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# Chinese Coercion in the South China Sea: Resolve and Costs

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*This policy brief is based on "Cautious Bully: Reputation, Resolve, and Beijing's Use of Coercion in the South China Sea," which appears in the summer 2019 issue of International Security.*

## Bottom Lines

**A reputation for resolve.** China uses coercion in the South China Sea primarily to establish a reputation for resolve for defending its sovereignty.

**Economic costs of coercion.** China coerces only countries whose markets or resources it does not need.

**Sensitivity to geopolitical cost.** When deciding whether to use military coercion, China considers the likely geopolitical backlash from the United States or its allies.

China has used coercion in its disputes in the South China Sea since the 1990s. In some cases, particularly in the mid-1990s, this has involved the use of the Chinese military. In 1994, for example, China deployed naval ships to blockade a Vietnamese oil rig operating in waters claimed separately by China and Vietnam as an exclusive economic zone (EEZ). In 1995, China's military seized and occupied Mischief Reef, an atoll contested by China, the Philippines, Taiwan, and Vietnam.

A Chinese Coast Guard ship uses water cannon on a Vietnamese Coast Guard ship on the South China Sea near the Parcel Islands, May 3, 2014. (Vietnam Marine Guard)



China's use of its military to settle disputes in the South China Sea stands in contrast to its use of nonmilitary coercion in the region since 2007. In July 2008, for example, China threatened to impose economic sanctions against ExxonMobil, in response to its planned collaboration with Vietnam to explore for oil in an EEZ claimed by both countries. In March 2011, Chinese maritime surveillance ships expelled Philippine vessels exploring for oil around Reed Bank, a land feature in the Spratly Islands whose sovereignty China, the Philippines, Taiwan, and Vietnam have all disputed. Similarly, in May of the same year, China sent maritime surveillance ships to block Vietnamese vessels engaged in oil exploration in the disputed Vanguard Bank in the Parcel Islands. From April to June 2012, it imposed diplomatic and economic sanctions on the Philippines when Philippine naval vessels attempted to arrest Chinese fishermen near the disputed Scarborough Shoal. China imposed a month-long ban on Philippine banana exports to China and canceled senior-level meetings between leaders in China and the Philippines. It also engaged in gray-zone coercion, using maritime surveillance ships to blockade or ram Philippine vessels.

China's coercive behavior in the post–Cold War period suggests three patterns. First, China uses coercion when it wants to establish a reputation for resolve. Second, China has been a cautious bully, resorting to coercion only infrequently. Third, when China perceives the “geopolitical backlash cost” of military coercion to be high, it chooses instead to use sanctions and gray-zone coercion. (“Geopolitical backlash cost” refers here to the possibility that the target state will seek to balance against China, with the potential for U.S. military involvement.) When China perceives the geopolitical backlash cost to be low, it is more likely to use military coercion.

## A Reputation for Resolve

For China, certain actions by other South China Sea disputants—for example, seeking control of land features or exploring for undersea resources—have implications beyond the activity itself. China believes that if it does not take coercive measures to deter such behavior, other states will view it as weak and unwilling to defend its interests in the region. This concern is especially acute when the actions of other South China Sea disputants gain salience through international media exposure. To China, the higher the international media salience of a particular event, the more likely it is that other states will watch its response (or lack thereof), effectively increasing pressure on China to use coercion to establish resolve.

The 2012 Scarborough Shoal incident is one such case. Extensive reporting by international media of the apprehension of eight Chinese fishermen by the Philippine navy fed fears in Beijing that, if it did not take action, other states would believe that it lacked resolve. Vietnamese oil and gas exploration in 2011 offers another example of the effect of international media. That year, China used gray-zone coercion against Vietnamese exploration vessels (including cutting their cables) rather than military coercion, which would likely have attracted international attention.

Interviews with former Chinese and U.S. officials, in addition to Chinese-language primary sources, indicate that the main reason why China used coercion against the Philippines and Vietnam was to demonstrate its resolve vis-à-vis other South China Sea disputants. In contrast, another country in the region—Malaysia—rarely publicizes its maritime disputes with China. As a result, China rarely uses coercion against Malaysia.

## **Economic Costs of Coercion**

Although China feels pressure to show resolve, it is also aware of the potential economic cost for using coercion. Consequently, it uses this tool only selectively. If China does not depend on the target state for markets, critical imports, or technology, it is more likely to employ coercive measures. This partially explains why China took coercive steps against the Philippines in the Scarborough Shoal incident. In contrast, China is an important export market for the Philippines.

## **Sensitivity to Geopolitical Cost**

China's concerns over the potential for geopolitical backlash help explain when it is likely to utilize military coercion. For example, when the United States closed its naval base at Subic Bay in the Philippines in the early 1990s, it left a geopolitical vacuum in Southeast Asia. China interpreted the U.S. withdrawal as a lessening of the U.S. commitment to defend the Philippines should China and the Philippines become involved in a militarized conflict. Believing the likelihood of geopolitical backlash from the United States to be low, China seized the disputed Mischief Reef militarily in 1995 and pressured the Philippines into bilateral negotiations.

In the 2000s, however, the United States “returned” to Southeast Asia, adding more troops to its bases in the Philippines as part of its counterterrorism efforts in the region. The U.S. action heightened China's concern

of a geopolitical backlash to its coercive behavior, especially the possibility that the United States might be involved militarily in a South China Sea dispute if Beijing were to engage in military coercion. Instead, China has relied primarily on gray-zone coercion and economic sanctions. In addition to the above-mentioned incidents involving Vietnam in 2011 and the Philippines in 2012, China threatened economic sanctions against British Petroleum in 2007, when BP announced plans to engage in oil and gas exploration with Vietnam in what China considers its EEZ.

## Policy Implications

The implications for the United States of China's need to establish resolve in defense of its sovereignty in the South China Sea are twofold. First, the United States could expand its freedom of navigation operations (FONOPs) in the area, increasing their frequency and developing a relatively fixed schedule of when and where to conduct them. By regularizing these operations, the United States would effectively reduce the likelihood of their attracting media attention and being publicized and, by extension, China's need to use coercion to demonstrate resolve. Second, the United States could adopt a strategy of "quiet rebalancing" rather than, for example, calling out China on Twitter, which only increases Beijing's need to show resolve. More private communications with China to signal the United States' commitment to its allies, as opposed to public communications, are another example of quiet rebalancing. Like regularized FONOPs, such behavior would likely increase China's perception of the geopolitical cost of coercive action while reducing its need to establish resolve.

To further deter Chinese coercion in the South China Sea, the United States could complement its military statecraft with improved economic statecraft. First, it could work with Japan—a critical ally—in offering "exit options" to Southeast Asian countries, whereby the United States and Japan would provide alternative export markets for Southeast Asian goods and sources of foreign direct investment in the region. Rejoining the Trans-Pacific Partnership and creating an alternative to China's Belt and Road Initiative—Chinese foreign direct investment projects—would

be necessary U.S. first steps in this regard. Second, the United States could consider increasing coordination on policy toward Southeast Asia among its military, relevant economic agencies (e.g., the U.S. Trade Representative, the U.S. Agency for International Development, and the U.S. Department of Commerce), and the State Department. Currently, this policy is focused heavily on the use of the U.S. military. Third, instead of engaging in an all-out trade war, the United States could apply targeted economic pressure on China—for instance, sanctioning Chinese energy enterprises that conduct maritime exploration in the South China Sea.

To deter Chinese military coercion and the possibility of incidents in the South China escalating into military conflicts, the United States should clearly communicate to China its red lines in the South China Sea and its treaty commitment to its allies, emphasizing that it will defend its allies in the face of Chinese military action. President Barack Obama warned China explicitly against land reclamation in the Scarborough Shoal, indicating that there would be negative consequences if China were to proceed. Evidence suggests that China refrained, in large part, as a result of Obama's warning. Donald Trump's administration, however, has been inconsistent in cautioning China against taking certain actions in the South China Sea and in reassuring allies in the region of the United States' commitment to their security. Also, given that China still engages in gray-zone coercion and maintains a military presence in the South China Sea, the United States, China, and relevant disputants could benefit from more multilateral discussions and negotiations on developing a code of conduct regarding unplanned encounters of naval vessels in the South China Sea.

None of the above measures would lead to a massive increase in U.S. defense spending, but they would help reduce the likelihood of unintended escalation between China and the United States.

## Related Resources

Andrew S. Erickson and Ryan D. Martinson, eds., *China's Maritime Gray Zone Operations* (Annapolis: Naval Institute Press, 2019).

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