount of reputational and other costs that other countries might seek to impose on China in response to China's actions *(Cronin and Neuhard,2020; Gershaneck, 2018).*

3.5b <u>Pacific Ocean</u>

China has also made its presence felt within the Pacific basin. In part, this reflects China's maritime strategy of pushing past the primary and second "island chains," on which more is discussed within the later section on China's maritime strategy. In part, this reflects the push by the PRC to realize recognition because the legitimate government of China, at the expense of rival claims by Taiwan, partially this is often for China's access to the resources of these deep- sea waters and seabeds which hold fisheries and natural resource, and partially it reflects of China's increasing geopolitical rivalry with the USA.

China has also so created its own multilateral platform to interact with the region within the 2006 with the China- Pacific Island Countries economic development and Cooperation Forum (CPICedCF). This brings China alongside the eight Pacific Island states (Cook Islands, Federated States of Micronesia, Fiji, Niue, Papua New Guinea, Samoa, Tonga, and Vanuatu) that recognize Beijing. China has also reached bent the most regional mechanism, the Pacific

Islands Forum (PIF), being a dialogue partner since 1989. a proper China–PIF Cooperation Fund was found out by China in 2000.

Beijing has also developed close relationships with the sub- regional Melanesia Spearhead Group (MSG). Australia and therefore the U.S. have looked on with increasing concern as China has established close links with Fiji and involved itself in various infra structure projects in Papua New Guinea signaled in June 2018 with a Memorandum of Understanding under the Belt and Road Initiative. The very success of China's economic appearance in Papua New Guinea generated immediate counteractions though in November 2018, with the U.S. and Australia announcing joint plans to develop naval base facilities at Lombrum to forestall possible Chinese moves there.

In terms of traditional maritime security, China has been a member of the Western Pacific Naval Symposium (WPNS) since its inauguration in 1988. More recently, in 2014 and 2016 China participated within the by- invitation only bi- annual Pacific Rim (RIMPAC) naval multilateral exercises hosted by the U.S. at Hawaii, though the invitation for July 2018 was withdrawn thanks to U.S. disapproval of Chinese actions within the South China Sea. whilst one Indo- Pacific maritime interaction was being curtailed, another was being opened as August 2018 saw the Chinese navy invited and arrive to attend the Kakadu exercises within the waters off Darwin for the primary time, alongside other participants from across the Indo-Pacific.

3.5c <u>Indian Ocean</u>

The Indian Ocean has emerged as a critical water course for trade, commerce, and energy. The waters of the Indian Ocean Region (IOR) have become a strategic location for economic developments, disputes, conflicts, and competition for regional influence by regional and extra-regional powers. Most of the major powers, such as the United States, Australia, Japan, United Kingdom, India, and China have sought stakes in the security of the IOR. During the Cold War, the Soviet Union wanted direct access to the IOR; now, China is no exception

and is looking for the same. The India Ocean remains a pivot, being the world's busiest trade route. Around 80 percent of the world's maritime oil trade passes through the IOR. Indian Ocean economies accounted for 35.5% of global iron production and 17.8% of world gold production in 2017 *(Bgs.ac.uk, 2018).*

Indian Ocean, body of saltwater covering approximately one-fifth of the total ocean area of the world. It is the smallest, geologically youngest, and physically most complex of the world's three major oceans. The Indian Ocean is bounded by Iran, Pakistan, India, and Bangladesh to the north; the Malay Peninsula, the Sunda Islands of Indonesia, and Australia to the east; Antarctica to the south; and Africa and the Arabian Peninsula to the west. In the southwest it joins the Atlantic Ocean south of the southern tip of Africa, and to the east and southeast its waters mingle with those of the Pacific Ocean. The IOR consists of 28 states, spans across three continents and covers 17.5% of global land area. These 28 countries include 21 members of the Indian Ocean Rim Association (Australia, Bangladesh, Comoros, India, Indonesia, Iran, Kenya, Madagascar, Malaysia, Mauritius, Mozambique, Oman, Seychelles, Singapore, Somalia, South Africa, Sri Lanka, Tanzania, Thailand, United Arab Emirates and Yemen), and Brunei, Cambodia, the Maldives, Myanmar, Pakistan, Timor-Leste, and Vietnam.

As one of the world's most important strategic chokepoints, 32.2 million of barrels of crude oil and petroleum are transported per day - more than 50 % of the world's maritime oil trade - are found in the IOR, which itself is believed to be rich with energy reserves. Nearly 40 % of the world's offshore petroleum is produced in the Indian Ocean, coastal beach sands and offshore waters host heavy mineral deposits, and fisheries are increasingly important for both exports and domestic consumption *(Scott, 2019).*

As China's global economic footprint increases, its Indian Ocean dependency is increasing in kind. Chinese access to vital African resources, Persian Gulf oil and gas, and sea - borne trade with Europe all depends on the passage of these goods across the Indian Ocean. To reach the People's Republic, all of this must then pass through the Straits of Malacca, a narrow, pirate - infested waterway which is less than two miles across at its narrowest point. The Straits of Malacca is one of the world's most significant maritime chokepoints: 25 % of the world's traded goods and 25 % of all sea- borne oil passes through it. According to the US

Energy Information Agency, roughly 80 % of China's imported oil passes through the Straits, leading President Hu Jintao to label this strategic bottleneck the "Malacca Dilemma" in 2003 *(Lanteigne, 2008).* The phrase encapsulates two problems: on one hand the fact that the lifeblood of

China's economy must pass through a two-mile-wide channel after transiting the Indian Ocean, and on the other hand, the concern that, as President Hu phrased it, "certain powers" could control the Straits and put China at risk with comparative ease *(Odom, 2020)).*

Importantly, China's dependence on the Indian Ocean is likely to be longstanding. As Professor Zhang Li, director of security and diplomatic studies at Sichuan University's Institute of South Asian Studies explained that the Indian Ocean would be the region which most of China's energy imports would transit "for the next forty years", also explaining that "there is a very strong fear in India about China's intentions in the Indian Ocean" *(ibid).*Indeed, as China takes steps to offset its Malacca dilemma by building both military and industrial infrastructure in the Indian Ocean region, frictions with India are likely to increase *(ibid).*

Although China is an external power in the Indian Ocean, it has sought closer involvement with Indian Ocean Regional Association (IORA), of which it is an observer. However, India has maintained a veto on China joining or having observer status with the Indian Ocean Naval Symposium (IONS). China's economic presence in the Indian Ocean is being channeled through its Maritime Silk Road (MSR) initiative. Its military presence in the Indian Ocean is in part through "new pathways" of ongoing facilities or quasi- bases being established in the Indian Ocean. Hence comments by PRC scholars that "China should also enhance its military and economic presence in the Indian Ocean," since "the Indian Ocean is a 'must enter' region for the Belt and Road initiative as well as the national strategy of building China into a maritime power" *(Han, 2018).*

China's expansionary efforts in the Indian Ocean Region have been dubbed by the Pentagon as the "string of pearls" strategy-an hypothesis advanced in 2004 with the Pentagon-

sponsored study on Energy Futures in Asia. Its accuracy has become engrained in Indian perceptions of China in the Indian Ocean, in which encirclement fears are palpable. China has always denied that it is operating a specific “string of pearls policy” of military bases and has denied any aims of India- encirclement *(Zhiyong, 2013).* But while the creation and development of logistical support bases represent a necessary component of this strategy, military muscle is what underwrites its execution *(Legarda and Nouwens, 2018).* With a current budget of roughly 178.2 billion USD, China is far and away the world’s second-largest military investor and continues allocating greater resources toward building blue-water naval capabilities *(globalfirepower.com, 2021).*

Certainly, some of these “string of pearl” facilities have proven still- born. The Kra canal project has not yet come to fruition, and fears of Chinese listening facilities on Great Coco Island seem to have been rumor rather than fact. China’s hopes of building and operating a deep-water port at Sonadia were blocked when the Bangladeshi government canceled the project in 2016. Rumors of a Chinese submarine base at Marao atoll in the Maldives have proven illusory as well. However, there has been an emerging support network in the Indian Ocean, which are not full-blown military bases, but which are increasingly enabling China to deploy at regular intervals for dual purpose utilization. China’s anti- piracy operations in the Gulf of Aden have led China to seek and gain friendly reprovisioning access at Salalah (Oman), Aden (Yemen), and most recently Djibouti. Three port facilities are of particular note for China, namely at Hambantota, Gwadar, and Djibouti.

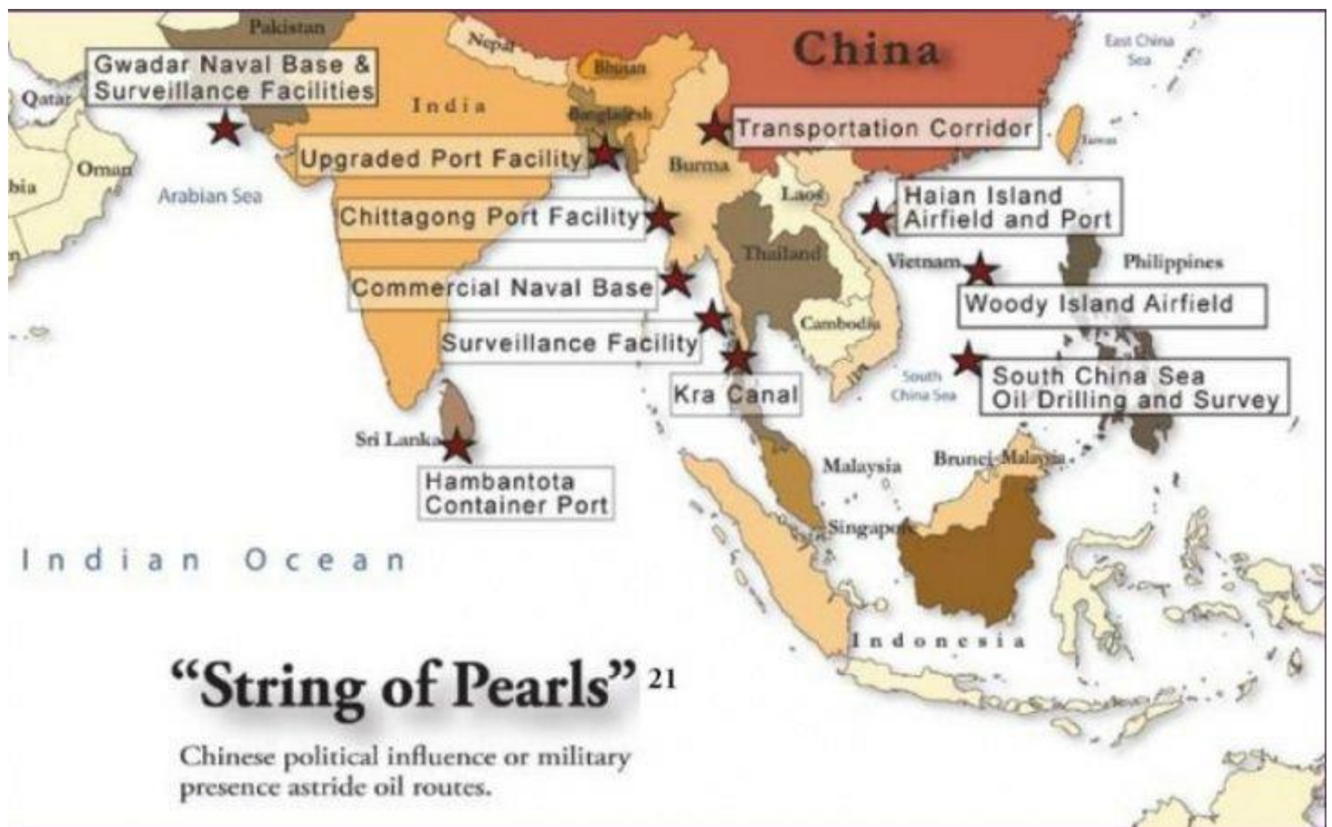

Image 3.3 String of Pearls, Source: MarineBuzz.com

Hambantota is particularly striking as not only was it set up under Chinese financing, but problems of repaying Chinese loans incurred in developing the port led Sri Lanka in December 2017 to give a 99-year lease to the state- owned China Merchants Port Holdings (CMPH) company. This has led to the damaging regional image of debt diplomacy being pursued by Beijing.

Gwadar has already been mentioned in connection with the China- Pakistan economic Corridor. developed as a new deep-water port on the Makran coast of Pakistan, Gwadar has caused palpable Indian concerns as one of China's string of pearls in the Indo- Pacific. Gwadar's initial phase–I development was funded by Chinese investment, with the port opening in 2007. Initially, Gwadar was operated by a Singaporean company, but in late 2015 was given to the state- owned China Overseas Port Holding Company (COPHC) under a 40-year lease. Gwadar gives the Chinese navy another future berthing place in Pakistan, alongside its traditional use of Karachi.

Djibouti is of particular significance as being China's first explicit overseas military base. Initially China's deployments of anti- piracy patrols in the Gulf of Aden in 2009 were coupled with denials that it intended to set up any overseas base. A decade later and "berthing facilities" opened up at Djibouti in September 2017, complete with the stationing of Chinese marines and live firepower drills being carried out by an ongoing Chinese garrison. China's Ministry of National defense argued that the meaning of the Djibouti base for China was that "responsibilities today have gone beyond the scale of guarding the Chinese territories, and that overseas military bases will provide cutting- edge support for China to guard its growing overseas interests, concluding that Djibouti is just the first step. Such basing and support facilities in the India Ocean facilitate increasing Chinese naval deployments into the Indian Ocean, deployments which are part of China's maritime strategy, to now consider.

3.6 China's geoeconomics engagement in the Indo- Pacific

China's geo- economic involvement in the Indo- Pacific revolves around energy security and the Maritime Silk Road (MSR) initiative. China faces an ever growing "energy security" issue. Before 1995 China was an oil exporter, but since 1995 a modernizing industrializing China has become an increasingly large energy importer of oil and gas. The biggest external source of energy for China is the Middle east, from where energy imports flow across the Indian Ocean through the Strait of Malacca to the South China Sea and up to China. This generates important maritime imperative for China's energy security resolution. These energy imperatives lay behind the Pentagon- sponsored study in 2004 on Energy Futures in Asia, where the authors argued that "China is building strategic relationships along the sea lanes from the Middle east to the South China Sea in ways that suggest defensive and offensive positioning to protect China's energy interests but also serve its broader security objectives" *(Macdonald, Donahue and Danyluk, 2004).*

Image 3.4 By the author, The flow of Energy from the Middle East to China

China is faced with various energy challenges across the Indo- Pacific. This was typified in Dai Xu's warnings: Looking at the example of the Middle east, which supplies over half of China's oil imports, Chinese oil transport vessels travelling from that region must pass through the Persian Gulf, the Indian Ocean, the Strait of Malacca, and the South China Sea *(Yung, 2014).*

Piracy threats have prompted ongoing anti- piracy deployments by China into the Gulf of Aden since 2009, and a clear sign of the Chinese navy's "broadened horizon" and "enhanced ability." *(Yandan, 2019).* The reference to Indian and U.S. naval interruption of energy supplies primarily refers to the "Malacca dilemma", a term coined by the previous Chinese leader Hu Jintao with regard to China's energy supplies being blocked by U.S. or Indian naval interdiction of energy imports coming through the Strait of Malacca. Chinese analysts are well aware that within the Indo-Pacific maritime continuum, "energy security requires free passage from China's coastline to the Indian Ocean, with the Strait of Malacca playing a particularly central role" *(Jingdong, 2013).*

China’s desire to avoid the maritime “Malacca dilemma” constriction has also led it to develop two significant diversions away from the Strait of Malacca. One is the China-Myanmar energy Corridor (CMEC), organized around the gas line and oil pipelines running up from the deep-water port of Kyaukpyu to Kunming in southwestern China. This was opened in April 2017, complete with a 70 percent stake in Kyaukpyu by the state- run conglomerate China International Trust Investment Corporation (CITIC) agreed in November 2017. Second, is the China- Pakistan economic Corridor (CPEC) running from Gwadar on the Pakistan Coast up the Indus valley to Xinjiang, which links the Maritime Silk Road to the overland Eurasian Belt within the Belt and Road Initiative (BRI). It remains to be seen whether significant quantities of energy flow through these pipelines and infrastructure routes, as well as how secure they will be.

Within the Indo- Pacific, China’s claims in the east China Sea and South China Sea are partly to do with their energy potential. China’s claims over energy fields in the east China Sea brings it up against Japan, while those in the South China Seas brings it up against no other rival littoral claimants, but also Indian attempts to operate in energy fields like Block-128 controlled by Vietnam, but also claimed by China. Finally, energy security is one driver in China’s Maritime Silk Road initiative, since the extended Indian Ocean and South China Sea lanes are precisely those used for transporting energy back to China *(Scott, 2019).*

China’s “Maritime Silk Road” has become a frequently mooted theme in China’s foreign policy, with the state media explaining the Maritime Silk Road (MSR) as a “geo-economics ‘Indo-Pacific’ plan” on the part of Beijing *(Zongyi, 2014).* The Maritime Silk Road is the maritime Indo- Pacific part of the Belt and Road initiative, the “Belt” being the overland Eurasia route, with the China- Pakistan economic Corridor (CPEC) running from Gwadar up to Xinjiang forming a link route between the MSR and Eurasia routes *(Scott, 2019).*

The rhetoric is soaring, with Chinese scholars calling the Maritime Silk Road (MSR) initiative “the fulfilment of ‘the era of Indo- Pacific,’” and the MSR packaged benignly as “a maritime silk road to peaceful seas” *(Bangyu and Hong,2015).* PRC scholars may argue that the “‘Maritime Silk Road Initiative’ indicates China’s intention to create a peaceful and

harmonious environment, for cooperating with other States," as does its attendant naval diplomacy. *(Chang, 2018)*. However, it is precisely Chinese "intentions" and its naval presence which generate widespread apprehension outside China. Its assertiveness over pushing its wide- ranging claims over most of the South China Sea, and the dependency issues in its wider MSR infrastructure projects have not helped China's image across the region. *(Scott, 2019)*.

China's Maritime Silk Road concept was first unveiled in October 2013 by Xi Jinping at the Indonesia Parliament, where his call was to "vigorously develop maritime partnership in a joint effort to build the Maritime Silk Road of the 21st century." *(Xiaokun, 2013)*. In Southeast Asia, the MSR initiative serves to potentially soothe worries over assertive Chinese maritime claims in the South China Sea. The initiative was extended from Southeast Asia to take in the Indian Ocean, while a further spur has been extended into the Southern Pacific—fostering an image of economic cooperation, rather than unsettling naval expansionism. As the Chinese Ambassador to Singapore Chen Xiaodong explained, the MRS "will help mitigate the negative impact caused by the South China Sea dispute" *(Xinhua, 2015)*. In short, the Maritime Silk Road (MSR) concept is an attempt to counterbalance the negative imagery caused in the Indo-Pacific over Chinese policies and actions, "deepening trust and enhancing connectivity" is China's official mantra *(Jiechi, 2015)*.

Some clarification of what the MSR involves was given by Xinhua in April 2014 in its report, "China Accelerates Planning to Re- connect Maritime Silk Road." This announced that the MSR initiative would involve "infrastructure construction of countries along the route, including ports of Pakistan, Sri Lanka and Bangladesh," in which China would "coordinate customs, quality supervision, e- commerce and other agencies to facilitate the scheme, which is also likely to contain attempts to build free trade zones." *(Xinhua, 2014)*. In December 2014, China set up the Silk Road Fund, with US$40 billion in funds to be provided by the State Administration of Foreign exchange (65 percent), China Investment Corporation (15 percent), the export import Bank of China (15 percent) and the China development Bank (5 percent)8.

8 Figures at www. silkroadfund. com. cn.

In June 2017, China unveiled a White Paper entitled Vision for Maritime Cooperation Under the Belt and Road Initiative. It emphasized win- win "pragmatic cooperation" involving "shelving differences and building consensus" and a "call for efforts to uphold the existing international ocean order" (*Daye, Charman, Wang, and Suzhikova, 2019).*

China's Maritime Silk Road (MSR) initiative has generally been well received across much of the Indo- Pacific. This was demonstrated at the Belt and Road Forum held in Beijing in May 2017, where the leaders of Kenya, Pakistan, Sri Lanka, Malaysia, Singapore, Indonesia, Cambodia, Vietnam, the Philippines, and Fiji joined other ministers from various other Indo-Pacific countries. At the last minute, Japan and the U.S. sent representatives, though at a junior level. At the 2017 Forum, Xi Jinping announced that an additional RMB100 billion (around US$15.9 billion) would be put into the Silk Road Fund.

China has faced rival Indo- Pacific infrastructure schemes. The Obama administration mooted the Indo- Pacific economic Corridor (IPEC). Since 2014, India has sought to build up its own Indian Ocean schemes with Mausam and the Cotton Route on the cultural front, and the Security and Growth for All in the Region (SAGAR) on the economic front. With good reason, China saw the U.S. infrastructure initiative announced by Secretary of State Mike Pompeo in July 2018 as being counter to the BRI initiative *(Zhao, 2021).*

The Australian Infrastructure Financing Facility for the Pacific (AIFFP) mechanism announced by Australia in November 2018 represented another counter to China's infrastructure penetration. India and Japan floated the Africa-Asia Growth Corridor (AAGC) initiative in 2016, which was immediately criticized in the Chinese state media.19 In turn the Trilateral Partnership for Infrastructure Investment in the Indo-Pacific (TPIIIP) initiative from Australia, Japan and the U.S. was set up in November 2018. Such alternatives lessen the advantages China holds from its MSR initiative.

A second Belt and Road Forum was held in April 2019, with leaders and ministers from a swathe of countries in South- east Asia, the South Pacific, and the Indian Ocean—though the

U.S. and Sri Lanka boycotted this, unlike in 2017. It remained significant that India boycotted China's Belt and Road Forum both in 2017 and 2019. India's absence was officially on the grounds that the China- Pakistan economic Corridor (CPEC) linking the overland Eurasian "Belt" route and the Indian Ocean "Maritime Silk Road" route crossed Kashmir, in dispute between India and Pakistan. In reality, India is averse to the MSR, because it views China's power projection in the Indian Ocean as counter to its own interests, and with widespread Indian perceptions of the MSR as being in effect a "string of pearls" geopolitical encirclement.

3.7 Conclusion

The Chinese experts, without exception, interpret the U.S. Indo-Pacific strategy as a reaction to global and regional power shifts and to China's rise with its growing economic, political, and military influence *(Heiduk and Wacker, 2020).*

Chinese experts have identified various weaknesses in the U.S. Indo-Pacific strategy. Some doubt the will of the United States to provide the resources necessary to implement the strategy, especially because since Trump's inauguration Washington has been demanding more burden-sharing from its allies (above all Japan and South Korea). Others point out that each of the four protagonists – the United States, Japan, Australia, and India – has their own distinct understanding of the Indo-Pacific concept; there is considerable variation not only in their geographical definition but also in their strategic objectives. This lack of a unified concept is seen as a further weakness. According to another Chinese assessment, India's commitment to the Indo-Pacific is particularly tenuous because India does not want to be instrumentalized by the United States, Japan, and Australia. Chinese observers argue that India is not prepared to form an alliance simply because of its identity as a co-founder of the Non-Aligned Movement (NAM). They also see few signs of U.S. dominance in the Indian Ocean, citing as indicators the lack of allies and the absence of a strong military presence in the region – unlike in the Pacific and East Asia.

The greatest weakness of the Indo-Pacific concept from the point of view of Chinese analysts is that it does not yet have a credible economic dimension/ pillar and therefore does not constitute a serious challenge to China's attractiveness as a trade and investment partner (including within the framework of the BRI). This criticism applies above all to the United States, whose Indo-Pacific strategy (FOIP) focuses mainly on security. Due to the divergent economic interests of the four main proponents of the Indo-Pacific (India, Japan Australia, and the USA), Chinese experts question the long-term viability of the concept. In this context, several publications point to the withdrawal of the United States from the TPP trade agreement.