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**CHINA'S POTENTIAL MILITARY THREAT TO  
SOUTHEAST ASIA**

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The potential threats China poses to Southeast Asia can be placed in two broad categories: conventional military threats and more ambiguous and subtle challenges, possibly in the guise of maintaining regional order. We recognize that these categories are part of a continuum: China employs both approaches as needed—beginning with subtle or indirect threats, and escalating when that approach fails or where a “lesson” is required.<sup>1</sup> Nevertheless, the distinction between the two kinds of threats is analytically useful: threats in the former category are easily identifiable and therefore more amenable to deliberate planning, including deterrence and response. Because of their lower profile and ambiguous nature, threats in the latter category may be more likely to materialize but harder to anticipate or counter effectively.

**CONVENTIONAL MILITARY THREATS**

There are two conventional military threats that would require a U.S. diplomatic or military response:

- An aggressive and hegemonic China could threaten freedom of navigation in the South China Sea, perhaps to coerce the United States, Japan, or the ASEAN states into accepting Chinese politi-

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<sup>1</sup>Dr. James Clad’s comments to authors, January 2000. For a more extensive analysis, see Mark Burles and Abram N. Shulsky, *Patterns in China’s Use of Force*, RAND, MR-1160-AF, 2000.

cal demands. If faced with this prospect, the United States might seek support from individual ASEAN states to carry out a defense of the sea-lanes, or one of the ASEAN states might request such U.S. assistance. While U.S. naval forces would play the primary role in such a contingency, U.S. air power might also be called upon to protect U.S. naval forces or the territories and facilities of the ASEAN states against Chinese military attacks.

- China could try to forcibly establish and maintain physical control over all or most of the Spratly Islands, prompting requests for military assistance from one or more of the ASEAN countries. Such a Chinese operation could feature the threat or use of force against the territory of an ASEAN state, either to compel acceptance of Chinese demands or to defeat opposing military forces; alternatively, China could expand its “salami tactics” to assert control over more territory. Under either of these circumstances, ASEAN governments could request a more visible and substantial U.S. military presence, including emergency deployments of U.S. naval vessels and combat aircraft as a demonstration of America’s commitment to use force to meet its security commitments.

### Threats to the Southeast Asian SLOCs

For a host of reasons, the likelihood of an overt Chinese attempt to disrupt Southeast Asian sea-lanes over a sustained period of time would appear to be low. First, under normal circumstances, China has strong economic incentives to maintain freedom of navigation for its own shipborne commerce through Southeast Asian sea-lanes. Over \$1 trillion in trade passes through these sea-lanes each year. China’s share of this trade, including trade that transits Hong Kong, is close to \$100 billion a year—or roughly 16 percent of China’s GDP—and growing at an annual rate of over 16 percent.<sup>2</sup> Moreover, China’s dependence on these sea-lanes is expected to grow, especially for imported oil: by the year 2015, according to several forecasts, China’s demand for energy is projected to increase 160 percent and Chinese consumption of Persian Gulf oil, which would pass

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<sup>2</sup>Henry J. Kenny, *An Analysis of Possible Threats to Shipping in Key Southeast Asian Sea Lanes*, Alexandria, VA: Center for Naval Analyses, 1996, pp. 38–39.

through Southeast Asian sea-lanes, is expected to triple. Thus, a serious and prolonged blockage of Southeast Asian sea-lanes would inflict damage on Chinese economic growth by cutting off trade to China and that of China's key trading partners in the Asia-Pacific region.

Second, although Chinese naval forces might engage in "police actions" to combat piracy, political considerations would discourage Chinese action to interdict Southeast Asian sea-lanes. A Chinese attempt to disrupt shipping, for example, would probably: (1) elicit severe ASEAN, regional, and international condemnation and, in particular, deal a severe setback to Chinese efforts to improve relations with the ASEAN countries; and (2) provoke some countries and organizations (e.g., the United States, Japan, the European Union [EU], and ASEAN) to impose economic sanctions, including reductions in investment, trade, and technology transfer. The United States, Japan, and the EU could also block credits to China by international financial institutions.

Third, even if economic and political disincentives failed to deter Chinese military actions to disrupt the sea-lanes, Beijing would need to take into account military, operational, and geographic constraints that would make operations to achieve a closure of the sea-lanes and maritime chokepoints exceptionally difficult. The weaknesses in China's conventional power projection capabilities are detailed in other RAND studies.<sup>3</sup> The key points are summarized below:

- China faces serious shortcomings in its ability to project and sustain force in the South China Sea; in particular, the Chinese navy remains vulnerable to air and surface naval attack. In addition, Chinese forces suffer from low readiness, inadequate training, and deficiencies in logistics support; command, control, communications, computing, and intelligence (C<sup>4</sup>I); and modern equipment.
- The Chinese would face serious constraints on the use of mines for interdiction. Although, because of its physical characteristics, the Strait of Malacca is especially vulnerable to mining, the same

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<sup>3</sup>See, especially, Khalilzad et al.

is not true for moored or bottom mines in the other straits (Sunda and Lombok) and the South China Sea. Hence, even if mining of the Strait of Malacca shut down ship traffic until the channels were cleared, traffic could be rerouted, albeit at additional expense, through the other straits. In addition, the Chinese would have great difficulty in laying mines that can discriminate between enemy and friendly shipping. Further, any overt Chinese mine-laying operation, and in particular reseeded operations, would be highly vulnerable to counterattack and the growing mine-countermeasures capabilities of the ASEAN states. Together, these factors suggest that any blockage of the straits resulting from mines would be either ineffective or limited in duration.<sup>4</sup>

Although China is far from having the across-the-board military capabilities that it would need to challenge the United States or a U.S.-led coalition in the South China Sea, it possesses “asymmetric” capabilities that it could target against specific weaknesses of potential adversaries. China, for instance, has made a substantial investment in modernization of its subsurface naval force. China’s Huludao shipyard is the only facility in the Asia-Pacific area building nuclear-powered submarines.<sup>5</sup> Because the South China Sea sound environment is unfavorable to antisubmarine warfare (ASW), Chinese submarines can operate with reasonable effectiveness, despite other operational weaknesses. Chinese short-to-medium-range ballistic and cruise missile systems could also pose a threat to civilian and military shipping.<sup>6</sup>

In short, for at least the next decade China will likely have neither the motivation nor the capabilities to sustain a prolonged closure of the sea-lanes. The Chinese would be inhibited from threatening freedom of navigation in Southeast Asian waters because of the likelihood, if the provocation were great enough, of a severe military

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<sup>4</sup>Kenny, pp. 23–24.

<sup>5</sup>The first model of a design based on the Russian Victor III is expected to be completed in 2001. See *Jane’s Defence Weekly*, February 18, 1998, p. 37.

<sup>6</sup>Evan A. Feigenbaum, “China’s Military Posture and the New Geopolitics,” *Survival*, Vol. 41, No. 2, Summer 1999, pp. 82–83.

reaction by the United States and other like-minded countries.<sup>7</sup> In this contingency, Southeast Asian states are likely to provide support for U.S. military operations, given the economic and geopolitical consequences they would suffer from a Chinese stranglehold on their economic lifeline. The Chinese would have to calculate, therefore, that any unprovoked attempt to interfere with shipping in the South China Sea would result in a military loss and perhaps a significant increase in the U.S. military presence in China's own backyard.

### **Conflict over Territorial Claims to the Spratly Islands**

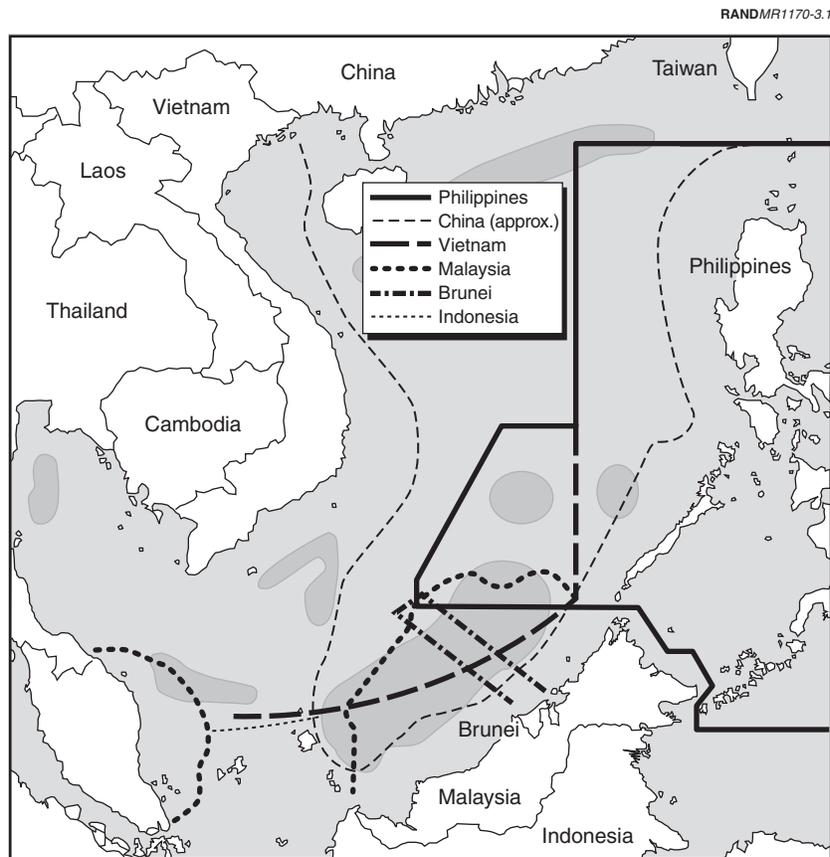
Although the prospects are remote that China will mount conventional military attacks against the sea-lanes for the foreseeable future, the possibility cannot be ruled out that hostilities could break out between China and one of the ASEAN states in the South China Sea, perhaps as a result of an incident that spins out of control. In this scenario, China might seek to deter U.S. military involvement by raising the costs of conflict enough to weaken U.S. resolve. The Chinese could calculate, whether correctly or not, that the United States might hesitate to place its carriers at risk, and that China's growing cruise and ballistic missile capabilities would provide Beijing with a credible "sea denial" option.<sup>8</sup>

Indeed, territorial disputes in the South China Sea have emerged as the key external security issue facing ASEAN and pose the greatest potential "flashpoint" for conflict in Southeast Asia (see Figure 3.1). Beijing's quest for improved power projection capabilities, assertiveness in pressing its maritime and territorial claims in the South China Sea, and track record in using force to defend China's sovereignty have all stirred apprehensions in Southeast Asia about China's intentions. Much of the worry reflects an underlying, if often unspoken, fear that Chinese assertiveness foreshadows a China that will become more menacing as its power grows.

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<sup>7</sup>Kenny, p. 20.

<sup>8</sup>Robyn Lim, "The ASEAN Regional Forum: Building on Sand," *Contemporary Southeast Asia*, Vol. 20, No. 2, August 1998, p. 127.



SOURCE: Adapted from <http://www.middlebury.edu/SouthChinaSea/maps/oilclaims.gif>.

**Figure 3.1—Conflicting Claims in the South China Sea**

Disputes over the ownership of the Spratly Islands date from a century of competition among European colonial powers, Japan, and China for control of the South China Sea. At the present time, the PRC, Taiwan, Vietnam, Malaysia, Brunei, and the Philippines claim overlapping parts of the Spratly archipelago and adjacent waters. The PRC, Taiwan, and Vietnam claim the entire area because of asserted historical rights. The Chinese base their claim to

sovereignty on the discovery and exploration of the South China Sea by Chinese traders and explorers going back to the second millennium B.C. China's earliest formal claim was made in 1887. Vietnam derives its claim from the jurisdiction exercised by Vietnamese emperors in the early 1800s and rights inherited from the French colony of Cochinchina. Malaysia, Brunei, and the Philippines base their claims on their interpretation of the United Nations Convention on the Law of the Sea (UNCLOS). The Philippine claim is also partially based on the occupation of allegedly unclaimed islands by a private Philippine citizen in 1956. Indonesia is not a party to the Spratly Islands dispute, but the Chinese claims impinge on Indonesian-claimed waters near the Natuna Islands.<sup>9</sup>

Prospects are dim for a negotiated settlement of the Spratly Islands dispute anytime soon, largely because of the wide gap among the ASEAN disputants, the technical complexity of the issues, and China's uncompromising position on the sovereignty issue. Although China has made some rhetorical and tactical shifts in its position on the Spratlys—including the renunciation of force to settle the dispute and proposals for joint development of resources—China has little incentive to reach a diplomatic settlement. Indeed, as one expert on Southeast Asia has observed, China's notion of a settlement is one that endorses China's claims, and Beijing's definition of "joint development" is foreign participation in the exploitation of China's resources.<sup>10</sup>

China's determination to establish its control over the Spratlys stems from historical, political, and economic motives. Although the geopolitical rationale for upholding Chinese claims to the Spratlys has diminished with the end of the Cold War and Soviet military disengagement from the region, such calculations could resurface if China feared containment or encirclement. It is also possible that some Chinese officials see a military presence in the South China

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<sup>9</sup>Moreover, both the Philippines and Indonesia, as archipelagic states, enjoy the right under the UNCLOS to draw baselines around the fringes of their outermost islands and claim the waters within these boundaries as territorial waters. See Xavier Furtado, "International Law and the Dispute Over the Spratly Islands: Whither UNCLOS?" *Contemporary Southeast Asia*, Vol. 21, No. 3, December 1999, pp. 386–404.

<sup>10</sup>See Leszek Buszynski, "ASEAN Security Dilemmas," *Survival*, Vol. 39, No. 4, Winter 1992–1993, p. 94.

Sea—and, more broadly, China’s ability to project military force in the heart of ASEAN and threaten control of the sea-lanes—as essential to achieving its goal of regional hegemony.<sup>11</sup>

The Chinese have been unambiguous in stating their position on the status of the Spratlys. Chinese officials often describe the South China Sea claims as a national sovereignty issue and a matter of both pride and principle on which no compromise is possible.

Chinese scholars and academics with close ties to the Chinese government echo this view. As one said: “Regional countries have occupied China’s islands and reefs, carved up its sea areas, and looted its marine resources,” adding that China’s moves in recent years are a “long-overdue and legitimate action to protect its territorial integrity.” If China lost such territory, “the legitimacy of the communist regime would be questioned.”<sup>12</sup> Echoing this sentiment, another Chinese academic said: “The Spratly issue is about what is China, and what is China’s space.”<sup>13</sup> Simply put, any Chinese leader considering compromise on the issue would have to take account of the likely adverse reaction of key domestic audiences.<sup>14</sup>

Another factor animating China’s desire to establish control over the Spratlys is its growing appetite for oil and the inability of domestic oil production to meet this demand. According to the most recent projections of the United States Energy Information Administration, by the year 2020 China is projected to import 70 percent of its oil and 50 percent of its gas. Virtually all this oil will transit the South China Sea, and thus any disruption of the flow of oil to China could have a crippling effect on the Chinese economy. Historically, the Chinese have sought to minimize their strategic dependence on other countries, and this ideology of self-reliance is still very much alive.

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<sup>11</sup>See Shee Poon Kim, “The South China Sea in China’s Strategic Thinking,” *Contemporary Southeast Asia*, Vol. 19, No. 4, March 1998, p. 382, regarding People’s Liberation Army (PLA) navy thinking on the strategic importance of control of South China Sea sea-lanes.

<sup>12</sup>Jie, Chen, “China’s Spratly Policy,” *Asian Survey*, Vol. 34, No. 10, October 1994.

<sup>13</sup>Breckon, p. 49.

<sup>14</sup>See Sheldon W. Simon, *The Economic Crisis and ASEAN States’ Security*, Carlisle Barracks, PA: Strategic Studies Institute, U.S. Army War College, 1998, p. 10.

It is likely, therefore, that Chinese leaders are uncomfortable over the prospect of increasing dependence on foreign oil and will look for ways to lessen China's vulnerability to any disruption. Physical control over the Spratlys would achieve this objective in two ways: first, it would prevent other countries from using the Spratlys to mount an oil interdiction effort. Second, the Chinese claim that there are large oil and gas deposits in the waters surrounding the Spratlys and that exploitation of these deposits would help to redress the projected shortfall between oil production and consumption.<sup>15</sup> However, most Western experts believe that these claims are vastly overstated.<sup>16</sup>

In examining the prospects for armed conflict over the Spratlys, two main scenarios merit consideration:

- A Chinese attack on the outposts of other occupants of the Spratlys. For example, the Chinese could conduct air and naval attacks against the garrisons of other claimants to force their departure, which could lead to efforts by the victims to defend their positions or repossess the islands if their units were evicted. Even under these circumstances, however, a major disruption of shipping is unlikely. Most of the commercial shipping that transits the South China Sea passes along sea-lanes that are over 150 miles from likely areas of dispute. In addition, any conflict over the Spratlys is likely to be limited in duration and scope. The Chinese would quickly overwhelm the garrisons on these islands; further, even if the attacked parties decided to mount a counterattack against newly established Chinese outposts, none of the potential belligerents can sustain major force in the Spratlys for more than a few days. Consequently, any disruption of shipping near the Spratlys would be short and the major sea-lanes would remain open.

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<sup>15</sup>The Chinese Ministry of Geology and Mineral Resources estimated oil and gas reserves of 17.7 billion tons; Ji Guoxing, Director of the Asia-Pacific Department of the Shanghai Institute for International Studies, put reserves at 10 billion tons of oil and 25 billion cubic meters of gas. Cited in South Asia Analysis Group, "Chinese Assertions of Territorial Claims," January 14, 1999, [www.saag.org/paper24.html](http://www.saag.org/paper24.html). These estimates of large oil and gas reserves in the South China Sea, however, have yet to be proven by exploration.

<sup>16</sup>Dr. Karl Jackson suggests that Chinese claims of large oil and gas deposits may be a rationalization for Chinese assertiveness in the South China Sea. Comments to authors, February 2000.

- Conflict triggered by energy exploration or exploitation activity, fisheries disputes, accidents or miscalculations, regional tensions, or provocative actions by one or more parties to the dispute.<sup>17</sup> The likelihood of such a scenario, while difficult to judge, cannot be ruled out, particularly in light of previous incidents between China and Vietnam in disputed oil drilling blocks. Since neither country can sustain military operations in this area for long, any hostilities are likely to be of limited duration. But, as was noted above, the Chinese may not have to sustain operations over a lengthy period to attain their political objectives.

### AMBIGUOUS THREATS

For the reasons outlined above, the most likely scenario is not a conventional Chinese military attack on territory or forces of an ASEAN state, but a continuation of the successful “island hopping” salami tactics that have marked previous Chinese attempts to extend their control over disputed islands. The Chinese occupation of Mischief Reef, claimed by the Philippines, is a case in point. China may also resort to more subtle and ambiguous uses of force to fulfill its regional goals and ambitions. The Chinese military, for instance, could engage in selective harassment and intimidation of regional states in the guise of enforcement of Chinese maritime claims, protection of Chinese fishermen, antipiracy or antismuggling operations, or restoring stability in the event of the breakdown of domestic or international order. Piracy has always been epidemic in Southeast Asian waters, but the incidence of cases has increased dramatically since the onset of the financial crisis. In 1999, 160 cases of piracy—56 percent of all the cases reported worldwide—occurred in Southeast Asia. The majority of the attacks occurred in Indonesian and Philippine territorial waters.<sup>18</sup> China itself is the source of much

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<sup>17</sup>These risks are described in Ralph A. Cossa, “Security Implications of Conflict in the South China Sea: Exploring Potential Triggers of Conflict,” *CSIS PacNet Newsletter*, No. 16, April 17, 1998.

<sup>18</sup>Peter Chalk, “Contemporary Maritime Piracy in Southeast Asia,” unpublished manuscript, RAND, 2000. Piracy statistics are published by the International Chamber of Commerce, International Maritime Bureau.

of this activity—reportedly with the acquiescence or participation of local officials and customs, police, and naval personnel.<sup>19</sup>

Hence, the most likely challenge the ASEAN countries and the international community will face is periodic Chinese efforts to “pick off” individual islands or reefs, perhaps under the cover of research expeditions or order-keeping operations that deprive other countries of adequate warning.

The range of opportunities for China to engage in this type of activity in Southeast Asia would expand in an environment of economic hardship and political and social disorder. Weakened ASEAN governments unable to control piracy or prevent attacks on ethnic Chinese communities may present Beijing with targets of opportunity for intervention. One factor that is likely to influence Chinese calculations regarding the use of force is whether ASEAN countries, either individually or collectively—or with the assistance of outside powers—have the military capabilities and political will to mount an effective defense against Chinese threats to regional security.<sup>20</sup>

In sum, China's ability to influence the security environment in Southeast Asia will be shaped by political and economic conditions in China and Southeast Asia, by the ASEAN countries' interaction with China, and by the extent to which U.S. and Chinese interests coincide. That said, China is not the only—or for some Southeast Asian countries even the principal—security concern. In a number of regional states, domestic stability holds a higher order of priority.

## IMPACT OF ECONOMIC FUTURES

There are four illustrative sets of economic conditions—each discussed in greater detail in the appendix—that could influence the evolution of the Chinese military threat to Southeast Asia: (1) There is no second round of the Asian financial crisis. The region's economies begin to grow again, but at a slower pace than in the pre-

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<sup>19</sup>Ian James Storey, “Creeping Assertiveness: China, the Philippines, and the South China Sea Dispute,” *Contemporary Southeast Asia*, Vol. 21, No. 1, April 1999, p. 100.

<sup>20</sup>Some Southeast Asia specialists take the view that ASEAN states will be unable to mount an effective defense against China, regardless of capabilities and political will, as long as China remains a unitary state.

ceding decade. In this scenario, Asian policymakers' attention will be focused on domestic concerns. (2) There is further economic deterioration. Fragile recoveries are aborted and financial uncertainty again sweeps the region. (3) China manages to get its house in order, but other Asian economies fail to mount sustained recoveries. Within Southeast Asia, there is greater differentiation in economic performance, depending on the individual countries' ability to maintain political stability and appropriate economic and fiscal policies. (4) The Southeast Asian economies begin to recover and resume higher rates of economic growth, but China fails to deal with the structural problems in its banking and state industrial systems.

If we assume no major discontinuities—if the conditions described in illustrative scenarios 1 or 3 apply—the most likely projection is the continuation of Beijing's policy to improve political and economic relations with ASEAN states while exploiting opportunities to strengthen its presence in the region. In these scenarios, China would not directly threaten the territorial integrity of ASEAN states, although a rising China would likely seek to exercise greater influence over ASEAN economic and political policies and shape the regional environment to further its security interests.

If conditions in Southeast Asia deteriorate, China would find more opportunities to pressure or coerce regional countries into acquiescing in its security agenda. China could seek to disrupt ASEAN defense relationships with the United States and other powers, move more aggressively to enforce its territorial claims in the South China Sea, or intervene in domestic conflicts of regional countries, ostensibly to protect local Chinese ethnic communities.<sup>21</sup> If the economic crisis engulfs China as well, the consequences would be unpredictable. China could turn inward, or it could seek to divert attention from domestic problems by ratcheting up international disputes.

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<sup>21</sup>For a discussion of the relationship of the overseas Chinese to China, see David S.G. Goodman, "Are Asia's 'Ethnic Chinese' a Regional Security Threat?" *Survival*, Vol. 39, No. 4, Winter 1997–1998, pp. 140–155.

## CONCLUSIONS

It can be argued that the Chinese seek a peaceful and stable environment in which to promote the expansion of trade and investment. From this perspective, any disruption in its broad patterns of international trade and investment could seriously damage China's ability to sustain high rates of economic growth, which are key to its emergence as a great power and to the preservation of domestic political stability.<sup>22</sup> According to this interpretation, China's concerted diplomatic efforts over the past decade to improve relations with its neighbors, in particular Indonesia and Vietnam, are shaped largely, but not exclusively, by economic considerations.

On the other hand, Chinese military actions ostensibly aimed at preserving regional order and stability may not be inconsistent with China's economic and trade interests. In any event, China's willingness to use force to achieve its objectives is seen by many ASEAN countries as a growing threat to regional stability. Chinese statements and actions clearly reveal growing maritime aspirations in Southeast Asia and a heightened interest in the natural resources of the South China Sea. China's embrace of a more outward-oriented military doctrine, the nature of its military modernization program, and its adventurism in the South China Sea have aroused widespread anxieties about Chinese motivations.

Bellicose Chinese statements about intentions in the region have also fueled perceptions that China's campaign to gain control over the Spratly Islands is part of a larger Chinese expansionist strategy to achieve regional hegemony. In the near to midterm, these incentives and constraints on Chinese behavior suggest that, barring aggressive actions by other claimants, China will act cautiously to press its claims, opting to take advantage of opportunities to achieve quick and easy gains but avoiding truly provocative actions that might precipitate large-scale hostilities or undermine broader Chinese political or economic interests.

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<sup>22</sup>Although there are dissenters, this view represents a broad consensus among China-watchers. For a recent exposition of this perspective, see Avery Goldstein, "Great Expectations: Interpreting China's Arrival," *International Security*, Vol. 22, No. 3, Winter 1997-1998, pp. 36-73.

Whatever China's long-term intentions toward Southeast Asia, there are the separate issues of whether China would have the military capabilities to prevail in a conventional conflict or whether it might be deterred from using force because of the potential risks and costs that might attend Chinese aggression. In the short to medium term, a conventional Chinese military attack on the territory or forces of an ASEAN state or an attempt to interfere with freedom of navigation on the South China Sea or take control of the Spratly Islands is not the most likely scenario. Given the shortcomings in China's force projection capabilities, the possibility of a quick and decisive victory in a conventional conflict would be far from certain. Unless China felt a sense of encirclement, therefore, military weakness and the political and economic downsides of premeditated aggression are likely to deter China from undertaking large-scale aggression in the South China Sea.

Rather than confronting a conventional military attack, the United States and ASEAN countries are likely to face a continuation of China's creeping irredentism. The challenge will be to devise an effective security strategy to respond to ambiguous moves.<sup>23</sup> For the United States, elements of an effective response might include fostering closer inter-ASEAN defense cooperation, establishing a regional air surveillance network to combat drug smuggling and piracy, and developing the presence and capabilities required to participate effectively in stability-support operations. Implications for U.S. strategy and defense planning are discussed at greater length in Chapter Eight.

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<sup>23</sup>For an exposition of this view, see Phillip C. Saunders, "A 'Virtual Alliance' for Asian Security," *Orbis*, Spring 1999.