

# China and Long-range Asia Energy Security: An Analysis of the Political, Economic and Technological Factors Shaping Asian Energy Markets

Prepared in conjunction with an energy study sponsored by the Center for International Political Economy and the James A. Baker III Institute for Public Policy.

## China's Military Posture and the New Economic Geopolitics

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For much of the past two decades, China has recorded nearly unprecedented rates of economic growth. These increases both flow from and contribute to a parallel rise in rates of domestic energy consumption.<sup>1</sup> As a result of this rise, the analysis of Chinese energy issues has become closely linked to several important points of debate about China's military posture and long-range strategic intentions:

How will China guarantee its most vital sources of energy supply, especially those that depend on the free flow of goods through international shipping routes?<sup>2</sup>

Does China possess the naval capability to secure sea-lanes of communications (SLOCs)?

Is such a capability at the center of its future naval planning?

Can China's missile capabilities--shown off to dramatic effect during exercises in the Taiwan Strait in the spring of 1996--be used to intimidate or damage international shipping, including oil and gas shipments?

This debate has emerged, in part, because of a broad shift in the relationship between China's economic development strategy and its projected strategic goals. From the 1950s-70s, a crude national security calculus dominated much of the Chinese policy agenda, and external insecurity was one of the few political themes that remained pervasive across the entire three decades before Deng Xiaoping's reform program was announced in 1978. High levels of external insecurity not only drove China's military posture and force structure choice during the Mao era (1949-76). Periodic national security crises that repeatedly exposed China's relative weakness also perverted a large chunk of the People's Republic's (PRC) overall economic development strategy during the period.<sup>3</sup> As such, Chinese high technology and industrial planning became heavily skewed toward large-scale, nationally-coordinated strategic weapons programs, while available military resources were used in the service of traditional national security goals: border defense; enforcement of outstanding territorial claims; and the protection of the Chinese homeland from external attack.

Today, it is widely acknowledged by scholars and policymakers alike that economic growth lies at the center of China's national policy agenda. As a result of this shift, Chinese industrial and technology planning has shifted away from the weapons-focused goals of the 1950s-70s toward a much more comprehensive effort, including demilitarization and an investment shift from heavy to light and high-tech industry.<sup>4</sup>

Not surprisingly, these shifts have also been accompanied by a subtle change in the way some policy analysts predict that China is likely to deploy available military resources. With its borders secure and many outstanding territorial claims now overlapping economic and resource issues, the debate about

China's defense policy increasingly centers on two themes: (1) long-range balance of power considerations in the Asian-Pacific region, especially vis-a-vis the likely future role of the United States; and (2) the possibility that China might deploy its military forces to secure resources required for long-range economic growth.<sup>5</sup>

These two debates are obviously closely intertwined, but the second is especially interesting and subtle, in part because resource and balance of power considerations overlap so closely. To become both self-sufficient in energy and a dominant force in the region's macroeconomy, China must be able to guarantee sea borne access to resource supply and routes of trade. Naval modernization, in particular, has therefore taken on special resonance because of China's growing demand for energy. Debate about precisely how resource and territorial claims overlap has been particularly pronounced, for example, in discussion of China's goals in the South China Sea, where balance of power considerations clearly matter a great deal but where China's "step-by-step" advance to the Spratly Islands also raises questions about how a hedge against resource dependence may fit into Chinese strategic calculations. Most major sea-lanes of communication for East Asian energy shipments lie in these waters.

This, then, begs an important new question about China's strategic goals and force posture: If China's military served straightforwardly to attain "traditional" security goals, such as border defense, when these were paramount on the Chinese agenda from the 1950s-70s, might we now not expect Chinese leaders to use a future power projection capability to serve dominant goals of the present -- namely economic security, resource security, and the expansion of China's strategic and political influence in the Asian-Pacific writ large?

This essay offers some initial thoughts about this issue via four main arguments.

First, although the history of China's militarized interstate dispute behavior suggests a proneness to rely on force, a link between China's use of force and resource and economic considerations is tenuous at best on both historical and empirical merits.

Second, this is particularly salient in the case of the South China Sea, which has been inflated by many analysts into a much larger case study of Chinese strategic behavior than it probably should be in practice. Indeed, perceived Chinese "aggressiveness" in the area may be driven more by an inflexible definition of sovereignty than by resource and economic considerations, or even by balance of power considerations. The sea may have strategic value but the islands themselves hold virtually none. And not only is U.S. naval dominance likely to remain unchallenged for decades to come but, as I will try to show below, many of China's goals in the region can probably be met simply by "free-riding" off the U.S.-dominated status quo. On the sovereignty front, at least, this finding holds out no great hope for stability in the South China Sea per se as the People's Republic of China (PRC) will almost certainly seek to enforce its claim. But it does suggest that the South China Sea case should not serve as an indicator either of China's broader strategic behavior or of China's position on cooperative solutions to energy needs. Indeed, this essay takes the view that the prospects for cooperative solutions are in fact quite positive.

Third, since the present status quo--American protection of open sea-lanes--serves core Chinese strategic interests, Chinese decision-makers seem far more likely to hitch a free ride on American hegemony than to challenge the status quo. This argues for stability over the medium term.

Fourth, Chinese defense technology modernization is thirty to fifty years away from providing the People's Liberation Army (PLA) with a comprehensive capability to challenge U.S. dominance, especially on the open seas. When coupled with the fact that Chinese resource interests, at least, are more cheaply and efficiently served by free riding off American hegemony than via a full-frontal challenge to that hegemony, this suggests that the burden for regional stability is actually on the U.S., not China. For all the talk about Chinese "aggressiveness" in garrisoning reefs and shoals, an American drawdown in the Pacific seems a far greater threat to the stability of Asia's sea-lanes and energy markets than does any potential Chinese challenge to the status quo.

Below, I consider each of these arguments in greater detail.

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## **The Chinese Use of Force: Security Practice and Resource Constraints**

If analysts are to assert that a future Chinese capability to use force on the open sea might be a threat to the stability of Asian energy markets, then it is imperative to begin any analysis with an understanding of how Chinese strategists think and act with regard to the use of force. In recent years, a growing body of scholarship on Chinese security thought and practice has lent both historical and empirical support to the notion that Chinese foreign policy is anchored in security concerns and prone to rely on force. However, there is little or no convincing evidence to suggest that Chinese leaders regard the use of military force as a tool for achieving explicitly--and primarily--economic or resource interests.

At first glance, this may seem common-sensical. Yet, the case of Japan in the 1940s certainly suggests that resource considerations can drive states to the use of force. Much more importantly, this finding is important because resource and balance of power considerations actually blur together in many of the important regions to which China has laid claim. This makes it difficult to sort through China's strategic motivations. It also makes apparent why analysts must not be too quick to connect the resource potential of various regions, including the South China Sea, to the PRC's increasingly muscular military and its leaders' historical willingness to use force.

Although there can be little question that the Chinese leadership has been consistent over fifty years in its willingness to use force to secure its interests, virtually all empirical and historical evidence suggests that three rationales totally unrelated to economic or resource-based motivations have underlain China's post-1949 use of force. Significantly, these have grown progressively less important over time as China has successfully dealt with many of the most important of these. Certainly, with the exception of the

Taiwan problem, it is true of the first two:

sovereignty claims over major territories;

order disputes; or

strategic considerations connected to the East Asian balance of power.

China's national policy agenda has changed markedly over the past two decades and economic/resource issues now overlap with many other strategic considerations. On balance, however, all arguments that posit a causal connection between economic needs and resource dependence, on the one hand, and China's proneness to use force, on the other, amount mostly to speculation.

To understand why, we must know something about Chinese strategic behavior and China's historical use of force over the period of the PRC (1949-present).

### ***Chinese Strategic Behavior.***

The thrust of nearly all recent scholarship on Chinese security practice suggests strongly that China hews to a largely realpolitik approach to diplomacy and the use of force. Whether anchored in strategic culture, the structure of the international system, or the security concepts of leading Chinese elites, traditional power and prestige considerations underpin nearly all analyses of contemporary Chinese strategic behavior.<sup>6</sup>

This is important, first, because it has tended to bias Chinese statesmen toward the view that military force can be an exceedingly useful tool of external diplomacy and statecraft. Above all, Chinese strategic decision-makers clearly act in what they have defined quite narrowly as China's "national interest." The Chinese definition of the national interest has often left little room for global (as opposed to parochial, national) norms, or for international cooperation on anything more than a temporary, largely instrumental basis. However, as we shall see below, this may be changing, providing a number of reasons for optimism about China's role in guaranteeing regional stability over time.

These sorts of coarse realpolitik strategic calculations have been particularly relevant to Chinese

territorial claims, including those in the South China Sea. Indeed, on nearly all such matters, Chinese leaders have anchored their security and diplomatic practice in what the political scientist Alastair Iain Johnston has termed "hyper-sovereignty values." China's stance on its outstanding territorial claims has been rhetorically rigid and, in practice, nearly always inflexible. In fact, there is only one major case of territorial compromise in China's post-1949 diplomatic record -- recognition of Outer Mongolian independence in 1950 and compromise in that case involved much larger strategic trade-offs internal to the Sino-Soviet alliance relationship.

Although Chinese leaders ultimately compromised on Mongolian sovereignty in exchange for a broader strategic partnership with the Soviet Union, it was not at all easy. Mao Zedong himself came under tremendous political pressure, and even rhetorical attack, for having agreed to the deal.<sup>7</sup> In short, Chinese strategic behavior has seemed to many analysts to leave little room for cooperative approaches to problems on anything more than the most instrumental basis. On the surface, this hardly seems to provide a much hope for long-range regional stability, and it creates special problems for observers of Asian energy futures since sea borne lines of oil and gas supply overlap a variety of outstanding Chinese sovereignty claims.

### *China's Use of Force.*

At first glance, analysts of Asian energy security might also find Chinese security practice troubling because the body of doctrine and behavior described above begs an important question about how Chinese decision-makers seek to enforce such claims. How have Chinese statesmen thought about the utility of force as an instrument with which to achieve important external policy goals?

On the empirical merits--at least until the past several years--a first cut at the evidence suggests that China's leaders regard force as an especially blunt (and potentially quite effective) instrument of statecraft. Of course, this implies nothing about Chinese "aggressiveness" per se. As Johnston has pointed out, evidence about the use of force alone cannot tell a story about how conflicts began, who initiated them, and what Chinese intentions may or may not be. The Chinese record on the use of force since 1949 does, however, say something conceptually significant about how Chinese leaders view the utility of military instruments in the event of conflict.

Indeed, a recent quantitative survey of militarized interstate dispute data for China records no less than 118 cases of the Chinese use of force between 1949 and 1992.<sup>8</sup> This approach supplements more than forty years of more qualitative scholarship on China's major external disputes, including conflicts in Korea, the Taiwan Strait, India, Indochina, the Soviet border, and the South China Sea.<sup>9</sup> The two approaches converge neatly insofar as they suggest that Chinese leaders do not shy from the use of force. In fact, so little do China's leaders avoid the military option that Beijing's willingness to rely on force to solve near-term security issues has often created longer-term and far more enduring security threats. The most obvious example of this phenomenon is, of course, Korea, where Chinese political leaders--over the objection of many PRC military leaders--intervened to secure a buffer on China's northeastern border and thus avoid a two-front confrontation with the United States along their

northeastern (Korea) and southeastern (Taiwan) frontiers.<sup>10</sup> In so doing, China secured its Manchurian border but placed U.S.-China relations into a deep freeze that would expose the PRC to no fewer than seven explicit threats of nuclear attack over the course of the 1950s.<sup>11</sup> Such threats created a variety of new security problems, all much larger than the Korean conflict that began the deep freeze. Ultimately, Chinese leaders felt compelled to begin their own indigenous nuclear weapons program. They were thereby forced to divert limited resources from a variety of extremely pressing domestic development needs.<sup>12</sup>

On the surface, then, the quantitative and qualitative data together suggest a powerful Chinese willingness to resort to force once conflict has broken out. China was involved in an average of 2.74 new militarized interstate disputes (MID) per year from 1949 to 1992. While the two most dispute-prone five-year periods were in the Mao era (1954-58 and 1964-68), these data also make clear that MID-prone behavior persisted even after China shifted toward a less militarized footing in 1978. Thus Johnston, who assembled the data set, notes that China's overall MID rate slowed after 1966. But it "remained relatively constant from the mid-1970s to the late 1980s. In other words, the Dengist period until the late 1980s was not noticeably less MID-prone than the late Maoist period, though it was less dispute-prone than most of the rest of the Maoist period."<sup>13</sup>

What is most interesting about this evidence on the Chinese use of force is that, for all its surface noise about China's wont to brandish military instruments of policy, it actually suggests three much deeper conclusions that should be welcome news to analysts of Asian energy security.

First, virtually all of these Chinese uses of force involved sovereignty and territorial claims. None can be said to have involved purely economic or resource-type interests. Second, the quantitative data, in particular, suggest that the growth of China's relative military capabilities from 1978-92 was not associated with a higher degree of dispute-proneness. Third, this means, in effect, that greater Chinese capability in and of itself says virtually nothing about the likelihood of a Chinese use of force. China's territorial claims have in fact become less salient over time, and cooperative solutions to Asian energy supply--so long as they successfully work around and do not directly challenge major Chinese territorial claims--can indeed prove workable.

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## **Sorting Through Chinese Motives: The South China Sea Issue**

This provides an ideal conceptual backdrop to the issue of the South China Sea, where resource considerations and sovereignty questions overlap, but where the deeper conclusions may suggest that some observers have been too quick to rule out cooperative approaches to the dispute. Indeed, the South China Sea offers an ideal case of how and why it is dangerous to read generalized strategic signals from specific situations that in fact involve multiple (and overlapping) Chinese motives.

Although China has floated occasional joint development proposals for the region, there can be little

question that some of China's moves in this region in recent years have been assertive.<sup>14</sup> Yet region-specific assertiveness does not in and of itself imply strategic aggressiveness. It is especially important to temper arguments that posit Chinese "aggressiveness" with two key qualifications.

First, the mix between sovereignty and other questions in this area of Chinese security practice invariably blurs analysis. It is too easy, after all, to examine China's actions in this area, deem them "aggressive," and then ascribe some larger strategic purpose to Chinese policy. Unfortunately, the witch's brew that is the South China Sea issues includes:

resource considerations -- It was, after all, the Crestone oil claim that first set off a new round of attention to the problem in the 1990s;

balance of power considerations -- China's strategic competition with Japan, Taiwan, and Korea, especially when coupled with U.S. control of Asian sea-lanes and Persian Gulf oil supplies, could be said to constitute a strategic consideration related to the East Asian balance of power.<sup>15</sup> Thus, any American and Japanese effort to monopolize energy supplies in the region would tilt the balance of power against China to a greater extent than it is tilted today when PRC energy demands are more limited; and

sovereignty questions

But the sovereignty issue may well trump all others, and this shows the danger of reading strategy from areas involving Chinese territorial claims. In fact, China's claim to the South China Sea region predates both the Crestone deal and debate about strategic competition over energy supply, a debate that went into high-gear only with China's large-scale program of economic restructuring in the 1980s. As noted earlier, Beijing's diplomatic stance on the issue of sovereignty has been rigid and inflexible in nearly every case. This includes regions, such as Tibet, that have little economic value, as well as regions--also including Tibet--whose fundamental strategic value seems questionable.<sup>16</sup>

It is therefore unclear that China would enforce its claim to the Spratly Islands any less vigorously if the region had little or no energy potential. Perhaps the most significant analytical problem posed by the South China Sea question is thus how to sort through multiple and overlapping motivations to Chinese action. In effect, we are presented with a chicken/egg (and then some) problem: are resource constraints, strategic considerations, or sovereignty issues the driving force behind China's claim to the area? Clearly, the three are linked, and it is misguided to dismiss one or the other. However, in light of the fact that Chinese security practice since 1949 does not support the view that Chinese leaders rely on force to



solve economic and resource dilemmas, the single case of assertive behavior in the Spratly Islands provides little or no evidence on the issue of oil supply and energy security.

One reason that this case is illustrative is that it cuts directly to the question of whether China will challenge or affirm the strategic status quo. Those who watch Asian energy markets may find the South China Sea case disturbing because it suggests a Chinese willingness to flaunt negotiated solutions to problems and to reject cooperative, multilateral, joint development efforts.

Yet to conclude that this will mean a Chinese challenge to the broader strategic status quo is problematic for at least four reasons.

First, U.S. naval dominance of Asia's sea-lanes is likely to remain unchallenged in terms of capabilities--certainly by a continental power such as China--for at least another quarter-century. This stems, first, from America's overwhelming technological advantage, which will be considered in greater detail below when I discuss Chinese modernization efforts as applied to power projection. But, more importantly, as the political scientist Robert Ross has noted, it is also a function of sheer geography, especially when coupled with a carefully maintained network of American alliance relationships in the Asian-Pacific.

U.S. strategy in Asia since the end of the Vietnam conflict in 1975, Ross has noted, has involved de facto maritime balancing against both Chinese and Soviet continental power. "From Japan in Northeast Asia to Malaysia in Southeast Asia," he has observed, "the East Asian mainland is rimmed with a continuous chain of island countries that possess strategic location and naval facilities. Access to these countries enables a maritime power to carry out effective naval operations along the perimeter of a mainland power."<sup>17</sup> It also prevents continental powers that have maritime aspirations, such as contemporary China, from developing unimpeded access to the blue water ocean.

In effect, as Ross rightly observes, the requirements of such a strategy grant the U.S. navy the ability to secure access for the U.S. and its allies to strategic resources, including oil. This also gives the U.S. a special role as the systemic guarantor of secure shipping lanes. Thus, as Ross has noted, "even should China develop naval capabilities in its coastal waters, at minimum financial and tactical inconvenience, U.S. and allied commercial and military fleets could use secure shipping lanes that are far from mainland aircraft and are dominated by U.S. air and naval forces based in maritime nations."<sup>18</sup>

Ironically, this ties to a second reason why predictions of instability are problematic. This has to do with Great Power intentions and the possibility for convergence between U.S. and Chinese interests on the free flow of strategic goods. A status quo in which U.S. forces secure American interests through a guarantee of open sea lanes not only allows the U.S. to secure the position of its regional allies, particularly Japan. It also allows China to benefit from the free and unrestricted flow of oil and other strategic energy resources. In fact, U.S. interests are best secured through an open system of regional access, guaranteed by the U.S. navy, from which China, too, can benefit. I will return to this theme in greater detail in the next section.

Third, even if China wishes to enforce its claims in the South China Sea for reasons of sovereignty, the region provides few jumping off points from which China would be in a position to build strategic power projection capabilities that might challenge the U.S.-dominated maritime system described above. The Spratly Islands are simply too small to serve as a stepping stone to further power projection. This reduces their strategic value for anything more than an assertion of localized claims. Does it truly threaten the underpinnings of the regional strategic balance if China were to occupy the Spratlys? In light of how little a claim such as Mischief Reef would likely contribute to a Chinese challenge to American maritime balancing, the answer is probably: very little indeed.

Finally, Chinese sovereignty claims to the Spratly Islands may not be at all inconsistent with the medium-to-long term perpetuation of the present security status quo. This has some deep implications for the future of Asian energy markets because it suggests that a degree of optimism may be warranted. After all, even a solution that satisfies China's more assertive claims--a solution that recognizes de jure Chinese sovereignty over the South China Sea--could, in practice, leave in tact the essential underpinning of the current security system, namely American maritime balancing. In effect, de jure recognition of Chinese sovereignty over the area could actually be stabilizing over the long term. It would at once defang rabid Chinese nationalist sentiment by satisfying a Chinese sovereignty claim, while at the same time, in practice, giving China very little of substance with which to challenge the security of Asia's sea lanes.

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## **Cooperation or Conflict: The Stabilizing Promise of China's Free-Ride**

The arguments discussed above suggest a straightforward conclusion: American presence is vital to regional stability. But they also suggest that a major U.S. presence in Asia's sea-lanes is not on its merits inconsistent with Chinese goals for strategic energy supply. In fact, too many arguments that predict regional instability on the basis of projections of Chinese energy dependence underestimate or simply skirt this fact. In its essentials, the strategic status quo--American naval presence as guarantor of Southeast and East Asian sea-lanes--satisfies core Chinese economic (as well as many security) interests. Thus if, as so much recent scholarship on Chinese security practice appears to suggest, Chinese strategists act on the basis of realpolitik calculations of the national interest, a PRC challenge to the present order seems a puzzling--and expensive--choice.

In fact, I wish to suggest that core Chinese economic goals can be far more easily satisfied through what theorists of international relations term "free-riding" behavior than through any kind of Chinese direct action or more-than-peripheral involvement in securing SLOCs and trans-ocean routes-of-supply. While China may someday possess the capability to challenge U.S. naval dominance of the Pacific, it is traditional balance of power considerations, not economic and resource rationales, that seem most likely to push Beijing in this direction.

For analysts of Asian energy security, in particular, this suggests medium-to-long-term stability. But, of course, the onus for such a scenario depends on American and Japanese, not Chinese, action. For if Chinese strategists can solve resource and security problems more cheaply by free-riding off American stabilization of Asian sea-lanes, then the realpolitik strategic calculus that most analysts ascribe to Chinese decision-makers would suggest that only an attempt to shut down China's sources of supply could create the types of balance of power issues likely to evoke a Chinese military response. For all the posturing in PRC propaganda about American naval hegemony in the Asian-Pacific, the existence of open sea-lanes satisfies Chinese, Japanese, and American goals simultaneously, promotes a convergence of interests on strategic resource supply, and checks aggressive behavior, at least in the short-to-medium term.

The longer-term problem, then, is that this delicate balance depends almost exclusively on American maritime hegemony. But in a post-Cold War environment of shrinking budgets and new global roles and pressures, America's long-range commitment to a forward deployed military presence in the Asian-Pacific can no longer be taken for granted.<sup>19</sup> Calls for greater burden-sharing, new tensions with Japan, and a sharp rise in Congressional skepticism all contribute new (and evolving) pressures to the prospects for long-term maintenance of large-scale maritime balancing efforts.

However, if the U.S. presence were to disappear or shrink, all bets on Chinese restraint would be off. The reasons for this are straightforward enough. If core Chinese goals are most cheaply and efficiently satisfied through free riding off U.S. stabilization of the Asian-Pacific sea-lanes, then any change to that guarantee would alter the strategic choice matrix facing Chinese leaders. In particular, this is because the U.S. role in Asian waters has been hegemonic in a quite conventional sense. Put most simply, the U.S. guarantee of open SLOCs has created conditions off of which others, including both China and Japan, are in a position to free ride.

This brand of benign hegemony is the logical corollary of America's strategy of East Asian maritime balancing. The U.S. performs these roles in Asia's SLOCs for precisely the reasons that Robert Ross has described. Such a role at once stabilizes the access to trade and resources of America's allies while helping the U.S. navy to maintain the presence required to contain continental threats to the U.S.-led maritime security system that prevails around the Pacific rim.

A reduced role for U.S. hegemony would thereby affect all of these conditions.

First, while Chinese political rhetoric frequently criticizes U.S. "hegemony" in the domestic press, the fact remains that it is precisely this hegemony that prevents regional powers from taking on such roles. U.S. hegemony constrains China, of course, and the PRC makes its unhappiness with this widely known. But from a strategic point of view, it also constraints other Asian states, most importantly Japan.

From China's standpoint, this is clearly a positive strategic goal, which is precisely why Chinese strategists become so nervous every time new Japanese roles are discussed, even under a continuing U.S.-Japan alliance framework. To the extent that keeping the U.S. navy "in" East Asia has meant ensuring

that Japan's military does not rise up, a continued American presence is clearly preferable from Beijing's standpoint to the vacuum that might emerge in response to a scaled-down U.S. presence.

Second, without U.S. stabilization of the Asian-Pacific's sea-lanes, regional states that depend on strategic goods supply through those routes might be forced to step in to fill the vacuum. Japan, in particular, would be hard-pressed to remain completely aloof, a function of its dependence on strategic energy supplies that traverse waters currently kept free and clear of regional competition by the U.S. navy.

Of course, there are severe constraints on what Japan could do in such an event.<sup>20</sup> But once Asia's regional powers --China and Japan--lose their ability to free ride off U.S. hegemony, the probability of competition would clearly grow exponentially. For China, in particular, this could accelerate the need to build a blue-water naval presence, while for Japan and others, it might intensify the strategic pressure to choose between building an independent blue-water presence to counter China's own, or--as seems more likely--to join with China in a limited strategic partnership, mirroring some of the alliance conditions that international relations theorists term a *bandwagon*.

For the United States, this poses fairly stark choices about the costs and benefits of maintaining naval hegemony in the Asian-Pacific, at least into the medium-term. In fact, those most worried about the growth of Chinese power ought to recognize the irony that the quickest way to accelerate the very process they so fear would be the strategic isolation of the PRC.

Any effort to intimidate China through the implied threat of U.S. closure of the sea-lanes would put Chinese decision-makers into an almost untenable strategic position. So long as China can secure its economic and resource needs through a free ride off U.S. maritime hegemony, there is little need to accelerate the process of building China's own power projection capability. But any threat to China's strategic goods supply--not just through U.S. intimidation, but even through a U.S. drawdown that would allow Japan, Korea, and the ASEAN states to become more assertive--would directly threaten China's strategic trade in energy and other resources.

It is precisely the U.S. guarantee of equal access for all to Asia's sea-lanes that allows China to fulfill its strategic energy requirements through free riding, as opposed to military adventurism. A benign expression of U.S. hegemony--open SLOCs--thereby makes free-riding by all states, including China, possible. But it inserts an irony into the U.S.-China relationship. "Neo-containers" need to recognize that perhaps the best strategy for containing the acceleration of Chinese power projection is to allow China a continued free-ride off an enhanced U.S. role in the region. To seek to attenuate Chinese progress through intimidation or isolation could only have the reverse effect. Ironically-- at least as regards strategic energy trade through Asian SLOCs--to engage China is, in effect, to contain the urgency of its push for a blue-water naval presence and enhanced power projection capabilities. This requires implicit strategic guarantees of open access to Asian routes of strategic goods supply and puts meat on the bones of the U.S.-China "strategic partnership." Without a credible guarantee to this effect, Chinese military modernization becomes an urgent strategic requirement. Chinese leaders could not sit idly by as they

contemplate the strategic vulnerability that will be created by a growing need for energy supplies that will be shipped through waters dominated by the U.S. navy.

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## Technological Modernization and Military Capability

In considering then this discussion of China's energy security options, it is important to understand what China's current force structure enables it to do. Where are Chinese modernization priorities focused?

The PRC is presently engaged in a major program of defense technology modernization. This traces its roots to three major decision points. First, in 1977 China shifted its acquisition emphasis from strategic to conventional weapons (1977) to restore balance to force planning after more than twenty years of virtual domination of the acquisition agenda by nuclear weapons and their delivery systems.<sup>21</sup> This decision received an added push after China's difficult experience in its 1979 invasion of Vietnam, when severe gaps in Chinese equipment plagued battlefield operations. Finally, in 1985, Chinese military strategy shifted from a nuclear-dominated focus on "an early war, an all-out war, and a nuclear war" (zaoda, dada, da he zhanzheng) to an emphasis on limited conventional conflict along China's periphery, as opposed to on its continental mainland.<sup>22</sup>

As a result, particularly on account of the 1985 strategic shift, Chinese force planning since the late 1970s has proceeded through three major phases: the first, focused on China's ground forces; the second, focused on naval modernization; and the third, starting around 1993, has focused primarily on China's air force. This latter focus derives primarily from a strategic emphasis on the Taiwan problem, where China will need to establish air dominance in the event that hostilities break out in the Strait.

An extensive discussion of China's current capabilities is beyond the scope of this essay. But it is important to provide a capsule summary of naval and air capabilities that might affect PRC capabilities vis-a-vis shipping routes for strategic energy supply.

Naval modernization has been focused on the extension of China's defense perimeter from coastal waters (jinhai fangyu) to an offshore perimeter (jinyang fangyu) of up to 400 nautical miles, as well as the South China Sea. Blue water capabilities (yuanyang haijun) are clearly on the Chinese agenda, but force investment patterns suggest that this will not become a serious possibility until the middle of the next century. As Paul Godwin has argued, these strategic shifts are important because they demonstrate a focus on specific missions that developed out of the 1985 ... revision of China's national military strategy even though actual force projection capabilities have improved very little. Most Chinese naval capabilities remain limited and equipment outdated, but a strong degree of commitment to change is clearly in evidence.<sup>23</sup>

Chinese naval modernization has focused on both surface and sub-surface capabilities. Surface improvements, particularly to Luda (destroyer) and Jianghu (frigate) class ships, should give China

greater capabilities. This is especially true since these modernization programs--based mostly on purchases from France--have been accompanied by programs to improve sea-replenishment capabilities, including oilers, stores ships, and helicopters capable of air-based replenishment .

China's air force is a bigger headache for force planners. Beginning with a series of "missile versus bomber" debates in 1956, advocates for aviation have had to battle an array of competing constituencies. For instance, all newly produced J-6 fighters (China's first supersonic aircraft, a copy of the Soviet MiG 19) were grounded between 1959-64 on account of technical bottlenecks.<sup>24</sup> The air force also became caught up in Chinese politics during the Cultural Revolution, including an alleged coup d'état that convinced Chinese leaders that they needed to be wary of a modern air force. Up until recently, air force budget and political victories were short-lived, and only since approximately 1993 has China's air force received sustained attention.

Today, air force modernization has been significant, but it has not been accompanied by a major change in the indigenous production capabilities that were slighted from the 1960s on. Most significantly, China purchased 24 Su-27 fighters and two training aircraft from Russia. These entered the PLA air force in 1995. As Godwin has noted, these are China's only tactical aircraft capable of conducting air operations in the South China Sea. This, however, will also require strategic basing that is easily monitorable. Such operations would require that the planes be placed either on Hainan Island off China's southern coast or on an air base in the Paracel Islands, north of the Spratlys. Yet as Godwin notes, this will first require a major base enlargement effort in the Paracels, as well as extensive training for Chinese pilots in open water, all-weather, and night operations. Chinese pilots are poorly trained in all of these skills.

In short, China currently possesses mostly asymmetric capabilities -- narrow strengths that can conceivably be targeted against specific American and allied weaknesses. This certainly does not include the ability to operate far from coastal waters, to open or close sea-lanes, to conduct air or naval operations in the open ocean, or to challenge U.S. naval dominance. Rather, these capabilities include Chinese missile capabilities in short-to-medium range ballistic and cruise missile systems.<sup>25</sup> An evaluation of these capabilities is also beyond the scope of this essay. However, although Chinese missiles continue to have guidance and accuracy problems, there is little doubt that at least some Chinese missiles could do considerable damage to commercial and military shipping. However, U.S. military capability would allow for relatively rapid response to such a threat.

In short, China is forty to fifty years away from the type of comprehensive, across-the-board technological modernization of its naval and air forces that could directly challenge American power or the status quo in the Asian-Pacific region. Forty to fifty years is a long time in international relations. By 2030, joint resource development or various forms of cooperative energy security may have become a reality, particularly in the South China Sea. For the moment, then, as noted in the last section, a U.S. reduction in capability in the Pacific which might open space for Chinese/Japanese security competition to fill the vacuum seems far more dangerous to Asian stability than the potential for a Chinese challenge to the status quo. China has too much to lose from challenging the U.S. military on open access to sea lanes. It can free-ride off U.S. protection of the sea-lanes far more cheaply and efficiently. As noted,

though, this strongly suggests that the United States and its actions--particularly its efforts to control for Sino-Japanese competition and to provide China with various strategic guarantees--not Chinese "aggressiveness" will be responsible for the stability of the Asian order.

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## Mixing Rivalry With Cooperation: The New Economic Geopolitics

Analysts of Asian energy futures should make no mistake that China has concrete strategic interests in Asia's sea-lanes, as well as a major commitment to its own military strength. But in light of the limitations on China's own force projection capabilities, these interests are perhaps best served, at least for the foreseeable future, through cooperation and strategic partnership. As noted, this suggests many reasons for optimism. But it also suggests just why inflammatory rhetoric about strategic rivalry with China is both unhealthy and destabilizing. Ultimately, such discussion forces Chinese strategists to confront the possibility that their access to strategic resources could be shut down. This would put PRC decision-makers in an untenable position and push power projection efforts and non-cooperative strategic behavior of precisely the type that fuels overly-dramatic U.S. rhetoric in the first place.

Above all, this shows why the Cold War is such a poor model of Great Power relations. The U.S.-Soviet rivalry, after all, was a pure conflict model and, historically, this is something of an anomaly. Often, Great Powers in international history have mixed various forms of cooperation and rivalry. For all its lack of strategic clarity, the post-Cold War order appears to be shaping up this way, and the question of East Asian energy supply makes the point quite dramatically. Although the United States, China, Japan, and others may have competing strategic interests, economic geopolitics suggests that the costs to all parties of rivalry over strategic goods supply vastly outweigh the benefits of cooperation. China may attack U.S. "hegemony," but to free ride off American protection of the sea-lanes realizes national interests far more efficiently than if China had to guarantee these supplies itself. China cannot do so under the constraints of its current capabilities. But it could make East Asian international relations extremely dangerous and costly for all if others attempt to shut down its access to resources. A continued U.S. presence in Asia's sea-lanes checks Japanese rearmament and gives China cost-efficient access to needed strategic goods. For the U.S., meanwhile, the strategic guarantees to China that are necessary to keep China content with continued U.S. hegemony in the sea-lanes are small price to pay for ensuring de facto PRC acquiescence to the requisites of America's strategy of maritime balancing.

At the end of the day, analysis of these energy issues demonstrates clearly why strategic coordination between the United States and China is so important. It suggests, first, that analysts of East Asian energy security should remain cautious not just about overstating Chinese capabilities but also about reading broader strategic trends from limited Chinese actions in the South China Sea. Secondly, it suggests that while the U.S. and China will no doubt have competing interests in many areas, there are nonetheless some broad swaths of the Asian security and economic agenda where cooperation is not only possible but will be required. Not to put too fine a point on it, Great Powers can and must mix rivalry with

cooperation. For the problems of the post-Cold War order--economic geopolitics, globalization, environmental challenges, and so on--may not vitiate the reality of Great Power competition, but they will make international relations increasingly complex. Pure conflict models along Cold War lines have limited value in thinking about the future of East Asia. We must be cautious about using Cold War conceptual lenses to think about China, the United States, their relationship, and the emerging East Asian order.

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1 For detailed discussion of Chinese energy issues, see other working papers in this Baker Institute series.

2 It is worth noting here that the bulk of China's projected energy needs will come from coal (which is abundant domestically), hydropower, or nuclear power. As other reports in this series make clear, however, China will in fact require imported oil to satisfy some of its key industrial energy requirements.

3 See, for instance, Evan A. Feigenbaum, "Soldiers, Weapons, and Chinese Development Strategy: The Mao Era Military in China's Economic and Institutional Debate," *The China Quarterly* (No. 158, June, 1999, forthcoming).

4 On the high-tech component of this shift, see Evan A. Feigenbaum, "Who's Behind China's High-Technology 'Revolution'? How Bomb-Makers Remade Beijing's Priorities, Policies, and Institutions," *International Security* (Vol. 24, No. 1, Summer, 1999, forthcoming).

5 Anecdotes are not always helpful, but at least one piece of anecdotal evidence suggests that this is a growing analytical trend among younger scholars. In the past few months alone, I have reviewed several manuscripts for leading policy and academic journals that explicitly assert a growing Chinese willingness to use force to deal with economic and resource dependencies. And this flow of analyses is increasing.

6 Representative scholarship of this type can be found in the work of Sergei Goncharov, John Wilson Lewis, and Xue Litai; Alastair Iain Johnston; Thomas Christensen; Robert Ross; Chen Jian; and many others. For a strategic culture approach, see the work of Johnston, particularly his *Cultural Realism: Strategic Culture and Grand Strategy in Chinese History* (Princeton: Princeton University Press, 1995). For a more structural account, see the work of Robert Ross, including his *Negotiating Cooperation: U.S.-China Relations, 1969-1989* (Stanford: Stanford University Press, 1995). For an approach that anchors realpolitik behavior in leadership and security concepts, see Goncharov, Lewis, and Xue, *Uncertain Partners: Stalin, Mao, and the Korean War* (Stanford: Stanford University Press, 1993). Christensen provides an interesting structural/domestic linked approach in his *Useful Adversaries: Grand Strategy, Domestic Mobilization, and Sino-American Conflict, 1948-1956* (Princeton: Princeton University Press, 1996) and Chen Jian, *China's Road to the Korean War* (New York: Columbia University Press, 1994).



7 On this history, see Goncharov, Lewis, and Xue, *Uncertain Partners* (chapter 1).

8 Alastair Iain Johnston, "China's Militarized Interstate Dispute Behavior, 1949-1992: A First Cut at the Data," *The China Quarterly* (No. 153, March, 1998). pp. 1-30.

9 Major works in this vein include some of those cited above, as well as the work of Allen Whiting on Korea, India, and the first Indochina conflict, Gordon Chang on the Taiwan Strait, Thomas Robinson on the Soviet border, and Robert Ross on the second Indochina conflict. See Whiting's *China Crosses the Yalu: The Decision to Enter the Korean War* (Stanford: Stanford University Press, 1968) and *The Chinese Calculus of Deterrence: India and Indochina* (Ann Arbor: University of Michigan Press, 1975); Chang's *Friends and Enemies: China, the United States, and the Soviet Union, 1949-1972* (Stanford: Stanford University Press, 1990); Robinson's "China Confronts the Soviet Union: Warfare and Diplomacy on China's Inner Asian Frontiers," in Roderick MacFarquhar and John K. Fairbank, eds. *The Cambridge History of China* (Vol. 15, "The People's Republic, Part 2: Revolutions Within the Chinese Revolution, 1966-1982") (Cambridge: Cambridge University Press, 1991); and Ross's *The Indochina Tangle: China's Vietnam Policy, 1975-1979* (New York: Columbia University Press, 1988).

10 This story is told in Goncharov, Lewis and Xue, *Uncertain Partners*, Christensen, *Useful Adversaries*, and Chen Jian, *China Road to the Korean War*. On the objections of some military leaders to Mao's plan for intervention, see Nie Rongzhen, *Nie Rongzhen Huiyilu* (Memoirs of Nie Rongzhen] (Vol. 3, Beijing: Liberation Army Press, 1987).

11 John Gittings has itemized these threats, including two that were explicit from the Korean War, three related to Indochina, and two related to the Offshore Islands disputes in the Taiwan Strait. See Gittings, *The World and China* (London: Oxford University Press, 1967). p. 203.

12 For this story, see John Wilson Lewis and Xue Litai, *China Builds the Bomb* (Stanford: Stanford University Press, 1988).

13 Johnston, "China's Militarized Interstate Dispute Behaviour" (pp. 9-11).

14 One account that tells the story from this perspective is John W. Garver, "China's Push Through the South China Sea: The Interaction of Bureaucratic and National Interests," *The China Quarterly* (No. 132, December, 1992). pp. 999-1028. An excellent--and conservative--account of China's goals in the region is Michael Gallagher, "China's Illusory Threat to the South China Sea," *International Security* (Vol. 19, No. 1, Summer, 1994). pp. 169-94. On the Spratly Islands, see also Greg Austin, *China's Ocean Frontier: International Law, Military Force, and National Development* (St. Leonards, Australia: Allen and Unwin, 1998).

15 Kent Calder has made an argument somewhat along these lines. See his *Pacific Defense: Arms, Energy, and America's Future in Asia* (New York: William Morrow, 1996).

16 In the Tibetan case, this strategic significance would seem to have declined further as a result of the new Sino-Indian nuclear competition, which makes the occupation of ground along isolated mountain passes much less salient to Chinese goals in South Asia.

17 Robert S. Ross, "The Geography of the Peace: East Asia in the Twenty-First Century," *International Security* (Vol. 23, No. 1, Spring). pp. 100-1.

18 Ibid (p. 102).

19 For some examples of where this has led the debate, see especially Eugene Gholz, Daryl G. Press, and Harvey Sapolsky, "Come Home, America: The Strategy of Restraint in the Face of Temptation," *International Security* (Vol. 21, No. 4, Spring, 1997). pp. 5-48; and Christopher Layne, "Less Is More: Minimal Realism in Asia," *National Interest* (No. 43, Spring, 1996). pp. 64-78).

20 See especially the excellent treatment of constraints on Japan by Michael May, "Correspondence: Japan as a Superpower?" *International Security* (Vol. 18, No. 3, Winter 1993/94). pp. 182-187. For two accounts that posit much greater probability of direct Japanese strategic involvement in a multipolar Asia, see Aaron L. Friedberg, "Ripe for Rivalry: Prospects for Peace in a Multipolar Asia," *International Security* (Ibid), pp. 5-33, and Richard K. Betts, "Wealth, Power, and Instability: East Asia and the United States After the Cold War," *International Security* (Ibid). pp. 34-77.

21 On this shift, its underlying rationales, and some historical context, all based on extensive primary interviews and Chinese sources, see Feigenbaum, "Who's Behind China's High Technology 'Revolution'" (forthcoming).

22 Paul Godwin has done especially good work on these strategic shifts. See, for example, Godwin, "From Continent to Periphery: PLA Doctrine, Strategy, and Capabilities Toward the Year 2000," *The China Quarterly* (No. 146, June, 1996). pp. 464-87).

23 Godwin provides a good discussion of these changes on the sea and in the air. See "From Continent to Periphery" (pp. 474-82).

24 I discuss the "missile/bomber" debates and the early weakness of the aviation industry in Feigenbaum, "The Military Transforms China: The Politics of Strategic Technology from the Nuclear to the Information Age," Ph.D. Dissertation, Stanford University, 1997 (chapter 4). See also an article by John Wilson Lewis and Xue Litai on China's air force, forthcoming in *International Security* (Vol. 24, No. 1, Summer, 1999). On the grounding of China's most advanced aircraft in the late 1950s and early 1960s, see Xie Guang, *Dangdai Zhongguo de Guofang Keji Shiye* [Contemporary China's National Defense Science and Technology Cause] (Beijing: Chinese Academy of Social Sciences Press, Contemporary China Series, 1992, Vol. 2). pp. 181-82. I provide some context to the debate over strategic versus conventional force investments in Feigenbaum, "Soldiers, Weapons, and Chinese Development Strategy" (forthcoming).

25 For a somewhat dated survey with respect to capabilities (but one that is still the best version of where these came from in the first place), see John Wilson Lewis and Hua Di, "China's Ballistic Missile Programs: Technologies, Strategies, Goals," *International Security* (Vol. 17, No. 2, Fall, 1992). pp. 5-40.

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