



# Crisis and Confidence: Major Powers and Maritime Security in Indo-Pacific Asia



Rory Medcalf and Raoul Heinrichs  
with Justin Jones

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## Executive summary

The sea lanes of Indo-Pacific Asia are becoming more crowded, contested and vulnerable to armed strife. Naval and air forces are being strengthened amid shifting balances of economic and strategic weight. The changing deterrence and warfighting strategies of China, the United States and Japan involve expanded maritime patrolling and intrusive surveillance, bringing an uncertain mix of stabilising and destabilising effects.

Nationalism and resource needs, meanwhile, are reinforcing the value of territorial claims in the East and South China seas, making maritime sovereignty disputes harder to manage. Chinese forces continue to show troubling signs of assertiveness at sea, though there is debate about the origins or extent of such moves.

All of these factors are making Asia a danger zone for incidents at sea: close-range encounters involving vessels and aircraft from competing powers, typically in sensitive or contested zones.

While the chance that such incidents will lead to major military clashes should not be overstated, the drivers – in particular China’s frictions with the United States, Japan and India – are likely to persist and intensify. As the number and tempo of incidents increases, so does the likelihood that an episode will escalate to armed confrontation, diplomatic crisis or possibly even conflict. An accumulation of incidents could also play into a wider deterioration of security relations among major powers.

This report, part of the Lowy Institute’s MacArthur Foundation Asia Security Project, explores the major-power maritime security dynamics surrounding China’s rise. It focuses on the risks and the management of incidents at sea involving Chinese interactions with the United States, Japan and India. Sino-Southeast Asian and Korean Peninsula maritime tensions are also touched upon, given their potential to draw in major powers. For now, the risk of major-power conflict arising from maritime incidents is centred on China’s frictions with the United States, Japan and other nations in East Asia. But maritime tensions could reach across the wider Indo-Pacific region, as the power and interests of China and India expand.

The region is ill-prepared to cope to with the perils arising from incidents at sea. Asia’s infrastructure of maritime confidence-building measures (CBMs) – such as military dialogues, real-time communication channels and formalised ‘rules of the road’ – is generally flimsy and little-used.

This report examines the limits of and prospects for confidence-building at sea among major powers in Indo-Pacific Asia. It canvasses the range of CBMs available. ‘Indirect CBMs’ include ship visits, combined exercises, operational cooperation

on transnational issues like piracy, and wide-ranging defence exchanges and dialogue. More substantial ‘direct CBMs’ include continuous communication channels and formal Incidents at Sea (INCSEA) agreements.

A major obstacle to progress on effective maritime CBMs is revealed to be the clash of views about the value and purpose of such instruments, particularly between the dominant strains of policy thinking in Beijing on one side and the United States, its allies and partners on the other. These differences in turn relate to clashes of interests, notably over military strategies and sovereignty – hence for instance China’s confrontational opposition to US surveillance in its Exclusive Economic Zone. The prevailing view in Beijing is that strategic ‘trust’ should precede major advances in maritime military diplomacy. In Washington and elsewhere, the standard view is that CBMs are needed precisely when trust is absent. Still, there is a continuing policy debate within China, suggesting modest prospects for progress in managing incidents at sea.

The report concludes with some realistic recommendations to reduce risks of crisis and escalation under conditions of continued mistrust. These include:

- renewed efforts to build a confidence-building regime with China in tandem with US strategies to maintain deterrence and reassurance to allies under the new ‘AirSea Battle’ concept
- sustained efforts to shift China’s internal debate in favour of continuous military dialogue with the United States and Japan
- proper implementation of US–China and Japan–China maritime security hotlines to allow real-time responses to incidents
- improved crisis-management and coordination mechanisms within and between US allies and partners, including as an example to China
- new bilateral talks, notably a Sino-Indian maritime security dialogue
- efforts by medium powers, notably Australia, to maintain defence engagement with China even at times of major-power tensions
- serious attention to maritime incidents in multilateral security forums
- keeping open the possibility of future discussion on INCSEA or other risk-reduction agreements between the United States and China. It would be in US interests to ratify the UN Convention on the Law of the Sea ahead of any such negotiations.

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Many of our insights in this publication were garnered during research consultations with experts and security practitioners in China, Japan and the United States in late 2010. In Beijing, meetings were held at the China Institute for International Studies, Peking University, the China Institute for Contemporary International Relations and the PLA Academy of Military Sciences. In Tokyo, discussions took place with the National Institute for Defense Studies, the Ocean Policy Research Foundation, universities, media organisations and government agencies. In Washington, we benefited from discussions with experts at the East West Center, the Center for Naval Analyses, the Institute for Defense Analysis, the Center for Strategic and International Studies and the American Enterprise Institute, as well as with experts from the US Naval War College. The authors have also benefitted from regular consultation with Indian security experts and senior naval officers in New Delhi, Singapore and Australia over some years. In each case we are grateful for our interlocutors' generosity in sharing their time and their ideas.

Finally, the authors thank the Royal Australian Navy for its support in co-hosting a Lowy Institute/US Naval War College conference on maritime security in the Indo-Pacific region, held at the Naval Heritage Centre, Sydney, in February 2011. The conference provided us with a valuable opportunity to test this publication's assumptions, arguments and conclusions.

Of course, the judgments contained in this paper reflect the personal assessments and views of the authors. Justin Jones' contribution was prepared during his placement with the Lowy Institute as Navy Fellow, and represents his own views rather than policy positions of the Australian Department of Defence, Australian Defence Force or Royal Australian Navy.

Photographs, unless otherwise attributed, are courtesy of the US Department of Defense.

## Prologue: Days that could have ended differently

Sunday, 8 March 2009 was a day that could have ended differently. In the South China Sea, 70 nautical miles from Hainan Island, five Chinese vessels – a naval intelligence collection ship, two civilian patrol ships and two trawlers – sailed out to confront the USNS *Impeccable*, a US Navy oceanographic ship, believed to have been gathering intelligence related to Chinese submarine activity.<sup>1</sup>

As the flotilla took up positions around the *Impeccable*, two Chinese ships closed in. Seeking to avoid a collision, the *Impeccable*'s captain improvised, directing his crew to spray one of the approaching vessels with a fire hose. This did not have the desired effect. As the Chinese ships closed to within seven metres, their crewmen dropped planks into the water to obstruct the US ship's movements, and then moved directly into the *Impeccable*'s path, forcing it into an emergency braking procedure. With the *Impeccable* stationary, Chinese crewmen used long poles to poke at surveillance instruments towed behind the ship, disrupting the ship's intelligence operation. Shadowed and harassed, the ship left the area.

The episode involved what is technically known as 'close marking', or as it was more colourfully called in Cold War days, a game of 'nautical chicken'. But this light-hearted characterisation belies the hazards of such incidents, which in recent years have become a feature of East Asia's security environment.<sup>2</sup> Had something gone awry – had an American or Chinese sailor been killed, for example – the consequences might have been far more serious. The incident could have led not only to the possibility of direct escalation but also to protracted diplomatic retaliation, a more acute sense of mistrust and, through repeated incidents, a more general deterioration in the US–China relationship and thus the stability of Asia's security environment.

Indeed, one year later that is essentially what happened. The '*Impeccable* incident', along with other encounters at sea in 2009 and earlier, presaged a series of events in 2010 which directly damaged major power relations (See map, page 9). The March 2010 attack by North Korea on the *Cheonan*, a South Korean corvette, killing 46 sailors, and North Korea's shelling of Yeonpyeong Island in November, raised tensions on the Korean Peninsula to levels unprecedented since the Korean war. Beijing's mishandling of these issues – its refusal to blame North Korea – has damaged relations with South Korea. At the same time, China's alleged designation of its territorial claims in the South China Sea as a 'core interest' – a red line beyond which Beijing might consider the use of force – and Washington's firm response, including on behalf of others, have compounded the deterioration of US–China relations. The South China Sea is now looked upon as another strategic flashpoint



Two Chinese trawlers stop directly in front of the USNS *Impeccable*.

in East Asia.<sup>3</sup> High-profile naval exercises on both sides have also heightened mistrust, whatever their value in signalling intentions and resolve.

Maritime security relations between China and Japan also dived in 2010. In April, China conducted a large naval exercise in waters near Okinawa. A helicopter from this flotilla reportedly ‘buzzed’ Japanese ships at the perilously close range of 90 metres.<sup>4</sup> Then, in September, Japanese authorities arrested a Chinese fishing captain whose trawler had rammed a Japanese coastguard vessel near the disputed Senkaku/Diaoyu Islands in the East China Sea. A diplomatic crisis followed, in which China’s

non-military escalation included reported moves to cut off its supply of rare-earth minerals to Japan. This categorically ended a phase of improved Sino-Japanese relations, following the 2009 election of a centre-left government in Tokyo.<sup>5</sup> It also unleashed nationalist anger in both countries, and provided impetus in Japan for a reinvigoration of the US alliance and the framing of a more overtly China-centric defence strategy. There was initial speculation that Japan’s triple disaster – earthquake, tsunami and nuclear – of March 2011 might at least act as a circuit-breaker in relations with China. Beijing provided humanitarian assistance, Japanese society’s orderly response to the catastrophe earned praise in the Chinese media, and Chinese premier Wen Jiabao visited Fukushima in the context of a trilateral summit with Japan and South Korea. Yet security relations at sea remained tense. In February 2011, Japan scrambled fighter jets when Chinese surveillance aircraft approached the disputed islands. And the helicopter buzzing incidents have continued, with Japan deploring as especially insensitive an instance that occurred in the weeks following the March disaster.<sup>6</sup>

In addition to rising tensions with the United States, Japan and South Korea, Beijing has encountered direct maritime mistrust with a range of other nations, notably India and some Southeast Asian neighbours. This has added to concerns in some other countries, such as Australia, about China’s possible future security behaviour. In Southeast Asia, concerns about China’s supposed ‘core interest’ claim on the South China Sea have been compounded by incidents in which Chinese naval or paramilitary forces are alleged to have confronted vessels or aircraft from Vietnam and the Philippines. As recently as mid-2011 these were drawing public expressions of concern at ministerial level.<sup>7</sup> Turning to the Indian Ocean, although reports of a 2009 incident between a Chinese ship and an Indian submarine were almost certainly false, there is wide speculation that competition between China and India at sea is only a matter of time.<sup>8</sup>



Although Beijing's immediate maritime security attention remains heavily focused on the so-called island chains of the Western Pacific, in the long run its reliance on Indian Ocean sea lanes for energy routes makes a substantial Chinese naval role west of the Strait of Malacca highly likely.<sup>9</sup> A rising India, meanwhile, is expanding its interests and naval reach east of Singapore. So although Sino-Indian incidents at sea are unlikely in the near term, New Delhi will be closely watching how China manages – or fails to manage – its maritime frictions with the United States, Japan and others. Sooner or later, India and China will need a maritime confidence-building regime of their own if they are to maximise chances of coexisting peacefully as Asia's rising powers.<sup>10</sup> But the present danger is primarily in the waters on China's periphery in East Asia, and no solution is in sight.



Selected Indo-Pacific maritime incidents, 2001-2011



Map Ref.	Incident	Location	Date
1	Collision between US Navy EP-3E signals intelligence aircraft and PLA-N J-8II fighter jet. Chinese jet pilot dies and EP-3E is forced to land on Hainan Island and its US crew detained.	Near Hainan Island	1 April 2001
2	US Navy ship USNS <i>Impeccable</i> encounter with ships from PLA-N, Bureau of Maritime Fisheries, and State Oceanic Administration.	75 miles south of Hainan Island	5-8 March 2009
3	A PLA-N Song class submarine shadowed the USS <i>Kitty Hawk</i> aircraft carrier group undetected and surfaced within torpedo range of the group.	Near Okinawa	26 October 2006
4	Collision between Chinese fishing boat and Japanese Coast Guard patrol boats. Chinese boat and crew detained.	Senkaku/Diaoyu Islands	7 September 2010
4	Japanese F-15J fighters intercept Chinese Y-8 surveillance planes.	30 nautical miles from Senkaku/Diaoyu Islands	March 2011
4	Reported buzzing of Japanese destroyer by PLA-N helicopter.	Senkaku/Diaoyu Islands	March 2011
5	Chinese patrol vessel dazzles the USNS <i>Victorious</i> by directing its high-powered spotlight at the ship.	Yellow Sea	4 March 2009
5	The South Korean Navy ship ROKS <i>Cheonan</i> is sunk by a North Korean torpedo with the loss of 46 lives.	Near Baengnyeong Island, Yellow Sea	26 March 2010
6	A PLA-N vessel manoeuvred in dangerous proximity to a Japanese survey ship in the area.	East China Sea	July 2004
6	Chinese warships were observed close to a disputed gas field, with one reportedly targeting its main gun at a Japanese surveillance aircraft.	East China Sea	September 2005
6	PLA-N flotilla of 10 vessels pass through Japan's Miyako Strait without warning and conduct anti-submarine warfare exercises. Chinese helicopter buzzes Japanese MSDF vessel at range of 90 metres.	Miyako Strait and waters between Okinawa and Miyako Island	April 2010
6	Helicopter from China's State Oceanic Administration reportedly buzzed a Japanese destroyer at a range of 70 metres, near a gas field where both nations claim exploration rights.	East China Sea	March 2011
7	Confrontations between Indonesia Navy patrol boats and Chinese fishing vessels escorted by armed Chinese fisheries management vessel.	South China Sea near Natuna Islands	May and 23 June 2010
8	A PLA-N submarine followed a US destroyer, apparently colliding with and damaging its towed array sonar instrumentation.	South China Sea	June 2009
8	Incidents involving Chinese, Vietnamese and Philippines vessels, including Chinese ship allegedly cutting Vietnamese survey cable.	South China Sea	March-June 2011

## Introduction

Indo-Pacific Asia's maritime environment is becoming more contested and complex.<sup>11</sup> As the global centre of wealth and strategic gravity shifts east, the region's powers are becoming more acutely conscious of the breadth of their security and economic interests. Their navies – especially China's – are growing, and developing formidable capabilities suited for sea denial involving rapid, decisive escalation.<sup>12</sup> At the same time, shifting power balances are being accompanied by popular expressions of nationalism and confidence, again notably in China.



US–Japan combined naval exercise.

Together, these trends reinforce the strategic importance of shipping lanes, technically known as sea lines of communication (SLOCs), as well as the strategic and symbolic value of maritime territorial claims. Asia is becoming a fertile environment for dangerous incidents at sea, whether intentional or inadvertent. Each such incident involves risks, however small, of miscalculation and escalation into diplomatic crisis or even armed conflict. In aggregate, these episodes can also add to an accumulation of mistrust and hasten a drift to strategic rivalry.<sup>13</sup> Heightened tensions in 2010 in the South China Sea, East China Sea and Yellow Sea were an omen of what the region's security future may look like. And encounters have continued into 2011, with no guarantees that each will end peacefully.<sup>14</sup>

Opinion is divided on how best to respond to the major and growing threat that maritime confrontations pose to regional peace and stability. One approach emphasises the value of standing firm against perceived provocations. Another argument – sometimes delivered in almost the same breath – places great store in trying to build trust through various forms of engagement. If one kind of confidence – nationalism and assertiveness – is part of the problem, then another kind of confidence – building reciprocal trust and predictability about military activities – is part of the solution. Possible steps include dialogue, cooperation on 'transnational' challenges such as piracy or disaster relief, and more direct confidence-building measures (CBMs) like communications hotlines or formal agreements to codify rules and behaviour for managing incidents at sea. But there is no consensus – even within the security establishments of key countries – about the applicability or merits of these supposed solutions. The region's existing architecture of maritime CBMs is flimsy, uneven, often poorly implemented and under-utilised.

This paper charts the emerging maritime security dynamics between China and other key powers of Indo-Pacific Asia – in particular, the United States, Japan and India – with the aim of identifying some pragmatic ways forward in this confusing debate. In doing so, it develops the Lowy Institute’s MacArthur Foundation Asia Security Project, which focuses on assessing the limits of cooperation and confidence-building in Asia and, within those limits, crafting realistic recommendations for reducing the risk of war.

## Scope

The following analysis identifies the region’s core maritime security challenges as being centred on the growth of Chinese power and the associated prospects for clashes of interests with other strong seagoing states.<sup>15</sup> This publication thus focuses on scrutinising Chinese maritime security actions and attitudes, more so than the other powers, whose security actions and debates are in any case more clearly articulated in the public domain. The spotlight is on China’s maritime encounters with other major powers for several reasons. Many incidents at sea in recent years appear to have been initiated by Chinese forces. Any possibility of conflict between China and one or more other major powers would pose a critical threat to stability in Asia and globally, a premise of the Lowy Institute’s wider Asia Security Project and its flagship publication *Power and Choice*.<sup>16</sup> Beijing’s relations with Washington, Tokyo and New Delhi involve power dynamics, contrasting perspectives and potential differences of interests that could lead to maritime confrontation between some of the world’s most powerful and populous states. And, unlike most other regional nations, each of these four powers has strategic interests and actual or potential blue-water naval reach well beyond their immediate neighbourhood and across the wider Indo-Pacific region.

This focus on major powers takes into account the maritime incidents between China and its rival Southeast Asian claimants in the South China Sea, since they could draw in the United States and other nations. And, as the events of 2010 illustrated, maritime tensions between North and South Korea have the potential to escalate, and cannot be assessed in isolation from the region’s great-power tangle, in particular due to Beijing’s continued tolerance for Pyongyang’s lethal brinkmanship.<sup>17</sup> So this publication will also refer to the Southeast Asian and Korean dimensions where they are relevant to the China-centric maritime security challenge. Russia, on the other hand, is not dealt with directly. This is because, although Moscow remains a major power and is attempting to reassert itself at sea in Asia, there is little sign of the kind of maritime differences emerging between China and Russia that could lead to conflict between them.<sup>18</sup>

## Structure

Chapter One, *Incidents, Confrontation and Crisis*, examines the characteristics, drivers and potential dangers of incidents at sea between major powers in Asia. It identifies a central problem for nations seeking to respond to Chinese actions at sea: how to know whether they can best be explained by, for instance, an assertive national policy, nationalist or institutional pressures within the Chinese military, the independent risk-taking of zealous individuals, accident or misunderstanding.

Chapter Two, *Ideals of Confidence*, considers the menu of confidence-building measures (CBMs) available – in theory – to military professionals and policymakers, including dialogue, cooperation, formal agreements and crisis-management mechanisms. It categorises CBMs as either direct or indirect, and addresses multilateral as well as bilateral approaches.

Chapter Three, *Confidence-Building — Contending Perspectives*, outlines the attitudes towards maritime CBMs held within China, and notes how they contrast with prevailing outlooks held by other powers. It explores the apparent contradiction between dominant Chinese and Western notions of CBMs, with Beijing often arguing that geostrategic trust must precede close military engagement, and Washington and others arguing the need for CBMs precisely because of the existence of mistrust. But it also identifies some of the tensions within the Chinese policy debate, which point both to the great difficulties and the slight possibilities for movement on this issue.

The final chapter, *Stability without Trust*, summarises the limits and challenges facing efforts to build cooperative, confidence-building and crisis-management measures between great powers in maritime Asia. This chapter explains why dangerous encounters at sea can be expected to continue and why a comprehensive regime of maritime confidence-building in the region is a highly unlikely prospect. Confidence-building measures alone cannot resolve the strategic and political differences that underpin mistrust between China and the other major powers. Even the most direct and ambitious types of CBMs cannot be a substitute for improved strategic-level understandings about conflicts of interest, or indeed their resolution. This does not mean that efforts towards CBMs should be abandoned – particularly since the currently prevailing Chinese resistance to serious and direct CBMs is not beyond a degree of re-evaluation among China's policymakers.

We conclude with a set of modest and realistic recommendations to reduce risks of conflict at sea under conditions of mistrust. Although there are limits to maritime cooperation, confidence-building and crisis management in Asia, the efforts and creativity of the relevant powers have so far fallen short of reaching those limits;



CBMs are worth persevering with, and there is some constructive space yet to be filled, including through unilateral steps or coordination involving the United States and its allies.

At the same time, given the levels of major-power mistrust that surround China's rise in Indo-Pacific maritime Asia, even modest measures will not be easy to bring into effect. No amount of continuous communications or cooperation on transnational issues can prevent the kinds of incidents and confrontations which arise from acts of policy and clashes of interest – for instance, deliberate probing to test the other side's defences and resolve. Naval incidents are more a symptom than a cause of major-power competition, even though, when badly managed, they can increase mistrust. The right response will be a mix of engagement and holding firm. Nimble and vigilant diplomacy, intelligence, communication and crisis-response mechanisms will all be vital factors – alongside credible deterrence – in minimising risks of conflict in the uncertain decades ahead.

## Chapter 1: Incidents, confrontation and crisis

There has been an upsurge in confrontation at sea in Asia in recent years, even though in most cases little is revealed publicly about the circumstances. It can be assumed that some incidents remain unreported in the public domain. The known instances appear to be increasing in frequency and intensity, and certainly the stakes are getting higher.<sup>19</sup> This chapter identifies the principal features, drivers and implications of such encounters. Together, these elements suggest that hazardous maritime confrontations in Asian waters are highly likely to persist – and could well worsen – in the years ahead.

### The nature of incidents at sea

The term ‘incidents at sea’ encompasses a wide range of maritime activities and situations. It can include maritime encounters that are either deliberate or inadvertent and involve any combination of ships, submarines and aircraft from military, auxiliary and civil organisations of different countries – in this case, major powers of Indo-Pacific Asia.<sup>20</sup> This paper focuses especially on a subset of such incidents: actions which could be construed as causing harassment, provocation or danger to the vessels or aircraft of another country and which take place within a context of geopolitical competition and thus have the potential to affect major-power relations. In the context of the major-power dynamics outlined in *Power and Choice*, the incidents at sea dealt with in the present paper are primarily related to the rise of China.

#### Trouble from above: air–sea rattle

As the 2001 EP-3 crisis illustrated, some of the most troubling maritime incidents can have an aerial dimension.<sup>21</sup> Close encounters between military and coastal auxiliary aircraft are on the increase, particularly over the waters surrounding Japan.<sup>22</sup> For instance, in March 2011, Japanese F-15J fighters intercepted Chinese Y-8 surveillance planes about 30 nautical miles from the Senkaku/Diaoyu Islands, reportedly the closest distance Chinese military aircraft have been detected to that disputed site.<sup>23</sup>

Another dangerous activity involves close air surveillance, or ‘buzzing’ of ships, by opposing aircraft which make low passes or hover in close proximity. Close air surveillance of this kind serves a number of purposes: it may be carried out to intimidate, test resolve and reactions, assert territorial boundaries or disrupt the activities of the target vessel, be they intelligence collection, seabed exploration or military exercises. Another, more tangible purpose is for collecting photographic and other intelligence.

Chinese aircraft have repeatedly engaged in such buzzing behaviour towards Japan in the past 18 months. In April 2010, Japanese destroyers shadowed an unusually large Chinese naval task group of 10 vessels that was conducting prolonged exercises in international waters between the main island of Okinawa and Miyako Island, in Japan's southernmost prefecture. In response, a Chinese People's Liberation Army–Navy (PLA-N) helicopter buzzed the Japanese destroyer *Asayuki*, approaching as close as 90 metres horizontally and 50 metres vertically, circling twice before returning to its host ship.<sup>24</sup> This occurrence, which sparked diplomatic protests from Japan, followed a similar encounter almost two weeks earlier, when a helicopter from the same task group buzzed the Japanese destroyer *Suzunami*.<sup>25</sup> More events of this nature have occurred since: in March 2011, a helicopter from China's State Oceanic Administration reportedly buzzed the Japanese destroyer *Samidare* at a range of 70 metres, near an East China Sea gas field where both nations claim exploration rights.<sup>26</sup>

### Strife in the water: shadowing, shouldering, colliding

Another maritime activity that may lead to incidents at sea involves 'shouldering': dangerous or aggressive manoeuvring by one or more vessels in close proximity to those of another country. This kind of action is especially risky when opposing ships have no option but to take evasive action to avoid imminent collisions, as occurred during the *Impeccable* incident in March 2009.

Chinese vessels appear to be becoming increasingly assertive in their patrols, and in some instances have demonstrated a willingness to take risks by shadowing and shouldering US and Japanese vessels. In June 2009, for example, a Chinese submarine followed the US destroyer *John S. McCain* in the South China Sea, apparently colliding with and damaging its towed array sonar instrumentation.<sup>27</sup> More recently, as described earlier, a collision between a Chinese fishing trawler and Japanese coastguard vessel, and the subsequent arrest by Japanese authorities of the Chinese captain, led to a major diplomatic dispute.<sup>28</sup>

In addition to these, there are other, less common ways in which harassment can take place at sea. These include: accidental or reckless firing during military exercises; simulated attacks on ships or aircraft; electronic jamming of communication equipment; illuminating opposing ships, especially bridges, using powerful searchlights (known as 'dazzling');<sup>29</sup> and firing flares. While there are few recorded instances of such behaviour since the end of the Cold War, such incidents often arose between US and Soviet naval forces, and could emerge again if mistrust and competition intensify in Indo-Pacific Asia.

## The drivers of incidents at sea

Asia's increasingly contested maritime environment is a symptom of the region's long-term power shift, and connects with several related trends: military modernisation; assertive nationalism; and greater emphasis on territorial claims for a mix of political, economic and strategic reasons. These are all important drivers of incidents at sea in Asia, beyond the proximate causes – which might range from miscommunication to the over-zealousness of individuals.

### Military modernisation and competing strategic imperatives

The transformation of Asia's power distribution has been most pronounced in the economic realm. Yet rapid economic growth, with sustained investment in science and technology, has also given Beijing the means to transform its military in ways that help it secure its strategic interests by offsetting US naval advantages.<sup>30</sup>

### China

China's strategic outlook and culture have traditionally been continental, its leaders largely preoccupied with threats to the nation's land frontiers.<sup>31</sup> But today China sees its maritime security environment as the more threatening.<sup>32</sup> From the East Asian seas to the Western Pacific and into the Indian Ocean, Chinese leaders face a maritime environment with a wide range of military challenges and vulnerabilities, including territorial disputes and sovereignty issues as well as genuine concerns about the security of seaborne energy supplies and trade.

Chinese maritime interests can be conceived as a hierarchy of priorities extending outward from the Chinese mainland.<sup>33</sup> They relate closely to Beijing's wider strategic interests and goals, beginning with national development, internal stability and the continued rule of the Chinese Communist Party. As a leading Chinese policy scholar has recently noted, a unique feature of Chinese leaders' understanding of their country's history is their 'persistent sensitivity to domestic disorder caused by foreign threats'.<sup>34</sup> Much of China's history of weakness and humiliation at the hands of foreign powers relates to its vulnerability to attack or coercion from the sea, particularly as it experienced in its relations with Western powers and Japan in the 19th and 20th centuries.<sup>35</sup>



The PLA-N aircraft carrier, *Shi Lang* under construction. (Photo: Jeff Head)



Accordingly, the most fundamental task for the PLA-N is quite simply to defend China and its coastal economic heartland.<sup>36</sup> At the same time Beijing continues to define ‘reunification’ with Taiwan as a core – and defensive – strategic objective. Since at least the mid-1990s, the most intensive aspects of PLA-N training, procurement and doctrinal development have been driven by contingencies focused on preventing Taiwanese independence or, failing that, using force against Taiwanese defences and, more importantly, against US air and naval forces attempting to intervene in such a crisis. The PLA-N is also increasing its capabilities to advance Chinese interests – potentially coercively – in territorial disputes with Japan in the East China Sea and with multiple Southeast Asian countries in the South China Sea, as will be examined presently.

Finally, the preservation of China’s economic wellbeing depends in large part on uninhibited energy and other trade flows, the vast bulk of which will continue to move by sea regardless of plans for overland infrastructure such as pipelines.<sup>37</sup> About 80 percent of China’s oil imports cross the Indian Ocean. This is a zone where the United States continues to exercise a decisive naval advantage, while a rising India, too, has serious interdiction and blockading capability. Even though China’s short-term anxieties about maritime security are heavily concentrated on the Western Pacific, and specifically the South China, East China and Yellow seas, its long-run naval focus will have to encompass the Indian Ocean sea lines of communication (SLOCs), a view which has started to be articulated in Chinese strategic commentary.<sup>38</sup>

Given the strategic rationale in China for a strong navy, the PLA-N has benefited from a sustained program of naval development over the past 15 to 20 years, and has accumulated a range of modern surface and sub-surface combatants armed with torpedoes, surface-to-air and anti-ship missiles. Today, China fields the largest naval force in Asia, with over 70 surface combatants, more than 60 submarines, and roughly 85 missile-armed fast ‘patrol’ craft.<sup>39</sup> These have been woven into a ‘layered defence’ strategy, with a proactive ‘anti-access’ or ‘area-denial’ element at its heart.<sup>40</sup> This approach seeks to raise the costs and risks to American and Japanese forces operating in the vicinity of China’s coastline or of Taiwan.

While anti-access/area-denial strategies are strategically defensive and relatively cost-effective, especially when compared with the costs of more ambitious sea-control strategies, they are operationally offensive. That is, they rely on naval forces, particularly submarines, prosecuting barrier operations far from China’s coast – for example, beyond Japan’s Ryukyu Islands and as far out as the outer edge of what China terms the ‘first island chain’. Given this, and because tracking and targeting moving ships is very difficult, anti-access strategies also depend on a high level of situational awareness and on integrated surveillance capabilities,

comprised of over-the-horizon radar, low-level satellites and, most importantly for the present analysis, ships and aircraft on expansive patrols.

The operational imperative of anti-access, in other words, necessitates the presence of Chinese air and naval forces in areas that overlap with the activities of US and Japanese naval forces. This greatly increases the range of circumstances for maritime brinkmanship and incidents at sea. The surfacing of a Chinese submarine within torpedo range of a US aircraft carrier near Okinawa in 2006 – described by a US naval commander as having potential to trigger an ‘unforeseen incident’ – attests to this risk.<sup>41</sup>



PLA-N submarine at Hainan base.

In addition, the evolving imperatives of China’s nuclear posture – involving a quest for a survivable second-strike capability against the United States – means that Beijing is seeking to minimise US tracking of its growing fleet of nuclear-armed submarines. This may further help explain Beijing’s extreme sensitivity to US intelligence-gathering at sea, and would lend an additional strategic logic to China’s efforts to push US surveillance far from its coastline and perhaps eventually out of the South China Sea. The *Impeccable*, after all, is reported to have been monitoring submarine activity in the vicinity of China’s base on Hainan Island.

## Japan

For US and Japanese military planners, a somewhat reciprocal logic to China’s anti-access strategy is at work. In response to the growth of Chinese military power, Tokyo and Washington are implementing countermoves aimed at limiting their own vulnerability to Chinese denial strategies. These could, however, add inadvertently to the possibility of incidents at sea.

Despite constraints on its defence spending, Japan is responding to China’s rising power and continued North Korean provocation by foreshadowing substantial increases to its formidable maritime capabilities, including increasing its submarine fleet from 18 to 24 as well as acquiring fifth-generation F-35 fighter aircraft and new ship-borne anti-submarine warfare helicopters – all of which could be integrated into an anti-access strategy suited to Japan’s geography.<sup>42</sup>

In the past year, as well as reaffirming the primacy of the US alliance to Japan’s defence, Tokyo has mooted placing troops and possibly anti-air and anti-ship missiles on its southernmost islands.<sup>43</sup> Like China, Japan’s development of a ‘dynamic defence capability’, as it is referred to in Japan’s 2010 Defense Policy Guidelines, will require more outgoing and extensive patterns of maritime patrol – for training, surveillance and deterrence.<sup>44</sup>

In sum, Japanese and Chinese naval forces are likely to find themselves operating increasingly in the same contested stretches of water, with each side looking for ways to offset the other's improving capabilities. This, too, does not bode well for a reduction in the number or seriousness of incidents at sea.

### The United States

The United States has actively responded to the growth of Chinese power. A sustained build-up of air and naval assets in Guam attests to a determination in Washington to retain military superiority in East Asia – even if that means an expanded range of circumstances under which US and Chinese forces might encounter each other dangerously at sea. Through military and diplomatic moves in 2010 – from pointed political statements to combined exercises with allies and the conspicuous surfacing of three of its most potent submarines – the United States underscored a determination to retain its mantle as guarantor of regional security in East Asia.<sup>45</sup>

This broad role includes alliance and extended deterrence commitments to Japan and South Korea as well as support for a peaceful status quo across the Taiwan Strait and the provision of modern defensive arms to Taiwan. Washington is tightening its alliances with Japan, South Korea and Australia and has begun cultivating strategic partnerships. The most important of these is with India, whose own apprehensions and ambitions appear to have made it cautiously receptive to the idea of complicating Chinese strategic calculations, especially in the Indian Ocean but potentially in Southeast Asia as well.<sup>46</sup>

Significantly, the United States sees an essential part of its Asian and global strategic role as upholding freedom of navigation – which would permit military intelligence-gathering activities – in the South China Sea and China's 200 nautical mile Exclusive Economic Zone (EEZ). Washington can thus be expected to continue surveillance operations such as those of the *Impeccable*. And China, in turn, will continue to object to those activities and at times seek to physically disrupt them. Beijing's objections are couched in its interpretation of the United Nations Convention on the Law of the Sea (UNCLOS), under which it defines military surveillance as being outside the boundaries of legitimate freedom of navigation and overflight within its EEZ.<sup>47</sup> The difference of views on this issue will continue to be a critical factor behind possible maritime confrontations. China, along with a handful of other countries – including India – interprets UNCLOS as not permitting military surveillance within the EEZ. The United States, along with most other countries, holds the opposite view. Washington's case is hampered by its failure so far to ratify UNCLOS.

Ultimately, Washington is responding to Chinese naval power by reviewing its entire warfighting strategy in the Western Pacific: developing the so-called

‘AirSea Battle’ concept, outlined in two high-profile reports by a US think tank in 2010.<sup>48</sup> Through the systematic enhancement of US maritime and related command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) capabilities, this proposed strategy aims to overcome the most potent aspects of Chinese anti-access strategies. In theory, this proposed strategy would allow the United States to project and sustain force along China’s maritime periphery and thus continue to exercise regional dominance, deterring Beijing and reassuring allies.

For now, AirSea Battle is a concept. If it is eventually translated into a military force-structure and strategy, there could be accompanying risks that it will add to maritime tensions in the region, at least in the short term. That is because, given its emphasis on disabling China’s C4ISR and strike capabilities at the outset of a conflict, it will, much like Chinese and Japanese anti-access strategies, necessitate greater situational awareness and more intrusive forms of surveillance. This could lead to more frequent interaction between US and Chinese naval forces in and around the first island chain, and thus a greater array of circumstances in which accidents – or deliberate incidents at sea – might occur.

## India

In recent years, India has moved to identify Chinese power as the principal reason for its defence modernisation.<sup>49</sup> New Delhi is making maritime acquisitions specifically based on its concerns about China’s expanding strategic weight and reach. Much of India’s ambitious naval modernisation program has been based on a strategy of securing New Delhi’s place as the principal maritime power in the Indian Ocean.<sup>50</sup> Apart from the United States, China is the only other conceivable long-run contender for this role, and Indian defence planners look with concern upon Chinese activities in strengthening its security relationship with Pakistan and supporting port developments in Pakistan, Sri Lanka, Burma and elsewhere that might be shifted to supporting a Chinese military presence in the future.<sup>51</sup> New Delhi’s acquisition of advanced warships, nuclear-powered and potentially nuclear-armed submarines, and long-range surveillance aircraft appear explicitly designed to address future PLA-N capabilities.

Assuming that Beijing eventually expands its maritime security interests and presence in the Indian Ocean, there are obvious future possibilities for encounters and incidents at sea between Chinese and Indian forces. But several other paths to possible Sino-Indian maritime tensions warrant examination. China is beginning to move beyond its apparent indifference about India as a security competitor, in large part because of the growing US–India strategic partnership, which involves close military to military ties between the two democracies, notably in advanced maritime exercises. The security dimension to India’s ‘Look East’ policy of





engagement with East Asian countries is expanding: for instance, India has held naval exercises with Singapore in the South China Sea. Moreover, India's growing economic and energy links with East Asia give it a stake in that region's maritime security. Finally, New Delhi's quest for a nuclear-armed submarine capability to deter Beijing could require it eventually to operate such vessels in waters within relatively short distance of China, unless the range of Indian submarine-launched missiles can be increased beyond what is currently estimated to be less than 1,000 km.<sup>52</sup> This in turn could require Indian surveying of unfamiliar waters in China's nautical backyard.

## Naval nationalism

Beyond strategic and operational imperatives, the growth of regional navies, and their more conspicuous use in asserting national interests, reflects the increased influence of nationalism in defence policy and posture. This seems especially so in China.

Nationalism remains a key pillar of legitimacy for the Chinese Communist Party. This is beginning to manifest itself, among other ways, in the emerging force-structure of the PLA-N: for instance, national pride would seem a major reason for China's decision to acquire an aircraft carrier.<sup>53</sup> China's naval nationalism might thus be seen as a 'prestige strategy': the Communist Party seeking to reinforce its domestic position through its external security posture.<sup>54</sup>

Nationalism may also influence how the Chinese navy is used. So some assertive Chinese maritime behaviour may be intended as a demonstration of naval capability to Chinese audiences, designed to reinforce the status of China's leadership and military as defenders of sovereignty. From a PLA-N perspective, there may even be institutional motivations for confrontational interactions at sea, namely to secure greater resources for naval development by emphasising the contested nature of China's maritime frontiers.

## Institutional pressures and opacity

Confrontations at sea may also serve to influence policy debates within China, including within the PLA. There has been wide speculation about the increasing independence of action and expression by PLA officers, and it is possible that some officers use incidents at sea to seek status and career advancement, even while others may be concerned about the risks involved. It is also possible that assertive military behaviour may be intended by particular players and interests within the Chinese system to establish precedents and 'facts on the ground' – or more accurately facts in the water and the air – that influence national policy in

directions less accommodating of foreign interests. This is one possible explanation for the overt testing of new weapons at politically sensitive times – for instance, the J-20 stealth fighter flight during US Defense Secretary Robert Gates’ visit to Beijing in January 2011, or the 2007 test of an anti-satellite missile. A similar logic may be at work in some maritime confrontations.<sup>55</sup> What appear to be calculated national provocations may in part be the result of ‘bureaucracies behaving badly’, of agencies failing to coordinate – deliberately or not.<sup>56</sup>

Due in large part to the opacity of Chinese defence policy, other militaries and policymakers seeking to understand and respond to Chinese-initiated maritime incidents face the critical problem of trying to work out why each event has happened. There are at least five possible interpretations for each such incident. Is it at the instigation of the high echelons of political leadership in Beijing? Is it at the direction of senior levels within the PLA, acting without civilian sanction or direction? Does it reflect positioning for influence in PLA doctrinal debates, or perhaps contests for career advancement? Is it essentially a decision by a local PLA unit commander, or indeed the spontaneous action of a reckless naval officer or pilot? Or does it involve a measure of miscommunication or accident?

Almost any answer carries some disturbing implications. If Beijing does authorise or direct its naval commanders to engage in confrontational behaviour, this would confirm perceptions of overall Chinese assertiveness on Beijing’s part, which some analysts see as an attempt to push back US primacy in East Asia and perhaps even try to replace it with some form of Chinese dominance.<sup>57</sup> If the explanation is a PLA acting regardless of civilian policy, then incidents at sea reflect a deep problem in Chinese civil-military relations.<sup>58</sup> If it is a case of an individual taking unauthorised risks, this points to dangerously poor discipline or seamanship in Chinese maritime forces. And if, instead, an incident is truly unintended, the implication could be of incompetence within the ranks – again, a sign of trouble ahead.<sup>59</sup>

The reality could well be a mix of all of the above. For instance, some officers may be taking risks in the belief that they are unlikely to be reined in by the military or civilian leadership. But without greater transparency from the PLA, foreign observers cannot discount the possibility that a strategy of assertiveness is in train.

## Territorial disputes

### The South China Sea: emerging Sino-US flashpoint?

Within the muddle of overlapping sovereignty claims in the South China Sea, China’s disputes with Vietnam and the Philippines stand out. What makes these differences so vexed and liable to maritime incidents is not just the number of claimants and complex set of overlapping claims, but also the intersection of economic, geostrategic and symbolic nationalist issues at stake. The disputed



Woody Island, South China Sea.  
(Photo: Jeff Head)

islands in the South China Sea – or more precisely their surrounding waters – are in many cases believed to be rich in hydrocarbon deposits as well as fish stocks. Geostrategically, they sit astride vital sea lines that connect East Asia, via the Indian Ocean, to the Middle East and Europe – and in the vicinity of chokepoints such as the Strait of Malacca that China fears could be used to blockade its energy supply.<sup>60</sup> And, just as importantly, the disputes are bound up with emotive issues of nationalism and identity.<sup>61</sup>

Throughout the 1980s and 1990s, these differences led to frequent tensions and even occasional armed clashes. From the late 1990s onwards,

however, the South China Sea seemed to recede in regional strategic calculations, as China deferred its claims to allay Southeast Asian threat perceptions. Yet while China and ASEAN agreed in 2002 to a non-binding declaration regarding conduct in the South China Sea, there has been little progress towards the stated aim of an effective code of conduct. Despite Chinese claims in late 2010 that it was interested in renewed efforts on this front, fresh maritime incidents have since occurred between China and the Philippines as well as China and Vietnam.<sup>62</sup>

The South China Sea is re-emerging as a regional security flashpoint, and one which might draw in the United States, and perhaps even other geographically distant stakeholders such as Australia. In 2010, reports emerged of senior Chinese officials referring to the South China Sea as a ‘core interest’ – an issue, like Taiwan, Tibet and Xinjiang, over which Beijing might contemplate the use of armed force. These reports have since been contested, and it is plausible that there are internal differences within China over how hard to push on the South China Sea – or perhaps Beijing’s stance eased slightly in response to the ensuing solidarity and outrage of many other states.<sup>63</sup> After all, the United States responded firmly, by asserting its own inalienable interests, using an ASEAN Regional Forum (ARF) meeting in Hanoi to reaffirm its commitment to ‘freedom of navigation, open access to Asia’s maritime commons and respect for international law in the South China Sea.’<sup>64</sup> The ‘core interests’ furore of mid-2010 also encouraged close security engagement between the United States and Vietnam, as well as US-led efforts to make the South China Sea an accepted topic for dialogue in multilateral forums.

### The East China Sea: Sino-Japanese tensions

China’s territorial dispute with Japan in the East China Sea has many of the same elements – symbolic, economic and geostrategic – with the added ingredient

of mutual historical mistrust and antagonism between Beijing and Tokyo. The dispute dates back to the Sino-Japanese war of 1894–95, and plays into nationalist narratives in both countries. Today, the East China Sea is a maritime domain of increasing importance to China, Japan and the United States.<sup>65</sup> Each side is investing in military capabilities aimed at denying the space to the other during conflict. The seabed surrounding the disputed Senkaku/Diaoyu Islands is believed to be rich in hydrocarbon deposits, and moreover is located between countries with voracious appetites for energy. Attempts at locking in a workable agreement on joint development of resources have floundered.

Instead, the East China Sea has become the site of frequent incidents involving Chinese and Japanese naval units, auxiliaries and civilian vessels. In July 2004, for example, a Chinese naval vessel manoeuvred in dangerous proximity to a Japanese survey ship in the area. A year later Chinese warships were observed close to a disputed gas field, with one reportedly training its main gun at a Japanese surveillance aircraft.<sup>66</sup> And many of the already-recounted Sino-Japanese incidents of 2010 and 2011 have also had a strong territorial and resource-security dimension.

The possibility of confrontation leading to conflict between Japan and China in the East China Sea is a distinct possibility. This would have direct implications for the credibility of the United States as an ally of Japan. In the past 12 months, an understanding appears to have developed between Washington and Tokyo that, under the US–Japan security treaty, the United States would come to Japan’s assistance in the event of such a conflict.<sup>67</sup> Were Washington to do so, it would be in direct conflict with China, with the risk of a wide and protracted war between the two powers.<sup>68</sup> Yet were Washington to hold back, its credibility as an ally would be shaken, not only in Japan but globally.

## Rising risks, deepening dangers

During the Cold War, an eventual recognition of the dangers of unconstrained military provocation at sea led the United States and the Soviet Union to conclude that the risks exceeded any strategic or political benefit. Thus they took historic steps – notably concluding the 1972 Incidents at Sea (INCSEA) agreement – to impose sharp limits on the number and severity of such encounters.<sup>69</sup>

At present, there is no similar meeting of minds between China and other powers in Indo-Pacific Asia. Yet the continued occurrence of incidents at sea between Chinese and other forces involves the risk of grave consequences. Beyond the danger to the individuals, vessels and aircraft involved, at least four types of serious security impacts are possible:

- Diplomatic tensions and potentially a wider crisis, as occurred after the 2001 EP-3 incident and the 2010 Senkaku/Diaoyu incident: this could involve damaging but non-military escalation such as economic sanctions or the suspension of dialogue.
- An accumulation of strategic mistrust: each incident, especially if it involved diplomatic crisis or the threat or use of force, could make subsequent incidents even harder to manage or resolve peacefully, and could add to wider difficulties in reducing mutual threat perceptions.
- Localised armed conflict: resort to the use of force by either or both parties to the incident, which would lead to major diplomatic tensions and the possibility of wider confrontation or conflict.
- Escalation to larger-scale conflict: this might involve reinforcements to the initial units in the encounter, or forces sent by an ally or other third party. Retaliatory strikes or threats might be inflicted against targets elsewhere, with the possibility – however remote – of an incident becoming the catalyst for a wider war. In most circumstances, political leaders would have opportunities to halt the fighting at any early, limited stage. Much would depend, however, on whether the provocative incident in question had occurred in the context of a pre-existing crisis.<sup>70</sup>

It may seem far-fetched to suggest that major confrontation or conflict between major powers in 21st-century Asia could arise from a small-scale maritime incident. After all, the region is prosperous and economically interdependent. All major nations have vast stakes in peace and stability and the existence of nuclear weapons further reduces the possibility of major-power war. But even if the probability of escalation to war is small, the international impact would be calamitous. If there are possible measures to reduce these risks, they would seem to be worth attempting. The next chapter considers a menu of ideas that might reduce the likelihood and dangers of confrontation at sea.

## Chapter 2: Ideals of confidence

Incidents and confrontations at sea pose a major challenge to peace and security in Indo-Pacific Asia. This chapter considers the responses available – in theory – to military professionals and policymakers in reducing the likelihood of and dangers from such encounters. These include engagement, dialogue, combined exercises, operational cooperation, formal agreements on maritime ‘rules of the road’, and arrangements for communication and crisis management. For the sake of simplicity, we term these collectively as confidence-building measures (CBMs).<sup>71</sup>

CBMs can take a wide range of direct or indirect approaches to the problem of incidents at sea. Some – for instance, ‘hotline’ communications channels or formal ‘Incidents at Sea’ (INCSEA) agreements – may be directly related to disputed zones, potentially threatening actions or offensive capabilities. Other approaches which we term ‘indirect CBMs’ may have a less tangible or immediate relationship with the incidents-at-sea problem, although they might still exert a positive influence in the long run. These include broad military to military dialogue, educational exchanges, combined exercises between the forces of potentially unfriendly nations, or even their operational cooperation in facing common challenges. And, in principle, CBMs may be bilateral or multilateral.

To introduce a necessary tautology, the purpose of CBMs is to build confidence between countries about each other’s military activities and intentions. But confidence can have multiple meanings. Some definitions of CBMs focus on confidence as essentially the strengthening of trust. As will be explored in the next chapter, even the meaning of ‘trust’ in the context can be contentious. If trust is taken to mean the full harmonisation of strategic goals and interests, it would be extraordinary to imagine it could be achieved through military arrangements and understandings alone. Other definitions of CBMs are mercifully less ambitious, focusing on confidence as relating to transparency, communication, predictability, reassurance or, at a minimum, a common understanding of how to interpret each other’s military activities – thus reducing the risks of miscalculation caused by the combination of mistrust and misinformation.<sup>72</sup>

Clearly, CBMs must be tailored to the circumstances of a particular security problem and the interests of the key players. No one size fits all. Maritime security concerns in Indo-Pacific Asia vary across sub-regions. For instance, measures that may suit the maritime sovereignty disputes of East Asia will not necessarily fit the emerging great-power dynamic in the Indian Ocean. Nonetheless, there are some common interests that might be leveraged in managing or reducing tensions at sea across the wider region: most fundamentally, the shared interests of all trading and coastal states in the safety and security of shipping on the global commons.



Below we set out the menu of CBMs that have been envisaged or implemented to deal with maritime security differences. Subsequent chapters will explore their applicability to the China-centric problem of incidents at sea in Indo-Pacific Asia.

## Indirect CBMs

Many activities often termed CBMs are in fact forms of engagement and cooperation that are geographically remote from or in other ways only indirectly related to the main issues, zones or capabilities of contention and concern. These might include:

- ‘Goodwill’ ship visits: these might involve diplomatic receptions, commemorative events, combined exercises with the host nation, and refuelling and replenishment.
- Periodic bilateral dialogues, typically covering a wide range of issues. These could range from leaders-level conversations to meetings of ministers, senior officials, senior military officers or working groups.
- Combined exercises involving the forces of different nations. These are typically focused on so-called ‘non-traditional’ transnational security issues, such as disaster relief or counter-terrorism. Bilateral and multilateral exercises vary considerably in scale and complexity, depending on the nations involved and their level of commitment. The reassurance they can offer about the other side’s capabilities and intent is limited. Rather, their main benefit is generating some predictability in understanding how and why the other side operates and reacts. These activities can also develop procedures for interoperability, particularly communications capabilities.
- Operational cooperation, again typically on transnational issues like piracy or disaster relief. This can range from loose coordination of parallel missions to conceivably more ambitious forms of combined activity involving unified command structures. Such operational experience can consolidate the gains made through exercises. On this front, much positive comment has been made about the experience of other navies working loosely with the Chinese in anti-piracy missions in and near the Gulf of Aden since early 2009.

- Agreements, exercises or other collaboration focused on maritime safety issues quite separate to the risks from confrontational incidents at sea. These could include traditional search-and-rescue activities or more specialised efforts, for instance related to submarine rescue.<sup>73</sup>
- Educational exchanges: for instance, at staff colleges.
- One-off meetings, visits or conferences.
- Any activities undertaken by the ‘second track’ of scholars and retired military personnel and officials.

Indirect CBMs can also have a multilateral character. The wide-ranging – if often superficial – security discussions of multilateral bodies are intended in part to serve an indirect confidence-building purpose. Indeed, the whole concept of CBMs gained traction during the process of the Conference on Security and Cooperation in Europe (CSCE) in the 1970s and 1980s. At first glance, it would seem that the Indo-Pacific has some potential in this regard. After all, in the past few decades a cluttered regional diplomatic architecture has been created.<sup>74</sup>

Yet this crowd of institutions is ill-equipped to handle regional security problems.<sup>75</sup> All states across the region have obvious common interests in the security of commercial maritime traffic and the prevention of major-power war.<sup>76</sup> But this alone is hardly enough to persuade powerful states to invest inclusive regional institutions with direct management of their maritime security disputes. Moreover, the unwieldy and overlapping memberships of most multilateral forums in Asia make it difficult to see how they could manage bilateral differences between their strongest members.

Slight and gradual progress has been made in the region’s most inclusive forum devoted specifically to security issues: the ARF. Its 27 participants include the 10 ASEAN states plus Australia, Canada, China, the European Union, India, Japan, New Zealand, South Korea, Russia, the United States, Papua New Guinea, North Korea, Mongolia, Pakistan, East Timor, Bangladesh and Sri Lanka. Its mandate is to provide a setting in which members can discuss security issues and develop cooperative measures to enhance peace and security. The activities typically labelled as CBMs under ARF auspices fit our category of indirect CBMs, although they are often merely conferences of experts or rudimentary exchanges of perspectives rather than any kind of coordinated practical undertaking.

Indeed, the ARF did not hold its first practical CBM – a modest disaster-relief exercise – until 2009, 15 years after the organisation was created.<sup>77</sup> This hints at



Sino–Australian naval exercise, September 2010. (Photo: Ashley Townshend)

the difficulties in convening inclusive multilateral security exercises – let alone operations – as a way of building trust and predictability between powerful states with competing strategic interests.

## Direct CBMs

A second kind of CBMs comprises those more immediately related to contested zones, contentious issues and threatening capabilities. We call these ‘direct CBMs’. In theory, these have more potential than their indirect cousins to reduce risks of confrontation or escalation.

A menu of direct maritime CBMs would include the following:

*Channels of continuous communication:* Sometimes known as ‘hotlines’, these include direct telephone lines or agreed communication protocols between leaders or operational commanders, agreed radio frequencies and codes of signalling, or other means of rapid, reliable communication where authorised representatives of one nation can be confident of reaching their counterparts in another nation during a crisis. Another possibility might be the placement of liaison officers with each other’s forces or at a neutral monitoring or risk-reduction centre. These would provide opportunity quickly to clarify the nature and declared intention of any seemingly threatening action. Communications channels can be less than effective if there is disagreement on their purpose. For instance, is a hotline meant for advance notice of military activities, or for airing and addressing concerns, or both?

*Common standards for communications at sea:* International standard protocols exist for communications between ships at sea. But levels of their implementation or comprehensiveness vary, as do interpretations of relevant international laws. In Asia, one well-established multilateral forum on maritime security, the Western Pacific Naval Symposium, has developed a publication known as Code for Unalerted Encounters at Sea (CUES) for voluntary use among participant nations’ navies.<sup>78</sup>

*Frequent and flexible dialogue on operational-level issues:* Such talks are distinct from wider bilateral security talks in that they could be convened at short notice to address specific concerns about instances of maritime provocation or misunderstanding. Such dialogue might also be convened to improve implementation of agreements and channels of communication.

*Formal agreements and shared practical activities related to contested or sensitive zones:* These might include coordinated maritime patrols, data-sharing and joint

exploration or exploitation of offshore resources. In theory, such steps could be mutually supportive: the ideal would be coordinated patrols to safeguard joint resource projects.

*Declarations or non-binding codes of conduct relating to contested or sensitive zones:* The impact and value of such rhetorical statements depend largely on wider contexts of political trust and actual behaviour. They could be unilateral, bilateral or multilateral.<sup>79</sup>

*Formal agreements to set rules and guidelines for each side's behaviour:* In the maritime domain, the model for this is the 1972 Incidents at Sea (INCSEA) Agreement established between the United States and the Soviet Union during the Cold War to prevent frequent interactions from leading to serious incidents. A successor text is still in force between the United States and Russia, and many similar bilateral agreements now exist in Europe, with a 1993 agreement between Russia and Japan the only Asian example.<sup>80</sup> Such agreements reduce risks of collisions, curb provocative actions such as aiming weapons during peacetime, and build predictability into interactions at sea.<sup>81</sup> Importantly, an INCSEA agreement is not an arms control process predicated on influencing the size, force-structure or weaponry of states party to the agreement; rather, it is a method of risk reduction. Nor is an INCSEA agreement meant to replace global regulations or understandings on the normal conduct of vessels.<sup>82</sup>

The US–Soviet INCSEA agreement provided for:

- measures to avoid collision
- prevention of interference in formations of the other party
- avoidance of manoeuvres in areas of heavy shipping
- maintenance of safe distance between vessels
- the use of accepted signals when manoeuvring
- not simulating attacks, launching objects or illuminating the bridges of other party's ships
- requiring aircraft to use caution and prudence when approaching or operating near ships and aircraft of the other party
- the provision of warning (three to five days) prior to major naval and military activities on the high seas.



US Chief of Naval Operations Admiral Gary Roughead, tours the PLA-N destroyer *Luyang 2* in Qingdao, China.

In principle, formal confidence-building agreements need not only be bilateral, as demonstrated by the multilateral CSCE process in Europe, which required prior notification of military manoeuvres. There is, however, little serious expectation of early or rapid progress on an Indo-Pacific maritime equivalent of such measures, given the difficulty in achieving even bilateral agreements, and the agonisingly slow process of building consensus in forums as disparate as the ARF. If, on the other hand, major powers, particularly the United States and China, made a breakthrough on this front, it could establish a persuasive norm for other regional nations.

## Covering all bases: a comprehensive approach

Even the most hopeful advocates of CBMs would not suggest that any single step could somehow establish trust or resolve differences. Instead, the ideal is a comprehensive regime of CBMs, operating on multiple tracks and levels. Direct and indirect CBMs can be mutually reinforcing, and nations serious about military risk reduction and constructive engagement would typically pursue a combination of approaches: direct and indirect, bilateral and multilateral.

This requires serious allocation of time and senior personnel. For example, the military element of a truly comprehensive approach to bilateral engagement could involve somewhere between five and seven levels of regular interaction, including ministerial meetings, service chiefs, strategic-level naval talks, operational working groups and individual units.<sup>83</sup> Multilateral engagement, too, might range across several levels from ministerial to tactical.

In addition, CBMs focused on reducing military tensions often need the involvement of non-military players. Other government and even non-government entities with a role in maritime security can be part of the solution. They may be able to interact with their foreign counterparts with more flexibility and openness than military personnel are allowed, as the US–China experience of coastguard cooperation suggests.<sup>84</sup> At the same time, such non-military entities can be part of the problem. Coastguard and surveillance organisations, law enforcement agencies, fisheries authorities and other maritime auxiliaries can be the initial parties to an incident at sea, as can commercial fishing vessels. The 2010 Senkaku/Diaoyu Islands incident involved the Japanese coastguard and a Chinese fishing boat, while the 2009 *Impeccable* incident involved Chinese fisheries vessels. An



INCSEA agreement between navies alone would be of limited value if much of the trouble involved auxiliaries (as in the US–China relationship).

Either way, a thorough maritime CBMs regime requires each government involved being able to control its civilian as well as military assets. Effective CBMs need rigorous internal coordination and management within the states concerned. Poor interagency communication, dysfunctional crisis-response mechanisms, institutional rivalries, indiscipline, or substandard military and seafaring skills could all sabotage even the most well-intentioned security initiatives.

But the crucial ingredient is political will. CBMs can achieve little if the parties disagree on their content or purpose, or if the risky activities they are meant to address are in fact deliberate acts of policy linked to clashes of interests. The next chapter examines some differences of views about CBMs between – and within – China and other powers.

## Chapter 3: Confidence-building — contending perspectives

Perspectives on maritime security confidence-building in Indo-Pacific Asia vary markedly but the sharpest differences would appear to be between the prevailing views in China and other major powers. Crucially, the US view that CBMs can and should precede trust and agreement on fundamental strategic issues is at odds with the prevailing strain in Chinese policy.<sup>85</sup> Such clashes of perspective cannot be wished away by policymakers. Not only do perceptions of security mistrust often translate into reality, but such perceptions may well have a foundation in objective conflicts of national interests. This chapter examines perspectives within the Chinese national security community, drawing primarily on the authors' research consultations in Beijing.<sup>86</sup>

### As other powers see it

First, as points of comparison, it is worth noting some prevailing views of maritime CBMs in the United States, Japan and India, the other key Indo-Pacific powers considered in this report.

#### The United States

The broad US position – shared to varying degrees in Washington's defence and security policy community – is that maritime CBMs with China can and should be pursued in order to maintain stability. But these should not come at the expense of the US ability to deter China from coercive action against Taiwan, US allies or other US interests in the region, such as freedom of navigation. So Washington is the champion of CBMs – but only up to a point. As outlined in Chapter 1, US efforts to retain military superiority against China could have a mix of stabilising effects (deterrence as well as reassurance of allies) and destabilising effects (expanding the range of circumstances under which incidents at sea could occur). This policy tension can be expected to increase.

Still, Washington remains committed to pursuing a higher degree of cooperative relations with China, a point reiterated by US Secretary of Defense Robert Gates in mid-2011.<sup>87</sup> This includes promoting direct CBMs involving continuous dialogue between the two navies to reduce the risks of incidents at sea. In the words of a 2010 Pentagon report to Congress:

*The complexity of the security environment, both in the Asia-Pacific region and globally, calls for a continuous dialogue between the armed forces of the United States and China, at all levels, to expand practical cooperation*

*in areas in which the two countries' national interests converge and to discuss candidly those areas in which there is disagreement. Moreover, given the advances in China's military capabilities and its more broadly ranging military operations and mission sets, as documented in the preceding pages of this report, a continuous military-to-military dialogue between the United States and China becomes especially important during periods of friction and turbulence.<sup>88</sup>*

The 1998 Military Maritime Consultative Agreement (MMCA) process remains in existence, although it is essentially an agreement to hold talks on maritime issues rather than an agreement on rules of conduct at sea, and was interrupted by China's year-long suspension of military dialogue in 2010. In reality, the MMCA is not much more than a rudimentary agreement to hold periodic meetings, rather than an arrangement about how to handle incidents. Moreover, it has held only eight annual meetings since 1998, in part because of repeated instances of suspension of military dialogue. It is of course better than nothing, and is potentially a building block to more substantial dialogue or agreements, but it neither prevented nor helped in managing confrontations such as the EP-3 or *Impeccable* incidents.<sup>89</sup>



A Sino-US defence hotline was announced in 2007 although it has reportedly never been employed in a crisis and there remains considerable uncertainty about the protocols for its use.<sup>90</sup> Meanwhile, after the turbulence of 2010, some progress has been made to restore high-level defence visits and talks.<sup>91</sup>

Although expert commentary regularly raises the idea of an INCSEA agreement between the United States and China, this does not appear to be among current US aims. Valid arguments against this approach include that a navy-to-navy agreement would not rein in risky behaviour by civilian ships. Moreover, it could be argued that a Cold War-style INCSEA agreement would indicate that the United States and China were locked in an adversarial relationship between peers, signals which a US Administration could be loath to send. That said, debate about the merits of an INCSEA agreement can be expected to resurface in Washington following a fresh spate of incidents.<sup>92</sup>

## Japan

Tokyo's generally supportive views on maritime CBMs with Beijing soured somewhat in 2010, part of a deepening mistrust following the maritime incidents that year. Concerns have also intensified about the quality of Japan's own policy-coordination and crisis-management processes, the implication being that these would need to be improved so that Tokyo could make timely, sustained and consistent policy responses that both defended Japanese interests and ensured that maritime incidents with China did not escalate out of control.<sup>93</sup> The Japanese security establishment supports engagement with China – including by the United States. But it also sees limits, beyond which benefits of predictability and transparency could be outweighed by more negative impacts, including the intelligence advantage China might gain with close exposure to American or Japanese capabilities.<sup>94</sup>

Still, Japan continues to be open to some bilateral CBMs with China:

*Japan has offered dialogue about a maritime code of conduct or even an INCSEA agreement but they [China] did not respond. Following the April 2010 helicopter incidents we tried to open dialogue about safety issues. The Senkaku incident has slowed all of this down ... In November 2009 the Japanese and Chinese defence ministers agreed to look into issues like joint training in search and rescue, cooperation in humanitarian assistance and disaster relief, and to establish as soon as possible a maritime communication mechanism between the two defence authorities. And in July 2010 we held our first round of working-level talks on maritime communication. Generally Japan is not trying to slow this down.<sup>95</sup>*

Japanese sources suggest a rising degree of frustration with the implementation of CBMs with China, notably a hotline that was announced in May 2010. One problem is said to be the PLA's insistence that messages to and from Japan be channelled through the 'foreign affairs office' of its defence ministry rather than through military units.<sup>96</sup> In any case, the diplomatic crisis over the Senkaku/Diaoyu Islands incident involved the delaying of talks meant to bring such a CBM into operation.

At the same time, rising mistrust of China gives Japan a heightened interest in being consulted by the United States and other friendly countries – such as Australia – ahead of their renewed efforts at defence engagement with China.<sup>97</sup>

## India

As outlined in Chapter 1, the Indian security establishment views China's motives and behaviour in the Indian Ocean with deep mistrust, and refers to Chinese naval capabilities to benchmark India's own force ambition. Even pragmatic moderates within Indian strategic circles see India's essential naval objective as the ability to deter China, albeit asymmetrically.<sup>98</sup> There are, then, inbuilt limits to how far the Indians will readily go with China in maritime CBMs – as demonstrated by New Delhi's relatively slow response in seeking to engage constructively with Chinese anti-piracy task forces.

Even so, New Delhi has taken a positive view of CBMs more generally, shown by its efforts on land and in the nuclear and missile realm.<sup>99</sup> In 2009 India and China agreed in principle to establish a leaders-level hotline, which was announced as 'operational' in December 2010. India accepts the logic that CBMs can and should precede strategic trust. Moreover, India is beginning to be more proactive in indirect forms of maritime engagement with China, for instance hosting visits by Chinese ships and offering to protect Chinese commercial shipping from pirates in Indian Ocean sea lanes.<sup>100</sup> In principle, India would not seem averse to the idea of an INCSEA agreement: during a brief thaw in India–Pakistan relations there was even talk of pursuing one between the two South Asian powers.<sup>101</sup> Ultimately, however, New Delhi is likely to watch and wait as the contested maritime security dynamics play out in East Asian waters before deciding whether to attempt direct maritime CBMs with China.

## Chinese views 1: the official line

A starting point for appraising Chinese attitudes to security CBMs is 'China's National Defense in 2010', the Chinese defence white paper released in early 2011, itself touted as an act of improved transparency.<sup>102</sup> On the surface, this document makes much of the various ways in which Beijing has enhanced its security engagement and dialogue with other nations since the 1990s. It suggests that China is ready and willing to engage with others on a range of direct and indirect CBMs, including in relation to potential maritime incidents. But close attention to the text's nuances and contradictions suggests that such may not yet be the case.

The document places much store on dialogues and consultations with other countries, including with the United States, Japan and India, and suggests a willingness to hold talks with China's neighbours on 'regional flashpoint issues'. Yet it also emphasises that 'political mutual trust' should be the 'groundwork' for CBMs, implying that this should be a precondition rather than their goal. Moreover, military confidence-building 'should be based on ... mutual respect for core interests' – the implication being that differences on such issues as the



A Chinese deep sea oil rig under construction.

status of Taiwan, or possibly of Chinese maritime territorial claims, need somehow to be agreed upon with other powers before they can expect serious military CBMs with China.

The white paper also portrays a stark difference between maritime and land-boundary issues. It declares that Beijing supports ‘border area confidence-building measures’ and ‘actively prevents dangerous military activities’ so as to ‘preserve peace and stability on the borders’. Reference is made to formal CBM agreements with many of its land neighbours, notably force reductions with Russia and other Shanghai

Cooperation Organisation members, as well as military CBMs on the Line of Actual Control that comprises much of the boundary with India.

But the document’s references to maritime CBMs are much less substantial, reflecting both the thinness of what has been accomplished in this field and likely a deep reluctance in Beijing to go much further. Much is made of the 1998 MMCA with the United States, with the claim that meetings held under its auspices have contributed to ‘the safety of maritime activities and the avoidance of accidents’. The document says little about handling tensions with Japan, beyond noting that since 2008 Beijing and Tokyo ‘have held several consultations over the establishment of a maritime liaison mechanism’, a much more cautious reference than earlier media reports that military or leaders-level ‘hotlines’ were on the verge of implementation.<sup>103</sup>

The Chinese white paper’s account of maritime relations with South Korea is more positive: it notes the establishment of direct telephone links between Chinese naval and air units stationed in adjacent areas. Regarding Vietnam, the paper highlights a 2005 agreement that has led to twice-yearly combined maritime patrols, though there is no reminder that this has occurred alongside incidents at sea between China and Vietnamese vessels or deepening bilateral mistrust over the South China Sea generally.<sup>104</sup> Meanwhile, the white paper has nothing direct to say on the maritime dimension of Sino-Indian relations.

## Chinese views 2: cross-currents

Beijing’s policy thinking on maritime security is neither monolithic nor static. There are serious, if sometimes submerged, debates within expert, policy and military circles. Recent Western scholarship has highlighted a range of contending

views and actors in China’s external policymaking,<sup>105</sup> and the authors’ research discussions confirm that this debate extends to some degree to questions of whether and how to engage with other powers, especially the United States and Japan, in managing or preventing confrontations at sea.

Moreover, Beijing’s policy rhetoric shows some signs of adjusting to external pressures and expectations: for instance, a mid-2011 speech by the Defence Minister, General Liang Guanglie, used the formulation ‘trust starts with engagement’ showing some surprising movement from the prevailing Chinese stance that trust should form the groundwork of engagement.<sup>106</sup> This speech is one of the more sophisticated public expressions to date of Chinese defence and security policy – crafted for foreign diplomatic sensibilities – and fits with assessments that Beijing sees a need to repair its damaged image after the maritime turbulence of 2010.<sup>107</sup> This judgment is supported by emerging hints that – alongside continuing incidents at sea – Beijing is making some diplomatic efforts to renew dialogue with Southeast Asian states on South China Sea issues, notably the implementation and possible strengthening of a 2002 declaration that was supposed to lead to a code of conduct. One interpretation of this is that Beijing is seeking to erode the diplomatic solidarity that the United States and ASEAN states showed on South China Sea issues in regional forums in 2010.

On balance, the events of recent years suggest that China’s internal champions of engagement, dialogue and confidence-building are not in the ascendant. In the wake of events like the *Impeccable* incident, China’s indifference to the sinking of the *Cheonan*, PLA-N helicopter harassment of Japanese warships and the PLA’s rejection of military dialogue with the United States throughout the tensions of 2010, it is not very surprising that some foreign observers have concluded that further efforts at engagement and confidence-building with China are likely to be spurned.<sup>108</sup> Any bid by Beijing to mend its image after the serial misadventures of 2010 will need to go well beyond rhetoric for that view to change.

Such wariness is understandable. Our research suggests the following key judgments about Chinese attitudes regarding the purpose, prospects and limits of maritime confidence-building with strategic competitors in Indo-Pacific Asia:



Chinese destroyer visits Pearl Harbour.

*There is a debate within China about the value and modalities of maritime CBMs and of CBMs more generally:* This occurs ultimately within official policy circles and the military, but is also conducted and reflected in think tanks and research institutions, sometimes in the public arena.<sup>109</sup> The middle ground in that debate acknowledges the need to consider CBMs, particularly dialogue, but is sceptical about how effective they can be. As one Chinese analyst explained to us, despite the absence of much evidence of the value of US–China military ties, there was still a general view in Beijing that such a relationship was useful, including for crisis control. A central dilemma in the debate, in terms of Chinese national interests, was expressed by another Chinese analyst: to reduce risks of conflict, there needed to be self-restraint by all powers, yet Beijing could not afford to be seen to bow to foreign pressure. To do so would allow foreign powers to take advantage of China and would also weaken the internal authority of Chinese government, jeopardising national development.<sup>110</sup>

*The hardliners have been winning the debate:* China's official stance and its actions strongly suggest that the debate has been resolved, for the time being, in favour of a position opposed to an ambitious agenda of maritime CBMs in Asia. (This is notwithstanding the interesting rhetorical shift present in the Defence Minister's June 2011 speech referred to above.) The hardline position is held particularly, but not exclusively, within the PLA.<sup>111</sup>

*China is not seeking a near-term repeat of the tensions of 2010:* There was widespread concern in the Chinese analytical community that the maritime security turbulence of 2010 was not in China's interests and that the region could not afford for heightened tensions to continue. In the words of one Chinese analyst:

*Major actors in major incidents have been coming through a learning curve. So we now need an uneventful period ... We have to keep the situation cool. That means no more major exercises and no more major provocative statements [from either side].<sup>112</sup>*

The impression was repeatedly conveyed that China could not afford more maritime security trouble at least until its leadership transition in 2012.

*The prevailing view in China is that direct maritime CBMs can only occur once a degree of strategic trust has been established:* In the words of one senior scholar and former PLA general:

*If the United States, in its strategic thinking, still regards China as the substitute of the former Soviet Union or a potential strategic adversary to*

*defend against, bilateral military relations will be hard to improve, and bilateral friction will continue.*<sup>113</sup>

Under this seemingly paradoxical position, it would seem that China will be open to the most effective kinds of CBMs only when they are no longer needed. Such a sequence – trust first, engage later – is at odds with Washington’s approach, or indeed with the accepted logic of CBMs in much of the world. That logic, drawing upon Cold War experience in Europe and between the Americans and the Soviets globally, is that CBMs can and should precede any possible resolution of strategic differences, and indeed may help make that resolution possible.

Yet Beijing can be more flexible when it decides this suits its interests. Diplomacy with its land neighbours in recent decades shows that Beijing is sometimes willing to pursue CBMs as a way to build trust rather than simply reflect it. Moreover, some Chinese experts argue that US–China differences are not really about the sequence of trust and CBMs, but rather about defining what kind of trust is being sought, tactical (the US view) or strategic and political (China’s view).<sup>114</sup> But other Chinese scholars suggest that nothing short of US accommodation of China’s self-defined, sovereignty-related interests over Taiwan would allow for strategic trust,<sup>115</sup> and thus presumably a trusting or cooperative military relationship. In the words of one analyst:

*The Taiwan issue remains central. If that is solved then all other issues between the United States, including military-military relations, can be discussed. So for the US–China military-military dialogue really to work, ultimately there is a need to address these main issues.*<sup>116</sup>

*China’s definition of strategic trust involves other powers’ acceptance of its self-defined ‘core interests’, territorial claims and interpretation of UNCLOS:* This would suggest that effective direct CBMs will be extremely difficult to achieve in the absence of one or more fundamental changes in America’s Asia policy: notably an end to arms sales to Taiwan and the cessation of intelligence-gathering in China’s Exclusive Economic Zone (EEZ). As indicated in Chapter 1, neither of these shifts is likely; indeed the United States and its allies can be expected to become more reliant on surveillance of China’s growing sea and air capabilities.

*There is little sign of an appetite in China for an Incidents at Sea agreement:* The interplay of risky maritime incidents and deep-seated sovereignty disputes adds a dimension that was not present during the pursuit of US–Soviet CBMs, and is a major obstacle to any US–China INCSEA agreement, even if there was in-principle interest in either or both nations in pursuing one. During our consultations, no Chinese analyst raised the idea of an INCSEA agreement between China and any



Chinese power projection: PLA-N ships refuelling at sea. (Photo: Jeff Head)

other nation. China's apparent lack of interest in such an agreement with the United States may be explained both by the seemingly irreconcilable nature of their strategic differences – such as over the status of Taiwan and US activities in China's EEZ – and by the fact that, despite this, their military relationship is not strictly or solely an adversarial one. The Soviet Union and the United States were enemies. Yet against a backdrop of both the United States and China proclaiming objectives of security cooperation, Beijing is not eager to negotiate an agreement reminiscent of one between enemies – even though such an agreement could have stabilising benefits.

But some other voices present a different or at least more nuanced perspective: In addition to the Defence Minister's mid-2011 statement that 'trust starts with engagement', one Chinese scholar recently argued that US intelligence-gathering in its EEZ should not become a fundamental barrier to any agreement upon maritime CBMs.<sup>117</sup> There is, however, little sign that this view is translating into an easing of policy. The Defence Minister's rhetoric was not accompanied by any tangible steps towards agreement on new CBMs with the United States, and came within days of fresh incidents in the South China Sea.

*Dialogue is necessary and cutting off defence talks is recognised as a bad idea:* Military contacts have tended to be the first diplomatic channel to be broken – by either side – during wider crises in Sino-US relations.<sup>118</sup> In recent years, it has been Beijing that has called them off. But there is growing recognition across much of the Chinese security community – including in the PLA – that it is not in China's interests to suspend military dialogue with the United States every time Beijing needs to signal its objection to a US policy on a 'core interest' such as Taiwan.<sup>119</sup> And certainly in the 'second track' there is eager and continuing Chinese expert participation in dialogue with US counterparts on maritime security.<sup>120</sup>

*But that does not mean that Chinese suspension of military dialogue with America is a thing of the past:* High-level defence visits and dialogue resumed, cautiously, at the end of 2010. Yet it may only be a matter of time before Beijing feels compelled to suspend talks again. As some Chinese analysts pointed out, an alternative means of conveying anger is proving hard to find:

*It is true that US–China military ties bear the brunt ... of political tensions.  
It is easy to cut these ties because we are not very integrated in this*

*area. Whereas we cannot economically sanction each other, we are too interdependent.*

And, from a Chinese military analyst:

*We should not keep stopping military exchanges with the United States each time we are unhappy... But we have no other way of showing our indignation. The problem is that we do not want to hurt our economic interests, these are too enmeshed. The US military has been suggesting alternatives, such as stopping some military exchanges but not completely cutting them all off.*

*Maritime assertiveness is partly for domestic audiences:* A range of Chinese sources suggest that China's acts and statements of maritime assertiveness are seen as necessary to uphold national interests, and to demonstrate to domestic audiences that national interests and prestige are being upheld.<sup>121</sup> By this logic, US maritime intelligence-gathering in China's EEZ might be seen as a continuation of the historical humiliation of China – intolerable for political as well as military reasons.<sup>122</sup> If that is so, then periodic instances of Chinese maritime harassment would seem likely to continue, in spite of the risks.

*Maritime assertiveness can be consistent with stability, even if the assertiveness is mutual:* One line of thought in China's security community is that alarm about incidents at sea is exaggerated, and mutual assertiveness can amount to mutual deterrence rather than conflict. One Chinese analyst suggested:

*... If we show a firm attitude then that way others [the United States and Japan] will be self-constrained. And it is understandable if the United States does this too: that way we are self-constrained.<sup>123</sup>*

*China is well aware that the stabilising value of indirect CBMs involving cooperation on transnational security issues is actually very limited:* Whatever the official rhetoric, there are plenty of Chinese security thinkers who are sceptical about whether cooperation on transnational or 'non-traditional' issues – like counter-piracy and disaster relief – can contribute much towards building trust on interstate security differences.<sup>124</sup>

*China remains deeply sensitive to any suggestion that multilateral forums should discuss maritime disputes or incidents:* In the words of one analyst:



The PLA-N guided missile destroyer Shenzhen sails into Apra Harbor, Guam.

*The United States wanted to talk about the South China Sea in the ASEAN Defence Ministers Meeting Plus Eight. China would not attend if the South China Sea was discussed. And if China was not in that meeting, then that would be a failure of regional security institutions. But in the end the South China Sea was off the agenda, so China did attend ... Traditional security should be dealt with bilaterally.*<sup>125</sup>

*Institutional pressures, personal ambitions and independent acts of adventurism within the PLA are part of the problem:* These concerns were implied – albeit cautiously and indirectly – by a range of Chinese analysts, and have been expressed to other foreign researchers.<sup>126</sup> Some acknowledged that China had failed in publicly presenting a convincing explanation for the helicopter buzzing incidents against Japanese ships.<sup>127</sup>

*Still, China sees no pressing need to ease its stance on maritime relations with Japan:* Despite the growing number of maritime encounters with Japan, the Chinese security establishment appears unwilling to attempt new CBMs in the East China Sea dispute. From our consultations, the PLA was more concerned to restore engagement with its American than with its Japanese counterparts. No explanations were offered about the cause or purpose of the various helicopter buzzing incidents against Japanese warships.<sup>128</sup> China is noticeably more willing to develop CBMs with other maritime neighbours than with Japan.<sup>129</sup>

*Indifference to India as a maritime power is receding, slightly:* Views within Beijing are mixed on whether or how to engage with India on maritime security issues. During our consultations, some analysts insisted that security tensions between India and China are much more likely on land than at sea. A broad range of experts also stressed that China's immediate maritime security attention remains heavily focused on disputed East Asia waters. There was nonetheless a growing recognition of a need to find ways to engage with India: some analysts acknowledged that India's superior military capabilities in the Indian Ocean, and its relations with the United States, made New Delhi a more important security actor for Beijing to communicate with than it had been in the past. It was argued that China's maritime concerns with India were about apparent Indian aims of excluding other powers from the Indian Ocean, as well as about future possible Indian naval activity in East Asia as a US partner. Several Chinese analysts acknowledged that China ought to reassure India about the purpose of its (counter-piracy) naval deployments in the Indian Ocean. It was even suggested that China and India might establish some kind of maritime security dialogue to complement their existing modest defence links.<sup>130</sup>

## Against the tide?

Chinese views on maritime security tensions and CBMs are more layered and complex than can be explained by a simple thesis of strategic assertiveness. The Beijing security community is not oblivious to the possibility that incidents at sea could escalate, or to the need for some kind of risk-reduction measures. But degrees of concern vary, and do not approach those driving American or even Japanese policy. On balance, Beijing appears to have decided it is willing to tolerate – and sometimes knowingly contribute to – a risk of unlooked-for conflict that other nations recognise as worryingly high. A critical question, then, is whether the lead decision-makers in Beijing – civilian and military – can be persuaded of an overriding need to prioritise practical measures to prevent violent incidents at sea. As the concluding chapter will outline, the present outlook is not promising, though some incremental steps are possible.

## Chapter 4: Stability without trust

Power shifts, interstate competition, military modernisation, transnational challenges, institutional pressures and political choices to exploit differences over territory and nationalism: together, these factors are making Asia's waterways more contested, crowded and at risk of armed strife. The analysis in this paper suggests that differences of interests among major powers in Indo-Pacific maritime Asia – in particular China's frictions with the United States, Japan and India – are likely to persist and intensify. This will continue to manifest in so-called incidents at sea: close-range encounters involving vessels and aircraft from competing powers, typically in sensitive or contested zones, and with accompanying possibilities of miscalculation, casualties, crisis and even conflict.

The probability that any particular incident will lead to military clashes is relatively small, and the possibility that this might escalate to major war is smaller still. Many incidents have occurred in the past decade, and there is little evidence in the public domain that these have prompted elevated alert levels, wider mobilisation, or escalating threats of force. But the dynamics of strategic competition suggest that the number and tempo of incidents is likely to increase, the probability that any particular incident will get out of hand is well above zero, and the consequences of such a breakdown could be profound.

Moreover, an accumulation of incidents could play negatively into a wider deterioration of security relations among major powers, raising the likelihood that any particular future incident might become a spark for conflict. Serious efforts to minimise these risks are therefore critically important to the region's future peace and stability.

For the foreseeable future, hopes for comprehensive cooperation at sea among major powers in the Indo-Pacific region – something approaching a maritime concert of powers – are forlorn. There is also a need to be realistic about the prospects even for more modest CBMs to eliminate the risks of incidents or of their escalation. Yet the alternative is grim: a vast region, increasingly central to global prosperity and order, in which powerful maritime states competitively seek to advance and safeguard their interests, in the absence of agreed rules of restraint or habits of cooperation. Such a situation will involve frequent friction points with a constant need for diplomatic attention to prevent or manage crises, and no guarantee that conflict can be avoided.

In this concluding chapter, we first offer some generalised analytical conclusions derived from the analysis and research set out in the preceding chapters. Drawing upon these conclusions, we then present some brief recommendations on how states

might most effectively reduce or at least manage the risks that Asian maritime competition might lead to dangerous armed encounters.

## Analytical conclusions

The most active maritime security differences in Asia involving major countries revolve ultimately around the rise of China. That rising power's maritime security relations with the United States, Japan, India and some Southeast Asian states all involve elements of competition and mistrust, and carry the latent risk of conflict. Even the maritime relationship between China and South Korea is overshadowed by Beijing's support for North Korea. The priority for diplomatic efforts to reduce risks of conflict at sea in Asia should therefore be addressing the dangers in China's main maritime power relationships.

It is unrealistic to expect that these challenges can be resolved through an inclusive regional forum, and bilateral efforts to address them in recent years have also met with disappointment. Between 2007 and 2009, in particular, there was a flurry of activity, publications and enthusiasm around the idea of US–China engagement, even partnership, in securing the maritime commons. The United States even made cooperation the organising principle of its 2007 maritime strategy.<sup>131</sup> The ideas promoted at this time included working together on 'non-traditional' or transnational security issues, like piracy and disaster relief, in the hope that this would lead to broader improvements in mutual understanding and trust in interstate security relations. Since then there have been efforts to persuade Beijing that continuous channels of military dialogue are in China's interests.<sup>132</sup> These overtures have been rejected, even if some parts of China's security community acknowledge that they make sense.

To be sure, Beijing is becoming more comfortable with some kinds of security engagement with potential strategic competitors, but – at least when it comes to the maritime domain – this focuses on measures remote from or indirectly related to the main issues, zones or capabilities of contention and concern. These indirect CBMs have only a marginal impact on issues of trust, stability and crisis management.

For instance, defence policy dialogues, while obviously better than nothing, are often venues for formulaic exchanges of rehearsed national perspectives: a fate of the Sino-US MMCA.<sup>133</sup> Ship visits – an area where the PLA-N is increasingly active<sup>134</sup> – remain largely symbolic gestures of normal diplomatic engagement, shot through with wariness and sprinkled with intelligence-gathering attempts on both sides. Naval officers understand the nuances of these activities. They know that occasional goodwill interactions with navies they mistrust are not of themselves

going to make a fundamental difference in eliminating the possibility that some future exchange will be one of fire rather than personnel.

China's involvement in combined maritime exercises with nations it mistrusts tends to be modest in scale and complexity, and to focus on 'non-traditional' or transnational issues like search and rescue, disaster relief or counter-terrorism. The reassurance these activities can offer about the other side's capabilities and intent is limited. They can, however, generate a small degree of predictability in understanding how and why the other side operates and reacts – for example, in assessing each other's levels of seamanship. Such activities can also play a role in developing communications procedures that might allow ships from different nations to avoid accidents when operating in proximity. And these modest gains can be enhanced through operating together on 'non-traditional' security missions, such as disaster relief or against piracy.

Nonetheless, even extensive cooperation on such activities cannot erase fundamental differences of national interest. This is attested by the fact that a limited US–China partnership against piracy in the Gulf of Aden has coincided with a prolonged downturn in their maritime security relations in waters close to China, where Beijing appears to have decided its interests are non-negotiably engaged.

Meanwhile, China's willingness to engage seriously in more direct kinds of CBMs remains very limited. In particular, there is little prospect of major progress in formal mechanisms to prevent or manage incidents at sea between Chinese forces and American, Japanese or Indian counterparts. And while Beijing may be willing to experiment in coordinated patrolling with much weaker states like Vietnam and Indonesia, there is no sign of Chinese interest in a similar arrangement with Japan (although it is an open question whether Japan would be comfortable with this in any case).

For the time being, China and Washington remain largely opposed on the basic question of whether the purpose of military engagement is to build trust or reflect it. Should direct CBMs be put in place before political trust is pursued? This is the view of Washington in particular; CBMs are most necessary when trust is most lacking. Thus there are those in the United States who support the creation of one or more bilateral INCSEA agreements with China based on the US–Soviet model of the 1970s, grounded in decades of US experience in managing great-power competition in its most intense form. (This is not, however, active US policy at this stage.) Or should, as China tends to argue, agreement and trust on key political issues be established before serious military dialogue, confidence-building and cooperation can be attempted at sea? This approach becomes especially problematic when Beijing chooses to define 'trust' as US accommodation of what

China chooses to define as its core interests – especially those interests that are directly at odds with those of other stakeholders in regional security. At this stage it would seem that even the accumulation of dangers and risks in 2010 has not fundamentally shifted Beijing's position.<sup>135</sup>

Not all the nervousness about the mixed impacts of CBMs is on the Chinese side. Some countries, notably Japan, might see a mixed blessing in progress on others' maritime CBMs with China. Japan might see any future sudden advances in US–China maritime CBMs or engagement as increasing the risk of Tokyo's interests being sidelined in some US–China rapprochement or 'G2' condominium. In the Indian Ocean, meanwhile, any moves towards substantial maritime cooperation with China by either the United States or India – hypothetical as it may seem at present – could cause discomfort to the other democratic power unless it was closely consulted along the way.

In a climate of nationalism and major-power rivalry, processes to negotiate formalised or binding CBMs with China, such as an INCSEA agreement, could easily descend in contests for influence, prestige or legalistic point-scoring; Japan, for instance, is not convinced China would be willing to treat it as an equal in negotiations.<sup>136</sup> In the case of China–US negotiations, China could be expected to use any such talks to push for acceptance of its interpretation of the Law of the Sea, and for an end to US surveillance in its EEZ. And in China–India relations, an INCSEA or other negotiation of direct maritime CBMs would be a test of Beijing's willingness to treat New Delhi as a peer. It would probably also require New Delhi to accept a legitimate and enduring Chinese maritime security role – including sustained naval activity – in the Indian Ocean. As for any effort to multilateralise an INCSEA regime involving China, this would seem highly likely to fail in the absence of bilateral agreements as building blocks. Such a multilateral approach might also provide Beijing with the opportunity to seek to divide the United States and its allies or partners.

More broadly, the possible roles of third parties in reinforcing the peaceful management of the key major-power disputes in the Indo-Pacific are limited. As argued in *Power and Choice*, small and middle powers such as Singapore and Australia, or institutions such as those centred on ASEAN, have little prospect of mediating between major powers on issues critical to their national security; otherwise, the major powers would already be willing to vest mechanisms such as the ASEAN Regional Forum with a genuine preventive diplomacy mandate and resources to match.<sup>137</sup> This is admittedly an unpleasant situation for middle powers such as Australia to accept, given their major stakes in regional stability and the security of sea lanes.

The more time that passes without movement towards a direct CBMs regime at sea in the Indo-Pacific, the more that tensions between a rising China and other powers are likely to accumulate. This is a circumstance in which the maritime security dilemma in the region is set to worsen, with competitive capability accumulation, especially of destabilising capabilities such as submarines and missiles.

That said, time itself might also bestow some improvements – an informal confidence-building and crisis-management regime might evolve out of hard-earned experience. Assuming that high levels of economic interdependence persist, this will sustain pressure on governments to prioritise peace over zero-sum security goals. If security tensions in the years ahead do not lead to catastrophe, then the region's navies will accumulate useful experience and data that may help them anticipate and cope with incidents at sea, even in the absence of formal agreements and direct CBMs. Sometimes it is the confidence-building process that matters, not any elusive formal measures, mechanisms or outcomes.<sup>138</sup> In our research consultations, one pragmatic Japanese official suggested that an informal, process-based approach might be best the region could hope for in managing maritime security differences:

*Maybe China and Japan are building an unconscious modus vivendi of precedents to ensure that mishaps do not escalate to armed conflict. I think this unconscious movement is happening. But the moment that we start to talk about it, even through back channels, both sides will start jostling for advantage. This international politicking would prevent any positive outcomes ... Ultimately, the goal needs to be to develop a system to avoid mishaps escalating, and to do this over a period of many years until a durable Asian strategic order – but not one of Chinese dominance – can be reached. The Chinese are practical people and ultimately do not want war. But this period ahead will be difficult and dangerous and it could take many years.<sup>139</sup>*

What is far from certain is whether such an Asian style of non-binding, unspoken confidence-building understandings could be sufficient to keep the peace. It is also unclear whether such an arrangement might prove acceptable to the United States, still the dominant maritime power in the Indo-Pacific.

## Recommendations

Taken together, this set of analytical judgments leads to some sobering realisations. The probability of maritime conflict related to the rise of China is small but real, and it is growing. The consequences are potentially dire. There is little likelihood in the years ahead that those dangers will be profoundly reduced by the kinds of maritime cooperation and CBMs widely advocated by Western scholars, leaders and diplomats. It is understandable that governments are instead hedging their bets and building up their capabilities and partnerships against the possibility of worst-case scenarios, despite the obvious security dilemma risks inherent in this approach. What else, if anything, can be done?

Of course, existing efforts to engage China in maritime cooperation and CBMs should not be abandoned. Although a hardline stance has prevailed in Beijing in recent years, the submerged diversity of views on CBMs within the Chinese security community is worth closer examination for clues on ways to influence China's policy debates. Generally speaking, the United States and other powers are not taking major security risks in leading the way on engagement and CBMs. While the likelihood of short-term benefit might be slight, there is generally nothing to lose by continuing to try – as long as those efforts are informed by a nuanced and realistic understanding of what might work and what patently will not. The exception is where one power cannot accommodate Chinese conditions for CBMs without generating negative consequences for its own security or that of others.

In this light, serious work remains ahead in assessing and dealing with the way China chooses to interpret the Law of the Sea. One question that needs to be considered is whether there might be any prospect of Sino-US negotiations on China's stated concerns on US intelligence-gathering in its EEZ and the US position on freedom of navigation. It is difficult to envisage the United States entering into such negotiations, given the critical role of surveillance to its military posture in Asia. It is also difficult to conceive of an end point other than the status quo that would be acceptable to the United States and other nations with a strong stake in the security of East Asian sea lanes. In any case, ratification of UNCLOS by the United States would obviously strengthen the position of Washington and its regional allies in any future Chinese diplomatic or legal challenge on this issue.

Efforts to build maritime security dialogue with China should continue. An Indian initiative in this area would usefully complement the efforts of the United States, Japan and others. India, Australia and other Indian Ocean states have a good opportunity now – while China's security presence and role west of the Strait of Malacca remains slight – to try to establish rules, understandings and habits of maritime cooperation in the Indian Ocean.



Australian frigate HMAS *Warramunga* conducts exercises with a PLA-N destroyer, September 2010.

At every turn, other powers should reinforce the message and the logic that continuous dialogue is in China's interests. Suspending military talks over political differences actually worsens China's security by raising the risks of incidents at sea getting out of hand.

Attempts should also be sustained to introduce operational hotlines and mutually understood – if not formally agreed – rules, codes and communication channels for managing

interactions at sea. These need to be able to function as incidents are unfolding, relaying 'incident-resolution messages through national authorities to the other nation'.<sup>140</sup> In addition, the United States and China should keep open the possibility of future discussion on INCSEA or other risk-reduction agreements between them. It would be in US interests to ratify the UNCLOS ahead of any such negotiations

Meanwhile, indirect CBMs like ship visits, bilateral exercises and counter-piracy cooperation should not slacken, and medium maritime powers can help maintain momentum with engaging China in this regard.<sup>141</sup> Australia in particular may have a useful role here. It has reasonably developed defence relations with China, particularly between the navies, and both Washington and Beijing see value in that relationship remaining open at times when US–China relations are strained.<sup>142</sup>

At the same time, leaders and diplomats should continue working to turn inclusive regional forums such as the ARF, East Asia Summit and ASEAN Defence Ministers Meeting Plus Eight into active venues for major-power security talks and transparency. Hopes of progress here might seem quixotic, but at least these forums would then be primed if ever they were given a mandate to deal directly with a real problem. And every increment of progress in these forums advances the principle that these are legitimate platforms for addressing the region's big interstate security challenges.

But reliance solely on the traditional menu of CBMs is unlikely to bear fruit for many years – while the risks from maritime incidents are here and now. Therefore the United States, its allies and partners should now begin also to explore some additional, oblique means to reduce or manage risks of confrontation or escalation.

These steps essentially revolve around getting our own houses in order: improving national and coalition approaches to preventing and managing security crises at sea. This could signal to China that US and allied concerns about maritime security are

genuine and not some ruse or variant on a ‘China threat’ theory. Self-improving efforts at the best possible policy coordination and crisis-response mechanisms within other maritime powers could also send a much-needed signal to Beijing that it would be in China’s security interests to take similar steps.

Of all the nations troubled by China’s maritime rise, Japan would be the logical place to start in improving its crisis-management system as a unilateral way to minimise the risks of conflict or escalation at sea. Such reform might involve, for instance: faster and more integrated intelligence assessment across agencies; better coordination between military, coastguard and other civilian institutions; and greater devolution of authority from Cabinet to the Japanese Defense Minister, Ministry and Japanese Maritime Self-Defense Force (JMSDF) commanding officers to respond to evolving situations.<sup>143</sup> It may seem odd to be advocating greater operational autonomy as a way to prevent conflict at sea, but Japan is an unusual case: current self-imposed constraints on JMSDF commanders may in fact be encouraging excessive risk-taking by their more freewheeling PLA-N counterparts.

Steps to make Japan a model for crisis-response and policy-coordination mechanisms would have a threefold benefit. First, they could help reduce risks of conflict or escalation, without suggesting to China that Japan was in any way sacrificing its own interests or making itself vulnerable. Indeed, by showing a general willingness to pursue institutional reform, high-level political attention to maritime security, and a path to new decisiveness in Japanese security behaviour, such initiatives might contribute to a deterrent effect against China (and North Korea). Second, such change could make it easier for the United States – and potentially other partners such as Australia and South Korea – to coordinate with Japan to meet any future common danger. And third, it is not inconceivable that unilateral improvements to Japan’s interagency coordination, intelligence and crisis-response mechanisms might prompt China to revisit its own – a domain where our research suggests many improvements are in order.<sup>144</sup>

Next, the United States and its allies could consider ways better to coordinate and communicate with each other their various efforts at maritime engagement with China, in all its meanings and dimensions. This could include clear advance notice of any attempted CBMs, so that dialogues and exercises could be coordinated for maximum effect, and to ensure that no partner felt sidelined by another’s CBMs



US–India naval exercise.

or was left confused about their nature and purpose. This should include ensuring that the United States and Japan are kept tightly in the information loop of any maritime security CBMs between Taiwan and China.

Discussions on coordinating CBMs might be pursued through a web of existing or enhanced bilateral and trilateral mechanisms. The former could include the US–Japan ‘2+2’ defence and foreign ministers’ talks and a similar Australia–Japan dialogue. The latter could include the Australia–Japan–US trilateral strategic dialogue, the evolving US–Japan–South Korea discussions, and the new US–Japan–India trilateral foreign ministry talks.<sup>145</sup> Such deepening of security relations among the democracies will require parallel efforts to reassure China, or indeed to try to convince Beijing of why consultations among US allies could advance stability and thus ultimately China’s own security. After all, sometimes these forums can be useful for participants to help each other gain perspective in their perceptions of Chinese security behaviour.<sup>146</sup> In addition, participants should emphasise their willingness to expand security dialogue with China.

Despite Chinese concerns, the further development of interoperable – and essentially defensive – anti-submarine, C4ISR and missile defence capabilities by Japan, the United States and possibly other allies and partners has the potential to contribute to stability through credible conventional deterrence. Still, some serious questions about the mix of stabilising and potentially destabilising effects will arise when the United States and its allies move to operationalise the AirSea Battle concept. As touched on in Chapter 1, such a strategy would presumably require high levels of continued surveillance of Chinese capabilities. China’s maritime strategy of anti-access and area denial is one major reason for the proliferation of incidents at sea. But it is difficult to see how the proposed US-led counter-strategy will not generate even more possibilities for encounters at sea, even though the risk of their turning into dangerous incidents will depend on how assertive Chinese forces choose to be. Assuming an AirSea Battle strategy proceeds, therefore, the need for a regime of direct CBMs will grow.

## Crisis as catalyst

For many, the foregoing menu for realistic and effective maritime CBMs in Indo-Pacific Asia will be disappointing and frugal fare. Even if all our modest recommendations could be enacted, they will hardly eliminate the risks of confrontation, armed clashes or escalation on Asia’s high seas in the rocky decades to come. There will be a continued role for capabilities to dissuade and deter; after all, such capabilities become crucial parts of the toolkit to prevent bloodshed or escalation once a crisis begins. The modest CBMs proposed above could, however, make the crucial, marginal difference – enough to prevent at least some incidents

from escalating to confrontation, crisis or conflict. And each clash or escalation averted must count for something.

In the end, there may be only one sure way that prospects for effective maritime CBMs in the region might dramatically improve. That would be a crisis which brought the region to the brink of devastating war. But it would need to be a very special kind of crisis. After all, it is possible that some in the PLA already countenance the brinkmanship of a warlike contingency in order to resolve the Taiwan issue or permanently push US surveillance far from the Chinese coastline. And, given the differing centres of influence within China, each with its own competing agenda, there is no guarantee that the lessons learned from any particular crisis would be the right ones.



ASEAN Defence Minister's Meeting  
Plus Eight, Hanoi, 2010.

For a crisis to serve as the catalyst to stability in Indo-Pacific maritime Asia, it would need to be an episode in which all sides were profoundly spooked. Most particularly, it would need to be a situation which left China – and not only the civilian leadership, but also the PLA – faced with the prospect of a conflict it did not want and could not control. Of course, this is not a gamble to be wished. For a crisis to have a truly salutary effect, the possibility of large-scale, uncontrollable escalation would need to be real. Moreover, the danger would need to become clear to much of the wider Chinese population – which might bring its own crisis of confidence in Communist Party rule, and the corresponding possibility of political instability in China. Still, it could be argued that only something like a Cuban Missile Crisis would persuade the Indo-Pacific's major powers to put peace ahead of other perceived national interests. In the aftermath of such a collective near-miss, it is conceivable that major powers at last would be willing to make large concessions to ensure stability and predictability in their relations.

Would it ever be worth chancing a brink-of-war crisis as a gateway to peace? The sane answer is no, but asking this question at all may be academic. If Indo-Pacific strategic dynamics maintain their present course, such a moment may one day be thrust upon the region in any case. As argued in *Power and Choice*, the future Asian security order and the likelihood of conflict will depend in large part on a series of choices: long-term strategic decisions and immediate responses to crisis. Like all political choices, these will be undertaken with imperfect, incomplete information. Confidence-building decisions taken now could at least make the picture clearer when it counts.

## Notes

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Policy, 2010: <http://www.lowyinstitute.org/Publication.asp?pid=1461>.

- 11 Indo-Pacific Asia is used to describe an emerging Asian strategic system that encompasses both the Pacific and Indian Oceans, defined in part by the geographically expanding interests and reach of China and India, and the continued strategic role and presence of the United States in both. This is consistent with the definition of Asia in the framing report of the Lowy Institute's MacArthur Foundation Asia Security Project. See Malcolm Cook, Raoul Heinrichs, Rory Medcalf and Andrew Shearer, *Power and choice: Asian security futures*. Sydney, Lowy Institute for International Policy, 2010.
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- 13 For an account of how regional rivalry might develop, see Malcolm Cook, Raoul Heinrichs, Rory Medcalf and Andrew Shearer, *Power and choice: Asian security futures*.
- 14 Some of these incidents are outlined in three of the 2010 *Strategic Snapshot* publications under the Lowy Institute MacArthur Asia Security Project. See Malcolm Cook and Andrew Shearer, *Cheonan choices*; Rory Medcalf, *Decisions and destinies: Asian security in 2010*; and Hiro Akutsu, *Japan-China maritime relations: dealing with new dimensions*. Sydney, Lowy Institute for International Policy, 2010: <http://www.lowyinstitute.org/AsiaSecurityProject.asp>. See also Mark Valencia, *Foreign military activities in Asian EEZs: conflict ahead*. NBR Special Report 27. Washington, National Bureau of Asian Research, 2011: [http://www.nbr.org/publications/specialreport/pdf/free/SR27\\_EEZs.pdf](http://www.nbr.org/publications/specialreport/pdf/free/SR27_EEZs.pdf).
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- 16 Malcolm Cook, Raoul Heinrichs, Rory Medcalf and Andrew Shearer, *Power and choice: Asian security futures*.
- 17 For instance its extraordinary refusal to attribute blame to North Korea for the sinking of the South Korean warship Cheonan in March 2010, as well as its characterisation of the deadly November 2010 Yeonpyong island barrage as an exchange of fire rather than an attack initiated by the North.

- 18 Russia's strategic role in Asia will be dealt with in a forthcoming *Strategic Snapshot* publication in this Project. Russian military aircraft are increasingly active and assertive in North Asia, more so than Russian naval vessels. In particular, there remain tensions surrounding Russian flights near Japanese airspace, and Russian aerial intelligence-gathering is believed to have disrupted US and allied exercises in the region in December 2010. Airspace border tensions soar/ASDF scrambled 386 times to ward off foreign aircraft in FY10, *The Yomiuri Shimbun*, 30 April 2011: <http://www.yomiuri.co.jp/dy/national/T110429004888.htm>. Andrew Osborn, Russian navy jets disrupted US–Japanese military exercise, *The Telegraph*, 8 June 2011: <http://www.telegraph.co.uk/news/worldnews/europe/russia/8188576/Russian-navy-jets-disrupted-US-Japanese-military-exercise.html>.
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  - 40 See Roger Cliff, Mark Burles, Michael Chase, Derek Eaton, Kevin Pollpeter, *Entering the dragon's lair: Chinese antiaccess strategies and their implications for the United States*. Santa Monica, CA, RAND Corp., 2007.
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- 63 There is considerable debate about whether the Chinese leadership has formally designated the South China Sea as a core interest. In October 2010 the authors were told on numerous occasions by a range of Chinese interlocutors that the status of the South China Sea, and China's policies towards it, had not changed, regardless of the specific language said to have been used in a US-China dialogue earlier that year. See also Michael D. Swaine, China's assertive behaviour: part one: on core interests, *China Leadership Monitor*, No. 34, 2011: <http://media.hoover.org/sites/default/files/documents/CLM34MS.pdf>; also see Edward Wong, China hedges over whether South China Sea is core interest worth war, *New York Times*, 30 March, 2011: <http://www.nytimes.com/2011/03/31/world/asia/31beijing.html>.
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- 65 See Marc Valencia, The East China Sea dispute: context, claims, issues and possible solutions, *Asian Perspective*, Vol.31 (1) 2007, p 129.
- 66 Norimitsu Onishi and Howard W. French, Japan's rivalry with China is stirring a crowded sea, *New York Times*, 11 September 2005: [http://www.nytimes.com/2005/09/11/international/asia/11taiwan.html?\\_r=1](http://www.nytimes.com/2005/09/11/international/asia/11taiwan.html?_r=1).
- 67 Clinton tells Maehara Senkaku subject to Japan-U.S. security pact, *Kyodo News*, 23 September 2010, <http://www.breitbart.com/article.php?id=D9IDOG4O0>

- 68 A leading scholar on maritime issues in Asia suggests one such worst-case scenario: ‘China stations its submarines and other naval vessels in the East China Sea to protect its drilling activities there. Japan responds by sending P-3 patrol planes, Aegis war ships, and F-15 fighters. Miscommunication exacerbates tension and a night-time clash erupts between Chinese submarines and Japanese destroyers. Reinforcements are dispatched and Japan requests assistance from the United States. The United States would likely delay intervention to allow time for diplomacy to work. But if the situation spiraled out of control the United States would likely defeat the Chinese naval force, precipitating a wider and longer-term conflict.’ Mark Valencia, *The East China Sea dispute: context, claims, issues and possible solutions*, p 130.
- 69 Sean M. Lynn-Jones, A quiet success for arms control: preventing incidents at sea, *International Security*, Vol.9 (4) 1985, pp 154-184.
- 70 As one scholar pointed out in the context of the Cold War: ‘This type of escalation is distinct from the possibility that an incident might increase international tensions and raise the risk of war. In that case, the incident serves only as a catalyst that triggers or increases hostility between the parties involved; it does not immediately lead to sustained fighting. Political leaders would have the opportunity to assess the incident and then act. In a crisis, however, the incident itself might lead to significant hostilities and direct escalation. The political leadership of both countries might eventually have the opportunity to reflect and decide upon further military measures, but major combat already would have taken place at the local or theater level.’ Sean M. Lynn-Jones, A quiet success for arms control: preventing incidents at sea, p 165.
- 71 There is a vast literature on CBMs, much of it dating from the Cold War, when the term was coined and the notion popularised. The basic principles of predictability and transparency in maritime security behaviour have been around, however, for centuries; for instance, in agreements between medieval England and Flanders, or in the 19th century between the United States and Canada. See, for example, David Griffiths, US-China maritime confidence-building: paradigms, precedents and prospects. *China Maritime Studies No. 6*. Newport, RI, China Maritime Studies Institute, US Naval War College, 2010, p 10.
- 72 One of the more realistic, policy-oriented definitions of CBMs we have encountered runs thus: ‘efforts to improve military-to-military relations in ways that reduce fears of attack and the potential for military miscalculation. Examples of CBMs include hotlines—direct telephone links between heads of state, military leaders, or commanders—and other activities intended to increase transparency, such as publishing defense white papers or providing pre-notification of military exercises. In relationships characterized by mistrust and military tension ... CBMs may play a helpful role in building trust and

- preventing unintended conflict.’ Bonnie S. Glaser, *Building trust across the Taiwan Strait: a role for military confidence-building measures*. Washington, DC, Center for Strategic and International Studies, 2010, p viii: <http://csis.org/publication/building-trust-across-taiwan-strait>.
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- 74 Existing bodies include the Association for South East Asian Nations (ASEAN), ASEAN Plus One (China), ASEAN Plus Three (China, Japan, South Korea), the East Asia Summit (EAS), the ASEAN Regional Forum (ARF), the ASEAN Defence Ministers Meeting Plus Eight (ADMM+8), the South Asian Association for Regional Cooperation (SAARC), the Western Pacific Naval Symposium (WPNS), the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC), and the Indian Ocean Naval Symposium (IONS). The region has an evolving architecture of ‘track 2’ or non-official, expert dialogue, notably the Council on Security Cooperation in the Asia-Pacific (CSCAP), which has an advisory role to the ARF. Meanwhile, multilateral ‘track 1.5’ dialogue, involving both governments and track 2 experts, has made progress in the form the Asian security forum known as the ‘Shangri-La Dialogue’, hosted by the International Institute for Strategic Studies with cooperation from the government of Singapore.
- 75 Allan Gyngell, *Design faults: the Asia Pacific’s regional architecture*. Sydney, Lowy Institute for International Policy, 2007: <http://www.lowyinstitute.org/Publication.asp?pid=638>.
- 76 Marty Natalegawa, Opening keynote speech to the 7th General Conference, Council for Security Cooperation in the Asia Pacific, 16-18 November 2009, Jakarta: <http://www.cscap.org/uploads/docs/General%20Conf%20Reports/CSCAP%202009-Summary%20Report-Public.pdf>.
- 77 US Department of State, ASEAN Regional Forum (ARF) event a significant milestone, factsheet, 16 July 2009: <http://www.state.gov/p/eap/rls/2009/126073.htm>.
- 78 The 22 WPNS members include host nation the United States as well as China, Japan, Russia and most other seafaring Asian states. India is an observer, and closely acquainted with CUES including through its regular interaction with the US Navy.
- 79 The 2002 voluntary declaration regarding conduct between China and other claimants in the South China Sea is an example of this.
- 80 The Soviet–US INCSEA is far from the only precedent for such agreements. The United Kingdom and Soviet Union signed their own INCSEA in 1986. Germany, Canada, France and Italy signed agreements with the Soviets between 1988 and 1989. Germany and Poland signed a similar arrangement in

1990. Russia and Japan signed an agreement in 1993.

- 81 Agreement between the Government of the United States of America and the Government of the Union of Soviet Socialist Republics on the prevention of incidents on and over the high seas, 1972: <http://www.state.gov/t/isn/4791.htm>.
- 82 There exists a comprehensive set of regulations pertaining to the conduct of vessels on the high seas and all waters connected therewith. These are known as the International Regulations for Preventing Collisions at Sea 1972 (INTCOLREGS), as amended. An INCSEA should not interfere with these rules in any way. It should be designed as a complement to the INTCOLREGS with naval and military ships and aircraft in mind.
- 83 A full structure for bilateral maritime military interaction might include: defence ministers meeting (grand strategic dialogue); meetings of service chiefs, and, ideally, of chief of defence force or equivalent; political-military dialogue, involving senior defence and foreign policy officers, and senior military officers; strategic navy-to-navy talks, normally co-chaired at Rear Admiral level, drawing direction from ministerial-level talks; operational working group, normally co-chaired at the level of Captain or Commander, planning initiatives agreed at navy-to-navy level, building networks of communication and developing workable CBMs; possible specialist working groups, for instance on communications or logistics; and task groups and individual ships or units (tactical level), executing the plan.
- 84 Lyle J. Goldstein, Five dragons stirring up the sea: challenge and opportunity in China's improving maritime enforcement capabilities, *China Maritime Studies* No. 5. Newport, RI, China Maritime Studies Institute, US Naval War College, April 2010: [http://www.andrewerickson.com/wp-content/uploads/2010/05/China-Maritime-Study-5\\_China-Coast-Guard\\_Goldstein\\_2010-04\\_Color-Version.pdf](http://www.andrewerickson.com/wp-content/uploads/2010/05/China-Maritime-Study-5_China-Coast-Guard_Goldstein_2010-04_Color-Version.pdf).
- 85 Richard C. Bush, *Perils of proximity: China-Japan security relations*, Washington, DC, Brookings Institution, 2010, pp 298–299.
- 86 Research consultations were conducted with approximately 50 experts and security practitioners in China, Japan and the United States in the second half of October 2010. Unless otherwise indicated quotations used throughout this chapter are drawn from those interviews. In some instances, notably where interpreters were used, the speakers have been paraphrased by the authors. In Beijing, meetings were held at multiple research institutions including the China Institute for International Studies, Peking University, China Institute for Contemporary International Relations and the PLA Academy of Military Sciences. In Tokyo, discussions took place with analysts and policy practitioners from the National Institute for Defense Studies, the Ocean Policy Research Foundation, several universities, media organisations and government agencies. In Washington, discussions were held at the East West Center, the Center for Naval Analyses, the Center for Strategic and International Studies and the

American Enterprise Institute, as well as with experts from the US Naval War College. The authors have also consulted regularly with Indian security experts and senior naval officers in New Delhi, Singapore and Australia over some years.

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- 88 The report goes into some detail on the approaches Washington has in mind: 'The United States remains vigilant in its watch for behavior that puts at risk the safety of U.S. soldiers, sailors, airmen, and marines, or is in clear violation of international norms. The Department will continue to use all available channels, in particular an invigorated MMCA and Defense Policy Coordination Talks process, to communicate the U.S. Government position on these and other matters to the PLA, while taking advantage of opportunities for the two sides to discuss practical ways to reduce the chances for misunderstanding and miscalculation between our armed forces.' US Department of Defense, *Annual Report to Congress: Military and security developments involving the People's Republic of China*, 2010, pp 53–55.
- 89 David Griffiths, US-China maritime confidence-building: paradigms, precedents and prospects. *China Maritime Studies No. 6*. Newport, RI, China Maritime Studies Institute, US Naval War College, 2010, p 18.
- 90 Viola Gienger, 'China-U.S. defense hotline shows gulf between nations', *Bloomberg*, 14 May 2011: <http://www.bloomberg.com/news/2011-05-13/china-u-s-defense-hotline-shows-gulf.html>.
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- 96 *NIDS China security report*, Tokyo, National Institute for Defense Studies, March 2011, p 29: [http://www.nids.go.jp/publication/chinareport/pdf/china\\_report\\_EN\\_4C\\_A01.pdf](http://www.nids.go.jp/publication/chinareport/pdf/china_report_EN_4C_A01.pdf).
- 97 Authors' consultations with security experts, naval officers and officials, Tokyo, October 2010.
- 98 See Suresh Mehta, 'India's national security challenges: an armed forces overview', paper presented at the India Habitat Centre, New Delhi, 10 August 2009: [http://maritimeindia.org/pdfs/CNS\\_Lec\\_at\\_Habitat.pdf](http://maritimeindia.org/pdfs/CNS_Lec_at_Habitat.pdf).
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are present also in a sample of the range of published views among some of the Chinese security community's more authoritative voices. See, for example, Cai Penhong, 'Zhongmei haishang chongtu yu huxin jizhi jianshi' [Sino-US maritime conflicts and building mechanisms for mutual trust], *Waijiao Pinglun* [*Foreign Affairs Review*], Issue 2, 2010, pp 30–37; Yang Zhen and Zhou Yunheng, 'Lun ZhongMei zhijian de haiquan maodun' [Discussion of the conflict between China and US sea power], *Xiandai Guoji Guanxi* [*Contemporary International Relations*], Issue 2, 2010, pp 6–11; Zhang Wenzong, 'Guanyu Zhongmei jianli zhanlüe huxin de sikao' [Reflections upon building mutual strategic trust between China and the US], *Dangdai Shijie* [*Contemporary World*], Issue 2, 2011: <http://www.cicir.ac.cn/chinese/newsView.aspx?nid=1999>; Shi Chunlin, 'Zhongmei haiyun anquan hezuo: jinzhan ji cunzai de wenti' [Sino-US maritime transport safety cooperation: issues in progress and continuation], *Xiandai Guoji Guanxi* [*Contemporary International Relations*], Issue 5, 2010, pp 45–51; Teng Jianqun, 'Zhongguo jianli xinren cuoshi de shijian yu zhanwang' [China's confidence-building measures: practice and future], *Guoji Wenti Yanjiu* [*Journal of International Studies*], Issue 3, 2008, pp 12–18; Xu Hui, 'ZhongMei junshi huxin weihe nanyi jianli?' [Why is it difficult to build mutual trust in Sino-US military affairs?], *Waijiao Pinglun* [*Foreign Affairs Review*], Issue 2, 2010, pp 22–29. The authors are indebted to Fiona Cunningham for assistance in identifying these sources.

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- 133 'The way it usually works is that there are opening statements – usually statements about the military role in advancing national interests and about the importance of cooperation – then the whole thing devolves into each side listing their grievances. The other side then responds by listing their grievances. Sometimes the exchanges can become testy, but more usually the two sides just end up talking past each other. China invariably cites surveillance flights in the EEZ; maritime ASW (anti-submarine warfare) patrols; the Pentagon report to Congress; America's alliance system, particularly Japan's role. We generally beat them over the head with the transparency thing and other stuff. Then we agree to meet again in a couple of months, and do it all again. It's not, in my experience, a tremendously rewarding forum. The bigger they are,

and for some reason the delegations seem to get progressively bigger, the less substantive the talks become. More scripted, too.’ Authors’ consultation with former senior US Navy officer, October 2010.

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His contribution to this paper represents his own views, and not the official policy or position of the Australian Government, Department of Defence, the Australian Defence Force or Royal Australian Navy.

Perilous maritime encounters in Asia are on the rise. There are real risks that any such incident could escalate into diplomatic crisis or even armed conflict. For now, the trouble is focused on China's frictions with the United States, Japan, and other nations in East Asia. But maritime tensions could reach across the wider Indo-Pacific region, as the power and interests of China and India expand.

The region is ill-prepared to cope. Asia's infrastructure of maritime confidence-building measures – dialogues, communication channels and 'rules of the road' – is flimsy and little-used. Clashes of interests between China and other powers are compounded by differences over the purpose of military diplomacy. But Beijing's position may be in flux, suggesting modest prospects for progress.

This major report, part of the Lowy Institute's MacArthur Asia Security Project, takes a realistic look at the limits of cooperation and confidence-building at sea among major powers in Indo-Pacific Asia. It includes practical recommendations to reduce risks of crisis and escalation under conditions of continued mistrust.

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