

A South China Sea Conflict: Implications for European Security

A Scenario Study

Peter van Ham
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Clingendael Report



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March 2016

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Abstract

How would a major security crisis in East Asia affect the security position of the European Union (EU)? This report offers a scenario-based case study, and then proceeds to discuss its implications for European security, with particular focus on the strategic interplay between the EU and the other key powers involved: China; the United States; and Russia.

First, the study provides a general overview of the key actors and economic/geopolitical stakes at play in the scenario's theatre: the South China Sea, which has been at the centre of territorial and maritime disputes for decades, if not centuries. Subsequently, the 'scenario proper' is outlined. China's establishment of a sweeping Air Defence Identification Zone (ADIZ) triggers escalating tensions, which culminate in the accidental downing of a Chinese aircraft by a Philippine warship. The ensuing strong reaction by Beijing leads to an initial standoff with the 'traditional' regional security guarantor, the United States. However, China is the first to make a move to break the stalemate, and Washington's reaction, far from being assertive and signalling an at least temporary willingness to disengage, has the potential to generate a variety of unintended geopolitical dynamics with major global ramifications.

The second part of this Clingendael Report seeks to analyse the non-linear consequences of the crisis described in the scenario on the security dynamics of the European chessboard. The crux lies in how the key actors will respond to the rather unforeseen 'tame' US reaction to China's aggressive poker game in the South China Sea. Washington's de-escalatory moves in South-East Asia rekindle European doubts regarding the credibility of the American commitment to upholding NATO's Article 5. While it is unlikely that the authoritarian regimes in Moscow and Beijing will take advantage of Washington's 'moderation' to launch an all-out assault on the geopolitical status quo (whether in Eastern Europe, the Arctic, or in East Asia), the crisis will nevertheless be likely to act as a wake-up call for most regional powers to take on more responsibility for their own security. With specific regard to the EU and its member states, critical developments in the South China Sea are therefore likely to bolster the already existing case for a more self-standing EU-based continental defence.

Foreword

I am pleased to introduce this scenario-based study on a potential crisis in the South China Sea and its relevance for European security. This Clingendael Report should not be read as a prediction of when or how a South China Sea crisis might erupt. Nonetheless, the scenario does provide an insight into how the chain of events leading to such a crisis might look. The study extends on our annual Clingendael series on major trends in international security, the Clingendael Monitor. The 2015 edition not only signalled a deteriorating security environment for the European Union, in particular with regard to Europe–Russia relations and conflicts in the Middle East and Africa, but also highlighted increasing tensions between the United States and China, in particular with regard to the South China Sea. What if a crisis situation involving both the United States and China emerged in the South China Sea? How would this affect the international security context of the European Union? These are important questions and this study helps us to understand better in what way European security is sensitive to geopolitical events taking place in South-East Asia.

Ko Colijn
Director, Clingendael Institute

'Australian military planes better not regularly come to the South China Sea to "get involved", and especially don't test China's patience by flying close to China's islands. Everyone has always been careful, but it would be a shame if one day a plane fell from the sky and it happened to be Australian.'

Editorial, *The Global Times* (China), 15 December 2015

Part 1 – South China Sea Conflict: Actors and Scenario

1. Introduction

How would a major security crisis in East Asia affect the security position of the European Union (EU)? To explore this issue, this Clingendael Report offers a potential crisis scenario centred on the South China Sea. The scenario involves a confrontation between two great powers – China and the United States (US) – but does not escalate to a major military conflict. The report then discusses how the scenario might influence European security, including the EU's security relations with Russia.

The general theme that forms the background to this report is the relationship between geopolitical developments in different regions that involve overlapping but not identical sets of great powers. Since the beginning of the twentieth century, there have been several cases of geopolitical crises in one region influencing great power relations in another region. Examples of inter-regional geopolitical influences include the following major events. First, there is the case of Russia turning its main strategic focus away from East Asia towards the Balkans as a result of its defeat in the Russo–Japanese War of 1904–1905, thus contributing to a series of crises that culminated in the First World War in 1914.¹ Second, we have the example of Japan exploiting the fact that Great Britain and Germany were at war with each other after the start of the First World War by attacking the German-held port city of Qingdao, China, in late 1914 and subsequently, in early 1915, presenting China with the so-called '21 demands', aimed at strengthening Japanese influence in China in relation to the position of Britain and other major powers.² And the third example is Japan acting on Germany's invasion of the Soviet Union in June 1941, with this event becoming the immediate trigger for Japan's decision to establish control over French Indochina and to prepare for a surprise attack against British, Dutch and US positions and possessions throughout the Asia–Pacific region.³

There are probably many more examples, including of more recent developments for which sufficient archival data to verify the assumed causal relationships is not yet publicly available. From the examples mentioned above, however, two types of inter-regional consequences of major crises can be discerned. On the one hand, a major

1 R.R. Palmer and Joel Colton, 1984, *A History of the Modern World*, London: Weidenfeld, 647.

2 Mark Mancall, 1984, *China at the Center: 300 Years of Foreign Policy*, New York, NY: The Free Press, 201.

3 Akira Iriye, 1974, *The Cold War in Asia: A Historical Introduction*, Englewood Cliffs, NJ: Prentice-Hall, 53–54.

crisis in one region may trigger a sudden change in another (for example, the Japanese moves against European interests in East Asia in response to the outbreak of war in Europe during both world wars). On the other hand, a major crisis in one region can trigger a chain of less-visible events in another region, perhaps producing a significant geopolitical change only after several years or even a decade (such as the Russian strategic turn towards Europe after 1905).

This study aims to contribute to a better understanding of the interaction between regional crises that involve major powers, in particular with a view to the security situation of the EU in the coming years. A draft of the scenario for a South China Sea crisis was presented at a workshop held at the Clingendael Institute in November 2015, with a group of experts from various relevant backgrounds, and its possible impact on European security was discussed.

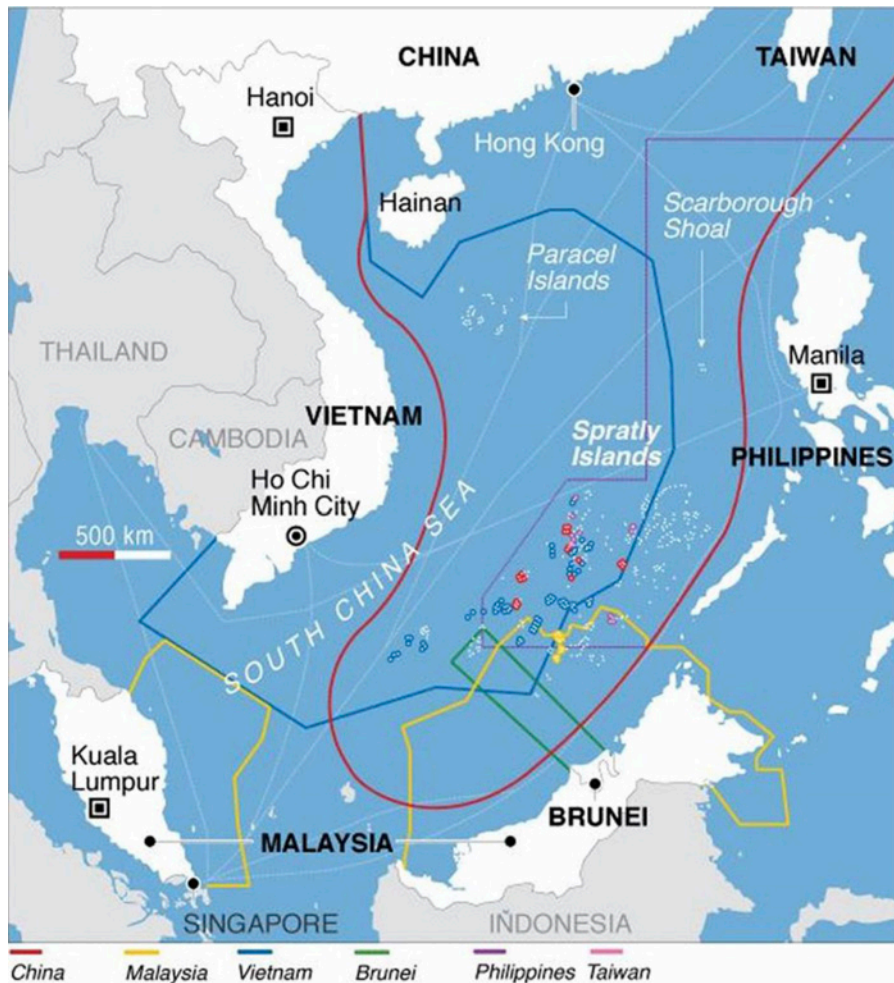
1.1 Setting the Scene

The South China Sea has been at the centre of territorial and maritime disputes for decades, if not centuries. The region includes a multitude of real and/or aspiring great powers, as well as a wide variety of small and minor actors, each with their own set of interests, legal claims and political aspirations. For the past six decades, the United States has been the dominant military power in the western Pacific region, offering its military and security umbrella to countries including Japan, the Philippines and Taiwan (among others). Arguably, this US military presence has kept a lid on simmering territorial disputes, curbed the ambitions of Japan and other regional powers, and contained China's undeclared claim to dominate what it has always understood to be 'its' South China Sea. Over the past decade, China has built up its military capabilities (particularly its navy) to reinforce its claims to regional influence and even hegemony. At the same time, the United States has made considerable cuts in defence, putting into doubt the credibility of a robust military presence in the region. In response to the news in early 2016 about China's deployment of surface-to-air missiles on a disputed island in the Paracels, the Vietnamese prime minister called for the US to have a 'stronger voice' in urging demilitarization in the South China Sea. This shows that regional players – even outside the US-centric alliance system – are very concerned about Washington slowly shying away from its self-imposed role as the regional (and global) security guarantor. Since early 2012, tensions have also flared between China and the Philippines, as well as with Vietnam, exposing the many competing claims to territory, as well as the often shady tactics (ranging from sabotage to building make-shift drilling rigs and airstrips) in which actors are willing to engage to substantiate their titles. This has made the South China Sea a region on the brink of a full-blown conflict with global repercussions.

What could be the elements of such a crisis, and how could this crisis evolve and/or erupt? Clearly, today's state of affairs offers sufficient components to sketch this dynamic, making it possible to lay out the dotted lines that could lead from today's

precarious stability to a full-fledged regional crisis. Before describing the scenario, it is important to 'set the scene' by examining the main regional actors, as well as the key reasons and elements of a lingering South China Sea crisis.

The South China Sea: The Claims⁴



Source: Flickr/naturalflow.

4 N.b. Taiwan's claims overlap with China's.

South China Sea: A Timeline of Key Recent Events⁵

YEAR (Month)	COUNTRIES INVOLVED	EVENT
1974	China, South Vietnam	Battle of the Paracel Islands: China ousts South Vietnam from the Crescent Group; eighteen soldiers die on each side
1988	China, Vietnam	Johnson South Reef Skirmish: China defeats Vietnam's navy following an attempted interception; 74 Vietnamese sailors die
1992	China	Law declaring the entire South China Sea as Chinese territory
1994	China, Philippines	China occupies Mischief Reef and erects buildings on it, despite vibrant protests by the Philippines
1999	Philippines, China	The Philippines runs the <i>BRP Sierra Madre</i> aground on the Second Thomas Shoal; vibrant protests from Beijing
2001	China, United States	Hainan Island incident: mid-air collision between a US intelligence aircraft and a Chinese fighter jet; one Chinese pilot dies
2002	Association of South-East Asian Nations (ASEAN), China	Agreement on the Code of Conduct (COC) within the Declaration on the Conduct of Parties in the South China Sea
2010	United States	At the ASEAN Regional Forum (ARF), US Secretary of State Hillary Clinton declares that the United States has a national interest in the South China Sea
2011 (February)	China, Philippines	Chinese frigate fires warning shots at a Philippine fishing boat near Jackson Atoll
2011 (May)	China, Vietnam	Clash between Vietnamese oil and gas survey ship and three Chinese patrol vessels: Vietnam claims that the Chinese deliberately cut the ship's survey cables, leading to unprecedented anti-China protests in Hanoi and Ho Chi Minh City
2012	China, Philippines	Scarborough Shoal standoff: Philippine warship versus two Chinese surveillance vessels protecting fishermen who allegedly took protected species, leading to demonstrations in both countries
2013	Philippines, China	The Philippines submits its case versus China over competing South China Sea claims to the International Tribunal on the Law of the Sea (ITLOS), which appointed an arbitration tribunal hosted by the Permanent Court of Arbitration in The Hague
2014	China, Vietnam	Oil rig standoff: tensions around a Chinese oil rig deployed in Vietnam's exclusive economic zone (EEZ). On 26 May, a Vietnamese fishing boat sinks after colliding with a Chinese vessel, resulting in unprecedented anti-China riots in Vietnam (with casualties)
2015 (October)	China, United States	US destroyer <i>USS Lassen</i> sails close to Chinese-held Subi Reef as part of a 'Freedom of Navigation' (FON) operation
2015 (November)	Indonesia, China	Indonesia threatens to take China to court over the ambiguity of its nine-dash line

5 Sources: Bill Hayton, 2014, *The South China Sea: The Struggle for Power in Asia*, London: Yale University Press; South China Sea Timeline, *Deutsche Welle*, available online at <http://www.dw.com/en/south-china-sea-timeline/a-16732585>.

1.2 The Actors: China and East Asia

China is undoubtedly the proverbial ‘elephant in the room’: we can all see it, yet ignoring its presence is at our own peril. Moreover, China’s recent activism in what it considers to be its backyard assures that this ‘elephant’ cannot (and will not) be overlooked. A variety of factors explain China’s increased activism.

Although China presents itself as a unitary actor to the outside world, the reality is clearly different. Internally, China is divided and the scene of a complex and often adversarial interplay between local and regional authorities, fishing authorities and the People’s Liberation Army Navy (PLAN). Chinese President Xi Jinping’s design to ‘streamline’ policy-making through top-down coordination has only had moderate success so far. Particularly at the local level, competition for power and resources has resulted in heated turf wars, thus weakening the authority of China’s Ministry of Foreign Affairs, which is often blamed for being soft on, and even ‘dovish’ towards, China’s regional competitors. As a result, disputes in the South China Sea are regularly used by domestic players to show their so-called ‘actorness’ and strength in the eyes of increasingly nationalist public opinion. Lack of clarity regarding the exact nature and legal standing of China’s claims in the South China Sea has opened opportunities for sub-national authorities to further their interests (such as the Chinese province of Hainan’s plans to develop tourism on the Paracel Islands), which adds to the complexity and unpredictability of China’s actions in the region.

Beijing’s policy dilemma is compounded by the need to balance growing (domestic) nationalistic sentiments and its objective to radiate so-called ‘soft power’ within the region. Public diplomacy aims to moderate apprehensions within the region about China’s economic, political and military rise. Flexing military muscles to claim territory in the South China Sea will be applauded at home, but will feed already existing suspicions throughout East Asia. It could also open the door for the United States to expand its (political and military) presence further in the region. China’s rejection of established United Nations (UN) mechanisms to address crises (for example, the International Court of Justice (ICJ) and the United Nations Convention on the Law of the Sea (UNCLOS)) have only deepened these reservations and worries. China is aware of the political costs of its non-participation (in the ICJ and UNCLOS), since it undermines the credibility of its self-styled role as a ‘responsible global stakeholder’.

Since 2012, the Chinese leadership has adopted a more assertive stance towards the South China Sea, particularly towards Vietnam and the Philippines, and featuring shorter ‘cycles’ of aggressive policies followed by assuaging actions. Chinese Colonel Dai Xu seemed to summarize his country’s new approach by referring to Vietnam, the Philippines and Japan as ‘the three running dogs of the United States in Asia.’

[...] We only need to kill one, and it will immediately bring the others to heel'.⁶ In May 2014, China introduced a drilling rig near the Paracel Islands, resulting in several collisions between Vietnamese and Chinese ships and major anti-China popular upheavals in Vietnam. In April 2015, satellite images showed China building an airstrip on reclaimed land in the Spratly Islands. A few months later in October 2015, the United States sailed a guided-missile destroyer within twelve nautical miles of one of the artificial islands, signalling Washington's determination to assure freedom of navigation in the region. In response, China warned that the United States should 'not act blindly or make trouble out of nothing'. Although all of the territorial claims and disputes are between China and countries sharing the South China Sea, Beijing's strategic objectives are clearly focused on the United States. As a result, China often seems to disregard regional claimants, downplaying their concerns and ignoring their interests. In turn, these countries seek strategic support from the United States, threatening to undermine some of the long-term cooperative goals of Xi Jinping's administration, such as the 'One Belt, One Road' initiative (OBOR). The US-led Trans-Pacific Partnership (TPP) should be considered in direct (economic and political) competition with China's OBOR, adding another layer to the already thick tapestry of great power competition in East Asia.

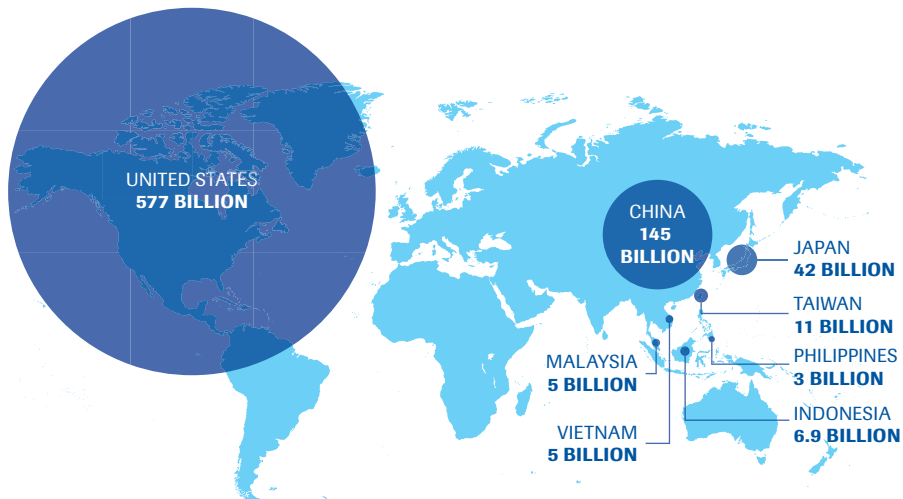
China faces numerous – but, internally, highly divided – rival East Asian claimants for territory in the South China Sea. This offers Beijing the opportunity to 'divide and rule' in the region, for example by offering preferential treatment to ASEAN countries that do not side with any of its competing claimant members. The weakness of existing regional multilateral arrangements also strengthens China's strategic hand. Still, most regional actors have hedged their bets, most notably by strengthening their own military capabilities (for example, submarines), as well as coastal defence. Pushed by strong economies and surging domestic nationalism, the 'smaller' South China Sea claimant countries are actively lobbying to 'internationalize' further their disputes by involving extra-regional actors (notably the United States).

Vietnam is particularly keen to 'internationalize' its disputes, particularly since its own territorial claims over the South China Sea are substantial and are openly in competition with China's demands. The May 2014 oil rig row involved several collisions and incidents, raising the spectre of a future armed conflict. So far, Hanoi's strong economic and political ties to Beijing (both Vietnam and China are communist countries) have prevented such an escalation. As for the Philippines, tensions with China over the South China Sea have increased since President Benigno Aquino III took office in June 2010. Following the bilateral standoff over the disputed Scarborough Shoal in 2012, Manila has clearly refused to rescind any territorial claims in the South China Sea, and has called for international arbitration of its disputes with Beijing. Malaysia maintains a lower profile and a policy of equidistance between Beijing and Washington

6 *Global Times*, 28 August 2012.




that is quite unlike most of the other regional claimant countries. This has given rise to accusations that Malaysia may have struck deals with China behind closed doors. As for Taiwan, Beijing's 'One China' policy *de facto* blocks Taiwan's participation in possible future multilateral accords on the South China Sea. Understandably, Taipei has firmly rejected Beijing's offers to organize a 'joint defence' of their overlapping claims. ASEAN, which is the key multilateral organization in the region, has so far failed to play a concrete role beyond diplomatic coordination and support for the development of a so-called 'Code of Conduct'. Its confidence-building initiatives have failed to develop robust crisis-management instruments that would be able to control future conflict in the South China Sea. This has undermined the argument by some claimants to follow the 'ASEAN way' (that is, not to include external mediators), especially since the current leadership in Indonesia (which is at present the 'steering country' within ASEAN) has chosen to pursue its interests by strengthening bilateral, rather than multilateral, ties and arrangements.

The Defence Budgets of South China Sea Actors (US\$)



Source: <http://data.worldbank.org/indicator/MS.MILXPND.GD.ZS> (SIPRI 2014);
Wikimedia Commons

Military Resources of the South China Sea Actors

	 ACTIVE FRONTLINE PERSONNEL	 TOTAL AIRCRAFT	 TOTAL NAVAL STRENGTH
CHINA	2,333,000	2860	673
UNITED STATES	1,400,000	13892	473
JAPAN	247,173	1613	131
PHILIPPINES	220,000	126	120
VIETNAM	412,000	404	65
MALAYSIA	110,000	217	61
INDONESIA	476,000	405	171
TAIWAN	290,000	804	102

Source: www.globalfirepower.com; Wikimedia Commons

Although Russia has no claims to the South China Sea, Moscow’s strategic interests and policy response play a major role in the political calculations of regional actors, and are hence a central analytical element of this Clingendael Report. Russia’s so-called ‘return to Asia’ was devised to counter China’s rise and has emboldened Moscow to seek stronger bilateral ties with numerous (East) Asian countries. As a corollary, Russia joined the East Asia Summit as a new member in 2011. However, bilateral ties with Asian countries have not taken off, mainly because trade relations have stalled because of Russia’s own stagnant economy. Russia has also been reluctant to discuss openly and deal with regional security matters, mainly to avoid putting at risk its new ‘partnership’ with China. Russia has offered itself as a neutral, ‘responsible power’, supporting the resolution of disputes via compliance with international law. At the same time, Russia stresses that ‘internationalizing’ regional territorial disputes is counterproductive, following (and supporting) China’s preference for excluding outside actors.

For now, Russia's involvement in the South China Sea revolves around its commercial interests, particularly to assure its share in a booming regional arms market. Russia has signed several arms deals with East Asian countries, most notably with Vietnam. Although one could assume that this may be part of a Russian scheme to balance – or to increase its leverage over – Beijing, this is hardly the full picture. In reality, Moscow is very reluctant to risk its 'soft' alliance with China and will not engage in any arms sales that will upset East Asia's delicate power configuration. Moreover, China has not criticized any of Russia's commercial activities, which confirms the overall Sino-centrism of Moscow's (East) Asia policy. If we consider China's quietness over the Crimea crisis, we can assume that both China and Russia have agreed to follow a strategy of 'silent ambiguity'. For example, Beijing has not commented on Russia's recent acquisition of Vietnam's Cam Ranch Bay military facilities, and we can only formulate an educated guess as to why. Most likely, China considers Russia's military presence as a useful counterbalance against the United States in the region, and therefore as a way to bolster indirectly its own claims by weakening the prospect of US (political and military) support for other regional claimants.

1.3 The Stakes: From Oil to Fish to Status

With so many actors all vying for influence in the South China Sea, the question arises of what exactly is at stake in this region? Like most areas of contention, it is hard to disentangle the overlapping and related arrangements of interests, values and legal concerns, as well as the quest for status. Still, four elements present themselves.

In terms of natural resources, the South China Sea has proven oil reserves of 7 billion barrels, and an estimated 900 trillion cubic feet of natural gas. This impressive hydrocarbon bounty is seen by all claimants as the main prize. For China, in particular, it would reduce its energy dependence (*vis-à-vis* the Middle East, as well as Russia) and boost its standing and legitimacy at home and abroad. This also explains why territorial claims in the South China Sea are often framed as a zero-sum game, and why (at least until now) negotiations over potential 'joint exploitation agreements' have had limited success. Moreover, the South China Sea accounts for approximately 10 per cent of the global fishing stock. Depleting coastal stock is forcing fishing fleets to venture further off shore, thus increasing the risk of incidents, since fishing vessels are increasingly used by governments as makeshift patrols. This has increased the direct involvement of civilians in the region's many territorial disputes and has (in turn) magnified the intensity (and danger) of subsequent popular discontent and unrest.

The South China Sea is, of course, also a major – and, for most countries, even vital – shipping and trading route: over half of the world's merchant fleet tonnage and one-third of global maritime traffic cross its waters every year. Oil tankers transport three times as many barrels as those traversing the Suez Canal, and fifteen times as many as those passing through the Panama Canal. This shipping and trade accounts for 80 per cent of China's crude oil imports and around 60 per cent of Japan's and Taiwan's overall energy

supplies. It is therefore hardly surprising that the South China Sea has become a crucial geostrategic theatre, bringing together a variety of minor, middle-level (notably India), as well as great powers (China and the United States). In addition to providing the security guarantees that are needed to uphold its alliance framework in East Asia, Washington's military presence in the region is also intended to protect US economic interests. The United States' response to Chinese moves in the South China Sea is no doubt closely monitored by economic actors, such as large investment funds and multinational enterprises, which are wary of the global resonance that any disruption to commercial flows in the region would have. In the absence of strong multilateral institutions, these competing actors are either on their own, or are bound by a variety of often unclear political and legal bilateral alliances, mostly with the United States. Although the United States is the only actor with a significant military presence, China is increasingly challenging US hegemony in its backyard, using economic, legal and political arguments to substantiate its claim. The main question to be asked is how far China is prepared to go to escalate these territorial disputes, given that rising tensions inevitably harbour risks and may result in unintended consequences. This is where this scenario comes in.

2. The Scenario

2.1 Conflict and Tensions in the South China Sea

Given that today's South China Sea is an economic, political and even military tinderbox, the risk of an escalating territorial dispute is real. So what would a plausible scenario for the short-term future look like? First, our scenario offers a crisis-triggering incident, followed by a narrative of consequences. The implications for European security of such an East Asian conflict will be examined in Part 2 of this Clingendael Report. Timewise, the following scenario is positioned roughly between three and eight years from today.

The People's Republic of China has unilaterally announced the establishment of an Air Defence Identification Zone (ADIZ) over vast swathes of the South China Sea that correspond to the (controversial) Exclusive Economic Zone (or EEZ), consisting of all of the elements (shoals, rocks and islands, etc.). This follows earlier statements in consecutive Chinese Defence White Papers that with the:

[...] gradual integration of China's economy into the world economic system, overseas interests have become an integral component of China's national interests. [...] Security issues are increasingly prominent, involving overseas energy and resources, strategic sea lines of communication, and Chinese nationals and legal persons overseas.⁷

7 Chinese Ministry of Defence, 2013, *The Diversified Employment of China's Armed Forces*, White Paper, available online at <http://eng.mod.gov.cn/Database/WhitePapers/2012.htm>.

Beijing has 'enhanced' this new ADIZ by applying it to all vessels sailing within this parameter. This has, understandably, provoked forceful diplomatic reactions from all of the countries in the region, and most notably from Vietnam and the Philippines, as well as the United States. Washington has expressed its unwavering support for Freedom of Navigation (FON) rights in the South China Sea, and rebuffs China's self-proclaimed right to install an ADIZ, calling it an 'outright provocation'. On this occasion, the United States puts itself forward as a main pillar (and even guarantor) of international law. The US response is widely considered as a test case for the United States' political and military commitment to the region. During the past decade, a bipartisan agreement has shaped up in consecutive US administrations based on a more inward-oriented, even neo-isolationist, foreign policy. The United States' appetite, as well as its capacity, to engage in foreign adventures has decreased, and the East Asian media and public debate have speculated about Washington's willingness and preparedness to back up its rhetoric, if necessary by military force.

In the meantime, China shows no intention of moderating its demands. Significant resources have been allocated to develop and enforce the new 'enhanced' ADIZ, resulting in numerous hazardous and over-confident actions in the waters around the Second Thomas Shoal. It is here that the Philippines has deliberately run aground a rusting Second World War ship to bolster its claims to the reef in the disputed Spratly Islands. Since 1999, but particularly in the wake of China's recent construction and expansion works on many other similar reefs, Manila has made sure that this vessel does not disintegrate. Constant maintenance and upgrading works have been carried out, which have slowly turned this vessel into a semi-permanent outpost that is guarded by a small contingent of Filipino soldiers.⁸ The constant traffic of Filipino vessels within its (self-proclaimed) ADIZ is billed by Beijing as a provocative and patent violation of China's unilaterally imposed rules. China has issued stern warnings to Manila that it will no longer tolerate such behaviour. Chinese fighter jets are now circling over the Philippines' supply ships and have even fired warning shots close to the beached warship. On one occasion, this resulted in the killing of a Filipino soldier. As a result, and especially because of the ensuing substantial anti-Chinese demonstration across the archipelago, the Philippines has become extremely nervous and wary of any Chinese aircraft flying within a relatively small radius of the disputed shoal.

Such edginess has been the most important triggering factor for the key incident that has led to the current crisis. After the accident that killed one soldier, Manila has given orders to its naval commanders to protect the contingent stationed on the shoal 'at all costs' – a tone reflecting the Philippines' greater confidence in its military capabilities,

8 Manuel Mogato, 2015, 'Philippines Reinforcing Rusting Ship on Spratly Reef Outpost', *Reuters*, 13 July, available online at <http://www.reuters.com/article/us-southchinasea-philippines-shoal-exclu-idUSKCN0PN2HN20150714>.

stemming from the provision of advanced anti-aircraft weaponry from the United States and Japan.⁹ After a few fly-bys by military planes, an Australia-bound Chinese aircraft carrying some 280 passengers violates the airspace directly above the shoal. Despite repeated requests by the commander of a nearby Filipino warship, this Chinese airliner fails to provide identification. Consequently, and in a dramatic re-enactment of the 1988 Iran Air Flight 655 incident, the Filipino commander gives the order to shoot down the plane. Some 255 Chinese citizens, twenty Australians and five New Zealanders lose their lives.

Beijing's reaction is swift and extremely strong. Framing its position according to its long-standing self-promotion as a 'responsible stakeholder', China demands that 'in the interest of civil aviation's safety', no non-Chinese military vessel or aircraft shall trespass on the ADIZ in the South China Sea without explicit authorization from the Chinese authorities, explicitly stating that any violator will be 'neutralized'.

2.2 Enter the United States: Great Power Standoff?

Amid these rapidly unfolding events, one of the key strategic questions is whether, and if so how, the United States will respond to China's new military assertiveness in the South China Sea. Since part of the US 7th fleet – specifically the Destroyer Squadron (DESRON) 7 – is engaged in a routine exercise in the South China Sea, Washington is directly affected by China's rather dramatic ramping-up of its hard-power rhetoric. Western media ask whether the US is becoming faint-hearted after a series of botched (or at least disappointing and costly) military interventions and operations, and will now accept Beijing's new *diktat* as a *fait accompli*. Will the United States show determination and put itself forward as the guarantor of freedom of navigation (and overflight) in the South China Sea, thereby directly challenging Beijing in its own strategic backyard? In the past (October 2015), the US Secretary of Defense declared that the 'United States will fly, sail, and operate wherever international law allows, as we do around the world, and the South China Sea is not and will not be an exception'.¹⁰ As a first response, the United States deliberately ignores China's demands and prolongs its naval exercises. In a speech, the US president draws a very clear 'red line', reassuring its South-East Asian allies and partners that their economic and strategic interests will be defended by the 'international community'. As a result, a textbook standoff between two great powers

9 Military transfers are already taking place; for example, see Prashanth Parameswaran, 2015, 'Japan, Philippines to Agree New Military Deal on APEC Sidelines', *The Diplomat*, 17 November; Prashanth Parameswaran, 2015, 'US Gives the Philippines 2 New Vessels Amid South China Sea Tensions', *The Diplomat*, 18 November. Moreover, it is reasonable to envisage a growing trend in this respect.

10 US Secretary of Defense Ash Carter, 2015, 'Remarks in Boston', 13 October, available online at <http://www.state.gov/secretary/remarks/2015/10/248180.htm>.

is developing, raising the questions of who will blink first, and what consequences will ensue.

To the surprise (and dismay) of many, Beijing reacts quickly and signals its determination to defend its ADIZ by firing four high-accuracy missiles, which explode around the *USS Fort Worth*, DESRON 7's leading vessel. These land-based anti-ship missiles are launched from the Chinese mainland. Although no serious damage is done to the US warship, this is an unprecedented provocation, warranting an equally determined US response. This incident also indicates that China's military capabilities are more advanced than expected. Even more worryingly, Beijing has proven its willingness to back up its demands by military force and seems prepared to escalate what has been a looming dispute into an all-out conflict. China seems to be betting that the United States is too engaged in the Middle East to open up a new front in the South China Sea, taking on a determined opponent with significant military force. Although the US administration does not backpedal on its 'red line', Washington labels the Philippines' acts as 'reckless', and calls upon the authorities in Manila to leave China's ADIZ area.

Washington's response is in line with its more low-key and less-assertive foreign policy strategy, and is clearly aimed at avoiding the unnecessary, violent escalation of what still remains an 'incident' as well as an 'accident'. The United States indicates that it desires to 'freeze' and 'stabilize' the situation in the South China Sea, and that it has no plans to diminish its military presence in the area. However, such a move signals that the United States is considering at least a temporary, *de facto* relinquishing of its long-standing and self-appointed role of security guarantor in the region. This further gnaws at one of the last remaining pillars of a US-centric East Asia security system, potentially triggering several unintended geopolitical processes with major global ramifications.

US Security Commitments/Guarantees in the Asia–Pacific Region		
COUNTRY	AGREEMENT(S)	NOTES
<ul style="list-style-type: none"> • Unlike in Europe (under the North Atlantic Treaty, art. 5), the United States has no multilateral alliance structure in East and South-East Asia • The US deterrent is based on mostly bilateral relationships and agreements, dating back to the early post-Second World War years 		
JAPAN	Treaty of Mutual Cooperation and Security (1951, revised 1960) ¹¹	<ul style="list-style-type: none"> • Japan to be defended by the United States in the event of an armed attack 'against either Party in the territories under the administration of Japan' (art. V) • In return, the United States is 'granted the use by its land, air and naval forces of facilities and areas in Japan' (art. VI)
SOUTH KOREA (ROK)	US–ROK Mutual Defence Treaty (1953) ¹²	<ul style="list-style-type: none"> • 'Each Party recognizes that an armed attack in the Pacific area¹³ on either of the Parties [...] would be dangerous to its own peace and safety [...].' (art. III) • In return, the ROK 'grants, and the US accepts, the right to dispose US land, air and sea forces in and about the territory of the ROK as determined by mutual agreement'
PHILIPPINES	Mutual Defence Treaty (Manila Pact, 1954) ¹⁴	'Each Party recognizes that an armed attack in the Pacific Area ¹⁵ on either of the Parties would be dangerous to its own peace and safety and declares that it would act' (art. IV; specifics in art. V)
THAILAND	<ul style="list-style-type: none"> • Manila Pact (1954 – see above) • Thanat–Rusk Communiqué (1962)¹⁶ 	
AUSTRALIA/ NEW ZEALAND	<ul style="list-style-type: none"> • Australia, New Zealand, United States Security Treaty (ANZUS Treaty, 1951) • Manila Pact (1954 – see above) 	Since the mid-1980s, ANZUS has been fully implemented only between the United States and Australia, because of New Zealand's opposition to visits by US nuclear-powered ships. A 2010 declaration officially ended the dispute ¹⁷

11 See Ministry of Foreign Affairs of Japan, available online at <http://www.mofa.go.jp/region/n-america/us/q&a/ref/1.html>.

12 See online at http://avalon.law.yale.edu/20th_century/kor001.asp.

13 Unlike the broader remit in the case of Japan.

14 This is still valid despite the dissolution of the South-East Asia Treaty Organization (SEATO) in 1977, and includes Thailand, Bangladesh, Pakistan, Australia, New Zealand, the United Kingdom and France. See online at http://avalon.law.yale.edu/20th_century/phil001.asp.

15 See online at http://avalon.law.yale.edu/20th_century/phil001.asp.

16 See Wikipedia on Thailand–United States relations, available online at https://en.wikipedia.org/wiki/Thailand%E2%80%93United_States_relations#Security_cooperation.

17 Wellington Declaration, 4 November 2010, see online at <http://www.state.gov/r/pa/prs/ps/2010/11/150401.htm>.

2.3 How Could All This Happen?

Before moving on to the strategic implication for Europe of such a development in East Asia, let us briefly expand on both the domestic and international factors that, in light of the current state of play in the South China Sea, make this scenario all too realistic, thereby deserving the attention of policy-makers and foreign policy analysts.

First, it is important to focus on the main elements that could directly affect the geostrategic reality of this South China Sea scenario. To begin with, the area has already witnessed numerous major incidents involving a variety of claimants during the past 40 years, starting with the so-called 'Battle of the Parcel Islands' in 1974 (which preceded a war between Vietnam and China), all the way to the already mentioned Chinese oil rig that was dragged into Vietnam's EEZ in May 2014.¹⁸ The China-Philippines tensions over the Mischief Reef (since 1994), the Second Thomas Shoal (since 1994) and the Scarborough Shoal (since 2012), as well as the downing of a Chinese jet that crashed into a US reconnaissance plane (2001), all indicate that territorial disputes can easily escalate. Aside from these major crises, the South China Sea has witnessed countless minor incidents, usually involving China and smaller claimants supported by the United States. One recent incident involved the interception of a US reconnaissance aircraft by a Chinese plane on 15 September 2015.¹⁹ This was just one of many reminders that the overall political 'temperature' within the South China Sea remains dangerously close to boiling point.

Second, the United States' role as regional protector of FON rights is of crucial importance.²⁰ The protection of FON rights is a corollary of the US military presence in East Asia, and has been justified by successive US administrations as an essential element of the United States' national security, as well as Washington's traditional provision of important global public goods.²¹ In East and South-East Asia, the Realist prism (which is based on the balance of power and a narrow definition of national interests) tends to prevail. The protection of regional FON rights is therefore widely

18 Chris Zappone, 2015, 'South China Sea Disputes: The Biggest Incidents', *The Sydney Morning Herald*, 5 June.

19 'Chinese Warplane in "Unsafe Manoeuvre" during Interception of US Reconnaissance Aircraft: Pentagon', *South China Morning Post*, 23 September 2015.

20 It is worth noting that there is also a fundamental disagreement between the United States and China with regard to the legitimacy of unrestricted FON, with Beijing arguing that it only applies outside a country's EEZ. See Avery Goldstein, 2013, 'First Things First: The Pressing Danger of Crisis Instability in US-China Relations', *International Security*, vol. 37, no. 4, 49-89.

21 Amitai Etzioni, 2015, 'Freedom of Navigation Assertions: The United States as the World's Policeman', *Armed Forces & Society*, 1-17, available online at https://icps.gwu.edu/sites/icps.gwu.edu/files/downloads/Etzioni_Freedom%20of%20Navigation%20AFS.pdf (accessed November 2015).

considered a key tool for the projection of US maritime power, and therefore the preservation of a precarious balance of power in a volatile geopolitical arena. Were the United States to renounce its self-appointed role as 'maritime cop' (as is hinted at in our scenario), this balance would become unsettled, with potentially dramatic (but still largely unforeseen) consequences.

US AND FREEDOM OF NAVIGATION (FON)

- **All states have rights of navigation (and overflight) in the maritime zones of coastal states.** These rights are **defined in the United Nations Convention on the Law of the Sea (UNCLOS)** and, for states that are not parties to the UNCLOS, such as the United States, **customary international law.**
- **In the territorial sea, ships of all states have the right of innocent passage;** and **in straits used for international navigation, the right of transit passage** for ships and aircraft exists. **Beyond the territorial sea, ships and aircraft may exercise the freedom of navigation in coastal state zones.**
- Freedom of navigation is generally understood as **the right of states to sail ships on the high seas without interference from other states. What limitations possibly apply in a state's EEZ is disputed.**
- **Disagreement around what FON exactly entails (and excludes)** was one of the triggers for the **development of the law of the sea** in the twentieth century.
- **The United States upholds its definition of the navigational and overflight rights contained in the UNCLOS,** in accordance with the Freedom of Navigation Program (FONOP), by, *inter alia*, **diplomatic protests** against what it considers to be excessive claims by coastal states and by **exercising its rights** in the maritime zones of such states. This is known as **resort to FON assertions (FONA)**, and two justifications are given:
 - **Liberal:** FON is a global public good (that is, the United States is the 'world's cop')
 - **Realist:** FON is essential for US security interests (particularly in the Asia-Pacific region).

Source: Amitai Etzioni, 2015, 'Freedom of Navigation Assertions: The United States as the World's Policeman', *Armed Forces & Society*.

Third, the proverbial chessboard of the South China Sea is prone to the potentially destabilizing impact of FON-related international law procedures. The UNCLOS arbitration proceedings, which were initiated by the Philippines against China in 2013,

have been a turning point.²² China pointedly refused to accept the jurisdiction of the UNCLOS arbitration tribunal, and therefore decided not to take part in its proceedings.²³ Beijing has issued a position paper indicating the reasons why it believes the tribunal has no jurisdiction; it has also used more 'informal' channels (such as academic books and articles) to elaborate its stance on the issue.²⁴ This rather unusual activism on the part of China towards a body (the tribunal) that has no binding enforcement tools indicates that Beijing is well aware of the potential negative consequences of an unfavourable ruling (the tribunal's decision is expected by mid-2016).²⁵ Indeed, Beijing knows that the already fairly high diplomatic costs of China's non-participation in the UNCLOS arbitration tribunal will increase and that such a ruling is likely to embolden other claimants to take a 'legal' path in their disputes with Beijing.

UN Convention on the Law of the Sea (UNCLOS)

- **1982**: outcome of the 3rd UN Conference on the Law of the Sea
- Establishment of **legal regimes**:
 - Limited **territorial waters to 12 nautical miles, recognizing innocent passage**
 - Established **200 nautical miles EEZs for coastal states**
 - **Regulated**, among other matters, **archipelagic waters, international straits, seabed mining and environmental protection**
- Establishment of four **dispute resolution mechanisms**:
 - **International Tribunal for the Law of the Sea (ITLOS)**
 - **International Court of Justice (ICJ)**
 - **Two procedures to establish temporary arbitration tribunals**

Source: Amitai Etzioni, 2015, 'Freedom of Navigation Assertions: The United States as the World's Policeman', *Armed Forces & Society*, p. 6.

22 PCA, 2015, *The Republic of the Philippines v. The People's Republic of China*. Available online at http://www.pca-cpa.org/showpage65f2.html?pag_id=1529 (accessed November 2015).

23 Lan Nguyen, 2015, 'South China Sea: Philippines v. China', *The Diplomat*, 27 July.

24 Nguyen, 'South China Sea'.

25 Gregory Poling, 2015, 'The Philippines–China Arbitration: What Next?', *The Diplomat*, 1 August.

PERMANENT COURT OF ARBITRATION (PCA)

- **Established in The Hague in 1899 to facilitate arbitration and other forms of dispute resolution between states**
- The PCA's Secretariat, the International Bureau, headed by its Secretary-General, provides administrative support to tribunals and commissions
- **Broad involvement in international dispute resolution**, encompassing territorial, treaty and human rights disputes between states, as well as commercial and investment disputes, including disputes arising under bilateral and multilateral investment treaties

Source: <http://www.pca-cpa.org> [accessed December 2015].

The fourth factor involves China's particular (and peculiar) domestic context. Since the Deng Xiaoping years (1981–1987), and particularly during the past two 'generations' of communist rule, the legitimacy of the Chinese regime has largely relied on performance – that is, successful policy, not ideology, keeps the communist elite in power. As is the case elsewhere, poor domestic economic performance tends to encourage a more assertive foreign policy. Given the current slowdown of overall growth in China (which includes growing concerns about income inequality and economic sustainability, as well as a downturn of the stock exchange), President Xi Jinping feels inclined to show strength and occasional muscle in China's foreign and security policies in the region. Rising domestic nationalism (which is arguable deliberately stirred up by the Chinese Communist Party itself) can be satisfied and calmed by a show of strength against smaller regional actors, as well as by picking a fight with the United States. As long as China continues to invest heavily in defence, the combination of domestic economic slowdown and rising nationalism constitutes a plausible backdrop for the scenario sketched out above. The envisaged establishment of a 'reinforced' ADIZ in the South China Sea would certainly be an option for Beijing to 'flex its foreign policy muscles' and to boost the Chinese government's domestic approval rating. The same mixture of factors would explain China's willingness to take risks and even to work towards the escalation of what may well start as a minor, even negligible, dispute and incident.

Fifth (and last), the conflict will not only be kinetic, but will also be accompanied by an important cyber dimension. Cyber warfare affects contemporary conflict dynamics, augmenting conventional first-strike capabilities by paralysing (or at least hampering) the enemy's ability to deploy resources at the early stages of a skirmish, battle or war.²⁶ US–China relations have been significantly affected by the actions taken by both players in cyberspace. This has major consequences for any future dispute/conflict

26 David C. Gompert and Martin Libicki, 2014, 'Cyber Warfare and Sino–American Crisis Instability', *Survival*, vol. 56 no. 4, 7–22.

in East Asia where both China and the United States will be involved, mainly because it may encourage strategies favouring first-strike tactics. Tensions between the United States and China have risen since the recent massive hack of US government records (involving over 21 million US federal employees and contractors, as revealed in June 2015), which has (allegedly) been traced back to Beijing.²⁷ The US National Security Agency (NSA) referred to the theft as 'the most significant transfers of wealth in history', and US President Obama explicitly hinted at the possibility of the United States enacting countervailing cyber-sanctions against China.²⁸ This slow-burning cyber hostility between two competing great powers forms the political backdrop of our scenario.

27 Kristin Finklea *et al.*, 2015, 'Cyber Intrusion into US Office of Personnel Management: In Brief', *CBS Report*, 17 July.

28 Malcolm R. Lee, 2015, 'Will the United States Impose Cyber Sanctions on China?', *Brookings*, 22 September, available online at <http://www.brookings.edu/blogs/order-from-chaos/posts/2015/09/22-will-us-impose-cyber-sanctions-china-lee>.

Part 2 – The Implications for European Security

3. Introduction: Europe and the Butterfly Effect

In July 1956, the Suez crisis caused serious upheavals in Egypt and the wider Middle East, dragging in great powers such as the United States and the Soviet Union, as well as Israel, the United Kingdom and France. At about the same time, a popular revolt against the communist regime broke out in Budapest, Hungary, which was violently suppressed by Soviet forces in November 1956. At some level, one could argue that most historical events may be linked with one another, but in this case the link was self-evident: the Suez crisis fully pre-occupied Western powers, displaying their internal divisions. Moscow made swift and opportunistic use of this geopolitical vacuum, brutally restoring communist discipline, despite vehement Western reproaches. Although not rare, this kind of inter-regional dynamic often goes unnoticed, for the simple reason that events occur in different geographic theatres. This begs the question of whether we – policy-makers and analysts – will do better this time, and are able to understand, anticipate and prepare for the (possible) escalation of a South China Sea crisis.

Based on the scenario elaborated in this Clingendael Report, Part 2 studies the implications for Europe, with a particular focus on security relations with Russia. How will a conflict in the South China Sea affect Europe, and what may be the strategic dynamics within the European continent of a conflict developing far away, but slowly and surely. The well-known ‘Butterfly Effect’ is part of chaos theory, which postulates that small changes, even far away, may result in large changes elsewhere, just as the metaphorical flapping of a butterfly’s wings may ultimately result in a hurricane. Clearly, a conflict in the South China Sea is a momentous incident, but its impact remains equally non-linear and open to conjecture. This section will thus speculate, but (hopefully) at a proper level of sophistication.

4. US Abnegation and European Discord, or What Will Russia Do?

Arguably, European security is determined by three actors: the United States (mainly through the North Atlantic Treaty Organization, NATO); European states (most notably within the EU); and (more on the margins, but always present) Russia. Extrapolating on today’s trends, a pending conflict in the South China Sea will inevitably impact all three actors, as well as their bi- and trilateral relationship(s).

4.1 US Moderation: De-escalation and Risk

First, a moderate US reaction to China's assertiveness in East Asia will be framed by Washington as a sensible and mature response that is aimed at de-escalation. It would be the latest 'moderate' foreign policy move by the United States, and can be seen as a by-product of the Obama administration's policy of 'leading from behind' (introduced during the NATO-led Libya intervention in 2011).²⁹ Costly military interventions in Iraq, Afghanistan and Libya (from 2003–2011) have overall had disappointing results and have failed to stabilize the Middle East. Washington has left its neo-conservative optimism and boldness to shape the world in its image behind, and has returned to a cautious strategy that is based on Realpolitik. The United States has not become truly isolationist, but has decided to pick its fights much more carefully. American public opinion has become more inward-looking, which is reflected in a higher threshold to use the US military in any theatre, including East Asia. The US military has faced serious budget cuts over recent years. Local opposition to US military bases has also risen over the years, further questioning the value and legitimacy of the US military presence in a region that is confounded by asymmetrical, hybrid challenges. As a result, the United States' security commitment to Japan has been widely debated, and even put into question. Japan's new annual White Paper (*Defense of Japan*), for the first time insinuates that Japan should consider crossing the nuclear threshold, upsetting Tokyo's regional vicinity (most notably the Korean Peninsula), but also potentially wrecking the Nuclear Non-Proliferation Treaty's Review Conference, which is scheduled for 2020 (see below).

Despite China's military build-up, the US PACOM (Pacific Command) remains a powerful military force in East Asia. Washington realizes that China has benefited greatly from the United States' security commitment to Japan, which has not developed conventional military capabilities commensurate with its economic size because of the US commitment. Moreover, US military power has kept Japan, South Korea and Taiwan from becoming nuclear powers.

Beijing's threats to escalate the territorial disputes in the South China Sea are therefore part of a complex geostrategic poker game, involving intimidation and deceit. In East Asia, Europe and the United States, experts speculate on the strategic calculations made within China's policy-making circles. Although there are obvious regional differences (based on historical experience, and economic and political estimates, as well as ideological considerations), the 'emerging consensus' among foreign policy analysts is that Beijing is unlikely to intensify this dispute, since this would put China's economic and trade interests at risk. Clearly, in this high stakes' game, China has decided to call

29 Sanford Lakoff, 2013, 'Leading from Behind: The "Obama Doctrine" and US Policy in the Middle East', *Strategic Assessment*, vol. 16, no. 1, April.

Washington's bluff, and is assuming that the United States will not risk a full-fledged military conflict in its backyard. In turn, the United States decides to fold (at least for now), in order to find out what China's real intentions are.

Moreover, the US administration has indicated that it wants to build a *de facto* policy firewall between the security situation in the South China Sea and bilateral economic and trade relations with China. The United States has learnt lessons from its political skirmishes with Russia over the last few years, since Western sanctions (after Russia's annexation of Crimea and the eastern Ukraine imbroglio) were quietly ended to assure the Kremlin's cooperation in fighting shared terrorist threats. Clearly, the United States is not prepared (and simply cannot afford) to upset further its already troubled ties with China. Since this stance also applies to China (whose economy would sink if its umbilical cord with the United States was cut), both great powers are likely to constrain their military behaviour in the South China Sea.

In the United States, this is considered prudent, and even wise; in the rest of the world, however, including Europe (see below), US caution may be interpreted as weakness, or at least as a sign of mounting vulnerability. The US 'pivot towards Asia' has rekindled doubts within Europe that Washington will fulfil its obligations enshrined in NATO's Article 5, which offers NATO allies credible security guarantees. The United States maintains a complex web of security assurances and guarantees with several East Asian countries, including the Philippines. Although most of these guarantees are laid down in legal texts, their credibility is contingent upon a mix of factors, including US military capabilities and the willingness to use military force to defend the territorial integrity and independence of US allies. Ever since Russia's annexation of Crimea and its involvement with anti-government rebels in eastern Ukraine (since 2014), the credibility of US security guarantees in Europe has been up for debate.

Russia used its status as a great power, combined with historical claims, to extend its influence to Crimea, as well as eastern Ukraine. Although this clearly violated existing European security arrangements (within the Organization for Cooperation and Security in Europe, OSCE), as well as international law (within the UN context), the United States and the EU have decided to turn a blind eye on Moscow to assure Russia's cooperation on more important projects, such as fighting jihadism and the (self-proclaimed) Islamic State. Although some Western sanctions are still in place and NATO's presence in Central Europe has been scaled up, a careful balance has been struck between containing and engaging Russia (so-called 'conengagement'), a strategy that has been applied in US-China relations with some success for several decades.³⁰ Moreover, Russia's tactic of hybrid warfare in eastern Ukraine (using the infamous

30 Zalmay M. Khalilzad *et al.*, 1999. *The United States and a Rising China: Strategic and Military Implications*, Santa Monica, CA: RAND.

'little green men') proved that as long as Russia could (more or less) credibly deny any direct involvement, the West remained reluctant to engage forcefully and/or militarily. In Central Europe, this acquiescence is generally interpreted as a major strategic mistake, wetting Moscow's slumbering imperial appetites and undermining solidarity within NATO (as well as the EU). In Western Europe (as well as the United States), reconciliation with Russia is considered more important than containment, laying bare the rift in security perceptions throughout Europe, as well as within NATO (and the EU).

4.2 The EU's Reply: Fortunate Frailty

In this South China Sea Scenario, the key question for Europe is whether the United States is prepared to stand up to what can be considered Chinese bullying of weaker, regional actors, using a mix of arguments (such as historical claims and legal entitlements, etc.) within the context of a long-standing and slowly escalating conflict. Europe's *second* security ramification is therefore the EU's response to such an East Asian crisis. Within the EU, there are mixed feelings about China's muscle-flexing policies in East Asia. China's Silk Road project has intensified the complex interdependence between both regions (Europe and Asia), curtailing the EU's political will to upset its relationship with Beijing. The EU has considered China to be a strategic partner for more than a decade (since 2003), quite unlike the United States, which regards China as a 'strategic rival' and a direct challenge to its Asian and Pacific (military) hegemony.

This scenario is temporally situated at the dawn of a post-Western global order. The key question for the EU (and NATO) is whether a more modest US security role inevitably forces European states to take more responsibility for their own security and defence. This is a long-standing question that seems to be resolved by Europe's *de facto* military impotence because of decades of defence budget cuts. This has, by necessity, strengthened the EU's habit of acknowledging as much threat as it can afford – which is little. Moreover, the post-2008 European financial crisis has opened up cracks in the EU's facade of political (and financial) solidarity, prompting Central (and Eastern) European countries to intensify their trade and economic ties with China. This is the result of China's strategy of cosyng up to Central and Eastern Europe, meeting with regional political and economic leaders in the so-called '16+1' platform, which saw the light in September 2012. China has used these regular Central and Eastern Europe (CEE) summits to strengthen its strategic foothold in Europe, and with some success. Most European states also benefit from their membership in the Asian Infrastructure Investment Bank (AIIB), which they joined in 2015, ignoring Washington's explicit 'advice' to do otherwise.

Like the United States, the EU assumes that a South China Sea crisis (even if it entails a mid-level military confrontation) will not disrupt trade flows between East Asia and Europe. A range of previous regional crises (ranging from several Gulf Wars in the 1990s

and on-going piracy around the Gulf of Aden and within the South China Sea itself) have been unable to unsettle and/or block key trading routes. This is considered 'proof' that a small, localized territorial dispute between China and smaller powers will not affect the EU's key economic interests. The EU assumes that the complex interdependence between the United States and China (see above) minimizes the chance of (military) escalation in East Asia. However, growing tensions in the South China Sea, with the ensuing destabilization, could very well incentivize both the EU and China to speed up the already ongoing strengthening of economic ties along other routes. Crisis in the South China Sea would hinder the maritime branch of China's 'One Belt, One Road' initiative, and this might prompt Beijing and Brussels to foster the development of the new Silk Road across Central Asia.

Brussels appreciates the United States' modest response to China's hostile behaviour ('diplomacy is always the best solution', as the recent European Council communiqué has it). This follows earlier statements by the EU's High Representative that the EU is:

[...] committed to a maritime order based on the principles of international law.
[...] We oppose any attempt to assert territorial or maritime claims through the use of intimidation, coercion, force or any unilateral actions which would cause further friction.³¹

This episode further strengthens arguments for the reorganization of European defence. If the US administration does not defend 'its ground' in East Asia, the EU may well have to step in. As usual, the EU needs crises to overcome the remaining hurdles to set decisive steps towards the further federalization of its integration project. Calls to strengthen the EU's Global Strategy (to be adopted in 2016) and to include a European (that is, EU-led) army, comprising a (still tentative) nuclear component, have become more pronounced. This South China Sea crisis is just one incident in a long row of indications that, strategically, Europe is 'home alone' and can no longer take a free ride on US military global hegemony. Whether this South China Sea scenario will turn out to be the tipping point towards a more consolidated EU-based defence remains to be seen.

For Beijing, the EU's response to a looming East Asia crisis is a litmus test that indicates whether its economic embrace of Europe has managed to paralyse Brussels' actorness, and (hence) increased China's room for manoeuvre. Taken together, these factors make an outspoken condemnation of China's actions in East Asia by the EU unlikely, even if the United States was to call upon Brussels and European allies to speak out vociferously.

31 Robin Emmott, 2015, 'Europe Warns against Escalation in South China Sea Dispute', *Reuters*, 6 November.

4.3 Russia's Opportunities: Modest Support and Arctic Activism

The *third* element of the scenario's impact on European security involves Russia. During the developing South China Sea dispute (in this report's scenario), Russia uses the annual summit of Brazil, Russia, India, China and South Africa (BRICS) (this time in Moscow) to discuss China's actions in East Asia. China's activism in Russia's East Asian backyard is reminiscent of Russia's own long-standing doctrine of the 'Near Abroad', which in turn echoes the United States' Monroe Doctrine of 1823 (which was only 'declared dead' by Washington as late as 2013). Unlike Russia, China's claim to dominate the South China Sea is not based on a great power narrative, but linked to rather vague traditional entitlements and prerogatives. China's main goal is not to control sea lanes, but to deny the US military access to the region, and thereby affect the balance of power to its own advantage.

However, the outcome is the same: both Russian and Chinese claims upset minor regional actors, and irritate and provoke great power rivals. The BRICS Summit will discuss the East Asian conflict and offer some vacuous vocal support for China, referring to its legitimate claims and 'warning' the United States against military engagement in the region. Still, China has no interest whatsoever in involving Russia in this conflict, and therefore will not actively pursue Moscow's support. Russia already feels increasingly uncomfortable and apprehensive about its own role as 'junior partner' to China, even if Beijing's strategic interests (such as pushing for a multi-polar, post-Western global order) are largely shared. The BRICS bloc, as a group of countries and the most credible post-Western political framework, is not likely to offer support to China's regional aspiration, and Beijing, in turn, may clearly signal that it does not actually need it.

Against the background of this uncomfortable and delicate Sino-Russian 'partnership', Moscow will determine a foreign policy course that is based on opportunism and Realpolitik. So, what will Russia do? The risk that Moscow will unscrupulously exploit the pending East Asian crisis to make strategic moves in Europe is modest. Russia is certainly not a classical 'satisfied power', and has numerous unresolved geostrategic disputes with several (post-Soviet) neighbours. However, Moscow has not conducted a truly predatory foreign policy up to now, and is unlikely to adopt one, even if opportunities beckon. Crimea is irrevocably lost to Ukraine and the EU has reluctantly accepted that this may well have been inevitable, given the key strategic importance of the Crimean Peninsula for Russia's military interests. It is well known that the decree transferring the Crimean Oblast from the Russian Soviet Federative Socialist Republic to the Ukrainian Soviet Socialist Republic in February 1954 was a 'brotherly' symbolic gesture, marking the 300th anniversary of Ukraine joining the Russian Empire. Crimea's naval base in Sevastopol and the Black Sea Fleet have always been crucial because of their size, location and infrastructure. Crimea gives Russia access to its naval base at Sevastopol, which is home to the Black Sea Fleet. Operating from Sevastopol, Russia has the ability to project power in and around the Black Sea and also provides the

Russian Navy with access to the Mediterranean, as well as to the South Atlantic and Indian Oceans. For Russia, the rationale for annexing Crimea is geopolitical, rather than evidence of a rekindled imperialist campaign.

Still, it should be recognized that the scenario in this report involves parallel Sino-Russian strategic interests. A spiralling conflict in East Asia may offer China an opening to push the United States out of the region, which clearly overlaps with Russia's long-standing goal to do exactly the same in Europe and the wider Eurasian region. The key difference is obvious: whereas China has the means, the determination and the wherewithal to follow through on its strategic aims, Russia remains largely hesitant and weak overall. Russia's annexation of Crimea in 2014 may therefore prove to be an exception, rather than the beginning of a trend.

This does not mean that Russian policy-makers will sit on their hands during the unfolding of an East Asian drama. Parallels between Beijing's claim to large swathes of territory in the South China Sea and Moscow's Arctic Strategy impose themselves. Both areas (that is, the South China Sea and the Arctic) are of major importance as (potential) shipping routes and the proven abundance of their resources (oil, gas and fish stocks, etc.). Moreover, in both cases the region's legal status remains unclear and contested, involving a variety of great powers and actors with a lesser amount of (or, in the case of Iceland, even no) military might. For Moscow, the interesting question is whether China will be able to get its way through political bullying and some modest use of military force. If the United States huffs and puffs but fails to follow through with decisive military action, Russia is bound to conclude that a similar strategy towards the Arctic region may function as well. A South China Sea crisis is therefore likely to result in some 'unexpected' Russian (military) activism in the Arctic. Moscow will literally 'test the (political) waters' in the Arctic region, taking advantage of Washington's engagement elsewhere. Russia may well bet on the EU's familiar incapability and reluctance to play geostrategic games, even if its own core interests are at stake. Still, China has been a Permanent Observer of the Arctic Council since 2013, and Beijing has expressed a clear interest in the Arctic region. Chinese policy-makers have argued that the Arctic belongs to all of the world's people, and that no nation can – or should – claim sovereignty over it. This implies that if Russia was to adopt a more assertive policy in the Arctic region, it would have to confront China as well.

At the same time, Russia acknowledges that it has its own problems with China, which may – at least in future – involve territorial claims and an expanding 'sphere of influence'. Russia shares a 3,645 kilometre border with China, which is mostly empty on the Russian side, but densely populated and economically thriving on the Chinese side. Sino-Russian border disputes have flared up with some regularity, most notably in 1969 involving an undeclared seven-month military conflict in the vicinity of Zhenboa Island in Siberia. Since the mid-1990s, China and Russia have agreed on their mutual border and have settled all previous border disputes. Russia remains somewhat uneasy,

however, about China's economic influence in Siberia and Russia's Far East. Chinese firms are leasing many hundreds of thousands of acres of land from Russia to grow crops and rear livestock in eastern Siberia, and negotiations are underway to emulate this model elsewhere. Western sanctions on Russia have driven Moscow, as well as many Russian regional authorities, into the hands of China. In 2014, Russia already signed a 30-year gas deal worth more than US\$ 400 billion with a fuel-craving China, and a second gas pipeline between western Siberia and north-west China is now under construction. The leasing of land has resulted in popular discontent and resentment in Russia's Chita region, and Moscow has to strike a careful balance between pleasing China and placating home-grown nationalist sentiments. As a result, China's (military) assertiveness in East Asia is likely to receive modest and limited support from Russia.

5. Watershed, Milestone or Crossroads? How Things Will Change

How many 'wake-up calls' can be ignored before reality hits home? And, perhaps equally important, will a 'wake-up call' be recognized as such by all of the actors at the same time? An East Asian crisis – gradually spinning out of control and conjuring up the long-dead ghosts of great power rivalry involving the United States, China and Russia – could become the world's 'Sarajevo moment'. The United States' choice to de-escalate this conflict is made against the background of this risk; the EU's incapacity to act in unison at least does not complicate matters; and Russia's reluctance to shore up China's (military) assertiveness has an equally calming impact. Few countries will take any South China Sea conflict as an opportunity to bandwagon with China against the West, and those that would do not carry much political weight. In itself, a minor territorial dispute between China and the Philippines is of no great significance. Still, the world's geostrategic equilibrium is so delicate that even minor upheavals are becoming critical, especially since they may encourage regional political and security dynamics that are already underway.

This South China Sea scenario should be considered against this background of volatility. The end of US hegemony and the dawn of a post-Western world are much-debated and carefully scrutinized processes; they should come to no surprise to anybody. Still, the end-result of these processes may startle and even shock policy-makers, both in the West and beyond. The most likely result of this scenario is that existing developments and trends will be energized and accelerated. Three trends from this report's analysis merit specific discussion.

First, US reluctance to take up enthusiastically the gauntlet offered by China will be appraised in Europe with a mixture of relief and disquiet. In a way, the United States is gradually becoming 'European', and is no longer willing and capable to offer the public goods of regional security, either in East Asia or in Europe itself. As a corollary, the EU can no longer take a free ride on the United States (and hence NATO) and is

thus obliged to adopt a more geostrategic outlook on world politics, and to adopt a commensurate military strategy. The debate on a 'European' (that is, EU-led) defence capacity is long-standing, starting off with the Western European Union (WEU) and leading to today's (EU-based) Common Security and Defence Policy (CSDP). Numerous recent crises (varying from Russia's annexation of Crimea to the on-going refugee/migrant emergency) have strengthened the call for 'European solutions'. This South China Sea scenario reinforces these appeals. The EU is unlikely to be confronted by Russian and Chinese bellicosity, although Russia may well take advantage of the situation to take assertive initiatives, for example in the Arctic. NATO will also be with us for the foreseeable future, because of institutional inertia. Still, the EU is likely to set major steps towards taking responsibility for – and hence organizing its own – continental security. This South China Sea scenario adds to this long-standing trend, strengthening its logic and hence the case made by proponents (most notably Germany, France and the Netherlands).

Second, American disengagement in East Asia is likely to encourage regional middle powers to take more responsibility for their own security. Japan's possible move across the nuclear threshold would most certainly trigger a very dangerous arms race in East Asia, dragging other countries into a spiral of measures and counter-measures. Until now, the United States has kept a secure lid on the region's military competition, especially in the non-conventional (nuclear) area. As this scenario suggests, the Nuclear Non-proliferation Treaty (NPT) Review Conference (which gathers every five years to discuss implementation of the NPT) would be wrecked if Japan moves towards the nuclear option, further undermining an already weakening global norm (and legal obligation) to forego nuclear weapons. In the Middle East, uncertainty about Iran's commitment to the NPT has already pushed regional powers (including Saudi Arabia) to make preparations for their own 'nuclear option'. Taken together, this will unsettle the nuclear non-proliferation regime (and norm) that has stabilized (with ups and downs) global politics since the mid-1970s. As a result, the EU will have to make its own, hard decisions on going nuclear, or at least integrating existing French and British nuclear capabilities into a European security and defence doctrine. At the same time, the EU will probably have to cope with a nuclear Turkey as well, further affecting Turkey's already thorny path towards EU membership. For most (if not all) EU-based policy-makers, this is uncharted geostrategic territory, and far removed from Brussels' comfort zone comprising economic and regulatory power. Our scenario would most likely push the EU (and key member states) to adopt this more geopolitical perspective and reconsider its own role in maintaining order and security.

Third (and last), both the EU and the United States have to see eye to eye on their developing economic dependence on China. Arguably, this dependence is mutual, since China's economic growth (and hence regime legitimacy) is contingent upon thriving trade ties with the West, and the EU and United States in particular. China's assertiveness pushes the EU and United States towards intensifying their economic

and regulatory cooperation via the (currently under negotiation) Transatlantic Trade and Investment Partnership (TTIP). Our scenario underlines the obvious link between geopolitics and geo-economics: complex (economic and financial) interdependence between Asia and the West limits the room for manoeuvre on both sides. This does not mean, however, that disputes may not escalate into conflicts and confrontations, even involving military hostilities. It does suggest that hard choices will have to be made on the risks and opportunities – as well as the costs and benefits – of engaging, containing and confronting great power rivals. This evolving geostrategic arrangement between great powers not only comprises an economic and military contest, but also a psychological battle involving the classical *Wille zur Macht* (that is, ‘will to power’, as per Nietzsche’s philosophy) and a society’s resolve to defend its (national) interests. Unfortunately for the West, autocratic regimes like Russia and China may find it easier to muster the collective willpower to play this geopolitical poker game effectively than post-modern societies in (Western) Europe, and even the United States. Russia’s annexation of Crimea in 2014 served as a wake-up call for the rest of Europe that Realpolitik has returned with a vengeance. This South China Sea scenario is just the latest manifestation of this reality, and its strategic consequences for Europe could become manifest sooner, rather than later. These consequences will hopefully not take European policy-makers ‘by surprise’. That excuse will no longer do.

Abbreviations

ADIZ	Air Defence Identification Zone
AIIB	Asian Infrastructure Investment Bank
ANZUS	Australia, New Zealand, United States Security Treaty
ARF	ASEAN Regional Forum
ASEAN	Association of South-East Asian Nations
BRICS	Brazil, Russia, India, China, South Africa
CEE	Central and Eastern Europe
COC	Code of Conduct
CSDP	Common Security and Defence Policy
DESRON	Destroyer Squadron
EEZ	Exclusive Economic Zone
EU	European Union
FON	Freedom of Navigation
FONA	Freedom of Navigation Assertions
ICJ	International Court of Justice
ITLOS	International Tribunal for the Law of the Sea
NATO	North Atlantic Treaty Organization
NPT	Treaty on the Non-Proliferation of Nuclear Weapons
NSA	National Security Agency
OBOR	One Belt, One Road
OSCE	Organization for Security and Cooperation in Europe
PACOM	Pacific Command
PCA	Permanent Court of Arbitration
PLAN	People's Liberation Army Navy
ROK	Republic of Korea (South Korea)
SEATO	South-East Asian Treaty Organization
TPP	Trans-Pacific Partnership
TTIP	Transatlantic Trade and Investment Partnership
UN	United Nations
UNCLOS	United Nations Convention/Conference on the Law of the Sea
US	United States
USS	US Ship
WEU	Western European Union

Acknowledgements

The authors would like to thank the participants of the 'scenario-testing' Expert Seminar that took place at the Clingendael Institute on 18 November 2015.

Our thanks also go to Anne Bakker for her assistance in preparing this Clingendael Report for publication.