Abstract: Since 1990, China has used coercion for maritime territorial disputes in the South China Sea, despite adverse implications for its international image. China is also curiously selective in the timing, target, and tools of coercion: most cases of Chinese coercion are not military coercion, nor does China use coercion against all states that pose the same threats to its national security. The question regarding China’s coercion patterns – crucial for the prospect of peace and stability in the Asia-Pacific region – has not been systematically answered. More importantly, questions of the conditions under which states coerce and the factors influencing choices of coercive tools are understudied. I therefore examine when, why and how China attempts to coerce states over perceived threats to its national security. This question entails two parts: 1) when and why does China choose coercion over inaction, and 2) if coercion is chosen, what tools does China utilize? I explain Chinese coercion with the cost balancing theory – and test it against China’s coercion in the South China Sea. I employ qualitative methods such as process tracing and congruence testing, leveraging on primary Chinese documents and interviews with Chinese officials, government analysts, and scholars. I find that China used coercion in the 1990s because of the high credibility benefit and low economic vulnerability cost. China especially used militarized coercion in this period, because the U.S. withdrawal from the Subic Bay in Southeast Asia and focus on Europe reduced China’s geopolitical backlash cost of using coercion. China refrained from coercion in the 2000-2006 period because of the high economic vulnerability cost and low credibility benefit. China began to use coercion again after 2007, but because of the increasing geopolitical backlash cost since the post-2000 period, Chinese coercion remains non-militarized. Contrary to conventional wisdom and in contrast with historical rising powers, China is a cautious bully, does not coerce frequently, and uses military coercion less when it becomes stronger, resorting mostly to non-militarized tools. In short, states’ decision to coerce and choices over coercive tools cannot be simply explained by the power variable. I identify the centrality of credibility and economic vulnerability in states’ calculation of coercion. States coerce one target to deter others – “killing the chicken to scare the monkey.”
I. Introduction

When faced with challenges to national security, China has used sticks – coercion – since the 1990s. China has utilized a full spectrum of coercive tools, including diplomatic sanctions, economic sanctions, and military coercion, to force the target state to change its behavior. Take, for example, maritime territorial disputes in the South China Sea, these disputes concern competing claims over land features and maritime jurisdiction. China has disputes with Vietnam, the Philippines, Malaysia, Brunei, and Indonesia, and has coerced claimants such as Vietnam and the Philippines since 1990.

Figure 1 above is Chinese coercion in the South China Sea from 1990 to 2015. The vertical axis is the number of incidents. The dark gray bar denotes the total pool of incidents, which are an amalgamation of incidents where China could react to other states' behavior by either coercing or not coercing. These incidents concern two categories: foreign states’ control of disputed land features in the South China Sea and energy exploration in disputed waters. Specifically, incidents regarding the control over land features include other claimants seizing and building infrastructure on land features. Incidents regarding resource exploration include actual oil and gas exploration activities and oil and gas production contracts signed by other claimants. This paper focuses on reactive Chinese coercion, and I discuss proactive Chinese coercion in my dissertation.

1 I code these two categories because an internally circulated publication by China’s State Oceanic Administration (SOA) stated clearly in 2002 that defending maritime rights — sovereign, jurisdictional, and administrative rights — are the core of maritime rights and that resource exploration in one’s exclusive economic zones (EEZ) and continental shelves is an exclusive right that is "quasi-sovereign." Disputes over territories clearly concern sovereign rights and since China highlights resource exploration as the only right that qualifies as a "quasi-sovereign" right, I code incidents of control over land features and resource exploration. See internal Materials edited by the China Institute for Maritime Affairs (CIMA), Zhuanshu jingji qu he datujia [EEZs and the Continental Shelf] (Beijing: Oceanic Press, 2002), p. 395, 398.
As the light gray bars in Figure 1 show, China used coercion in the mid-1990s, especially from 1994 to 1996. The cases of coercion from 1994 to 1996 were more drastic, which sometimes involved militarized coercion. In the early 2000s, however, China refrained from using coercion. Starting from 2007 and particularly from 2010, China began to greatly increase the use of coercion especially in the form of gray-area administrative coercion, which peaked in 2014. Yet unlike the early 1990s, these cases of coercion tend to be non-military. There are thus temporal variation and variation in the tools of Chinese coercion, which the linear growth of Chinese power cannot explain.

China’s coercive behavior, however, has not been systematically studied. There has been an ongoing debate on whether China is assertive, yet this debate does not provide a concrete coding of assertiveness. Without clear coding of Chinese coercive behavior, which is an important indicator of assertiveness, it is difficult to engage in a meaningful debate regarding assertiveness. In addition, the literature on rising powers such as the power transition and offensive realism literature overlooks the empirical question of how rising powers behave in terms of coercion, focusing instead on the grand theorization of war and peace. The current literature only makes predictions about long-term trends, and thus cannot explain specific foreign policy conduct of a rising power. In short, many specific foreign policy behaviors of a great power while it is in the process of rising are left unexplained, including a rising China’s coercive behavior. Theoretically, the coercion literature does not address the questions of when states decide to coerce and what influences their choices of coercive tools. This paper therefore examines when, why, and how China uses coercion over maritime territorial disputes in the South China Sea. Specifically, I analyze the general trend of China’s coercive behavior in the South China Sea.

I explain coercion decisions with the cost balancing theory. For issues of the same stake, first, states will choose coercion when the credibility benefit is high and the economic vulnerability cost is low. Second, in rare circumstances when the credibility benefit and economic vulnerability cost are equally high, states will only use coercion if the stakes of the issue at hand are highest. Third, states are much more likely to choose non-militarized coercive tools because of the geopolitical backlash cost. Fourth, all else equal, states escalate to use military coercion when the stakes of the issue are highest. In short, credibility benefit and economic vulnerability cost matter

---

2 One might doubt that why there was no Chinese coercion in 2015. China used active coercion in 2015, including land reclamation and coercion against the fishermen of other countries. Nevertheless, China did not use coercion responding to oil and gas related or land feature related incidences.


for when and why states use coercion, whereas geopolitical backlash cost and stakes are relevant for the tools of coercion. Since the stakes in the South China Sea issue remain constant for China, this paper mainly deals with the changing balance of the costs and benefits of coercion. Contrary to conventional wisdom and in contrast with historical rising powers, I find that China is a cautious bully, does not coerce frequently, and uses military coercion less when it becomes stronger, resorting mostly to non-militarized tools. In short, states’ decision to coerce and choices over coercive tools cannot be simply explained by the power variable. I identify the centrality of credibility and economic vulnerability in states’ calculation of coercion. States coerce one target to deter others – “killing the chicken to scare the monkey.”

The structure of this paper is as follows. Section II conducts a brief literature review and lays out the potential contributions of this paper. Section III discusses the conceptualization of the dependent variable. Section IV introduces the theory, alternative explanations, research design, and measurement of the variables. Section V details the empirics. Section VII concludes.

II. Literature Review and Potential Contributions

The coercion literature under-theorizes the conditions under which states choose coercion over inaction. It also fails to provide a theory of why states choose certain coercive tools over others, zeroing in on individual tools of coercion. In addition, the literature leans heavily towards military coercion, thus leaving an empirical gap regarding non-military coercion as well as the full spectrum of coercion choices. In short, the central puzzle — when states decide to use coercion and what means states use when employing coercion — has not been adequately studied. This section elaborates on these three points and identifies the potential contributions of this paper.

Lack of focus on decisions to coerce: the literature concentrates on the effectiveness of coercion, under-theorizing when states choose coercion. For Thomas Schelling, coercive diplomacy hinges on the power to hurt, and the coercive use of the power to hurt is thus the exploitation of enemy wants and fears.⁵ Schelling focuses on understanding the credibility of the power to hurt. That is, Schelling analyzes the effectiveness of coercive diplomacy, with attention to the actual or potential cost to the target state. This fixation on identifying costs to the target state has led

scholars analyzing different forms of coercion to further dissect the kinds of costs to the target state. Robert Pape, for example, uses the cost-benefit calculus of the target state to explain the success or failure of military coercion.\(^6\) Kelly Greenhill, who identifies a new form of non-conventional coercion, coercive engineered migration, also emphasizes the costs to the target.\(^7\) Daniel Drezner, who analyzes economic sanctions, states that economic sanctions imposed on one's adversary rarely succeed.\(^8\) Thus, the literature favors the analysis of the costs to the target, which leads to studies evaluating the effectiveness of economic sanctions.\(^9\) This overemphasis on the effectiveness of different kinds of coercion and the costs to the target state, however, has resulted in an under-theorization of the conditions leading to coercion. One cannot assume that coercion takes place automatically when the coercing state (hereafter coercer) faces national security threats.

Within the coercion literature, some scholars do tackle the question of sanctions decisions and fall into two camps. The first camp adopts a cost-benefit framework. Baldwin, for example, stresses the cost-benefit analysis of sanctions vis-à-vis diplomatic and military measures. He argues that states choose economic sanctions over military actions because economic statecraft is an "appealing combination of costs that are high enough to be effective yet low enough to be bearable."\(^10\) Similarly, Drezner compares the costs imposed on the coercer vis-à-vis the target and theorizes that states tend to sanction adversaries.\(^11\) Branislav Slantchev argues that states balance between the utility of military coercion in reducing crisis instability and its high costs.\(^12\) The second camp of scholars focuses on domestic factors. Michael Hiscox argues that sanctions are influenced by lobby groups: the U.S. Congress and presidents are more likely to impose trade sanctions when domestic producers face more competition from imports from the target and when these producers


depend less on exports to the target.\textsuperscript{13} Alternatively, Daoudi and Dajani argue that leaders impose sanctions to appease the public when the target violates values the domestic audience holds dear.\textsuperscript{14}

These scholars provide a good start for analyzing coercion initiation, yet more can be done. First, the actual costs and benefits of the coercer are underspecified. Slantchev, Krustev, Drezner, and Baldwin do not clearly define or specify the concept of costs and benefits. Second, for scholars focusing on domestic politics, they do pay keen attention to specific domestic costs of coercion. Yet they tend to choose the United States as the case or Western democracies. The domestic dynamics of these countries, however, are quite different from countries such as China, an authoritarian state. For example, China is highly unlikely to impose sanctions for purposes of advancing universal values. More importantly, there is a curious disconnect between Drezner and the domestic-focused scholars in that Drezner emphasizes the strategic calculation of the coercer whereas scholars such as Hiscox stress the importance of domestic interest groups. Yet from a neoclassical realist point of view, it is logical to assume that coercion carries with it both domestic and strategic calculations.

The empirical gap of overlooking non-military coercion: the coercion literature leaves a relatively blank space regarding non-military coercion. Starting from Schelling, the literature emphasizes by and large military coercion. There is, however, greater room in the analysis of non-military coercion. States do not automatically escalate to military coercion when they decide to take action – there is an entire category of non-military measures at hand. In short, rich as the literature is, it under theorizes conditions leading states to coerce and the choices of tools. This paper thus tries to fill these gaps by theorizing states’ decisions to coerce and choices of coercive tools.

\section*{III. Conceptualizing the Dependent Variable}

The dependent variable (DV) of this paper is the decision to coerce and the choices of coercive tools. The classical definition of coercion comes from Schelling, who uses the term “compellence.” For Schelling, compellence is an active strategy to make an adversary act in a


desired way and usually involves the use of punishment until the enemy acts.\textsuperscript{15} Robert Art and Patrick Cronin further specify that in coercive diplomacy, the change in behavior sought by compellence manifests itself in two ways: either the adversary starts doing something it is not now doing, or the adversary stops doing something it is now doing.\textsuperscript{16}

Following this tradition, I define coercion as the use (or threats of) negative action of statecraft to demand a change in the behavior of the target state, which works through inflicting pain on the target state. I take into consideration both physical action as well as threats of action, yet maintain that all else equal, physical actions should be a more credible signal to demonstrate resolve than threats of action. There are five distinctive characteristics of coercion. First, it is state behavior. Second, there should be clear targets, most of which are other states. Third, behaviorally, coercion involves clear tools, i.e., the use or credible threats of negative statecraft in the form of economic, diplomatic sanctions, administrative action, or military action. Positive inducements, though equally aimed at changing behavior, are not instances of coercion. Fourth, the goals of coercion are two fold. Coercion can aim at making the target \textit{stop action} it has undertaken or is currently taking, which is more reactive. Coercion can also aim at forcing the target to \textit{take action}, such as acknowledging a new foreign policy position. For an action to be deemed as coercion, it has to meet either of these two goals, that is, it has to be clear what kind of action of the target the coancer wants to shape. Of course, these goals do not necessarily have to be made public. This paper broadens the definition of coercion, putting coercion on a full spectrum.

\textit{Inaction} is the situation where coercion \textit{is not} used. Inaction is forbearance: the conscious choice of not taking physical action, even when the state has the ability to. In other words, this is the negative case of coercion decisions. When faced with perceived threats to national security, states can resort to rhetorical protest or simply remain silent, which is what constitutes inaction.

\textit{Diplomatic sanctions} constitute one form of coercion. I define diplomatic sanctions as the coancer’s deliberate interruptions of bilateral relations with the target state. Tara Maller, for example, codes diplomatic sanctions from 1) short and temporary recall of the ambassador, 2) downgrade in diplomatic status for less than a year, 3) downgrade in diplomatic status for more than a year, to 4) embassy closure, which ranges from the least severe to the most severe.\textsuperscript{17} The complete break of bilateral relations, however, leaves both sides without the unique intelligence

\textsuperscript{15} Thomas C. Schelling, \textit{Arms and Influence} (New Haven: Yale University Press, 1966), p. 70.
\textsuperscript{17} Maller, \textit{Diplomacy Derailed: The Consequences Of U.S. Diplomatic Disengagement}, p. 92.
and ease of communication.\textsuperscript{18} As such, states may choose to maintain some level of relations, only closing consulates, canceling important meetings or all senior-level communications.

\textit{Economic sanctions} are the deliberate government-instructed withdrawal of customary trade or financial relations to coerce the target to change undesired foreign policies.\textsuperscript{19} Specific contents of economic sanctions include trade sanctions such as embargos, boycotts, tariff increase or discrimination, withdrawal of “most-favored-nation” (MFN) status, quotas, blacklist, license denial, and preclusive buying; financial sanctions include freezing assets, aid suspension, expropriation, unfavorable taxation, and controls on capital import or export.\textsuperscript{20}

\textit{Gray-area administrative coercion} straddles between strictly non-military and military coercion. The discussion of “gray-zone conflicts” gains traction in the policy world.\textsuperscript{21} Michael J. Mazarr argues that gray-zone conflict “pursues political objectives through coercive, integrated campaigns” and employs mostly nonmilitary or non-kinetic tools.\textsuperscript{22} Mazarr adds that gray-zone campaigns are essentially “the use of civilian instruments to achieve objectives sometimes reserved for military capabilities.”\textsuperscript{23} Yet just as others, his conceptualization is too expansive and includes military force.\textsuperscript{24} Non-kinetic some military actions might be, they are still militarized coercive tools. Theoretically, gray-zone actions should be carried out strictly by the civilian.

Following this burgeoning literature but emphasizing the civilian aspect, I define gray-area administrative coercion as the physical and violent use of government organizations and agencies to force the target state to change behavior. Example agencies include the police, border and customs agencies, and maritime surveillance agencies. The logic of gray-area administrative coercion is to utilize civilian agencies to inflict physical pain on the target state. Similar to military coercion, gray-area administrative coercion can cause tangible damage to the target, but such coercion is not employed by the military. For example, Vietnamese Fisheries Resources Surveillance ships and Philippine Coast Guard Ships are civilian maritime law enforcement ships. They can

\begin{footnotes}
\item[18] Freeman, p. 95-97.
\item[19] For a generic definition in the literature, see O'Sullivan, \textit{Shrewd Sanctions: Statecraft and State Sponsors of Terrorism}, p. 12. For specification of the goals, see Baldwin, \textit{Economic Sanctions}, p. 32. This definition excludes popular boycott. Secondly, it excludes trade retaliation, which is pure economic protection.
\item[23] \textit{Ibid.}, p. 62.
\item[24] For similarly expansive definitions of gray-zone actions, see Michael Green et al., “Countering Coercion in Maritime Asia: The Theory and Practice of Gray Zone Deterrence,” CSIS Report, \url{https://www.csis.org/analysis/countering-coercion-maritime-asia}
\end{footnotes}
physically deny the target state access to disputed territories.\textsuperscript{25} The interdiction efforts led by NATO border patrol forces against Syrian refugees and the U.S. Drug Enforcement Agency's enforcement in Latin America are also examples.\textsuperscript{26} Iran has also utilized gray zone tools, deploying an extensive network of covert operatives through its embassies.\textsuperscript{27}

Gray-area administrative coercion is analytically distinct from military coercion, because it is imposed by civilian personnel, and the instruments involved have much smaller capabilities to inflict pain compared with military weapons, and being non-militarized, gray-area administrative coercion is much less likely to invoke the target state's defense treaties with other powers. The coercer expects gray-area administrative coercion to be effective in forcing a change in the target state because of the pain and the potential pain that would be inflicted upon the target. For example, sinking government or fishing vessels inflicts physical damage on the target state. Such behavior may signal to the target that there may be further damage if it does not acquiesce.

\textit{Military coercion} is the most escalatory level of coercion, which entails the display or show of force short of war. Freeman divides military coercion into two kinds: the first being the nonviolent use of military power and the second the use of force.\textsuperscript{28} Following Freeman, I define that military coercion involves the displays, threats, and use of force short of war. Nonviolent military actions include shows of force, such as temporary deployments, military exercises, and naval visits.\textsuperscript{29} Such shows of force could emphasize the possibility of escalated and intensified confrontation.\textsuperscript{30} Military coercion carries with it both advantages and disadvantages. For advantages, military coercion – for example, putting forces on alert, recalling reservists, mobilizing, dispatching the navy, and deploying troops – are physical and so menacing that the threat of hostile intent is implicit in their use.\textsuperscript{31} Military coercion thus sends clear and strong signals of commitment on the part of the coercer. The coercer expects the military to be effective in forcing a change in the target state because of the pain and the potential pain that would be inflicted upon the target. As for disadvantages, military coercion is expensive and risks escalation into militarized conflicts.

\textsuperscript{25} There are two strategies of military coercion. Punishment seeks to raise the societal costs of continued resistance, causing it to concede to the coercer’s demands. Denial strategies target the opponent military’s ability to achieve its territorial objectives, thereby compelling concessions in order to avoid futile expenditure of further resources. See Robert A. Pape, \textit{Bombing to Win: Air Power and Coercion in War} (Ithaca: Cornell University Press, 1996), p. 18-19.
\textsuperscript{26} Pointed out by Tyler Jost. For further discussion of gray zone conflicts, see https://warontherocks.com/2015/05/tilting-and-winning-in-the-gray-zone/. But my definition of gray-area administrative coercion differs from the article, because I conceive gray-area administrative coercion as carried out by government agencies.
\textsuperscript{27} Michael J. Mazarr, \textit{Master the Gray Zone: Understanding A Changing Era of Conflict}, p. 44.
\textsuperscript{28} As for the use of force, there is a rich literature, for example, Pape, \textit{Bombing to Win: Air Power and Coercion in War}.
\textsuperscript{29} See Freeman, \textit{Arts of Power: Statecraft and Diplomacy}, p. 53.
\textsuperscript{30} \textit{Ibid.}, p. 54.
\textsuperscript{31} Slantchev, \textit{Military Threats: The Costs of Coercion and the Price of Peace}, p. 3.
In this spectrum, inaction is least escalatory. Military coercion is the most escalatory. Diplomatic sanctions, economic sanctions, and gray-area coercion lie in between. On theoretical grounds, these three categories do not themselves have a clear escalation hierarchy. Being strictly non-military, diplomatic and economic sanctions are advantageous in that they send signals to the target state while minimizing the risk of escalation. Gray-area coercion is also a useful tool for escalation control due to plausible deniability: states can deny that they are using military force. For example, coast guard ships can ram the navy of the target state, yet since they are not militarized, there is less likelihood of military escalation invoking alliance treaties. In addition, if the coercher could prevail with gray-area coercion, it reduces the incentive to use military forces.

IV. Theory, Measurement, Alternative Hypotheses, and Research Design

I explain coercion decisions with my cost balancing theory. I first lay out the stakes of the issue at hand. I then conceptualize the benefits and costs of coercion. The core benefit is credibility: being viewed as credible by other states. The major cost is economic vulnerability, which concerns losing markets and/or supply. A secondary cost is geopolitical backlash: other states might balance against the coercher if coercion is used. I code each of the costs and benefits as either high or low.

Stakes

Stakes are things that have intrinsic values – be they tangible or not – and include but are not limited to the value of certain territories and economic growth. Taylor Fravel notes that all types of states are more likely to escalate to the use force in territorial disputes over land highly valued for its strategic importance, economic resources, or symbolic significance.32 In other words, the stakes at hand for these territories are higher, motivating states to take action such as the use of force. The logic for choosing coercion could be similar. Nevertheless, stakes do not dictate when states decide to use coercion: the stakes are different across issues but are constant in the same

---

issue. That is, stakes do not dictate when states coerce: the stakes are different across issues. For example, stakes remain constant in South China Sea disputes, yet China coerces in some periods but not others, which is when the specific benefits and costs of coercion become critical.

Core Benefit of Coercion – Credibility Benefit

The core benefit of coercion is external: the benefit of being viewed as strong by other states. States fear that if they do not use coercion, they might not be considered as credible by other states and instead might be viewed as weak and unwilling to deter future transgression. Therefore, one benefit of coercion is for states to establish credibility: demonstrate their credibility in committing to defend national security interests. Schelling is among the first to view credibility as a bank, treating precedents as important to maintain one’s credibility. According to Schelling, to be convincing, commitments usually have to be qualitative rather than quantitative, with the backing of precedents. Therefore, Schelling calls for the importance of communicating "evidence" of commitment, which requires more than the communication of words. He further fleshes out his idea that actions are more credible and less ambiguous than verbal messages: actions prove something; significant actions usually incur some cost or risk and carry some evidence of their own credibility. In this sense, Schelling suggests that states sometimes need to take action to deter future aggression credibly. As Mercer points out, a reputation for resolve — the extent to which a state will risk war to keep its promises and uphold its threats — is critical to credibility. This logic of establishing credibility is in line with more recent scholarly works. Miller finds that states might impose economic sanctions on some of its allies to deter others. In explaining why states tend to use diplomacy honestly rather than engaging in bluffing, Sartori argues that this is because the prospect of acquiring a reputation for bluffing — and reducing the credibility of its future deterrent threats — keeps a state from bluffing except when doing so is most tempting. Other scholars analyze the importance of reputation from the perspective of the target.

34 Ibid., p. 147.
35 Schelling, Arms and Influence, p. 150.
Core Cost of Coercion – Economic Vulnerability Cost

The major cost of coercion involves the domestic economic repercussion from economic interdependence, that is, the coercer's fear of economic vulnerability due to economic dependence. Coercion may generate economic costs for both the coercer and the target, affecting the trade or capital flow between the coercer and the target. Thus, their bilateral economic structure matters. Hirschman argues that commerce can be an alternative to war only when it is "extremely difficult" for the target to dispense with trade with the coercer and to replace the coercer as a market and a source of supply with other countries. Hirschman is thus essentially concerned with "exit options" – do states have available alternatives? If the coercer does and the target does not, then the coercer can use trade as a coercive tool. Building on this power dimension, Keohane and Nye use vulnerability dependence to indicate the "costliness of making effective adjustments to a changed environment." Unlike geopolitical backlash cost, which is more strategic, economic vulnerability concerns the “second-image reversed” impact: the potential effect of bilateral foreign economic relations on the domestic economy of the coercer. That is, states are less likely to initiate coercion if the coercer is dependent on the target for markets or supply.

Secondary Cost of Coercion – Geopolitical Backlash Cost

It is evident from the spiral model that threats and negative sanctions can be self-defeating by eliciting counteraction from the other side, thereby setting in motion a costly cycle. If states are aware of the implications of the spiral model, they should also take into consideration the costs of actually using coercion, even though they have an imperative to avoid appearing weak domestically and internationally. As such, one kind of cost of coercion involves generating a balancing backlash geopolitically. By geopolitical backlash, I mean concerns about balancing, which is defined as the

---


42 Jervis, Perception and Misperception in International Politics, p. 58-60.
creation or aggregation of military power through internal mobilization or the forging of alliances.\footnote{See Randall L. Schweller, \textit{Unanswered Threats: Political Constraints on the Balance of Power} (Princeton University Press, 2006), p. 9.} Walt argues that states tend to balance against threats instead of bandwagoning and that larger states balance more than smaller ones.\footnote{For the balance of threat theory, see Stephen M. Walt, \textit{The Origins of Alliances} (Ithaca: Cornell University Press, 1983).} If coercion is applied, the target state or its neighbors might interpret coercion as threats. So if the coherer is aware of this logic, it will be concerned about geopolitical backlash – the target might side with other states against the coherer.

\textit{Weighing The Costs and Benefits}

I identify credibility benefit and economic vulnerability cost as central. First, credibility is the core benefit, because, for authoritarian states, the pressure from the public on foreign policy is not as strong as democracies. When authoritarian states make coercion decisions, they should place more weight on external benefits. I acknowledge that there is variation among authoritarian regimes, yet in general, they have tighter control over the society than democracies.\footnote{China is obviously an example. Another example would be Syria. See Lisa Wedeen, \textit{Ambiguities of Domination: Politics, Rhetoric, and Symbols in Contemporary Syria} (Chicago: University of Chicago Press, 1999). Of course, authoritarian countries vary in many dimensions among themselves including military effectiveness. See Caitlin Talmadge, \textit{The Dictator’s Army: Battlefield Effectiveness in Authoritarian Regimes} (Ithaca: Cornell University Press, 2015; Jessica L. Weeks, “Autocratic Audience Costs: Regime Type and Signaling Resolve,” International Organization, Vol. 62, No. 1 (Winter, 2008), p. 35-64. Weeks argues that the institutions in some autocracies do hold leaders accountable to other elites inside the regime. Weeks’ argument, however, does not have any bearing on when states decide to use coercion. It is beyond the scope of this paper to look in detail how authoritarian states may place different weights when making coercion decisions.}

Second, although it may well be beneficial for states to use coercion to increase their domestic legitimacy, legitimacy concern is not an independent factor influencing when and why states use coercion. Rather, the potential domestic legitimacy benefit of coercion is only an addendum to external credibility benefit. Credibility benefit precedes domestic legitimacy benefit — it is sometimes through excessive foreign media exposure (which first increases the coherer’s need to establish external credibility) that the domestic public begins to be informed about issues threatening national security. For example, if the foreign media does not expose or make salient the disputes China has with other states, the Chinese government could have easily refrained from reporting these disputes, which means that the public would not likely know about these disputes.

Third, in terms of the costs of coercion, economic vulnerability should assume more weight than geopolitical backlash cost. That is, economic vulnerability cost is the major factor influencing when states decide to use coercion in the first place, whereas geopolitical cost is secondary and
affects when states escalate to militarized coercion. This rationale is two-fold. For one, this prioritization over economic vulnerability cost applies to most states. After all, economic indicators are crucial for whether leaders will stay in office. This prioritization should be especially acute in developmental states with economic development being the most pressing concern, which seems to be the case for states such as China, Brazil, Philippines, and Vietnam. Because the core concern of these states is to develop their economy, they put economic factors as the number one concern when making foreign policy decisions. After all, concerns about geopolitical backlash exist, precisely because such backlash may thwart the momentum of domestic economic development — an important basis for continued economic development. In other words, this theory may be generalizable beyond rising powers, as long as states care about economic development. That is, I deconstruct power and acknowledge that power growth is not necessarily a linear process: the varying levels of economic vulnerability indicates a state’s various levels of power vis-à-vis others. For another, the reason why geopolitical backlash cost is more relevant for the choices of coercive tools is that greater geopolitical pressure could potentially trigger a military alliance.

What I mean by economic vulnerability cost influencing coercion decisions and geopolitical backlash cost affecting coercive tools is that theoretically, economic vulnerability cost should be the most critical factor for whether a state uses coercion, if at all. Of course, in the real world, geopolitical factors are also relevant. The theory is more of a simplified model of reality, aimed at teasing out the most crucial factor when it comes to influencing coercion decisions. It is not that geopolitical backlash cost is unimportant. Rather, geopolitical cost is more critical for explaining the choices of coercive tools. As such, credibility benefit and economic vulnerability cost are crucial.

\textit{Synthesis and Predictions – A Cost Balancing Theory}

\textbf{The decision to choose coercion over inaction:} As discussed above, when states face national security issues, there are both costs and benefits of coercion. I therefore theorize that for issues with the same stake, states initiate coercion when the credibility benefit is high and the economic vulnerability cost is low. States will refrain from using coercion when the economic vulnerability cost is high and the credibility benefit is low. In circumstances when both credibility benefit and economic vulnerability costs are high, I argue that states will only use coercion when the stakes of the issue at hand are highest.
The choice between military and non-military coercion: once states have decided to coerce, states will have to think about what kinds of coercive tools they will utilize. I discuss this choice because military coercion is theoretically more escalatory than other forms of coercion. I hypothesize that states will be cost-conscious and optimizing: that is, maximizing the utility of coercion while minimizing the cost. In particular, states tend to prefer non-militaryized tools of coercion, especially when the geopolitical backlash cost is high. All else equal, non-militaryized coercion should generate lower geopolitical backlash (including invoking alliance treaties for immediate war escalation), as they are less escalatory. I therefore theorize that states are much more likely to choose coercive tools such as diplomatic sanctions, economic sanctions, and gray-area administrative coercion because they are conscious of geopolitical backlash. All else equal, states are more likely to resort to military coercion when the stakes of the issue at hand are highest.

Alternative Hypotheses

There are two alternative hypotheses regarding when and why states use coercion. The first concerns individual leadership. Samuels, for example, conceives of leaders as political actors who have a greater range of assets to stretch the constraints of geography and natural resources, institutional legacies, and international location, showing that under the same constraints, different leaders can choose and do choose differently. Byman and Pollack in their article lay out hypotheses indicating the centrality of individual leaders: individuals set the ultimate and secondary intentions of a state; individuals can be an important component of a state’s diplomatic influence and military power; individual leaders shape their state’s strategies; states led by risk-tolerant leaders are more likely to cause war; states led by delusional leaders start wars and prolong them unnecessarily. In other words, the decision to use coercion should be related to individual leadership styles, i.e., some state leaders are more assertive than others. The predictions for the individual-level hypothesis are therefore: 1) assertive leaders are more likely to

---


use coercion, 2) risk-averse leaders are less likely to use coercion, 3) we should see a sharp increase in terms of decisions to coerce when an assertive leader comes to power, 4) once a coercion decision has been made, assertive leaders are more likely to escalate to military coercion.

Second, choosing coercion might be related to powerful domestic lobbies. The predictions are therefore: 1) when hawkish groups such as the military are more powerful domestically, they are more likely to lobby (successfulty) for the use of military coercion; 2) when business groups such as large state owned enterprises are more powerful, they are more likely to lobby (successfully) for the use of coercion (regardless of the kinds of coercion), when they have conflicting economic interests with the target state, and they are less likely to lobby for coercion when their economic interests are in line with the target state.

**Measurement**

Table 1 below summarizes the observable implications for measuring the costs and benefit.

<table>
<thead>
<tr>
<th></th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
</table>
| **Credibility Benefit**     | • Incidents were abundant and highly visible, especially through the international media, meaning there are more challengers and a greater likelihood of other states observing Chinese reactions, thus adding to the pressure to establish credibility.  
• Official and semi official statements stressed showing resolve  
• Interviews indicated concerns about appearing weak and the need to deter other states from engaging in threatening actions in the future. | • There were few incidents and they were not visible; the media remained low key and did not make these incidents salient.  
• Official, semi official statements, and interviews indicated satisfaction with the target state, noting their restraint. |
| **Geopolitical Backlash Cost** | • Official and semi-official statements and analyses indicated increasing U.S. military presence in the Asia-Pacific, particularly the strengthening of U.S. alliances with allies such as the Philippines.  
• Interviews indicated concerns and worry about greater U.S. emphasis and inputs into Southeast Asia. | • Official and semi-official statements and analyses indicated the lack of U.S. emphasis or decreasing U.S. presence in the Asia-Pacific region, particularly in Southeast Asia.  
• Interviews indicated lack of U.S. emphasis on Southeast Asia. |
| **Economic Vulnerability Cost** | • Objective economic data indicated Chinese need for imports and export markets regarding Southeast Asia.  
• Official and semi-official statements as well as and interviews indicated China’s need to win over Southeast Asia economically. | • Objective economic data indicated reducing Chinese reliance on Southeast Asia for export markets.  
• Official and semi-official statements as well as and interviews indicated a reduced need for Southeast Asian markets. |
As for stakes, territorial disputes, Taiwan, and the Tibet issue are all critical national security concerns to China. Maritime territorial disputes in the South China Sea constitute a high-stake issue for which China would be willing to use coercion. Although South China Sea maritime territorial disputes remain a constant high-stake issue, China did not use coercion all the time, which has to do with the varying degrees of costs and benefits of coercion. The stakes variable matters in the South China Sea cases to the extent that it is relevant for why China did not use military coercion in the post-2007 period, and we should expect to see ambiguity regarding whether the South China Sea dispute was considered an explicit “core interest” to China. That is, maritime territorial disputes in the South China Sea were not high enough for militarized coercion. In other words, the stakes are constant within the South China Sea issue but vary among different issues.

Research Design

I use qualitative methods such as process tracing and congruence testing to identify causal mechanisms and to rule out alternative explanations.

Primary Written Materials: there are three kinds of sources as categorized by their level of authority (i.e., whether they are official sources). The first kind — the most authoritative evidence — is official government documents and speeches. They are as follows: the annual book from the Chinese Ministry of Foreign Affairs (MFA), the biannual defense white paper from the Ministry of Defense, China’s annual government work report and maritime development reports. In addition, I use official chronologies of Chinese leaders (nianpu) as well as statements and press briefings from the MFA, the People’s Daily, and the State Oceanic Administration (SOA). Finally, I use data and assessments from the Chinese Customs, Ministry of Commerce, and official yearbooks. These are the strongest and most convincing primary materials.

The second kind — semi-authoritative and therefore less strong than the first kind — is semi-official documents and reports written by government thinks, as well as articles written by “zhongsheng” in the People’s Daily, which is an apparent homophone for “the voice of China,” and appears to be written by the editorial staff of the People’s Daily International Department. Specifically, I use the following semi-official reports from government think tanks: the annual

**Yellow Book of International Politics** published by the Chinese Academy of Social Sciences (CASS) starting from 2002, the annual *Strategic and Security Review* published by the China Institute of Contemporary International Relations (CICIR) starting from 2001, internal reports by the National Institute of South China Sea Studies (NISCSS) on the South China Sea, the annual *Bluebook of International Situation and China’s Foreign Affairs* published by the China Institute of International Studies (CIIS) starting from 2005, and the annual *Strategic Assessment* from the Chinese Academy of Military Science (AMS). As for government think tanks, CASS is under the jurisdiction of the Chinese State Council. CICIR is under the Chinese Ministry of State Security. CIIS is under the MFA. NISCSS is under the dual jurisdiction of the MFA and the State Council. AMS is under the jurisdiction of PLA. These think tanks are important both because they report to their respective government branches, their analyses are taken seriously, and many analysts themselves are former government officials. Sometimes I am able to obtain internal reports written by the above government think tanks. I also use memoirs of Chinese leaders. Despite being recollections, the memoirs of Chinese leaders are quite accurate, according to my validation of each against the others, and additional sources.

The third kind of primary written sources – non-authoritative and less strong than the previous two – is scholarly writing. Nevertheless, some of the more prominent scholars have close ties to the Chinese government.

**Interview Data:** Just as the above primary written sources, there are three kinds of interviews. The first kind is interviews with former Chinese and foreign officials. Of the interview category, they are the strongest evidence, as these are personnel who have been in government. The second kind concerns interviews with government policy analysts. Such interviews are useful because these government analysts have internal information from the government. The third kind is interviews with scholars. My interviews took place in Beijing, Shanghai, Nanjing, Guangzhou, Wuhan, Xiamen, Haikou, and Washington D.C. By diversifying geographical locations and the kinds of interviewees involved, I reduce organizational, geographical, and occupational biases.

**Secondary Sources:** I use secondary sources (i.e., non-Chinese language sources) for two purposes. First, when constructing the dataset on cases of Chinese coercion and the incidents which China views as threatening, I use LexisNexis newspaper searches. To avoid biases, I use both the Chinese and foreign accounts of particular incidents. Second, I use secondary sources — including statements made by foreign officials and the secondary literature on the South China Sea — to triangulate the measurements of the costs and benefits in my theory.
V. Explaining the Temporal Trend of China’s Coercion Regarding the South China Sea

As shown in Figure 1, China used coercion in the 1990s, some of which militarized. It then refrained from coercion in the early to mid 2000s. China restarted coercion in 2007, which remained non-militarized. This section uses the cost balancing theory to explain the general trend.

Why These Cases Count as Coercion

The dotted purple bar in Figure 1 indicates cases where coercion is used. These cases constitute as coercion because of the following characteristics: state behavior, clearly identified targets, use or threats of tools that inflict pain, and most importantly, clear intentions (goals). First, they are state behavior, implemented through the MFA, the Ministry of Commerce or the China Customs Agency (economic sanctions), and the SOA (gray-area administrative coercion). Second, Chinese behavior — be they diplomatic sanctions, economic sanctions, or gray-area administrative coercion — inflicts pain on the target state. For example, regarding gray-area administrative coercion, China mainly uses its maritime surveillance ships to stop other claimants from continuing to conduct exploration in China’s claimed maritime area. One former diplomat previously appointed to Southeast Asia states that there are two ways for maritime surveillance ships to succeed: first, use the loudspeaker to ask foreign exploration ships to leave until they actually do so; second, if these ships do not leave, Chinese maritime surveillance ships then use technical means to block these ships from conducting exploration, such as throwing dried tree branches which interrupts seismic surveys. Chinese administrative ships sometimes ram other foreign vessels as well. Third, the goals of Chinese coercive behavior are clear. For example, in terms of interrupting foreign oil and gas exploration in waters claimed by China, China mainly uses its maritime surveillance ships to stop other claimants from continuing their exploration in China’s claimed maritime area. The broader goal, according to former officials, government analysts, and scholars, is to use coercion to stop countries such as the Philippines from unilateral development of the resources and to force other claimants to go back to the negotiation table to discuss and conduct joint development with China. As the internal report of the NISCSS stated in 2009, China should consider coercing (bipo) others into jointly developing resources in the South China Sea with China.

50 Interview KZ-#91, Beijing, China, June 7, 2016.
51 Ibid.
52 Interview KZ-#12, Beijing, China, October 21, 2015; Interview KZ-#26, Nanjing, China, December 30, 2015; Interview KZ-#54, Haikou, China, April 8, 2016.
which Wu Shicun – head of the NISCSS – reaffirmed during an interview in 2011.\textsuperscript{53} Internally published materials also point to this broader goal.\textsuperscript{54}

The following paragraphs explain the temporal trend first by carefully measuring and tracking the ebbs and flows of credibility benefit, economic vulnerability cost, and geopolitical backlash cost. If the cost balancing theory is correct, we should see China uses coercion when credibility benefit is high and economic vulnerability is low. We should see China choosing non-militarized coercive tools when the geopolitical backlash cost is high.

\textit{Credibility Benefit}

Credibility benefit was high in the 1990s, turned low roughly between 2000 and 2006, and became high again in the post-2007 period. The following paragraphs demonstrate this change with three kinds of evidence. The first concerns objective incidents in the South China Sea, reports containing the wording “South China Sea islands” in the \textit{People’s Daily}, and the exposure of the South China Sea issue in international media. The second kind involves official assessments of the South China Sea, semi-official assessments, and interviews with government analysts and former officials. The third type is scholarly writing, but I limit it only to the extent that it is necessary.

Turning first to objective measures, Figure 2 shows the number of challenges to Chinese sovereign claims from 1990 to 2015.\textsuperscript{55}


\textsuperscript{55} For the data, see appendix. As mentioned, these incidents include other claimants’ seizure of land features in the South China Sea, fortification or construction of airport runways on previously occupied land features, and oil and gas contracts as well as exploration activities with foreign companies. Separating incidents regarding land features and incidents related to oil and gas into two figures yields similar trends as Figure 2, which therefore is not shown here.
It is clear that the 1990s - the mid-1990s in particular - witnessed a surge in other claimants' action in the South China Sea, in particular, that of Vietnam, the Philippines, and Malaysia. For example, Vietnam took Prince Consort Bank in the Spratlys in November 1990 and Grainger Bank and Alexandra Bank in November 1991.\(^{56}\) Vietnam was also constructing lighthouses on occupied islands.\(^{57}\) Its action especially concentrated during the early to mid-1990s. In addition, Vietnam drastically increased the number of production sharing contracts (PSCs) signed with foreign companies. For instance, in 1992, Petrovietnam, Vietnam’s state oil company, signed agreements with Canadian, Norwegian, and Indonesian companies to explore oil and gas in the Spratlys.\(^{58}\) In 1993, Vietnam signed PSCs with Australian, French, Japanese, and U.S. companies in areas that China claimed as its Exclusive Economic Zones (EEZ).\(^{59}\) As with seizing land features, Vietnamese PSC deals with foreign companies peaked in early to mid-1990s.

---


58 See Times Staff and Wire Reports, [http://articles.latimes.com/keyword/oil-industry-vietnam](http://articles.latimes.com/keyword/oil-industry-vietnam), accessed February 24, 2016, the agreement was signed in Hanoi with Liquigaz/SNC, which groups one of Canada’s biggest natural gas recovery companies, Liquigaz, with SNC, Canada’s biggest engineering and construction firm; Li Jinming, *Waves in the South China Sea — Southeast Asian countries and the South China Sea Issue*, appendix.

The Philippines and Malaysia were also taking control of and building infrastructure on land features in the Spratlys. For example, Malaysia finished building a runway on Swallow Reef in the summer of 1992 and the Philippines ordered its armed forces to build an airport on disputed islands in the Spratlys.\textsuperscript{60} Throughout the 1990s, there were 66 incidents of action taken by Vietnam, the Philippines, and Malaysia to take control of land features in the Spratlys and to make oil and gas production deals with foreign companies, and these incidents concentrated in the mid-1990s. In particular, the rapid increase of Vietnamese PSC deals a new phenomenon.\textsuperscript{61}

Foreign states’ challenges to Chinese sovereignty claims in the South China Sea reduced greatly in the 2000-2006 period. The nature of these challenges also made them less concerning to China. Vietnamese, Philippine, and Malaysian actions were more moderate. These countries seized land features in the 1990s but focused more on building infrastructure on land features they had already taken in the 2000-2006 period. Unlike the 1990s when the incidents of seizing land features were abundant, many of the 30 incidents in the 2000-2006 period had to do with oil exploration and new PSC deals, some of which were presumably outside of China’s nine-dashed lines. In addition, the number of oil and gas PSCs signed with foreign countries in this period was also smaller than the 1990s. The little bump in 2003 had more to do with officials of other claimant countries visiting land futures they had already taken in the 1990s.\textsuperscript{62}

The post-2007 period witnessed a resurgence of actions by Vietnam, the Philippines, and Malaysia. In 2007 alone, there were 11 cases of oil and gas exploration and new PSC deals initiated by Vietnam and this increase was dramatic compared to previous years. In addition, Malaysia, which rarely signed new PSC deals, started to sign new PSC deals in 2007. The Philippines, albeit a latecomer, conducted oil exploration around the Reed Bank in 2011.\textsuperscript{63} Moreover, the claimants rekindled efforts in strengthening infrastructure on occupied islands.\textsuperscript{64} For example, Vietnam

\textsuperscript{62} See appendix.
\textsuperscript{64} For complete details regarding each of the efforts to strengthen territorial claims, see appendix.
started to renovate the Spratly Island in 2007 and made upgrades to the Sand Cay Island between 2011 and 2015.\textsuperscript{65} In short, as Figure 2 shows, incidents challenging Chinese claims were abundant in the 1990s, dropped in the 2000-2006 period, and picked up again after 2007. This trend is corroborated by trends in international media exposure and People’s Daily reports, as shown below.

![Graph showing media exposure](image)

Figure 3 above shows the Factiva search of reports containing either "South China Sea" or "Spratly" in Reuters, Agence France Presse, and Associated Press.\textsuperscript{66} I choose these three because they are the most influential English-language news agencies. A greater exposure from them would increase the salience of the South China Sea issue and the pressure to establish one’s credibility. Generally albeit not perfectly in line with Figure 2, international media exposure was greater in the 1990s, died down in the 2002-2010 period, and picked up again starting from 2011. An examination of the contents of the reports indicated that the little bump in 2001 was due to reports regarding the EP-3 incident between the United States and China in the South China Sea and discussions of the ASEAN-China code of conduct on the South China Sea, a positive development.


\textsuperscript{66} I did not use LexisNexis because it only contains Reuters reports.
Similarly, Figure 4 above shows the People’s Daily search of articles containing the South China Sea. In line with Figure 2, domestic report of the South China Sea issue was greater in the 1990s, died down in the 2000-2005 period, and picked up again particularly since 2011.

To briefly summarize, objective measures of credibility – number of incidents and media exposure – indicated that the pressure to establish one’s credibility was greater in the 1990s (especially the mid-1990s), smaller in the 2000-2006 period, and higher again in the post-2007 (especially post-2011) period. As will be shown below, objective measures of credibility are in line with assessments from official sources, semi-official documents, and interviews.

Turning next to official assessments, semi-official documents, and interviews, China was keenly aware of the concentrated activities of South China Sea claimants in the 1990s (especially in the early to mid-1990s) and wanted to stop such actions. The Chinese MFA was quick to respond to activities taken by other claimants and did aim at preventing further actions of other South China Sea claimants. For example, two weeks after Vietnam took the Prince Consort Bank in November 1990, the People’s Daily — China’s official party paper — reported a conference convened by China’s SOA, in which experts stated that the Paracels and Spratlys belong to China and that China absolutely would not withstand any behavior that aimed at controlling and encroaching upon islands in the Spratlys. The MFA’s 1991 China’s Foreign Affairs Overview also singled out Vietnam, stating that despite multiple warnings, Vietnam strengthened its encroachment upon the South

67 The exact wording for the search included: nanshaqundao, nanhaizhudao, and nanshazhudao.
China Sea and began to plan for drilling oil and gas in the Spratlys. When asked about whether China would support holding international conferences regarding the South China Sea on July 17, 1992, MFA spokesperson Wu Jianmin emphasized that China opposed the internationalization of the South China Sea issue. Wu's remarks came just a few weeks after Vietnam signed separate contracts with Norwegian companies and Malaysian companies to explore oil in the South China Sea, and seemed to respond to a Philippine proposal for an international conference to settle disputes. The MFA's reactions took a harsher turn in 1994 – the year that witnessed the most incidents China deemed as threatening. On June 16, 1994, MFA spokesperson Shen Guofang demanded that Vietnam stop all of its actions that encroached upon China's sovereignty in the Spratlys, emphasizing that Vietnam had been in recent years inviting foreign companies to bid for oil and gas development in the Spratlys, especially around the Vanguard Bank. Shen's remarks were in direct response to Vietnamese exploration around the Vanguard Bank. China subsequently used naval ships to turn back Vietnamese vessels in the Vanguard Bank area in July. On September 9, 1994, Shen Guofang criticized Vietnamese action of building a fishing harbor on the Lagos Island in the Spratlys, stating that Vietnamese action seriously encroached upon China's sovereign rights. The MFA spokesperson expressed its concern again when Vietnam continued its oil and gas exploration in around the Vanguard Bank on October 18, 1994, reiterating that Vietnamese activities severely encroached upon China's sovereignty and maritime rights.

Internal CASS publications in 1993 and 1994 also documented such behavior of South China Sea claimants, worrying about the increasing trend of internationalization of the South China Sea issue. Speech evidence of Chinese government policy analysts also indicated the high credibility benefit, as seen from internal CASS publications and interviews with government policy analysts. Cao Yunhua, for example, wrote in 1995 that South China Sea claimants began to increase their speed of seizing islands and internationalizing the South China Sea dispute, citing the Philippine

---

69 China's Foreign Affairs Overview 1991, p. 49.
71 Lindsay Murdoch, "Ramos Warns of Peril in Rival Spratly Claims," The Age (Melbourne), July 22, 1992; Reginald Chua, "Manila to propose international talks on Spratly Islands," The Straits Times, July 15, 1992, in LexisNexis.
74 Sun Xiaoying, "Buzhan erzheng de heping zhanlue yu heping jieju nansha zhengdian [Using the peaceful strategy to resolve the spratly disputes]," in Asia-Pacific Office of CASS ed., Nansha wenti yanjiu ziliao [Materials Regarding the South China Sea Issue], p. 278. See also Shang Guozhen, "Luelun nansha wenti guojihua qushi [women de duice [Discussing the trend of internationalization of the South China Sea issue and our countermeasures]]," in ibid., p. 288; Zhou Liangbiao and Ye Hong, "Jiejue nansha wenti bixu zhongshi jingji kaifa [Solving the Spratly issue requires economic exploration]," in ibid., p. 314-315.
Foreign Minister's July 26, 1993 announcement that “we should generate international attention.”

Shang Guozhen added that one ASEAN official stated during the Southeast Asian security conference in January 1994 that the South China Sea issue should be handed over to the UN to draw worldwide attention. Yang Yunzhong wrote in 1994 that Vietnam also attempted to internationalize the South China Sea issue through international conferences.

Chinese government policy analysts believed in the early 1990s that the reason why other claimants began to “carve up” the Spratly Islands was that China had not taken measures to assert sovereign rights in the Spratlys for a period of time — since the March 1988 maritime conflict with Vietnam. According to the internal CASS publication, ASEAN countries took China’s dire diplomatic situation after the 1989 Tiananmen incident as an opportunity: they increased the speed of encroaching upon islands and resources in the Spratlys, whereas China had to compromise and maintain a low key. SOA’s internal publication in March 1992 reasoned that only by taking an assertive attitude regarding China’s territory would China be able to make great powers hesitate or even stop when they contemplate whether to invest in Vietnam for oil in China’s waters (kaolv zai san huo wang’er que bu). That is, China’s weakness and reticence invited other claimants to further “encroach” upon the Spratlys. One scholar stated that seizing some land features in the South China Sea would be advantageous for China, without which China did not have any cards against Southeast Asian countries when it came to discussing the issue. Other scholars noted that China had to take action in the 1990s because it had seen Vietnam and the Philippines taking action in the South China Sea. In short, seeing Vietnam, the Philippines, and Malaysia taking action in the Spratlys, China had to coerce to signal to them that China was resolved and willing to defend its interests in the South China Sea. Thus, the credibility benefit was high in the 1990s.

In contrast, official and semi-official government threat assessments acknowledged the reduced pressure to establish credibility in the 2000-2006 period. For example, China’s official

76 Shang Guozhen, “Discussing the trend of internationalization of the South China Sea issue and our countermeasures [luelun nansha wenti guojihua qushi ji women de duice],” in ibid., p. 289.
77 Yang Yunzhong, “Vietnam speeds up the expansion in the South China Sea [yuenan jiajin xiang zhongguo nanhai kuozhang],” in ibid., p. 62.
78 Sun Xiaoying, “Using the peaceful strategy to resolve the spratly disputes,” in Asia-Pacific Office of CASS ed., Materials Regarding the South China Sea Issue, p. 280. This article was written in 1993.
81 Interview KZ-#19, Guangzhou, China, December 4, 2015.
82 “Zuizhongyao de shi kind yuenan feilvbin zuole, suoyi zhongguo yea zuoyixie.” Interview KZ-#25, Nanjing, China, December 30, 2015.
defense white papers indicated consecutively in 2000 and 2002 that the situation in the South China Sea was “basically stable” (jiben baochi wending) while not mentioning the South China Sea at all in 2004. The reports by the China Institute for Marine Affairs — a government institute under the SOA — indicated in the 2004 and 2005 reports that the situation in the South China Sea was relaxed (huanhe). Similarly, the internal 2003 and 2004 reports from the NISCSS described the general situation in the South China Sea as “overall stable” (zongti shang xingshi baochi wending). Interviews with current government officials and government policy analysts are also in line with the above assessments. One analyst, for example, states that the South China Sea during this period was “relatively quiet” (xiangdui pingjing de), and it was not until later that the United States and ASEAN started to pay more attention to it. By quiet, this researcher means that the South China Sea issue was not made salient. Because these cases of incidents were less salient than the 1990s cases, China did not need to take action towards these cases to demonstrate its credibility so as to check further actions of other states. Therefore, the credibility benefit was low.

In the post-2007 period, China became aware of the increasing actions of other claimants and was highly concerned about the dispute attracting international attention, as seen in official documents, semi-official assessments, and interviews with Chinese officials and scholars. For instance, China’s official defense white paper of 2010 stated that the pressure of defending national sovereignty and maritime rights increased. Semi-official documents also share this assessment. Starting from 2008, internal annual NISCSS assessments reported that the situation in the South China Sea began to be complicated and that disputes became “salient” (tuchu). The internal NISCSS report therefore suggested that China strengthen regularized patrol of the Spratlys and

---


85 NISCSS, 2003nian nанhai diqu xingshi pinggu baogao [The 2003 Report Regarding Situation in the South China Sea], printed by NISCSS in July 2004 for internal use, p. 5; NISCSS, 2004nian nанhai diqu xingshi pinggu baogao [The 2004 Report Regarding Situation in the South China Sea], printed by NISCSS in 2005 for internal use, p. 4. These books are available in the library of the NISCSS in Haikou.

86 Interview KZ-#114, Beijing, China, December 29, 2016; Interview KZ-#64, Beijing, China, April 27, 2016.

87 Interview KZ-#30, Haikou, China, January 6, 2016.

88 See CICIR, CISS, CASS, and NISCSS for the reports of above-mentioned “transgressions” of Vietnam, the Philippines, and Malaysia. These reports conform to foreign media sources.


"selectively disrupt and stop" other claimants' actions. One internal CASS report indicated in 2011 that China's maritime security environment worsened in 2010 and that China would face "regularized" (changtai hua) pressure from the maritime realm. The 2012 Strategic and Security Review by CICIR worried that external involvement in the South China Sea would lead some claimants to take more reckless measures. The CASS 2011 and 2012 Yellow Books of International Politics agreed that the growing U.S.-led military exercises might make other claimants miscalculate the situation and further escalate. This concern implies that if China does not take action to check the actions of other claimants—especially since China believed that the South China Sea issue had been highly internationalized—other claimants would act further.

Furthermore, the publicity and salience of the South China Sea issue add to China's credibility pressure. For example, the 2008 NISCSS report was particularly concerned about Vietnamese, Philippine, and Malaysian actions, because they tried to publicize (chaode guore) the South China Sea issue, which would adversely affect conditions in the South China Sea. In this sense, the greater the publicity of the issue, the higher the cost it imposes on China if China does not take action. Even though signing PSC deals with foreign companies would not change the status quo territorial control in a physical manner, nor would they change the balance of power regarding control of land features in the South China Sea, the sheer publicity of these deals—especially since they involved foreign companies—added the pressure for China to establish credibility in defending its own sovereign rights. As such, the deputy chief of staff of the PLA stated in early 2010 that "we are against the action of drastically publicizing the South China Sea issue (fandui jiangciwenti chaode guoren), the internationalization of the issue, and the intervention by external actors." This also explains why CICIR, CASS, and NISCSS annual reports focused on less physical actions of the Vietnam, the Philippines, and Malaysia—signing PSC contracts and visiting disputed islands—as opposed to actions of building more infrastructure on the disputed islands.

Interviews with government policy analysts and researchers from different regions of China also confirm this logic of using coercion to establish credibility, and scholars emphasized that China
used coercion to demonstrate resolve and to avoid being seen as weak. Several scholars stated that China used coercion to "kill the chicken to scare the monkey" (shaji jinghou), sending signals to all claimants and warning them against taking further action in the future. Government policy analysts expressed concerns particularly about the Philippines, fearing that the publicity of Philippines' taking the South China Sea issue to the international court would lead other claimants to follow suit. Chinese coercion was thus actually a deterrence signal against any future encroachment of China's sovereign rights in the South China Sea. As an official from the maritime surveillance team of the SOA indicated, China needed to show its resolve that it would not lose any island or maritime area. China needed to increase the "cost of offense" (weizhang chengben) and make other states understand that China was "not weak or unconditionally accommodating" (yiweide qianju ruanruo), which would then make them return to joint exploration.

Although some articles are written more recently and therefore hindsight, scholarly writing also indicates the logic of establishing credibility. Compromises mean weakness, and "showing weaknesses was not an effective way to establish credibility in the region (bushi daguo jianli weixin de youxiao shouduan)," according to a former diplomat. Being not "fearful enough" in the eyes of other states would only invite further damage to China's interests. That is, there was a need to establish credibility: making sure that other claimants in the South China Sea believed that China was resolved to defend its interests and would act in a similarly resolved manner in the future. The credibility benefit in the post-2007 period was thus high. In short, both objective measures and

97 Interview KZ-#4, Beijing, China, September 15, 2015; Interview KZ-#5, Beijing, China, September 16, 2015; Interview KZ-#11, Beijing, China, October 14, 2015; Interview KZ-#12, Beijing, China, October 21, 2015; Interview KZ-#16, Guangzhou, China, November 30, 2015; Interview KZ-#17, Guangzhou, China, December 1, 2015; Interview KZ-#18, Guangzhou, China, December 3, 2015; Interview KZ-#19, Guangzhou, China, December 4, 2015; Interview KZ-#30, Haikou, China, January 6, 2016; Interview KZ-#34, Haikou, China, January 8, 2016; Interview KZ-#35, Atlanta, United States, March 17, 2016; Interview KZ-#69, Shanghai, China, May 5, 2016.

98 Interview KZ-#8, Beijing, China, October 6, 2015; Interview KZ-#11, Beijing, China, October 14, 2015.

99 Interview KZ-#20, Beijing, China, December 9, 2015; Interview KZ-#25, Nanjing, China, December 30, 2015; Interview KZ-#34, Haikou, China, January 8, 2016.


103 Ye Hailin, "Youxian chongtu yu bufen guankong — 2014ian yilai nanhai wenti de jihua yu youguan gefang de yitu he celue [The Intentions and Strategies of All Parties Regarding the Escalation of the South China Sea Issue since 2014]," Zhanlue juece yanjiu [Journal of Strategy and Decision-Making].

speech evidence suggest in general that credibility benefit was high in the 1990s (especially the mid-1990s), low roughly in the 2000-2006 period, and high in the post-2007 (especially post-2011).

Economic Vulnerability Cost

Economic vulnerability cost was low in the 1990s, turned high briefly and roughly between 2000 and 2006, and became low again in the post-2007 period. The following paragraphs demonstrate this change with three kinds of evidence. The first is objective trade measures. The second involves official and semi-official assessments and interviews. The third kind is scholarly writing, but I limit it only to the extent necessary.

Turning first to objective indicators, Figure 5 below shows China’s exports to and imports from ASEAN from 1992 to 2014.105

The dark gray line indicates Chinese exports to ASEAN and light gray line denotes Chinese imports from ASEAN, in millions of U.S. dollars. It is clear that the trade volume between China and ASEAN did not pick up until the mid-2000s. In addition, Sino-ASEAN trade has never been China’s most important trade relations, which was particularly the case in the 1990s, as shown below in Figure 6.

---

Figure 6 above indicates China’s exports to ASEAN, Japan, EU, and the United States as a share of China’s total exports.\footnote{Data for total import and export comes from 
\textit{China Statistical Yearbooks}, available at China Data Online database at \url{http://chinadataonline.org/}; data regarding ASEAN comes from 
regarding ASEAN from 1992 to 1996, see the official 1993 to 1998 versions of the annual 
\textit{Almanac of China’s Foreign Economic Relations and Trade}, compiled by the Chinese Ministry of Foreign Economics and Trade; data regarding the 
United States, EU, and Japan comes from China’s Commerce yearbooks, the yearbooks of China’s Foreign Economic Relations and Trade, and the MFA yearbooks.} It is clear that China’s important export markets in the 1990s were Japan, the EU, and the United States, each taking up about 15% of Chinese exports. Even though Chinese exports to ASEAN grow continuously in terms of share of total Chinese exports in the late 2000s, exports to ASEAN pale in importance when compared with Chinese exports to the EU and the United States. In contrast, as Figure 7 below indicates, Sino-ASEAN trade has increasingly become an important aspect of ASEAN’s trade relations since the mid-2000s.\footnote{Data China Customs Data, available in the China Premium Database at CEIC database, available at \url{https://www.ceicdata.com/en/products/china-economic-database}. Data regarding ASEAN’s total exports and imports come from the WTO’s annual \textit{International Trade Statistics}, available at \url{https://www.wto.org/english/res_e/statis_e/its2008_e/its2008_e.pdf}, accessed August 19, 2017.} In short, Sino-ASEAN trade was not important for China in the 1990s. Despite China’s growing exports to ASEAN since the mid-2000s, it still constituted a smaller proportion of Chinese exports.
In line with objective indicators in the 1990s, Chinese government policy analysts indicated that China directed its attention to attracting investment from Japan and the United States in the 1990s.\textsuperscript{108} Of course, China would have liked to expand economic ties with South East Asian countries, yet that was not China’s priority then.

Interestingly, what the objective data does not show is that there was a brief period – roughly between 2000 and 2006 – when the economic vulnerability cost for China to use coercion against ASEAN countries was high. This shift manifests itself in official statements, semi-official assessments, and interviews. Starting from the early 2000s, China began to increase economic cooperation with ASEAN, especially by negotiating the ASEAN-China Free Trade Zone (FTZ). For example, CICIR’s 2001/2002 report indicated that due to the increasing entry of the United States into Southeast Asia, China should further develop relations with all ASEAN countries and use the development of economic and trade relations as the foundation.\textsuperscript{109} According to Zhang Yunling – a senior government policy analyst involved in the official negotiation – China’s negotiation of the FTZ with ASEAN was suggested and initiated by China out of economic concerns and interests.\textsuperscript{110} China’s foreign economic focus in the late 1990s was on entry into the WTO. By the end of 2000, China had made breakthroughs, and the focus regarding WTO had turned into multilateral

\textsuperscript{108}Interview KZ-#40, Beijing, China, January 22, 2016; Interview KZ-#39, Beijing, China, January 22, 2016; Interview KZ-#42, Beijing, China, January 25, 2016.


\textsuperscript{110}Zhang Yunling, Zai lixiang ya xianshi zhijian: wodui dongya hezuo de yanjiu, canyu, he sikao [Between Ideals and Reality: My Analysis, Participation, and Thoughts Regarding East Asian Cooperation] (Beijing: China Social Science Press, 2015), p. 12. Premier Zhu Rongji instructed the MFA, the Ministry of Foreign Economics and Trade, and CASS to establish an expert group to evaluate the ASEAN-China FTZ. Zhang was a member.
negotiations and preparations for meeting the obligations of the WTO.\textsuperscript{111} China’s 2001 government work report thus stated that China needed to step up the preparation and work regarding the transitional period after entering the WTO (about five years upon entry).\textsuperscript{112}

One of China’s economic strategies following accession to the WTO was participation in regional economic cooperation.\textsuperscript{113} ASEAN was an ideal choice for China’s first cut at regional cooperation for two reasons. For one, ASEAN was a concern for China, because ASEAN was worried about the potential negative effects of China’s entry into the WTO, such as competition regarding overseas markets and foreign direct investment.\textsuperscript{114} For example, the 2002/2003 CICIR report noted that some in Japan and ASEAN asserted that China’s rapid development took away their markets, capital, leading to unemployment and the hollowing out of their industries.\textsuperscript{115} Zhang Yunling’s involvement in the negotiation process also indicated that China was aware of ASEAN’s such concerns.\textsuperscript{116} To alleviate ASEAN’s concerns and to smoothen China’s entry into the WTO, Premier Zhu Rongji pointed out in November 2000 that China and ASEAN could further discuss free trade issues between ASEAN and China.\textsuperscript{117} China’s rationale was such that with an open economic space — the China-ASEAN FTZ — foreign investors would not make an either-or choice between China and ASEAN, thus reducing ASEAN’s fear that China’s entry into the WTO would harm ASEAN.\textsuperscript{118} For another, China was eager to choose ASEAN as its first attempt at regional economic cooperation because it would be relatively easier for China to negotiate an FTZ with ASEAN when compared with more advanced economic blocks.\textsuperscript{119} In other words, China did not many exit options.

\textsuperscript{111} China’s Foreign Affairs 2001, p. 17.
\textsuperscript{113} Zhang Yunling, \textit{Between Ideals and Reality: My Analysis, Participation, and Thoughts Regarding East Asian Cooperation}, p. 97.
\textsuperscript{116} Zhang Yunling, \textit{Between Ideals and Reality: My Analysis, Participation, and Thoughts Regarding East Asian Cooperation}, p. 113.
\textsuperscript{117} Zhang Zhen and Peng Yun, “Shixi goujian zhongguo-dongmeng ziyou maoqiu zhongde dongmeng yinsu [ASEAN Factors Regarding the Establishment of the Sino-ASEAN FTZ],” \textit{Dongnanya zongheng [Around Southeast Asia]}, Issue 10 (2002).
\textsuperscript{118} Zhang Yunling, \textit{Between Ideals and Reality: My Analysis, Participation, and Thoughts Regarding East Asian Cooperation}, p. 113; For evidence indicating China’s awareness of ASEAN’s concerns, see Chen Wen, “Zhongguo rushi dui zhongguo yu dongnanya shuangbian jingmao guanxi de yingxiang [China’s entry into the WTO and its effects on China’s bilateral trade relations with ASEAN],” \textit{Dongnanya zongheng [Around Southeast Asia]}, November 2001, p. 10; Cao Yinhua, “Zhongguo rushi dui zhongguo yu dongmeng guanxi de yingxiang [China’s entry into the WTO and its effects on China’s relations with ASEAN],” \textit{Dangdai yatai [Contemporary Asia-Pacific]}, No. 12 (2001), p. 43-44.
\textsuperscript{119} Zhang Yunling, \textit{Between Ideals and Reality: My Analysis, Participation, and Thoughts Regarding East Asian Cooperation}, p. 97.
In addition, China aimed at using this free trade agreement to boost economic ties. Unlike the 1990s, Sino-ASEAN trade expanded rapidly in the 2000s and China needed the FTZ to maintain its market share in ASEAN. According to CICIR’s 2001/2002 report, Southeast Asia was China’s “important market” and in 2001 ASEAN was China’s third largest trading partner following the United States and Japan. Expanding economic relations with ASEAN was also in line with China’s growing emphasis on market diversification and exploring new export markets, which manifested itself in the official 2001 government work report. Similarly, China’s official White Paper on Foreign Trade and Economic Cooperation — published by the Ministry of Foreign Trade and Economic Cooperation in 2002 — stated that the current focus of China’s foreign trade relations was to expand export by whatever means possible (qianfang baiji), because export, investment, and the expansion of Chinese enterprises overseas (i.e., the “going out” strategy) were three pillars of China’s export-oriented economy. The white paper also pointed out that the United States, Japan, and Europe were important and traditional markets of China, yet relying only on these markets would be risky, and China therefore should increase market diversification. Government policy analysts predicted in 2002 that if the ASEAN-China FTZ became successful, Chinese exports to ASEAN would increase by 55%. In particular, the establishment of the ASEAN-China FTZ would significantly benefit exports from China’s southwestern provinces, because ASEAN had always been the main export markets for these provinces. An increase in exports from China’s southwest would, in turn, contribute to China’s developmental strategy at the time — developing the west.

Wooing ASEAN was particularly important during this period, also because Japan stepped up its own effort to improve economic cooperation with ASEAN in 2003 including possibly establishing an ASEAN-Japan FTZ, which Chinese government analysts were keenly aware of at the time. That is, ASEAN had exit options with regard to FTZ. As such, several government policy

---

120 Zhang Zhen and Peng Yun, “ASEAN Factors Regarding the Establishment of the Sino-ASEAN FTZ.”
125 Ibid., p. 87.
127 He Shengda, “Zhongguo-dongmeng ziyou maoyiqu de jiangou he women mianlin de jiyu yu tiaozhuan [The establishment of the ASEAN-China FTZ, challenges, and opportunities],” Dongnanya zongheng [Around Southeast Asia], July 2002, p. 7.
analysts from different regions in China stated that in order to further develop China’s economy and to improve Sino-ASEAN trade and economic relations, China refrained from coercion. This logic was echoed in interviews and even by the SOA: an internally circulated material of the SOA in 2002 stated that to develop China’s economy, China should avoid escalation and focus on diplomacy instead. Given that China needed to expand its market in ASEAN and to smooth its initial years upon entry into the WTO, the economic vulnerability cost of China was relatively high in the 2000-2006 period.

China’s brief economic vulnerability regarding the WTO and the need to expand its market in ASEAN reduced in more recent years. Instead, China believed ASEAN to be more dependent on China. For example, the 2009 NISCSS report noted that due to the global financial crisis, ASEAN countries would need China for a relatively long period of time. Several scholars also noted that because the Chinese economy was in a better shape compared to others, China believed that it could stand firm. In addition, the Chinese government began to emphasize the transition from an export-oriented to consumption oriented economy, as reflected by China’s official government work reports after 2007. For example, the 2008 government work report stated for the first time that China needed to shift its developmental strategy from relying on investment and export to one that would rely on consumption, investment, and export. The 2011 government work report further stressed that China should move quickly to a developmental path that focused on “internal growth” and innovation. Further, by April 2009, China had completed negotiations with ASEAN regarding all aspects of the FTZ. That is, China’s export is not as important to economic growth as it was in the 2000-2006 period. To briefly summarize, both objective measures and speech evidence suggest in general that economic vulnerability cost was low in the 1990s, high roughly in the 2000-2006 period, and low in the post-2007 period.


130 Interview KZ-#35, Beijing, China, January 18, 2016; Interview KZ-#28, Haikou, China, January 5, 2016.
131 Interview KZ-#59, Wuhan, China, April 18, 2016; Interview KZ-#64, Beijing, China, April 27, 2016.
132 Internal Materials Edited by the China Institute for Maritime Affairs, Zhusanhu jingji qu he dalujia [EEZs and the Continental Shelf] (Beijing: Oceanic Press, 2002), p. 144.
133 NISCSS, The 2008 Report Regarding Situation in the South China Sea, p. 51
134 Interview KZ-#19, Guangzhou, China, December 4, 2015; Interview KZ-#35, Beijing, China, January 18, 2016.
Geopolitical Backlash Cost

Geopolitical backlash cost was low in the 1990s but became high in the post-2000 period. The following paragraphs demonstrate this change with three kinds of evidence. The first concerns Chinese official assessments, cross-checked by U.S. official documents. The second kind involves semi-official assessments, as well as interviews with government analysts and former officials. The third type is scholarly writing, but I limit it only to the extent that it is necessary.

Turning first to official Chinese and U.S. documents, including the MFA's annual China's Foreign Affairs and the U.S. National Security Strategy, as shown in Table 2 below.

<table>
<thead>
<tr>
<th>Year</th>
<th>MFA Annual China’s Foreign Affairs Assessment on the International Situation</th>
<th>MFA Annual China’s Foreign Affairs Assessment on the United States</th>
<th>U.S. National Security Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>The trend of multipolarity is developing. The Soviet Union is in decline, so is U.S. influence. Sino-U.S. relations are gradually recovering, so are China's relations with Western countries.</td>
<td>The United States still maintains a status-quo policy in the Asia-Pacific.</td>
<td>Neither East Asia nor Southeast Asia was mentioned in the &quot;Interests and Objectives” section; in contrast, NATO allies were emphasized. U.S. relations with the Soviet Union retain a &quot;strategic priority.&quot;</td>
</tr>
<tr>
<td>1991</td>
<td>The world is moving fast towards multipolarity. U.S. power is reduced. China's relations with Western countries have shown a marked improvement. U.S. power declined. The former Soviet Union’s plans to withdraw from Mongolia and the Cam Ram Bay are in near completion. The United States reduced its troops in Korea and Japan and began to close military bases in the Philippines.</td>
<td></td>
<td>&quot;It is Europe more than any other area that has held the key to the global balance in this century.&quot;</td>
</tr>
<tr>
<td>1992</td>
<td>The influence of the United States as the only superpower is waning. China’s relations with Western countries have further recovered and improved. U.S. influence as the only superpower declines. The United States made adjustments to its Asia-Pacific Policy. In 1992, it withdrew from the Subic naval base in the Philippines.</td>
<td></td>
<td>No document produced.</td>
</tr>
<tr>
<td>1993</td>
<td>The trend towards multipolarity is in rapid development. China’s relations with Western countries witnessed new progress. The economic rise of Germany and Japan is a concern and challenge. The United States reduces significantly: by almost a quarter, to their lowest level since before the Korean war.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

138 This is the 1991 MFA book assessing the situation in prior years.
<table>
<thead>
<tr>
<th>Year</th>
<th>Trend Towards Multipolarity</th>
<th>United States</th>
<th>Economic Imbalance</th>
<th>Europe</th>
<th>U.S. Security</th>
<th>Other Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>The trend towards multipolarity is progressing quickly. Sino-EU relations have made significant improvements.</td>
<td>The United States had increasing difficulty in exercising its hegemony.</td>
<td>Economic imbalance vis-à-vis Japan is a concern. European stability is vital to U.S. security. “East Asia is a region of growing importance for U.S. security.”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>The trend towards multipolarity is progressing quickly.</td>
<td>The United States had increasing difficulty in exercising its hegemony.</td>
<td>Economic imbalance vis-à-vis Japan is a concern. European stability is vital to U.S. security. “East Asia is a region of growing importance for U.S. security.”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>The trend towards multipolarity further develops.</td>
<td>Europe is U.S. strategic priority.</td>
<td>European stability is vital to U.S. security. “East Asia is a region of growing importance for U.S. security and prosperity.”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>The trend towards multipolarity is developing rapidly and is unstoppable.</td>
<td>Europe is still U.S. strategic priority.</td>
<td>European stability is vital to U.S. security. We seek to cement America’s role as a stabilizing force in a more integrated Asia Pacific region.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>The trend towards multipolarity further develops.</td>
<td>Europe is still U.S. strategic priority. The United States hopes that the Philippines will ratify the visiting troops agreement soon.</td>
<td>European stability is vital to U.S. security. We seek to cement America’s role as a stabilizing force in a more integrated Asia Pacific region.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>The trend towards multipolarity develops amidst obstacles.</td>
<td>Europe is still U.S. strategic priority. The Philippine Congress ratified the visiting troops agreement.</td>
<td>No document produced.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>The trend towards multipolarity develops amidst obstacles.</td>
<td>The United States keeps strengthening its leading position in Europe while increasing inputs into the Asia-Pacific, including resuming military exercises with the Philippines and improving relations with Vietnam.</td>
<td>European stability is vital to U.S. security. The Philippine Senate’s ratification of the Visiting Forces Agreement in May 1999 is one example of how our continuing engagement enhances both bilateral defense cooperation as well as regional security interests.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>The trend towards multipolarity does not change.</td>
<td>The United States keeps increasing inputs in the Asia-Pacific region. After the 9/11 attack, the United States strengthened relations with Japan, South Korea, and Southeast Asia for purposes of countering terrorism.</td>
<td>European stability is vital to U.S. security. First time since 1990, East Asia was also named as vital U.S. interest: a stable and prosperous East Asia and Pacific is vital to our own national security interests. U.S. security objectives in Southeast Asia include: strengthening our security alliances and partnerships</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>Event</td>
<td>Details</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>-------</td>
<td>---------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>The trend towards multipolarity develops amidst obstacles.</td>
<td>The Bush administration carried out a sweeping strategic readjustment of U.S. foreign, defense, and security policies. Identifying terrorism as the No. 1 imminent threat. The U.S. increased its deployment in Eurasia galvanized by the need to fight terrorism. It set up new footholds in Southeast. Focus was on terrorism. Europe was no longer stated as vital interest. The war against terrorism has proven that America’s alliances in Asia not only underpin regional peace and stability, but are flexible and ready to deal with new challenges.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>Not mentioning multipolarization at all</td>
<td>In the Asia-Pacific region, the United States increased inputs and deepened cooperation on counter terrorism, viewing the Philippines and Thailand as important non-NATO allies. No document produced.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>The trend towards multipolarity develops amidst obstacles.</td>
<td>Philippines and Thailand were awarded the status of major non-NATO allies. No document produced.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>Not mentioning multipolarization at all</td>
<td>The United States increased inputs in Southeast Asia, strengthening traditional alliances with the Philippines while fostering closer relations with Vietnam. No document produced.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>Not mentioning multipolarization at all</td>
<td>The United States increased inputs in Asia, further developing relations with the Philippines, Vietnam, etc. Counter-terrorism treated as the first in the national security priorities. With Southeast Asia, in promoting greater economic and political liberty, we will work closely with our allies and key friends, including Indonesia, Malaysia, the Philippines, Singapore, and Thailand.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>The trend towards multipolarity deepens in terms of development.</td>
<td>The United States continued to increase inputs in Asia. No document produced.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>The trend towards multipolarity deepens in terms of development.</td>
<td>The United States continued to increase inputs in Asia, including strengthening relations with Vietnam. No document produced.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>With the global financial crisis, the international balance of power is conducive to multipolarity.</td>
<td>The United States further increased inputs in Asia, including relations with Vietnam and the Philippines. No document produced.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>The trend towards multipolarity is a long-term process with obstacles.</td>
<td>The United States paid attention to the Asia-Pacific region and further increased inputs in Asia, including furthering relations with Vietnam and the Philippines.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>The trend towards multipolarity is a long-term process with obstacles.</td>
<td>The United States made a high profile involvement in Asia, strengthening relations with No document produced.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 2 above clearly shows a trend of increasing geopolitical backlash cost — especially the pressure from the United States — beginning in the post-2000 period. First, whether and how the Chinese MFA used the word “multipolarity” is an important indicator of the geopolitical pressure China felt from the United States. That is, the more optimistic China was in its description of multipolarity, the less unipolar China’s perception of the international balance of power became and the less pressure China felt from the United States, the hegemon. China was quite confident about the progress of multipolarity in the 1990s, particularly the early to mid-1990s. The MFA assessment used “rapid,” “quick,” and “unstoppable” to describe what it perceived to be the progress of multipolarity. The MFA also noted the decline of U.S. power, influence, and the difficulty of U.S. hegemony in the early to mid-1990s. Starting from the early 2000s, however, the MFA began to decrease its mention of multipolarity, making no mention of multipolarity at all in 2003, 2005, 2006, and 2012. When the MFA did mention multipolarity in the post-2000 period, it usually described the progress of multipolarity as “in obstacle” or “long-term,” which was less confident. In addition, unlike the 1990s, the MFA did not make statements about the difficulty of U.S. hegemony.

Second, despite the assumption that China should be concerned about other states’ backlash due to the 1989 Tiananmen incident and the collapse of the Soviet Union, the geopolitical backlash cost regarding the Spratly disputes was low in the 1990s. As seen in Table 2, official assessments indicated that by 1993, China’s foreign relations — especially bilateral relations with the western world — had recovered. For example, in the 1993 version of “China’s Foreign Affairs Overview” (zhongguo waijiao gailan) published annually by the MFA, China’s relations with western countries had “further recovered and advanced” — most western countries had resumed their official development aid to China and their investments in China had also been continuously increasing.139 Another official government document — China’s government work report (zhengfu gongzuo baogao) published annually by the State Council — also stated in 1993 that China’s relations with

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
<th>Action</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>Not mentioning multipolarization at all</td>
<td>The United States continued to strengthen relations with Southeast Asian countries such as the Philippines and Vietnam.</td>
<td>No document produced.</td>
</tr>
<tr>
<td>2013</td>
<td>The trend towards multipolarity is clear</td>
<td>The United States continued to strengthen relations with the Philippines, increasing troops in rotation there.</td>
<td>No document produced.</td>
</tr>
</tbody>
</table>

139 Zhongguo waijiao gailan 1993 [China’s Foreign Affairs Overview 1993] (Beijing: World Knowledge Press, 1993), p. 17. This official document has changed its name into China’s Foreign Affairs (Zhongguo waijiao) since 1996. I have collected data regarding this document from its 1990 version to its 2015 version.
western countries had improved, with high-level exchanges commencing and progress made in economic and technological cooperation.\(^{140}\) Notably, the 1994 *China’s Foreign Affairs Overview* stated that the meeting between U.S. and Chinese leaders in November 1993 signified that Sino-U.S. relations had entered a new stage.\(^{141}\) The wording in previous versions of government work reports and *China’s Foreign Affairs Overview*, however, was such that China’s relations with the United States and other western countries experienced difficulties.\(^{142}\)

The geopolitical situation in Southeast Asia was particularly favorable to China. The 1992 *China’s Foreign Affairs Overview* noted that China and Vietnam had normalized relations; President Yang Shangkun visited Indonesia, Thailand, Singapore, and Malaysia; and China had established formal diplomatic relations with Brunei.\(^{143}\) The 1993 government work report also emphasized that China’s relations with ASEAN had made “comprehensive progress.”\(^{144}\)

Moreover, MFA assessments in Table 2 believed that the United States and Russia decreased their presence in Asia. President Bush senior released two East Asia Strategy Initiative reports in 1990 and 1992, which outlined a strategic framework of a reduction of U.S. force levels in Asia.\(^{145}\) Specifically regarding Southeast Asia, the 1992 *China’s Foreign Affairs Overview* noted that by the end of 1991, the former Soviet Union would close its naval bases in Cam Ranh Bay.\(^{146}\) The 1993 *China’s Foreign Affairs Overview* emphasized that the United States adjusted its Asia-Pacific policy, pulling its troops from the Subic naval base in the Philippines.\(^{147}\) The 1997 *China’s Foreign Affairs* believed that the priority of U.S. global strategy was Europe and the MFA continued to hold this belief till 2000.\(^{148}\) Official Chinese national defense white papers also made similar threat assessments.\(^{149}\) Such belief was corroborated by the official U.S. *National Security Strategy*, which treated Europe as the vital interest until the early 2000s. The United States did not return until an


\(^{141}\) *China’s Foreign Affairs Overview* 1994.


\(^{143}\) *China’s Foreign Affairs Overview* 1992, p. 12.


\(^{146}\) *China’s Foreign Affairs Overview* 1992, p. 33.

\(^{147}\) *China’s Foreign Affairs Overview* 1993, p. 27.


agreement with the Philippines allowed U.S. troops to visit the Philippines “from time to time.”¹⁵⁰ In short, the U.S. focus on Europe made geopolitics in Southeast Asia favorable to China.

Unlike the 1990s, geopolitical backlash has become a serious concern for China since the 2000s, as seen in Table 2. In contrast to the 1990s when official threat assessments indicated that the U.S. focus was on Europe, official threat assessments of the 2000-2006 period expressed worry that the United States had come back to Asia. The 2001 China’s Foreign Affairs began to indicate that the United States increased resources in Asia, including reinstating joint military exercises with the Philippines and sending its defense minister to visit Vietnam for the first time since the Vietnam War ended.¹⁵¹ The 2002 China’s Foreign Affairs stated explicitly that after the 9/11 incident, the United States strengthened cooperation with ASEAN countries for counterterrorism.¹⁵² The 2004 China’s Foreign Affairs noted the United States treated the Philippines as a “main non-NATO” ally.¹⁵³ China’s official defense white papers also noted increasing U.S. military presence and strengthened alliances in Asia.¹⁵⁴ In short, the statuses of ASEAN countries rose.

As with the 2000-2006 period, official assessments acknowledged that the geopolitical pressure imposed by U.S. presence continued in the post-2007 period. According to the 2007-2014 versions of the MFA’s China’s Foreign Affairs, increasing U.S. presence in the Asia-Pacific region remained a salient characteristic of the general situation that China faced. Each of the 2007-2014 versions of China’s Foreign Affairs also emphasized that the United States kept strengthening relations with ASEAN countries such as Indonesia, Vietnam, the Philippines, and Singapore. Similarly, China’s official defense white papers noted in 2008, 2010, 2013, and 2015 that the United States kept strengthening its alliances and expanding military presence in the region.¹⁵⁵ In short, official Chinese assessments and official U.S. national security documents indicated a low geopolitical backlash pressure in the 1990s and high pressure from the United States post-2000.

Semi-official assessments and interviews are in line with official ones. The aforementioned advantageous geopolitical factors in the 1990s, the mid-1990s in particular, manifest themselves

¹⁵² China’s Foreign Affairs 2002.
¹⁵³ China’s Foreign Affairs 2004, p. 15; China’s Foreign Affairs 2005, p. 2.
also in speech evidence of Chinese scholars and government policy analysts. For example, internal CASS assessment noted in 1993 that South China Sea claimants were not without differences and conflicts of interests among themselves.\textsuperscript{156} Several interviewees explicitly indicated that Chinese coercion during the early to mid-1990s had much to do with the U.S. withdrawal from Subic Bay.\textsuperscript{157} The U.S. withdrawal provided a “geopolitical power vacuum” for China.\textsuperscript{158} In fact, after China used coercion regarding the Mischief Reef in early and mid 1995, internal CASS assessment noted that the result of China’s Mischief Reef action was a perfect test of the international reaction – it suggested that China did not generate drastic reactions from ASEAN countries.\textsuperscript{159} This report added that as long as Chinese coercion was restrained, China would be able to maintain normal relations with ASEAN countries.\textsuperscript{160} Indeed, after the Mischief Reef coercion in 1995, China subsequently used coercion in late 1995, 1996, 1997, and 1999. As such, in China’s view, with the United States and Russia leaving, Vietnam and the Philippines would not have been able to invite outside powers to balance against China. The geopolitical backlash cost was thus low in the 1990s.

Starting from the post-2000 period, however, CICIR stated that the United States believed that its alliance systems during the Clinton era were weakened and therefore paid attention to developing alliance or semi-alliance relations with ASEAN countries such as the Philippines, Thailand, Indonesia, and Vietnam, using counterterrorism as a way to expand its alliances.\textsuperscript{161} In particular, CICIR noticed that the United States had promised to fully support the Philippines militarily and economically while showing interests in Vietnam’s Cam Ram Bay.\textsuperscript{162} The report worried that once the United States expanded its military presence in Southeast Asia, the balance of power in the South China Sea region would change, which would then affect China’s security environment.\textsuperscript{163} CICIR’s 2002/2003 annual report indicated that the United States had been jointly working with the Philippines to counter terrorism, using it as an opportunity to expand to the strategically important Southeast Asia.\textsuperscript{164} This report added that the U.S. frontline of counterterrorism overlapped with “the circle of U.S. containment,” emphasizing that the vacuum

\textsuperscript{156} Sun Xiaoying, “Using the peaceful strategy to resolve the spratly disputes,” in Asia-Pacific Office of CASS ed., \textit{Materials Regarding the South China Sea Issue}, p. 280.

\textsuperscript{157} Interview KZ-#16, Guangzhou, China, November 30, 2015; Interview KZ-#25, Nanjing, China, December 30, 2015.

\textsuperscript{158} Interview KZ-#17, Guangzhou, China, December 1, 2015; Interview KZ-#19, Guangzhou, China, December 4, 2015.


\textsuperscript{160} Ibid.


\textsuperscript{162} Ibid., p. 28.

\textsuperscript{163} Ibid., p. 222.

the United States left was filled again.\textsuperscript{165} CICIR's assessments were joined by similar assessments from CASS, the AMS, and the CIIS.\textsuperscript{166} In short, both official and semi-official assessments of the time indicated an increasing geopolitical pressure China felt from the United States.

Similarly, post-2007 semi-official assessments from China's government think tanks also concur with the increasing U.S. footprint in the Asia-Pacific region.\textsuperscript{167} An internal CASS report indicated in 2011 that the United States viewed the role of ASEAN as critical and that with the highly publicized U.S. involvement in Asian affairs, China's security environment worsened.\textsuperscript{168} CASS noted in January 2012 that the presence of U.S. Marine Corps in Australia signaled the United States expanded its long-term military presence in the Pacific region, which was aimed at China.\textsuperscript{169}

Moreover, unlike the 1990s when China viewed ASEAN as having internal differences, in the early 2000s, internal discussions among official government policy analysts in China made a 180-degree turn regarding geopolitical conditions in Southeast Asia. Citing SOA official Liang Jinzhe's statement in 2002, the internal publication of NISCSS noted that due to converging interests, neighboring countries had begun to "collectively take on China."\textsuperscript{170} The internally circulated annual report by NISCSS noted in 2003 that ASEAN was recently trying to strengthen relations with Japan, the United States, India, Australia, and Russia to balance China.\textsuperscript{171} The report therefore listed greater cooperation with countries surrounding the South China Sea as a countermeasure to the trend of ASEAN countries working together to face China. Similarly, the NISCSS 2004 annual report predicted that the integration of ASEAN would be greater and that it would be "speaking with one voice" and again advised maintaining stability in the South China Sea.\textsuperscript{172} These internal reports advised restraint and cooperation to prevent an ASEAN that would be united against China, despite

\textsuperscript{165} Ibid., p. 266.


\textsuperscript{170} Nanhai wenti lunwen yantao hui lunwenji [Selected Papers From the Seminar on Issues of the South China Sea, printed by the Hainan South China Sea Research Center in August 2002, p. 96. This book is available in the NISCSS library.

\textsuperscript{171} NISCSS, The 2003 Report Regarding Situation in the South China Sea, p. 13.

\textsuperscript{172} NISCSS, The 2004 Report Regarding Situation in the South China Sea, p. 18.
Vietnam and Malaysia’s actions in the Spratlys regarding oil and gas exploration. To briefly summarize, official and semi-official assessments, as well as interviews all indicated that the geopolitical backlash cost of coercion was low in the 1990s but high in the post-2000 period.

The Sequencing of Economic Vulnerability and Geopolitical Backlash Costs

The theory makes the assumption that economic vulnerability cost is a critical factor concerning when China uses coercion and geopolitical backlash cost is the critical factor explaining the kinds of coercive tools China employs if it decides to use coercion. Judging from evidence in the Chinese case, this theoretical assumption holds. Take, for example, China in the Cold War. There were significant debates in the summer of 1950 regarding whether China should enter the Korean War, with almost every Chinese leader except Mao Zedong and Peng Dehuai. One of the leaders who were against entry into the war — Chen Yun — listed hindrance to economic development as the core reason why China should not enter the Korean War. Chinese foreign policy seemed to have become more aggressive after Mao Zedong assumed more power starting from the late 1950s.

In addition, speech evidence from key Chinese leaders in the post-Cold War era confirmed the centrality of economic factors in Chinese politics and foreign policy, as shown in Table 3 below.

<table>
<thead>
<tr>
<th>Leader</th>
<th>Time of Speech</th>
<th>Content of Speech</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deng Xiaoping</td>
<td>1992.1.18-2.21</td>
<td>The key is economic development.</td>
</tr>
<tr>
<td>Jiang Zemin</td>
<td>1992.10.12</td>
<td>The Party should continue to uphold economic development as the focus.</td>
</tr>
<tr>
<td></td>
<td>1993.1.13</td>
<td>We need to concentrate our effort into developing our national economy.</td>
</tr>
<tr>
<td></td>
<td>1993.7.12</td>
<td>The fundamental purpose of foreign policy is to serve economic development.</td>
</tr>
<tr>
<td></td>
<td>1998.12.18</td>
<td>Economic development as the focus should not be forsaken.</td>
</tr>
<tr>
<td></td>
<td>2000.10.11</td>
<td>Our important lesson is that regardless of what happens and as long as it is not</td>
</tr>
<tr>
<td></td>
<td>2002.2.25</td>
<td>Uphold economic development as the focus. Development is the way to go.</td>
</tr>
<tr>
<td></td>
<td>2002.10.14</td>
<td>Nowadays, many leaders of developing countries have realized that economic and</td>
</tr>
</tbody>
</table>

---

177 Jiang’s speech during an enlarged meeting of the Central Military Commission, in *ibid.*, p. 284.
178 Jiang’s speech during the 8th meeting of foreign diplomats, in *ibid.*, p. 314.
Result: Temporal Variation of Chinese Coercion and Choices of Coercive Tools

<table>
<thead>
<tr>
<th>Credibility Benefit</th>
<th>Costs</th>
<th>Coercion Used or Not</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Geopolitical Backlash Cost</td>
<td>Economic Vulnerability Cost</td>
</tr>
<tr>
<td>1990-1999</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>2000-2006</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>2007-present</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

As table 4 shows, in the 1990s, the credibility benefit was high and both geopolitical backlash and economic vulnerability costs to use coercion in the South China Sea were low, and China used coercion, some of which were militarized. For example, in July 1994, China used the navy to expel PetroVietnam’s ships conducting oil-drilling operations. In late 1994, China began to build infrastructure on the Mischief Reef. In the 2000-2006 period, credibility benefit was low whereas...

---

182 Jiang’s meeting with the UN Secretary General, in ibid., p. 520.
183 Jiang’s report during the 16th Party Congress, in ibid., p. 544.
185 ibid., p. 556, 559.
187 Part of Hu’s speech during the central foreign affairs conference, in ibid., p. 508-509. It was not previously public.
188 Ibid., p. 578.
189 Ibid., p. 95.
190 Hu’s speech during the 11th meeting of foreign diplomats, in ibid., p. 237.
194 Xi’s speech during the fifth meeting of BRIC leaders, in ibid., p. 326.
195 See Julian Brutus, “Prospects of Oil Make Spratlys Hot Property; Storm Brews Around the Islands,” South China Morning Post (Hong Kong), July 26, 1994, p. 7.
both geopolitical backlash and economic vulnerability costs were high, and China refrained from coercion. In the post-2007 period, credibility benefit was high and economic vulnerability cost was low, and China used coercion. Yet due to high geopolitical backlash cost, China used non-militarized coercive tools. In late 2007, the China maritime surveillance agency initiated regularized patrol of southern South China Sea.\(^{196}\) Beginning 2007, China drastically increased the number of maritime surveillance patrol to 130, nearly quadrupling that of 2006, and this number increased from 188 in 2010 to 347 in 2013.\(^{197}\) These maritime surveillance ships sometimes expelled foreign ships. For example, in April 2007, when Vietnam was conducting oil exploration using Russian ships, China used its maritime surveillance ships to expel them.\(^{198}\) When Vietnam planned to work with British Petroleum (BP), China threatened economic sanctions against BP in June 2007, which it had never done before.\(^{199}\) BP eventually gave up the bid in 2009.

*Alternative Explanations*

There are two major alternative explanations regarding when China decides to use coercion. The first concerns bureaucratic interests and the power struggle among different bureaucracies. In this view, when and why China uses coercion is a result of the winning bureaucracies, rather than centrally led cost-benefit decision making. However, from official documents and interviews, it is clear that China’s use of coercion regarding disputes in the South China Sea has been centralized. There are clear, detailed, and modularized plans with regard to how the maritime surveillance and fishery administrative ships should behave when faced with maritime incidents involving foreign counterparts. For example, Guangdong province states in the emergency plan regarding fishery incidents involving foreign countries that when foreign fishing vessels engage in illegal fishing in Chinese EEZs or when foreign administrative ships attempt to harass Chinese fishermen in Chinese EEZs, the fishery administrative ships should initiate the emergency reporting procedure and

---


\(^{197}\) Data comes from the annual *China Maritime Development Report* by CIMA, from the 2007 report to the 2015 report.

\(^{198}\) Li Jiming, *Zhongguo nanhai jiangyu yanjiu [Studies Regarding China’s Territory in the South China Sea]* (Harbin: Heilongjiang Education Press, 2014), p. 266.

report to the commanding center of the Chinese fishery administration. Measures such as expelling and arresting foreign ships have to be approved by the sub bureaus.

Interviews with scholars and former officials also indicate that the center is in control of when coercion should be used regarding maritime disputes. For example, one scholar states that every incident involving foreign countries is reported to the center. Citing internal seminars by officials from the SOA, China Coast Guard, and the maritime surveillance agency, several government analysts indicate that when carrying out patrol missions, Chinese administrative patrol ships strictly follow instructions and orders from above. One former military personnel who was personally in charge of the PLA navy’s patrol of the South China Sea states that there are institutionalized plans and the patrol follows instructions. Others point out that the bureaucracies may have some leeway in specifics regarding how to carry out the orders from the center, but the very decision about whether to take action or not lies in the hands of the center. In addition, local governments such as Hainan do not have much leeway. Finally, maritime agencies follow the center, lacking the bottom-up mechanism the bureaucratic alternative suggests.

The second alternative explanation emphasizes individual leaders. It is true that different Chinese leaders – presidents Jiang Zemin, Hu Jintao, and Xi Jinping – may have distinctive personalities, yet these differences do not dictate when and why China uses coercion. If individual leaders are what matters, then we should see that Xi Jinping, the supposedly more assertive leader, should use coercion almost exclusively. Yet what we observe in Figure 1 is that China used coercion in the 1990s, which was during Jiang’s period. Besides, China started to use coercion again for South China Sea issues in 2007, when Hu was in power. All three leaders used coercion for maritime disputes, which runs against the alternative that individual leadership determines when coercion is used. Interviews also confirm that individual leadership is not the central factor. One scholar states that Chinese coercion decisions are generally rational and that China has a general strategy of

201 Regulations Regarding The Fishery Administrative Patrol in EEZs [Zhuanshu jingji qu yuzheng xunhang gongzuo guifan, shixing], China Ministry of Agriculture, June 2007, see http://wenku.baidu.com/link?url=jg1A6HCSEDkQcDNLvkJQkaxQElyBwEaagdQteSwXJlce0Ejlc2BL6dD0FxNUw_jBQa9y9LpAocMb0UYilqelp017cDHX15s-ur-PL8pO, accessed February 26, 2016.
202 Interview, KZ-#17, Guangzhou, December 1, 2015.
203 Interview, KZ-#7, Beijing, September 29, 2015.
204 Interview, KZ-#24, Nanjing, December 29, 2015; Interview, KZ-#30, Haikou, January 6, 2015.
205 Interview, KZ-#26, December 30, 2015.
206 Interview, KZ-#29, Haikou, January 5, 2016; Interview, KZ-#35, Beijing, January 18, 2016.
207 Interview, KZ-#32, Haikou, January 7, 2016.
208 Interview, KZ-#34, Haikou, January 8, 2016.
development, despite different leaders.\textsuperscript{209} Another reconfirms that the more recent coercion has already started since the second term of Hu.\textsuperscript{210} Hu and Xi act similarly to establish credibility.\textsuperscript{211}

VII. Conclusion

This paper demonstrates that the cost balancing theory explains when, why, and how China uses coercion for disputes in the South China Sea. It is the balance of costs and benefits of coercion that affects China’s decisions to use coercion, as opposed to bureaucratic politics or individual leaders. When credibility benefit exceeds economic vulnerability cost, China uses coercion. Yet China tends to use non-militarized coercion because of the costs of geopolitical backlash and economic vulnerability. These findings have both theoretical and empirical implications.

Theoretically, states do calculate the costs and benefits of coercion, as pointed out by previous scholars. Yet these costs and benefits need further specification. China’s coercive behavior in South China Sea disputes indicates that external credibility, geopolitical backlash, and economic vulnerability are costs and benefits crucial to a state’s calculus. Rather than simply stating that “cost” matters, states balance specific kinds of costs and benefits. Credibility matters critically. Having capabilities but not demonstrating the willingness to use them may lead to deterrence failure. In a sense, China is coercing to deter, blurring the line between coercion and deterrence. To quote a Chinese proverb many interviewees have used, it is killing the chicken to scare the monkey.\textsuperscript{212} Instead of a classic security dilemma, there might be a credibility dilemma — the need to demonstrate resolve pushes states to stand strong, leading to more coercion.\textsuperscript{213}

Moreover, China weighs credibility benefit as crucial, suggesting the centrality of credibility of in the calculus of the coercer. In particular, the salience – the degree of publicity and

\textsuperscript{209} Interview, KZ-\#4, Beijing, September 15, 2015.
\textsuperscript{210} Interview, KZ-\#7, Beijing, September 29, 2015.
\textsuperscript{211} Interview, KZ-\#8, Beijing, September 29, 2015.
\textsuperscript{212} In older literature, the distinction between deterrence and coercion seems sharper than they really are. Glenn Snyder, for example, states that deterrence is the negative aspect of political power and that it is the power to dissuade as opposed to the power to coerce or compel. Glenn Herald Snyder, Deterrence and defense: toward a theory of national security (Princeton: Princeton University Press, 1961), p. 9.
\textsuperscript{213} Wu Shicun states that there is a security dilemma in the South China Sea. See http://www.nanhai.org.cn/index.php/Index/Research/review_c/id/175.html#div_content, accessed September 20, 2016.
internationalization of a particular incident – is an important aspect in influencing whether the pressure to establish credibility is high from the perspective of coencers.

In addition, even though Daryl Press argues that adversaries do not take into account past actions when assessing military threats, it is clear from China’s coercion calculus that China did take into account U.S. credibility in the form of statements and actions when calculating geopolitical backlash cost – whether and how the United States will get involved in South China Sea disputes significantly affects China’s decisions regarding when and how to use coercion. For example, according to U.S. scholars, the closing of Clark Air Base and Subic Bay produced not even a shiver of instability. Yet as seen from the Mischief Reef incident, China actually took advantage of this geopolitical vacuum and used coercion. Simply put, other countries – especially the United States – also have to appear credible in front of coercers such as China. Thus, the United States might benefit from “quiet rebalancing.” More actions and less talk on the part of the United States – strengthening alliances and more frequent FONOP while downplaying the publicity of disputes and FONOP – may increase China’s geopolitical backlash cost while reducing the credibility benefit.

Empirically, China’s coercion for maritime disputes counters the simple story that power explains it all — China used coercion when it was weaker. China’s coercion in the South China Sea dispels the notion that China became assertive in the late 2000s. If anything, China has always been a risk-averse bully. In comparison, the United States in the late 19th and early 20th century used aggressive gunboat diplomacy and intervention regarding smaller countries; Bismarckian Germany used force towards smaller countries, especially colonies; Wilhelmine Germany used force towards smaller and great powers, focusing on military use of force; interwar Japan also focused on the use of force against smaller powers. Contrary to conventional wisdom and in contrast with historical rising powers, China is a cautious coercer, does not coerce frequently, and uses military coercion less when it becomes stronger, resorting mostly to non-militarized tools. As seen from Chinese

215 For similar thoughts, see http://warontherocks.com/2016/05/successful-signaling-at-scarborough-shoal/
coercive behavior, China is less belligerent than historical rising powers such as Germany and Japan. Because of the centrality of economic development to China, Chinese coercion is constrained and the coercive tools that China uses tend to be non-militarized.

It is also important to emphasize that China is opportunistic: even though China was reacting to the behavior of other target states, it was by no means the passive “victim.” In fact, Chinese government policy analysts and former officials noted that China also took other’s behavior as an opportunity to control land features, as seen in the Scarborough Shoal incident.217 China has been eager to take advantage of the geopolitical vacuum and use coercion to advance its own interests in the South China Sea.218 Even though China has been relatively peaceful in the past three decades, it does use coercion – albeit oftentimes non-militarized ones.

---

217 Interview KZ-#79, Shanghai, China, May 13, 2016; Interview KZ-#90, Guangzhou, China, May 25, 2016.
218 Interview KZ-#16, Guangzhou, China, November 30, 2015.