

Annual Seminar of the China Observatory

Indo-French Seminar on China

mémo
OBSERVATOIRE CHINE 2016/2017

**Panel IV: China's Ambitions in the Indian and the Pacific
Oceans: French and Indian Perspectives
Closing Remarks**

Table ronde n°14/16 de l'Observatoire Stratégique et Politique de la Chine, cycle 2016-2017, 27 septembre 2016



Panel IV: China's Ambitions in the Indian and the Pacific Oceans: French and Indian Perspectives

Chair: Jayadeva Ranade (Centre for China Analysis and Strategy).

First speaker: Srikanth Kondapalli (Jawaharlal Nehru University/IPCS).

Second speaker: Nicolas Regaud (Ministère de la Défense - DGRIS)

Discussant: Alexandre Sheldon-Duplaix (Service Historique de la Défense)

Srikanth Kondapalli: Since the Chinese 4th Central Conference on Work Relating to Foreign Affairs in November 2014, the Xi Jinping's government has presented the new priority given to the protection of China's national interests and the safeguard of China's regional and global security. Another change has been the call for a necessary change in the structure of international institutions and the redistribution of global power.

At the same time, China's offshore combat capabilities are continuously increasing since 2001, through the acquisition of an aircraft carrier and warships. General Li Zuocheng, the new PLA Army Commander, talked of a shift from "the regional defensive type to the full-spectrum combat type". The 2015 PLA reforms aim at redefining a joint command of land, naval and air forces within five new "battle zones" by 2020. However, China's strategy differs from the European "colonial model" in the 16th -17th centuries, as it does not aim at expanding within the continent through a military presence and the construction of military bases, but it lies on a control through the management of navigation lanes and trails.

If China's foreign policy does not clearly state the way China plans to interact with the world and through which means it aims to implement its strategy, two aspects deserve to be mentioned. First, China's increasing dependency on energy is driving its entry into the maritime domain (56% of the energy is imported from the Middle-East and 16% from Africa, a share that is expected to reach 24% in the near future). Second, China has developed growing trade links with the outside world, more specifically with Africa. This suggests that China is seeking for new overseas markets, most of its trade being constituted of commodities and light manufacturing goods. The "One Belt One Road" initiative is a key feature of this two-way strategy, providing an integrated network of pipelines, power plants, high speed trains and airfields.

In the Indian Ocean, energy and trade remain for now the main triggers of China's strategy, and the control of strategic straits and maritime roads in the Indian Ocean Region (IOR) is becoming more and more salient since it is expected to become a crucial zone for oil transport (Within 6 years 6.2 million barrels of oil are expected to pass through the Gulf of Aden, while 49% of the Persian oil should pass through the strait of Hormuz. Similarly, an

increasing number of ships is expected to pass through the Strait of Malacca). But China's ambitions in the IOR might evolve in the future. Since the announcement in 2009 of China's "Two Oceans Policy", we have seen the Chinese Navy being more proactive in the IOR: not only the Navy has started to operate outside of its own perimeter by taking part in international anti-piracy operations (2008 off the Somalia coast), but the PLA has been also conducting amphibious operations and submarines visits (Karachi and Colombo), which are not really in line with counter piracy operations. China has been also building military air and maritime capabilities, with a special focus on port projects in the area (Djibouti, Bagamoyo...).

In the Pacific Ocean, China's trade is already well-developed, Taiwan, South Korea, Japan and the ASEAN being its largest trading partners. China-Pacific Islands trade has even doubled, with a surge of Chinese exports. China's interests in the region are of a more geopolitical nature than in the Indian Ocean and are expressed in a much more assertive manner. Beijing develops various military postures in the South China Sea and the East China Sea and beyond, contesting both the Japanese legitimacy over the seas (creation of the ADIZ in 2013) and the US naval and air force presence (the "Guam-killer" missiles displayed in Beijing Parade in 2015). Moreover, the Chinese Navy plans to send nuclear-armed submarines patrolling the Pacific Ocean and hopes to settle a "blue-water navy" operating by 2050.

In conclusion, three scenarios can be drawn out concerning the evolution of China's strategy in the Indian and the Pacific Oceans: (1) Following Mahanian projections¹, China is guided by geopolitical views and aims at taking control of the seas; (2) Along with the intensification of globalization and increasing interdependency, China abides by the model of liberal institutionalism; (3) According to Organski's power transition theory², the US's hegemony is challenged by China, the new regional great power.

Nicolas Regaud: China is now the world's second economic power and could become the world's first economic power within ten years. If its defence budget is currently 30% of that of the US, China's defence expenditures are continuously rising and might catch up in the future with the US. Beijing is now confident enough to undertake the restoration of the Chinese power and take back the central place China used to have on the world stage before the European expansion in Asia. Nevertheless, Beijing knows there are many obstacles on the way.

China has internal and external vulnerabilities. On the domestic side, weaknesses lie in the uncertainty of social stability and the outcome of economic reforms.

1- Alfred Thayer Mahan is a naval officer and strategist who wrote *The influence of Sea Power upon History: 1660-1783* in 1890. His theory lies on the idea that a general control of the seas is a key to ensure national maritime power (through naval projection, control of strategic sea-routes and access to naval bases).

2- Formulated by A.F.K. Organski in 1858 in his book *World Politics: Trend and Transformation*, the power transition theory enounces the cyclical nature of international order. After a period of stability, the hegemonic power is challenged by a great power, which leads first to a period of war and then a period of transition.

On the external side, Beijing has to deal with a string of strategic US allies and partners throughout South East Asia and the Indian Ocean. On this second aspect, three levels of vulnerabilities can be drawn out: (1) China's dependence on external trade (40% of its GDP) (2) China's dependence on external energy supply (45% of its consumption) (3) China's need to import raw materials for its workshops. Since most of the flows are transiting through seas and oceans dominated by the US and its partners, the control of the seas is a vehicle for the protection of the country's economy (particularly the Strait of Malacca which channels 80% of the China's energy imports).

To reduce its vulnerabilities and achieve its ambitions in the Pacific and Indian Ocean, China relies on two kinds of levers. First, it aims to gain influence through the development of trade, investments and loans. This policy has already yielded impressive results. Since the 1990s, China has tripled its market-share in the Asia-Pacific region, reaching 20%, while the US share has more than halved to just 6%. China is now a net global investor with US\$ 145 billion invested in 2015 and possibly US\$ 3 trillion by 2020 (70% related to the supply of energy and raw materials). And over the past years, Chinese banks have emerged as major financiers, lending more to developing countries than the World Bank.

Second, China is taking advantage of other regional actors' weaknesses. US influence in the IOR and in the Pacific is declining. The famous "red line" concerning Syria's use of chemical weapons has severely damaged the US image as an indefectible protector, particularly in Japan and South Korea. More broadly, the US budget constraints undermine its political and economic leverage in the region (look at the uncertain future of the TPP) and the political infighting in the US (Congress vs. White House) gives China the impression of a declining US power leaving space for its own ascendance. Closer to its borders, China is also benefiting from ASEAN's lack of unity, particularly on maritime disputes. The 10 ASEAN members have different affinities and sensibilities, and China is playing on their divisions. Unlike the US, China is not a distant neighbour and even the Philippines and Vietnam are slowly coming under China's influence.

Beijing's more assertive attitude under Xi Jinping is an indicator that China is eager to play an active leading role in the region. This became obvious in the first island chain: China has repeatedly challenged Japan's sovereignty over the Senkaku Islands and taken control in 2012 of the Scarborough Shoals, also claimed by the Philippines. More disturbing, China has refused the rulings of the Permanent Court of Arbitration made public on 12 July 2016 over its maritime rights in the South China Sea, showing a preference for the rule of might instead of the rule of law. More globally, China is pursuing a long term objective to establish its strategic primacy in the Pacific region, through (1) the continuing development of its military capabilities, (2) confronting the US in the region in order to make its allies and strategic partners doubt of US security guarantees. That is one of the main reasons why China has put so much pressure on the Senkaku issue and why it could engage in a power struggle about the Scarborough Shoals.

In the IOR, China's ambitions are more long term, less military and more indirect as China is seeking to secure its supply of energy and raw materials as well as to set up a network of client states. China uses its economic might to consolidate its influence in countries for which development is a primary objective. Chinese infrastructure projects are well funded and are now spreading in IOR countries, including in Myanmar or Sri Lanka. Nonetheless, China's ambitions are not just economic, as has suggested the establishment of a military "base" in Djibouti or the conclusion of important military contracts, such as the provision of 8 submarines to the Pakistan Navy.

Nevertheless, this maritime ambition might be constrained by an increasingly fragile financial sector and very high levels of debt (250% of GDP) at the domestic level, and by unstable partners in Asia (like Pakistan). Moreover, China's assertiveness has pushed other regional powers to develop networks of bilateral or multilateral military cooperation (US/Australia/Korea/Japan in the Pacific and US/India/Australia/France in the Indian Ocean).

To conclude, China's ambitious and sometimes aggressive diplomacy is a cause for concern for nations in the IOR and the Pacific regions, but also for European countries like France, who has direct security interests in the area. China must therefore recognize that its high-handed politics and its disregard of international law are now opposed by many countries throughout the world and might cause increasing tension in the region.



Discussion

Alexandre Sheldon-Duplaix engaged the discussion by tempering Nicolas Regaud's strong condemnation of China's aggressive diplomacy. He suggested that China's tougher position in the Pacific Ocean was aimed at deterring other countries from challenging the status quo. First, China's new emphasis on the Navy and on naval infrastructures is driven by the fear of a formal independence of Taiwan and the threat of a more intrusive US military presence, especially after the Taiwan crisis in 1996 and the following American display of military might.

Second, China's land reclamations in the South China Sea are more the result of various provocative actions from Japan (regular visits to the Yasukuni shrine for instance) than a desire of territorial expansion. China has endorsed the "Declaration on the Conduct of Parties in the South China Sea" in 2002 and promoted the conclusion of a future code of conduct that would freeze the situation. On the contrary, the US agreement with the Philippines in 2012 for the return of US forces to the country is a big threat for China, which justifies China's need to build land strips that will effectively act as "carriers" in the South China Sea. Therefore, China's assertiveness seems to be reactive rather than

proactive, defensive rather than offensive.

As far as the Indian Ocean is concerned, China has only recently become both a continental and maritime nation. As explained by the previous speakers, it is first and foremost related to its energy and trade needs, as well as China's new felt obligation to protect its overseas interests, due to increasing foreign investments and growing Chinese communities in Africa. Then, becoming a superpower requires China's military to be able to conduct more sophisticated operations, such as far-flung rescue operations. Similarly, the Djibouti facility will not only serve to refuel the anti-piracy missions but also in the future to support air operations into Africa.

Nicolas Regaud answered that if we take international agreements as a basis, we cannot endorse China's position since it goes against the rulings enacted by The Permanent Court of Arbitration last summer. He pursued saying that the US are the pivot of the South China Sea issue. Despite certain weaknesses, the USA can act through three levers: (1) diplomatic (through national or bilateral initiatives, established alliances, or in the framework of international organizations), (2) economic weight and expanding trade (thanks to the TPP trade initiative after 20 years of declining market share in the Pacific), and (3) military (60% of the US military assets are located in the Pacific - versus 37% in the Atlantic - including six aircraft carriers).

Regarding the potential threat that a China-Russia alliance would trigger, **Alexandre Sheldon-Duplaix** considers that Russia and China have some divergent interests that undermine a potential united front against the US. If the two countries have been conducting joint exercises since 2012 in the South China Sea, Russia is only endorsing the view that the US are disturbing the situation by patrolling the South China Sea but Moscow is not endorsing the Chinese Navy's behaviour, especially if it threatens its local economic interests (Vietnam being its main customer in the area).



General Conclusion

As a conclusion of the seminar, **Jean-Luc Racine** recalled the Chinese proverb quoted by **Srikanth Kondapalli**, stating that "One mountain cannot have two tigers" (*yi shan bu rong er hu*). Is this true in the maritime domain as well? **Jean-Pierre Cabestan** has explained during the first panel how Xi Jinping's strong hold on the Party was linked to a more holistic view of China's foreign policy. However, **Jérôme Doyon** has also demonstrated how the "one tiger's autocracy" could eventually turn the Party into a gerontocracy.

Different speakers have identified the spectrum of the USSR's collapse as the driving factor of Beijing's authoritarian tone. This explains the Party's firmer grip

on the PLA, which has more than ever remained the "army of the Party" as **Antoine Bondaz** indicated during the second panel. The likely "Putinisation" of Xi Jinping in 2022, or his refusal to then retire has also been raised as a possibility and should be kept under scrutiny.

In this new geopolitical context, Jean-Luc Racine does not consider that India's role is incidental and not substantial, as **Prashant Kumar Singh** suggested during the second panel. The possibility of a competitive US-China G2 is becoming every day more plausible, the question of who is a major power behind these two remains debated. India is today eager to be more integrated into the international community and we should ask what are the potential means India has at its disposal or expect to develop in order to counterbalance China, at least up to a point.

Last but not least, **Jean-François Di Meglio** highlighted that if the model of tributary state is no longer possible in today's world, China's new ambition in the Indian and in the Pacific Seas (panel 4) could bring about a new model of client states.

This report has been prepared by Margot de Groot van Emden, Junior Fellow at Asia Centre.