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Calculating Bully – Explaining Chinese Coercion in the South China Sea (1990-2015)

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.

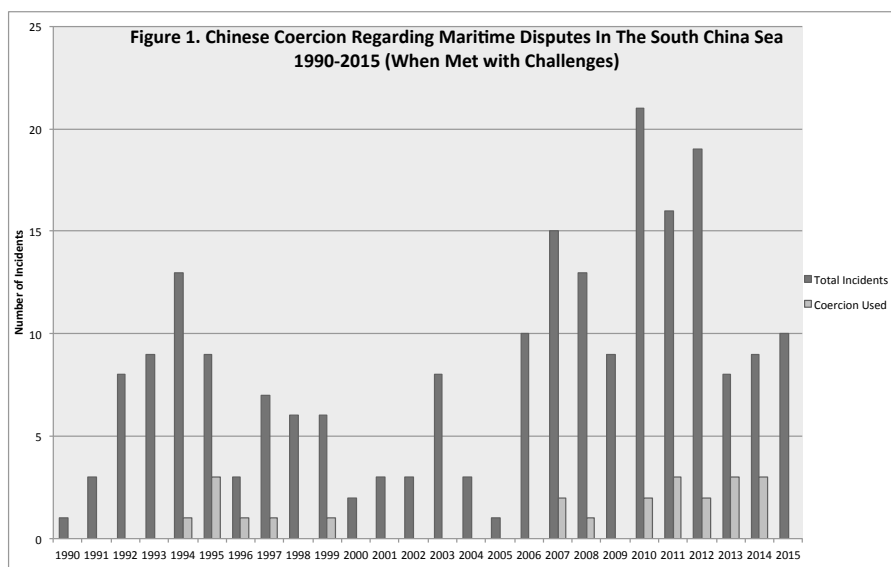


Figure 1 above is Chinese coercion in the South China Sea from 1990 to 2015. The vertical axis is the number of incidents. The dark gray bar denotes the total pool of incidents, which are an amalgamation of incidents where China could react to other states' behavior by either coercing or not coercing. These incidents concern two categories: foreign states' control of disputed land features in the South China Sea and energy exploration in disputed waters.¹ 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 dalujia [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 2014.² 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.³ 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.⁴ 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.

³ See Alastair Iain Johnston, "How New and Assertive Is China's New Assertiveness?," *International Security*, Vol. 37, No. 4 (2013 Spring), p. 7-48.

⁴ Robert Gilpin, *War and Change in World Politics* (New York: Cambridge University Press, 1981).

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

⁵ Thomas C. Schelling, *Arms and Influence* (New Haven: Yale University Press, 1966).

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

⁶ Robert A. Pape, *Bombing to Win: Air Power and Coercion in War* (Ithaca: Cornell University Press, 1996).

⁷ Kelly M. Greenhill, *Weapons of Mass Migration: Forced Displacement, Coercion, and Foreign Policy* (Ithaca: Cornell University Press, 2010).

⁸ Daniel W. Drezner, *The Sanctions Paradox: Economic Statecraft and International Relations* (Cambridge: Cambridge University Press, 1999), p. 41.

⁹ For more recent literature, see, for example, Daniel W. Drezner, *The Sanctions Paradox: Economic Statecraft and International Relations*. See Gene Gerzhoy, “Alliance Coercion and Nuclear Restraint: How the United States Thwarted West Germany’s Nuclear Ambitions,” *International Security*, Vol. 39, No. 4 (Spring 2015), p. 91–129; Whang et al., “Coercion, Information, and the Success of Sanction Threats,” *American Journal of Political Science*, Vol. 57, No. 1 (January 2013), p. 65–81; Navin A. Bapat and Bo Ram Kwon, “When Are Sanctions Effective? A Bargaining and Enforcement Framework,” *International Organization*, Issue 69 (Winter 2015), p. 131–162.

¹⁰ David Baldwin, *Economic Statecraft*, p. 108.

¹¹ Daniel W. Drezner, *The Sanctions Paradox: Economic Statecraft and International Relations* (Cambridge: Cambridge University Press, 1999), p. 41.

¹² Branislav L. Slantchev, *Military Threats: The Costs of Coercion and the Price of Peace* (Cambridge: Cambridge University Press, 2011), p. 148.

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

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

¹³ Michael J. Hiscox, “Balancing Act: The Political Economy of U.S. Trade Sanctions.” See also A. Cooper Drury, “Sanctions as Coercive Diplomacy: The U. S. President's Decision to Initiate Economic Sanctions,” *Political Research Quarterly*, Vol. 54, No. 3 (September 2001), p. 485-508.

¹⁴ M.S. Daoudi and M.S. Dajani, *Economic Sanctions, Ideals and Experience* (London: Routledge & Kegan Paul, 1983).

desired way and usually involves the use of punishment until the enemy acts.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.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 *stop action* it has undertaken or is currently taking, which is more reactive. Coercion can also aim at forcing the target to *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 coercer 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.

Inaction is the situation where coercion *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.

Diplomatic sanctions constitute one form of coercion. I define diplomatic sanctions as the coercer'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.¹⁷ The complete break of bilateral relations, however, leaves both sides without the unique intelligence

¹⁵ Thomas C. Schelling, *Arms and Influence* (New Haven: Yale University Press, 1966), p. 70.

¹⁶ Robert J. Art and Patrick M. Cronin eds., *The United States and Coercive Diplomacy* (Washington D.C.: U.S. Institute of Peace Press, 2003), p. 8.

¹⁷ Maller, *Diplomacy Derailed: The Consequences Of U.S. Diplomatic Disengagement*, p. 92.

and ease of communication.¹⁸ As such, states may choose to maintain some level of relations, only closing consulates, canceling important meetings or all senior-level communications.

Economic sanctions are the deliberate government-instructed withdrawal of customary trade or financial relations to coerce the target to change undesired foreign policies.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.²⁰

Gray-area administrative coercion straddles between strictly non-military and military coercion. The discussion of "gray-zone conflicts" gains traction in the policy world.²¹ Michael J. Mazarr argues that gray-zone conflict "pursues political objectives through coercive, integrated campaigns" and employs mostly nonmilitary or non-kinetic tools.²² Mazarr adds that gray-zone campaigns are essentially "the use of civilian instruments to achieve objectives sometimes reserved for military capabilities."²³ Yet just as others, his conceptualization is too expansive and includes military force.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

¹⁸ Freeman, p. 95-97.

¹⁹ For a generic definition in the literature, see O'Sullivan, *Shrewd Sanctions: Statecraft and State Sponsors of Terrorism*, p. 12. For specification of the goals, see Baldwin, *Economic Sanctions*, p. 32. This definition excludes popular boycott. Secondly, it excludes trade retaliation, which is pure economic protection.

²⁰ Baldwin, *Economic Statecraft*, p. 41.

²¹ See Frank G. Hoffman, "The Contemporary Spectrum of Conflict: Protracted, Gray Zone, Ambiguous, and Hybrid Modes of War," The Heritage Foundation, <http://index.heritage.org/military/2016/essays/contemporary-spectrum-of-conflict/>

²² Michael J. Mazarr, *Master the Gray Zone: Understanding A Changing Era of Conflict* (Carlisle Barracks: United States Army War College Press, 2015), p. 58.

²³ *Ibid.*, p. 62.

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, <https://www.csis.org/analysis/countering-coercion-maritime-asia>

physically deny the target state access to disputed territories.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.²⁶ Iran has also utilized gray zone tools, deploying an extensive network of covert operatives through its embassies.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.

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.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.²⁹ Such shows of force could emphasize the possibility of escalated and intensified confrontation.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.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.

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, *Bombing to Win: Air Power and Coercion in War* (Ithaca: Cornell University Press, 1996), p. 18-19.

²⁶ Pointed out by Tyler Jost. For further discussion of gray zone conflicts, see <https://warontherocks.com/2015/05/fighting-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.

²⁷ Michael J. Mazarr, *Master the Gray Zone: Understanding A Changing Era of Conflict*, p. 44.

²⁸ As for the use of force, there is a rich literature, for example, Pape, *Bombing to Win: Air Power and Coercion in War*.

²⁹ See Freeman, *Arts of Power: Statecraft and Diplomacy*, p. 53.

³⁰ *Ibid.*, p. 54.

³¹ Slantchev, *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 coercer 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 coercer 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

³² Fravel, *Strong Border*, p. 14-16. For earlier studies centering on the importance of issues and stakes, see Paul F. Diehl, "What Are They Fighting for? The Importance of Issues in International Conflict Research," *Journal of Peace Research*, Vol. 29, No. 3 (August 1992), p. 333-344; Hemda Ben-Yehuda, "Territoriality and War in International Crises: Theory and Findings, 1918-2001," *International Studies Review*, Issue 6 (2004), p. 85-105.

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.³³ Therefore, Schelling calls for the importance of communicating "evidence" of commitment, which requires more than the communication of words.³⁴ 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.³⁵ 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.³⁶ 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.³⁷ 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.³⁸ Other scholars analyze the importance of reputation from the perspective of the target.³⁹

³³ Thomas C. Schelling, *The Strategy of Conflict* (Cambridge: Harvard University Press, 1980), p. 34.

³⁴ *Ibid.*, p. 147.

³⁵ Schelling, *Arms and Influence*, p. 150.

³⁶ Jonathan Mercer, *Reputation and International Politics* (Ithaca: Cornell University Press, 1996), p. 2, 15. For an overview of reputation, see Paul K. Huth, "Reputations and deterrence: A theoretical and empirical assessment," *Security Studies*, Issue 7 (1997), p. 1.

³⁷ Nicholas L. Miller, "The Secret Success of Nonproliferation Sanctions," *International Organization*, Vol. 68, Issue 4 (September 2014), p. 913-944.

³⁸ Anne E. Sartori, *Deterrence by Diplomacy* (Princeton: Princeton University Press, 2005), p. 14. Other forms of maintaining credibility and reputation include raising interest rates and repaying expensive loans. See David Leblang, "To

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.⁴⁰ 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."⁴¹ 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.⁴² 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

Devalue or Defend? The Political Economy of Exchange Rate Policy," *International Studies Quarterly*, Vol. 47, Issue 4 (2003), p. 533–60; Michael Tomz, *Reputation and International Cooperation: Sovereign Debt across Three Centuries* (Princeton: Princeton University Press, 2007).

³⁹ See Timothy M. Peterson, "Sending a Message: The Reputation Effect of US Sanction Threat Behavior," *International Studies Quarterly*, Issue 57 (2013), p. 672–682; Todd S. Sechser, "Goliath's Curse: Coercive Threats and Asymmetric Power," *International Organization*, Vol 64, Issue 4 (October 2010).

⁴⁰ See Albert O. Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley: University of California Press, 1945), p. 17.

⁴¹ Robert O. Keohane and Joseph S. Nye, *Power and Interdependence: World Politics in Transition* (Boston: Little Brown, 1977), p. 13.

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.⁴³ Walt argues that states tend to balance against threats instead of bandwagoning and that larger states balance more than smaller ones.⁴⁴ If coercion is applied, the target state or its neighbors might interpret coercion as threats. So if the coercer is aware of this logic, it will be concerned about geopolitical backlash – the target might side with other states against the coercer.

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.⁴⁵

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 coercer'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

⁴³ See Randall L. Schweller, *Unanswered Threats: Political Constraints on the Balance of Power* (Princeton University Press, 2006), p. 9.

⁴⁴ For the balance of threat theory, see Stephen M. Walt, *The Origins of Alliances* (Ithaca: Cornell University Press, 1983).

⁴⁵ China is obviously an example. Another example would be Syria. See Lisa Wedeen, *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, *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.

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.

Synthesis and Predictions – A Cost Balancing Theory

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-militarized tools of coercion, especially when the geopolitical backlash cost is high. All else equal, non-militarized 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.⁴⁶ 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.⁴⁷ 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.⁴⁸ The predictions for the individual-level hypothesis are therefore: 1) assertive leaders are more likely to

⁴⁶ See Richard J. Samuels, *Machiavelli's Children: Leaders and Their Legacies in Italy and Japan* (Ithaca: Cornell University Press, 2005), p. 2. For other historical cases indicating the different leaders make different decisions under similar constraints, see Elizabeth Saunders, "Transformative Choices: Leaders and the Origins of Intervention Strategy," *International Security*, Vol. 34, No. 2 (Fall 2009), p. 119-161; Andrew Kennedy, *The International Ambitions of Mao and Nehru: National Efficacy Beliefs and the Making of Foreign Policy* (Cambridge: Cambridge University Press, 2011).

⁴⁷ See Daniel L. Byman and Kenneth M. Pollack, "Let Us Now Praise Great Men: Bringing the Statesman Back In," *International Security*, Vol. 25, No. 4 (Spring, 2001), p. 107-146.

⁴⁸ Interview, Beijing, January 8, 2015; interview 2, Beijing, January 13, 2015; See also, Zhang Qingmin, "China's Foreign Policy since the 18th national Congress of CPC," *China International Strategy Review* (2013); Qingmin Zhang, "Towards an Integrated Theory of Chinese Foreign Policy: Bringing Leadership Personality Back In," *Journal of Contemporary China* (2014), DOI: 10.1080/10670564.2014.882566.

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 (successfully) 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 1. Observable Implications for the Cost Balancing Theory

	High	Low
Credibility Benefit	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.⁴⁹ Specifically, I use the following semi-official reports from government think tanks: the annual

⁴⁹ Michael Swaine has a useful discussion of what Chinese language sources are authoritative, quasi-authoritative, or non-authoritative. See Michael D. Swaine, “Chinese Leadership and Elite Responses to the U.S. Pacific Pivot,” *China Leadership Monitor* 38, p. 1. http://carnegeendowment.org/files/Swaine_CLM_38_Final_Draft_pdf.pdf, accessed April 15, 2014.

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.⁵⁰ 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.⁵¹ 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.⁵² 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 2011.⁵³ Internally published materials also point to this broader goal.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.

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 *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 2015.⁵⁵

⁵³ NISCSS, *The 2008 Report Regarding Situation in the South China Sea [2008nian nanhai diqu xingshi pinggu baogao]*, printed by NISCSS in 2009 for internal use, p. 52; Mao Lingyun, “An interview with Wu Shicun from NISCSS [zhuanfang zhongguo nanhai yanjiuyuan yuanzhang Wu Shicun],” *South Reviews [nanfeng chuang]*, Issue 17 (2011 August), p. 33.

⁵⁴ Lu Shengjun, *Strategies of the Deep Blue — Thoughts on the Struggle Over Maritime Rights Protection [shenlan jinglue — haishang weiquan douzheng de sikao]* (Beijing: The Great March Press, 2016), p. 226. The author is an analyst at the Chinese Academy of Military Sciences. This book is published by the official press of the PLA Daily.

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.

⁵⁶ Hainan provincial gazetteer office, *Hainan shengzhi - xizhongsha qundao zhi Hainan [Provincial Gazetteer — The Paracels, Spratlys, and the Macclesfield Bank]* (Haikou: Nanhai Publication House, 2005); Li Jinming, *Nanhai botao — dongnanya guojia yu nanhai wenti [Waves in the South China Sea — Southeast Asian countries and the South China Sea Issue]* (Nanchang: Jiangxi Higher Education Press, 2005), p. 34. These are cross checked by English sources such as <http://tribunecontentagency.com/article/south-china-sea-who-claims-what-in-the-spratlys/>, accessed August 19, 2017.

⁵⁷ Cross-checked by English language sources and official data from the Vietnamese government. See <http://english.vietnamnet.vn/fms/vietnam-in-photos/138216/photos--nine-lighthouses-in-truong-sa.html> <https://www.unc.edu/~rowlett/lighthouse/spr.htm> <http://www.vms-south.vn/en/hai-dang-luong-hang-hai/he-thong-hai-dang/song-tu-tay> <http://www.vms-south.vn/en/hai-dang-luong-hang-hai/he-thong-hai-dang/da-lat> <http://english.vietnamnet.vn/fms/vietnam-in-photos/138216/photos--nine-lighthouses-in-truong-sa.html> <http://www.vms-south.vn/en/hai-dang-luong-hang-hai/he-thong-hai-dang/da-tay>, accessed August 19, 2017.

⁵⁸ See Times Staff and Wire Reports, <http://articles.latimes.com/keyword/oil-industry-vietnam>, accessed February 24, 2016, the agreement was signed in Hanoi with Liquegaz/SNC, which groups one of Canada's biggest natural gas recovery companies, Liquegaz, 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.

⁵⁹ Li Jinming, *Waves in the South China Sea — Southeast Asian countries and the South China Sea Issue*, appendix. For cross-check, see Carlyle A. Thayer, “Visit by PM Marks a High Point in Bilateral Relations,” *Australian Financial Review*, June 16, 1993, in LexisNexis. Agis Salukis, “Mobil Wins Right to Drill for Oil Off Vietnam,” *New York Times*, December 21, 1993,

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.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.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 features they had already taken in the 1990s.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 2011.⁶³ Moreover, the claimants rekindled efforts in strengthening infrastructure on occupied islands.⁶⁴ For example, Vietnam

<http://www.nytimes.com/1993/12/21/business/company-news-mobil-wins-right-to-drill-for-oil-off-vietnam.html>, accessed October 10, 2016.

⁶⁰ See Zhang Liangfu, *Nansha qundao dashiji [Chronology of the Spratlys]* (Internal Circulation, Published by the Chinese Academy of Sciences, 1996), p. 247. Cross-checked by Makito Shashi, "Malaysia Develops Disputed Spratly Isle; Hotel Goes Up on Territory Claimed by Six Nations," *The Nikkei Weekly (Japan)*, May 30, 1992, in LexisNexis.

<http://tribunecontentagency.com/article/south-china-sea-who-claims-what-in-the-spratlys/>,
https://www.cna.org/cna_files/pdf/IOP-2014-U-008435.pdf

<http://thediplomat.com/2016/05/south-china-sea-who-claims-what-in-the-spratlys/>, accessed August 19, 2017.

⁶¹ See appendix. Data comes from, Zhang Liangfu, *Nanhai wanlixing — zai nansha quad xuhang de rizi [A Ten-thousand Mile Trip in the South China Sea — Days Spent During the Patrol Around the Spratlys]* (Beijing: Oceanic Press, 2006), p. 246. Crossed checked with the official website of PetroVietnam at

http://english.pvn.vn/?portal=news&page=detail&category_id=38&id=3676, accessed August 19, 2017.

⁶² See appendix.

⁶³ Joseph Santolan, "Chinese patrol boats confront Vietnamese oil exploration ship in South China Sea," 31 May 2011, <https://www.wsws.org/en/articles/2011/05/chinYm31.html>, accessed August 27, 2016.

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 2015.⁶⁵ 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.

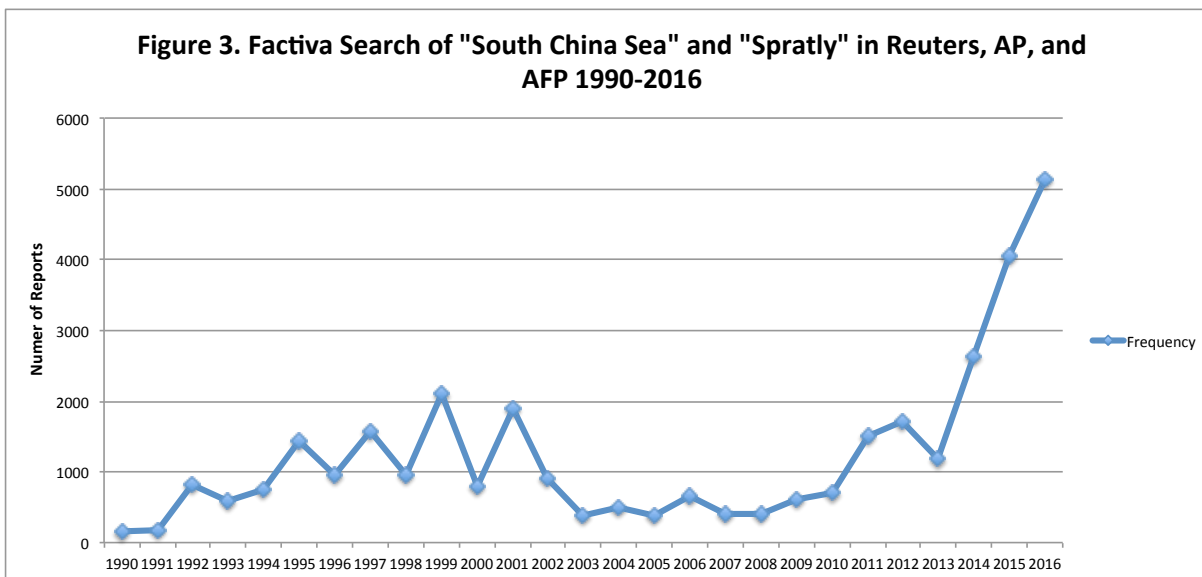
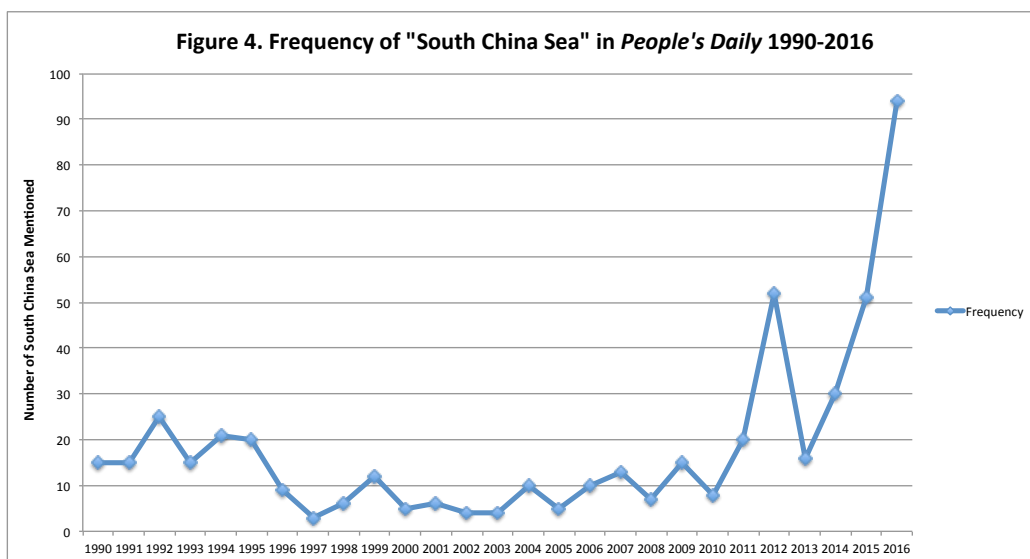


Figure 3 above shows the Factiva search of reports containing either “South China Sea” or “Spratlys” in *Reuters*, *Agence France Presse*, and *Associated Press*.⁶⁶ I choose these three because they are the most influential English-language news agencies. A greater exposure from them would increase the 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.

⁶⁵ See http://mil.sohu.com/20151110/n425848377_1.shtml; cross-checked <http://amti.csis.org/vietnam-island-building/>, <https://amti.csis.org/spratly-island-tracker>, accessed February 25, 2016.

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.⁶⁷ 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.⁶⁸ 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*.

⁶⁸ *People's Daily*, November 22, 1990, section 4, <http://www.ziliaoku.org/rmrb/1990-11-22-4>, accessed August 19, 2017.

China Sea and began to plan for drilling oil and gas in the Spratlys.⁶⁹ 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.⁷⁰ 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.⁷¹ 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.⁷² 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.⁷³ 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.⁷⁴ 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.

⁷⁰ *People's Daily*, July 17, 1992, section 1, <http://www.ziliaoku.org/rmrb/1992-07-17-1#900545>, accessed August 19, 2017.

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*.

⁷² *People's Daily*, June 17, 1994, section 4, <http://www.ziliaoku.org/rmrb/1994-06-17-4#967214>, accessed August 19, 2017.

⁷³ *People's Daily*, September 9, 1994, section 2, <http://www.ziliaoku.org/rmrb/1994-09-09-2#941041>, accessed August 19, 2017.

⁷⁴ Sun Xiaoying, "Buzhan erzheng de heping zhanlue yu heping jie jue nansha zhengduan [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 ji 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."⁷⁵ 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.⁷⁶ Yang Yunzhong wrote in 1994 that Vietnam also attempted to internationalize the South China Sea issue through international conferences.⁷⁷

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.⁷⁸ 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.⁷⁹ 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*).⁸⁰ 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.⁸¹ 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.⁸² 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

⁷⁵ Cao Yunhua, "Nanhai zhongguo fengyu [Situation in the South China Sea]," in Asia-Pacific Office of CASS ed., *Nansha wenti yanjiu ziliao [Materials Regarding the South China Sea Issue]* (Internal Circulation: 1996), p. 38, 42-47.

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.

⁷⁹ Lu Jianren, "Nansha zhengduan ji duice [Countermeasures for the Spratly disputes]," in *ibid.*, p. 307.

⁸⁰ Research Institute of Maritime Development of the SOA, *Nanhai zhudao xueshu taolunhui lunwen xuanbian [Papers of the Seminar on Islands in the South China Sea]* (Internal publication, March 1992), p. 63.

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 2004.⁸³ 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*).⁸⁴ 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*).⁸⁵ Interviews with current government officials and government policy analysts are also in line with the above assessments.⁸⁶ 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.⁸⁷ 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.⁸⁸ For instance, China’s official defense white paper of 2010 stated that the pressure of defending national sovereignty and maritime rights increased.⁸⁹ 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*).⁹⁰ The internal NISCSS report therefore suggested that China strengthen regularized patrol of the Spratlys and

⁸³ China’s National Defense White Paper 2000; China’s National Defense White Paper 2002, http://www.mod.gov.cn/regulatory/2011-01/06/content_4617806.htm; China’s National Defense White Paper 2004, http://www.mod.gov.cn/regulatory/2011-01/06/content_4617807.htm, accessed August 19, 2017.

⁸⁴ Jia Yu et al., “Zhongguo zhoubian haiyang xingshi zongshu [China’s maritime situation in 2005 and China’s maritime situation in 2004],” in Gao Zhiguo and Zhang Haiwen eds., *Haiyang guoce wenji [Studies on National Maritime Policies]* (Beijing: Oceanic Press, 2007), p. 207, 242.

⁸⁵ NISCSS, *2003nian nanhai 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 nanhai 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.

⁸⁹ China’s National Defense White Paper 2010, http://www.mod.gov.cn/regulatory/2011-03/31/content_4617810.htm, accessed August 19, 2017.

⁹⁰ NISCSS, *2007nian nanhai diqu xingshi pinggu baogao [The 2007 Report Regarding Situation in the South China Sea]*, printed by NISCSS in 2008 for internal use, p. 4. NISCSS, *2008nian nanhai diqu xingshi pinggu baogao [The 2008 Report Regarding Situation in the South China Sea]*, printed by NISCSS in 2009 for internal use, p. 3-4.

“selectively disrupt and stop” other claimants’ actions.⁹¹ 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.⁹² 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.⁹³ 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.⁹⁴ 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 (*chaozuo*) the South China Sea issue, which would adversely affect conditions in the South China Sea.⁹⁵ 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 guore*), the internationalization of the issue, and the intervention by external actors.”⁹⁶ 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

⁹¹ NISCSS, *The 2007 Report Regarding Situation in the South China Sea*, p. 15 and 41.

⁹² Zhang Jie and Zhong Feiteng, “2010nian zhongguo zhoubian anquan xingshi yu zhongguo duice [The regional security environment in 2010 and China’s countermeasures],” in Zhang Jie and Yang Danzhi eds., *Zhongguo zhoubian anquan xingshi pinggu [Assessment of China’s Regional Security Environment]* (Hong Kong: Hong Kong Social Sciences Press, 2011), p. 7. The author of this book told me that this book was an internal circulation in China.

⁹³ CICIR, *Strategic and Security Review 2012*, p. 114-115.

⁹⁴ CASS, *Yellow Book of International Politics 2011*, p. 16; CASS, *Yellow Book of International Politics 2012*, p. 56, 62.

⁹⁵ See NISCSS, *The 2008 Report Regarding Situation in the South China Sea*, p. 11.

⁹⁶ Wang Guopei, “Jiefangjun fuzongzhang: fandui nanhaiwenti guojihua, fandui waibushili jieru [The Deputy Chief of Staff of the PLA — Against the Internationalization and Intervention by External Actors], *Dongfang zaobao [Eastern Morning Daily]*, April 28, 2010, A. 12.

used coercion to demonstrate resolve and to avoid being seen as weak.⁹⁷ 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.⁹⁸ 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.⁹⁹ Chinese coercion was thus actually a deterrence signal against any future encroachment of China’s sovereign rights in the South China Sea.¹⁰⁰ 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.¹⁰¹ China needed to increase the “cost of offense” (*weizhang chengben*) and make other states understand that China was “not weak or unconditionally accommodating” (*yiweweide qianjiu ruanruo*), which would then make them return to joint exploration.¹⁰²

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.¹⁰³ Being not “fearful enough” in the eyes of other states would only invite further damage to China’s interests.¹⁰⁴ 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-#53, 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.

¹⁰⁰ Interview KZ-#26, Nanjing, China, December 30, 2015. See also Ye Hailin, “Huangyandao shijian dui zhongguo nanhai weiquan douzheng de qishi [Lessons From the Scarborough Incident],” in Li Xiangyang eds., *Yatai diqu fazhan baogao 2013 [Annual Report on the Development of the Asian Pacific Region 2013]* (Beijing: Social Sciences Academic Press, 2013), p. 155; Zhang Jie, “Huangyandao moshi yu zhongguo haiyang weiquan zhengce dezhuaxiang [The Scarborough Model and Shifts in China’s Maritime Rights Protection],” *Dongnanya yanjiu [Southeast Asia Studies]*, No. 4 (2013).

¹⁰¹ Wang Yong, “Wei hu haiyang qianyi shiyixiang changqi de zhanlue renwu [Maritime Rights Protection is One Long-term Mission],” in Wu Shicun and Zhu Huayou eds., *Jujiao nanhai — diyuan zhengzhi, ziyuan, hangdao [Focusing on the South China Sea]* (Beijing: China Economic Publishing House, 2009), p. 160.

¹⁰² An Yingmin ed., *Jiyu nanhai zhuquan zhanlue de haiyang xingzhe guanli chuangxin [Innovation in Maritime Administration Based on the South China Sea Strategy]* (Beijing: China Economic Publishing House, 2015), p. 18, 48.

¹⁰³ Ye Hailin, “Youxian chongtu yu bufen guankong — 2014nian 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]*.

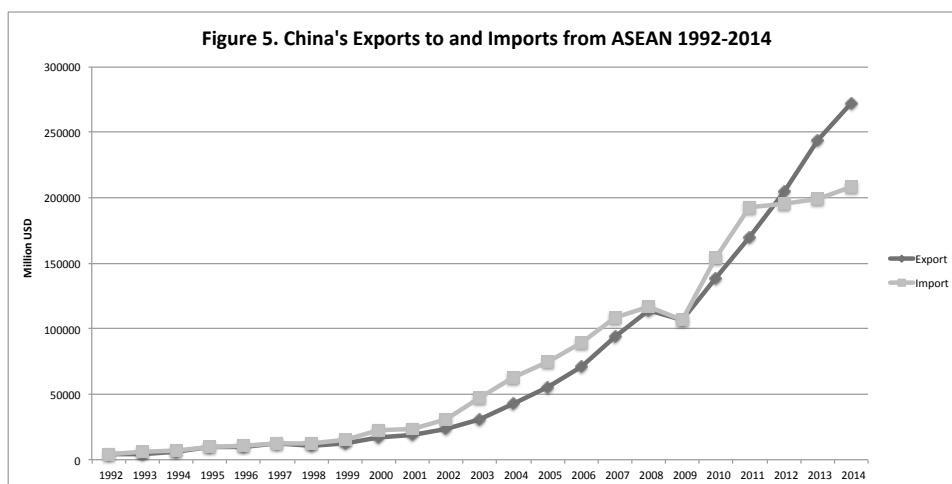
¹⁰⁴ Lu Shengjun, *Strategies of the Deep Blue — Thoughts on the Struggle Over Maritime Rights Protection*, p. 123, 138.

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.

¹⁰⁵ Data comes from *China Statistical Yearbooks*, available at China Data Online database at <http://chinadataonline.org/>, and *China Customs Data*, available in the China Premium Database at CEIC database, available at <https://www.ceicdata.com/en/products/china-economic-database>; for data from 1992 to 1996, see the official 1993 to 1998 versions of the annual *Almanac of China's Foreign Economic Relations and Trade*, compiled by the Chinese Ministry of Foreign Economics and Trade.

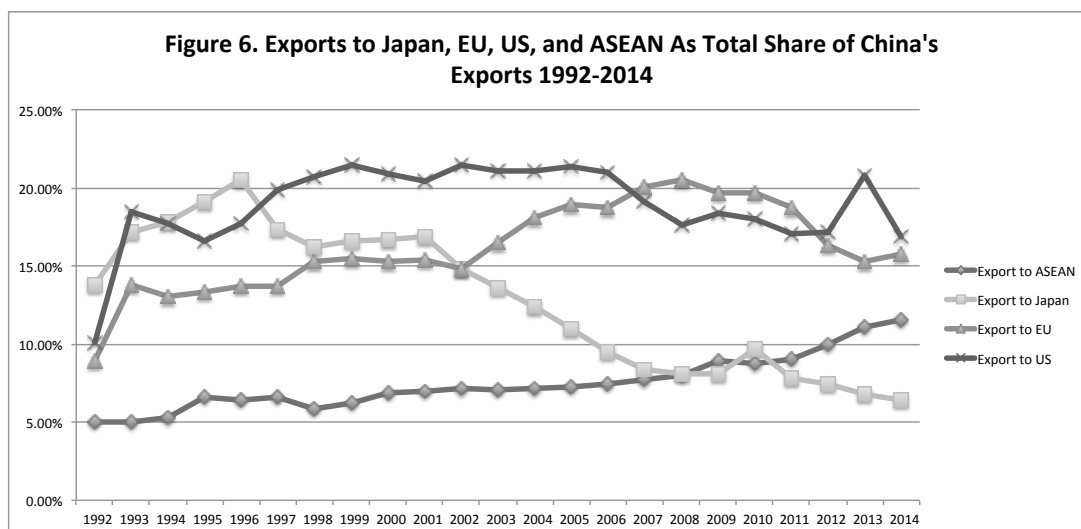
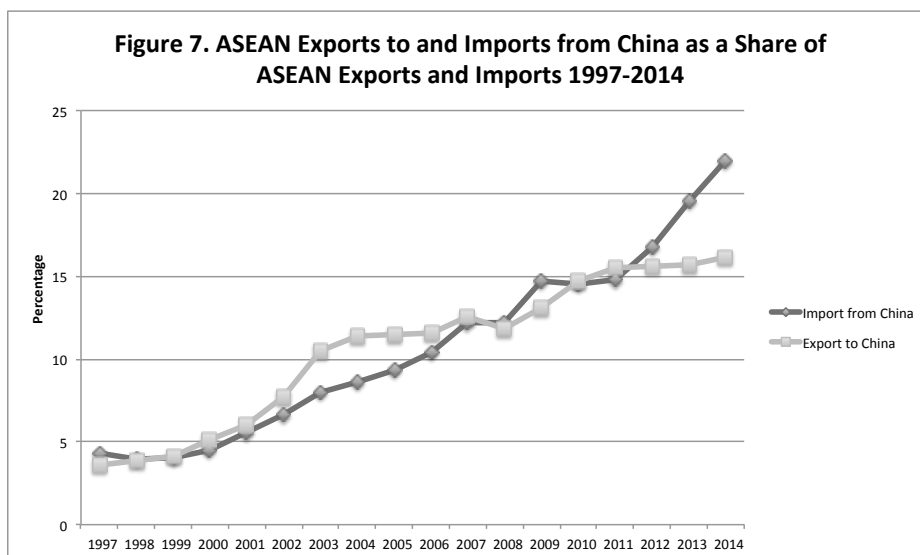


Figure 6 above indicates China's exports to ASEAN, Japan, EU, and the United States as a share of China's total exports.¹⁰⁶ It is clear that China's important export markets in the 1990s were Japan, the EU, and the United States, each taking up about 15% of Chinese exports. Even though Chinese exports 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.¹⁰⁷ 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.

¹⁰⁶ Data for total import and export comes from *China Statistical Yearbooks*, available at China Data Online database at <http://chinadataonline.org/>; data regarding ASEAN comes from *China Customs Data*, available in the China Premium Database at CEIC database, available at <https://www.ceicdata.com/en/products/china-economic-database>; for data regarding ASEAN from 1992 to 1996, see the official 1993 to 1998 versions of the annual *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.

¹⁰⁷ Data *China Customs Data*, available in the China Premium Database at CEIC database, available at <https://www.ceicdata.com/en/products/china-economic-database>. Data regarding ASEAN's total exports and imports come from the WTO's annual *International Trade Statistics*, available at https://www.wto.org/english/res_e/statistics_e/its2008_e/its2008_e.pdf, accessed August 19, 2017.



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.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.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.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

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.

¹⁰⁹ CICIR, *Strategic and Security Review 2001/2002*, p. 222.

¹¹⁰ Zhang Yunling, *Zai lixiang yu 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.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).¹¹²

One of China's economic strategies following accession to the WTO was participation in regional economic cooperation.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.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.¹¹⁵ Zhang Yunling's involvement in the negotiation process also indicated that China was aware of ASEAN's such concerns.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.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.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.¹¹⁹ In other words, China did not many exit options.

¹¹¹ *China's Foreign Affairs 2001*, p. 17.

¹¹² China's Government Work Report 2001, http://www.gov.cn/test/2006-02/16/content_201157.htm, accessed August 19, 2017.

¹¹³ Zhang Yunling, *Between Ideals and Reality: My Analysis, Participation, and Thoughts Regarding East Asian Cooperation*, p. 97.

¹¹⁴ He Xiaoqin, "Goals, Process, and Benefit Analysis Of the Sino-ASEAN FTZ," *Shijie jingji yanjiu [World Economic Research]*, Issue 6 (2003).

¹¹⁵ CICIR, *Strategic and Security Review 2002/2003*, p. 101.

¹¹⁶ Zhang Yunling, *Between Ideals and Reality: My Analysis, Participation, and Thoughts Regarding East Asian Cooperation*, p. 113.

¹¹⁷ Zhang Zhen and Peng Yun, "Shixi goujian zhongguo-dongmeng ziyou maoyiqu zhongde dongmeng yinsu [ASEAN Factors Regarding the Establishment of the Sino-ASEAN FTZ]," *Dongnanya zongheng [Around Southeast Asia]*, Issue 10 (2002).

¹¹⁸ Zhang Yunling, *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]," *Dongnanya zongheng [Around Southeast Asia]*, November 2001, p. 10; Cao Yunhua, "Zhongguo rushi dui zhongguo dui zhongguo yu dongmeng guanxi de yingxiang [China's entry into the WTO and its effects on China's relations with ASEAN]," *Dangdai yatai [Contemporary Asia-Pacific]*, No. 12 (2001), p. 43-44.

¹¹⁹ Zhang Yunling, *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.¹²⁰ Unlike the 1990s, Sino-ASEAN trade expanded rapidly in the 2000s and China needed the FTZ to maintain its market share in ASEAN.¹²¹ 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.¹²² 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.¹²³ 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.¹²⁴ 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.¹²⁵ Government policy analysts predicted in 2002 that if the ASEAN-China FTZ became successful, Chinese exports to ASEAN would increase by 55%.¹²⁶ 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.¹²⁷ An increase in exports from China's southwest would, in turn, contribute to China's developmental strategy at the time — developing the west.¹²⁸

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.¹²⁹ 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."

¹²¹ Zhang Guowang, "Zhongguo-dongmeng ziyou maoyiqi jincheng yu dongyin [Process and Motivations of the Sino-ASEAN FTZ], *Jingji yanjiu daokan [Economic Research Guide]*, Issue 22 (2013).

¹²² CICIR, *Strategic and Security Review 2001/2002*, p. 77.

¹²³ China's Government Work Report 2001.

¹²⁴ Editing committee, *Zhongguo duiwai jingji maoyi baipishu [White Paper on Foreign Trade and Economic Cooperation]* (Beijing: China Goods and Resources Press, 2002), p. 86.

¹²⁵ *Ibid.*, p. 87.

¹²⁶ Zhang Yunling, "Dongya hezuo yu zhongguo-dongmeng ziyou maoyiqi de jianyi [East-Asian Cooperation and the suggestion regarding the ASEAN-China FTZ]," *Dangdai yatai [Contemporary Asia-Pacific]*, No. 1 (2002), p. 10.

¹²⁷ He Shengda, "Zhongguo-dongmeng ziyou maoyiqi de jiangou he women mianlin de jiyu yu tiaozhan [The establishment of the ASEAN-China FTZ, challenges, and opportunities]," *Dongnanya zongheng [Around Southeast Asia]*, July 2002, p. 7.

¹²⁸ Qiao Linsheng, "Zhongguo-dongmeng ziyou maoyiqi yu riben [The ASEAN-China FTZ and Japan]," *Dongbeiya luntan [Northeast Asia Forum]*, No. 4 (November 2002), p. 13.

¹²⁹ See MOFA, <http://www.mofa.go.jp/region/asia-paci/asean/year2003/summit/action.pdf>; see also

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.¹³⁰ This logic was echoed in interviews¹³¹ 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.¹³² 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.¹³³ Several scholars also noted that because the Chinese economy was in a better shape compared to others, China believed that it could stand firm.¹³⁴ 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.¹³⁵ The 2011 government work report further stressed that China should move quickly to a developmental path that focused on "internal growth" and innovation.¹³⁶ Further, by April 2009, China had completed negotiations with ASEAN regarding all aspects of the FTZ.¹³⁷ 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.

Qiao Linsheng, "The ASEAN-China FTZ and Japan," Zhang Yuanpeng, "Lun dongya ziyoumaoyi xieding de xingqi [Regarding the emergence of East Asian FTAs]," *Shijie jingji yu zhengzhi luntan [World Economics and Politics Forum]*, No. 5 (2002), p. 35. Chinese government policy analysts were even concerned that the United States and the EU might join the race to establish FTZs with ASEAN. See Tong Fuquan, "Zhongguo-dongmeng ziyou maoyiqu gouxiang yu nanti [The construction and difficulty of the ASEAN-China FTZ]," *Guoji maoyi [International Trade]*, No. 2 (2002), p. 25.

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, *Zhuanshu 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.

¹³⁵ China's Government Work Report 2008; see also Hu Jintao, *Hu Jintao wenxuan disan juan [Hu Jintao's Selected Works Vol. 3]* (Beijing: People's Press, 2016), p. 335.

¹³⁶ China's Government Work Report 2011.

¹³⁷ Zhang Yunling ed., *Zhongguo duiwai guanxi: huigu yu sikao [China's Foreign Relations]* (Beijing: Social Sciences Academic Press, 2009), p. 222.

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 2. Official Assessments

Year	<i>MFA Annual China's Foreign Affairs Assessment on the International Situation</i>	<i>MFA Annual China's Foreign Affairs Assessment on the United States</i>	<i>U.S. National Security Strategy</i>
1990 ¹³⁸	<p>The trend of multipolarity is developing. <u>The Soviet Union is in decline, so is U.S. influence.</u></p> <p>Sino-U.S. relations are gradually recovering, so are China's relations with Western countries.</p>	<p>The United States still maintains a status-quo policy in the Asia-Pacific.</p>	<p>Neither East Asia nor Southeast Asia was mentioned in the "Interests and Objectives" section; in contrast, NATO allies were emphasized.</p> <p>U.S. relations with the Soviet Union retain a <u>"strategic priority."</u></p>
1991	<p>The world is <u>moving fast</u> towards multipolarity. U.S. power is reduced. China's relations with Western countries have shown a marked improvement.</p>	<p><u>U.S. power declined.</u></p> <p>The former Soviet Union's plans to withdraw from Mongolia and the Cam Ram Bay are in near completion.</p> <p>The United States reduced its troops in Korea and Japan and began to close military bases in the Philippines.</p>	<p>Neither East Asia nor Southeast Asia was mentioned in the "Interests and Objectives" section; in contrast, NATO allies were emphasized.</p> <p><u>"It is Europe more than any other area that has held the key to the global balance in this century."</u></p>
1992	<p>The influence of the United States as the only superpower <u>is waning.</u></p> <p>China's relations with Western countries <u>have further recovered and improved.</u></p>	<p><u>U.S. influence as the only superpower declines.</u></p> <p>The United States made adjustments to its Asia-Pacific Policy. In 1992, it withdrew from the Subic naval base in the Philippines.</p>	<p>No document produced.</p>
1993	<p>The trend towards multipolarity is <u>in rapid development.</u></p> <p>China's relations with Western countries witnessed new progress.</p>		<p>The economic rise of Germany and Japan is a concern and challenge.</p> <p>The United States reduces significantly: by almost a quarter, to their lowest level since before the Korean war.</p>

¹³⁸ This is the 1991 MFA book assessing the situation in prior years.

1994	The trend towards multipolarity is <u>progressing quickly</u> . Sino-EU relations have made significant improvements.	<u>The United States had increasing difficulty in exercising its hegemony.</u>	Economic imbalance vis-à-vis Japan is a concern. <u>European stability is vital to U.S. security.</u> "East Asia is a region of growing importance for U.S. security."
1995	The trend towards multipolarity is <u>progressing quickly</u> .	<u>The United States had increasing difficulty in exercising its hegemony.</u>	Economic imbalance vis-à-vis Japan is a concern. <u>European stability is vital to U.S. security.</u> "East Asia is a region of growing importance for U.S. security and prosperity."
1996	The trend towards multipolarity further develops.	<u>Europe is U.S. strategic priority.</u>	<u>European stability is vital to U.S. security.</u> "East Asia is a region of growing importance for U.S. security and prosperity."
1997	The trend towards multipolarity is <u>developing rapidly and is unstoppable.</u>	<u>Europe is still U.S. strategic priority.</u>	<u>European stability is vital to U.S. security.</u> We seek to cement America's role as a stabilizing force in a more integrated Asia Pacific region.
1998	The trend towards multipolarity further develops.	<u>Europe is still U.S. strategic priority.</u> The United States hopes that the Philippines will ratify the visiting troops agreement soon.	<u>European stability is vital to U.S. security.</u> We seek to cement America's role as a stabilizing force in a more integrated Asia Pacific region.
1999	The trend towards multipolarity <u>develops amidst obstacles.</u>	<u>Europe is still U.S. strategic priority.</u> <u>The Philippine Congress ratified the visiting troops agreement.</u>	No document produced.
2000	The trend towards multipolarity <u>develops amidst obstacles.</u>	The United States keeps strengthening its leading position in Europe <u>while increasing inputs into the Asia-Pacific</u> , including resuming military exercises with the Philippines and improving relations with Vietnam.	<u>European stability is vital to U.S. security.</u> 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.
2001	The trend towards multipolarity does not change.	The United States keeps increasing inputs in the Asia-Pacific region. <u>After the 9/11 attack, the United States strengthened relations with Japan, South Korea, and Southeast Asia for purposes of countering terrorism.</u>	European stability is vital to U.S. security. <u>First time since 1990, East Asia was also named as vital U.S. interest:</u> 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

			with Australia, Thailand, the Philippines, and Singapore; sustaining facilities access arrangements with these countries.
2002	The trend towards multipolarity <u>develops amidst obstacles.</u>	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. <u>It set up new footholds in Southeast.</u>	Focus was on terrorism. <u>Europe was no longer stated as vital interest.</u> 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.
2003	<u>Not mentioning multipolarization at all</u>	In the Asia-Pacific region, the United States increased inputs and deepened cooperation on counter terrorism, <u>viewing the Philippines and Thailand as important non-NATO allies.</u>	No document produced.
2004	The trend towards <u>multipolarity develops amidst obstacles.</u>	<u>Philippines and Thailand were awarded by the United States the status of major non-NATO allies.</u>	No document produced.
2005	<u>Not mentioning multipolarization at all</u>	The United States increased inputs in Southeast Asia, strengthening traditional alliances with the Philippines while fostering closer relations with Vietnam.	No document produced.
2006	<u>Not mentioning multipolarization at all</u>	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.
2007	The trend towards multipolarity deepens in terms of development.	The United States continued to increase inputs in Asia.	No document produced.
2008	The trend towards multipolarity deepens in terms of development.	The United States continued to increase inputs in Asia, including strengthening relations with Vietnam.	No document produced.
2009	With the global financial crisis, the international balance of power <u>is conducive to multipolarity.</u>	The United States further increased inputs in Asia, including relations with Vietnam and the Philippines.	No document produced.
2010	The trend towards multipolarity <u>is a long-term process with obstacles.</u>	The United States paid attention to the Asia-Pacific region and further increased inputs in Asia, including furthering relations with Vietnam and the Philippines.	
2011	The trend towards multipolarity is a long-term process with obstacles.	The United States made a high profile involvement in Asia, strengthening relations with	No document produced.

		Japan and the Philippines.	
2012	<u>Not mentioning multipolarization at all</u>	The United States continued to strengthen relations with Southeast Asian countries such as the Philippines and Vietnam.	No document produced.
2013	The trend towards multipolarity is clear	The United States continued to strengthen relations with the Philippines, increasing troops in rotation there.	No document produced.

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

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 Overview* 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

¹⁴⁰ China's Government Work Report 1993 from the State Council, http://www.gov.cn/test/2006-02/16/content_200926.htm, accessed August 20, 2017. I have gathered the government work reports from 1990 to 2016.

¹⁴¹ *China's Foreign Affairs Overview 1994*.

¹⁴² China's Government Work Report 1990, http://www.gov.cn/test/2006-02/16/content_200883.htm, accessed August 20, 2017, and *China's Foreign Affairs Overview 1990*.

¹⁴³ *China's Foreign Affairs Overview 1992*, p. 12.

¹⁴⁴ China's Government Work Report 1993.

¹⁴⁵ William T Tow and Douglas Stuart, *The New US Strategy Towards Asia: Adapting to the American Pivot* (New York: Routledge, 2014), p. 35.

¹⁴⁶ *China's Foreign Affairs Overview 1992*, p. 33.

¹⁴⁷ *China's Foreign Affairs Overview 1993*, p. 27.

¹⁴⁸ Pages 549, 540, 432, and 471 of China's Foreign Affairs 1997, 1998, 1999, and 2000, respectively.

¹⁴⁹ For China's biannual defense white papers, see China's National Defense White Paper 2000, http://www.mod.gov.cn/regulatory/2011-01/07/content_4617805.htm; China's National Defense 1998, http://www.gov.cn/zwzgk/2005-05/26/content_1107.htm, accessed August 20, 2017.

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

¹⁵⁰ “Agreement Between the United States of America and the Philippines,” Signed at Manila, October 9, 1998, p. 4, <http://www.state.gov/documents/organization/107852.pdf>, accessed February 24, 2016.

¹⁵¹ *China's Foreign Affairs 2001*, p. 449-454.

¹⁵² *China's Foreign Affairs 2002*.

¹⁵³ *China's Foreign Affairs 2004*, p. 15; *China's Foreign Affairs 2005*, p. 2.

¹⁵⁴ China's National Defense White Paper 2000; China's National Defense White Paper 2002; China's National Defense White Paper 2004.

¹⁵⁵ China's National Defense White Paper 2008, http://www.mod.gov.cn/regulatory/2011-01/06/content_4617809.htm; China's National Defense White Paper 2010; China's National Defense White Paper 2013, http://www.mod.gov.cn/regulatory/2013-04/16/content_4617811_2.htm; China's National Defense White Paper 2015, http://www.mod.gov.cn/regulatory/2015-05/26/content_4617812.htm, accessed August 20, 2017.

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.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.¹⁵⁷ The U.S. withdrawal provided a “geopolitical power vacuum” for China.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.¹⁵⁹ This report added that as long as Chinese coercion was restrained, China would be able to maintain normal relations with ASEAN countries.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.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.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.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.¹⁶⁴ This report added that the U.S. frontline of counterterrorism overlapped with “the circle of U.S. containment,” emphasizing that the vacuum

¹⁵⁶ 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.

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

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

¹⁵⁹ Lu Jianren, “Countermeasures for the Spratly disputes,” in Asia-Pacific Office of CASS ed., *Materials Regarding the South China Sea Issue*, p. 308.

¹⁶⁰ *Ibid.*

¹⁶¹ CICIR, *Guoji zhanlue yu anquan xingshi pinggu [Strategic and Security Review 2001/2002]* (Beijing: Shishi Press, 2002), p. 27.

¹⁶² *Ibid.*, p. 28.

¹⁶³ *Ibid.*, p. 222.

¹⁶⁴ CICIR, *Strategic and Security Review 2002/2003*, p. 115.

the United States left was filled again.¹⁶⁵ CICIR's assessments were joined by similar assessments from CASS, the AMS, and the CIIS.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.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.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.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."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.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.¹⁷² These internal reports advised restraint and cooperation to prevent an ASEAN that would be united against China, despite

¹⁶⁵ *Ibid.*, p. 266.

¹⁶⁶ See, for example, CASS, *2003nian guoji xingshi huangpishu [2003 Yellow Book of International Politics]* (Beijing: Social Sciences Academic Press, 2003), p. 102-104; AMS, *20003nian ban zhanlue pinggu [2003 Strategic Assessment]* (Beijing: Academy of Military Sciences Press, 2004), p. 12-22, 168; AMS, *2006 Strategic Assessment*, p. 1; CASS, *2005 Yellow Book of International Politics*, p. 19; CIIS, *2005/2006nian guoji xingshi he zhongguo waijiao lanpishu [2005/2006 Bluebook of International Situation and China's Foreign Affairs]* (Beijing: Contemporary World Press, 2006), p. 16, 28.

¹⁶⁷ CICIR, *Annual Strategic and Security Review 2010*, p. 191; CICIR, *Annual Strategic and Security Review 2012*, p. 13; CASS, *Yellow Book of International Politics 2011*, p. 17; CIIS, *The International Situation and China's Foreign Affairs 2008*; CIIS, *The International Situation and China's Foreign Affairs 2010*; CIIS, *The International Situation and China's Foreign Affairs 2011*; CIIS, *The International Situation and China's Foreign Affairs 2012*.

¹⁶⁸ Zhang Jie and Zhong Feiteng, "The regional security environment in 2010 and China's countermeasures," p. 1, 4.

¹⁶⁹ Zhang Jie and Zhong Feiteng eds., *2012nian Zhongguo zhoubian anquan xingshi pinggu [The 2012 Assessment of China's Regional Security Environment]* (Beijing: Social Sciences Academic Press, 2012), p. 4. This book was printed in January 2012. See also, CIIS, *The International Situation and China's Foreign Affairs 2008*; CIIS, *The International Situation and China's Foreign Affairs 2010*; CIIS, *The International Situation and China's Foreign Affairs 2011*; CIIS, *The International Situation and China's Foreign Affairs 2012*; NISCSS, *The 2009 Report Regarding Situation in the South China Sea*, p. 52.

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.

¹⁷¹ NISCSS, *The 2003 Report Regarding Situation in the South China Sea*, p. 13.

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.¹⁷³ Chinese foreign policy seemed to have become more aggressive after Mao Zedong assumed more power starting from the late 1950s.¹⁷⁴

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 3. Speeches of Chinese Leaders in the Post-Cold War Period

Leader	Time of Speech	Content of Speech
Deng Xiaoping	1992.1.18-2.21 ¹⁷⁵	The key is economic development.
Jiang Zemin	1992.10.12 ¹⁷⁶	The Party should continue to uphold economic development as the focus.
	1993.1.13 ¹⁷⁷	We need to concentrate our effort into developing our national economy.
	1993.7.12 ¹⁷⁸	The fundamental purpose of foreign policy is to serve economic development.
	1998.12.18 ¹⁷⁹	Economic development as the focus should not be forsaken.
	2000.10.11 ¹⁸⁰	Our important lesson is that regardless of what happens and as long as it is not large-scale invasion, we must always uphold economic development as the focus.
	2002.2.25 ¹⁸¹	Uphold economic development as the focus. Development is the way to go.
	2002.10.14 ¹⁸²	Nowadays, many leaders of developing countries have realized that economic and

¹⁷³ Jian Chen, *China's Road to the Korean War: The Making of the Sino-American Confrontation* (New York: Columbia University Press, 1994).

¹⁷⁴ For specific data, see Alastair Iain Johnston, "China's Militarized Interstate Dispute Behavior 1949-1992: A First Cut at the Data," *The China Quarterly*, No. 153 (March 1998), p. 1-30.

¹⁷⁵ "Deng's main talking points while in Wuchang, Shenzhen, Zhuhai, and Shanghai," in *Deng Xiaoping Wenxuan [Selected Works of Deng Xiaoping]*, Vol. 3 (Beijing: People's Press, 1994), p. 375.

¹⁷⁶ Jiang Zemin's report during the 14th Party Congress, in *Jiang Zemin Wenxuan [Selected Works of Jiang Zemin]*, Vol. 1 (Beijing: People's Press, 2006), p. 217.

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.

¹⁷⁹ *Ibid.*, p. 253.

¹⁸⁰ Jiang's speech during the fifth plenum of the 15th Party Congress, in *Selected Works of Jiang Zemin*, Vol. 3, p. 118, 124.

¹⁸¹ *Ibid.*, p. 444.

		social development is the first and foremost mission for regime legitimacy.
	2002.11.8 ¹⁸³	The fundamental is to uphold economic development as the focus.
Hu Jintao	2000.7.24 ¹⁸⁴	Prioritizing the economy and focusing on development is a worldwide trend.
	2002.9.2 ¹⁸⁵	Development is the first priority for Party legitimacy and national development and development here means economic development as the focus.
	2003.8.25 ¹⁸⁶	We must keep development as the first priority for Party legitimacy and national development. The fundamental mission for foreign policy is to serve development.
	2006.8.20 ¹⁸⁷	Foreign affairs conduct must uphold economic development as the focus. Development is the foundation for security.
	2007.3.2 ¹⁸⁸	We must keep development as the first priority for Party legitimacy and national development. We must uphold economic development as the focus.
	2008.9.19 ¹⁸⁹	We should further keep development as the first priority for Party legitimacy.
	2009.7.17 ¹⁹⁰	We must resolutely uphold economic development as the focus.
Xi Jinping	Post-2012 ¹⁹¹	We must always uphold economic development as the focus.
	Post-2012 ¹⁹²	We must keep development as the first priority for Party legitimacy.
	2012.11.17 ¹⁹³	We must uphold economic development as the focus.
	2013.3.27 ¹⁹⁴	We will continue to keep economic development as the focus.

Result: Temporal Variation of Chinese Coercion and Choices of Coercive Tools

Table 4. Cost Balancing and China's Use of Coercion

	Credibility Benefit	Costs		Coercion Used or Not
		Geopolitical Backlash Cost	Economic Vulnerability Cost	
1990-1999	High	Low	Low	Yes (some of which militarized)
2000-2006	Low	High	High	No
2007-present	High	High	Low	Yes (no militarized coercion)

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.¹⁹⁵ 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.

¹⁸⁴ Hu's speech when visiting Indonesia, in *Hu Jintao Wenxuan [Selected Works of Hu Jintao]*, Vol. 1 (Beijing: People's Press, 2016), p. 450.

¹⁸⁵ *Ibid.*, p. 556, 559.

¹⁸⁶ During a symposium with foreign diplomats, in *Selected Works of Hu Jintao*, Vol. 2, p. 87.

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.

¹⁹¹ Xi's speech, <http://theory.people.com.cn/n1/2016/0422/c40531-28296007.html>, accessed August 20, 2017.

¹⁹² Xi's speech, <http://theory.people.com.cn/n1/2016/0503/c40531-28319669.html>, accessed August 20, 2017.

¹⁹³ *Xi Jinping: Xi Jinping tan zhiguo lizheng [On Governance]* (Beijing: Foreign Languages Press, 2014), p. 11.

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

¹⁹⁶ CIMA, *Zhongguo haiyang fazhan baogao 2009 [China Maritime Development Report 2009]* (Beijing: Maritime Press [Haiyang chubanshe], 2009), p. 111.

¹⁹⁷ Data comes from the annual *China Maritime Development Report* by CIMA, from the 2007 report to the 2015 report.

¹⁹⁸ Li Jinming, *Zhongguo nanhai jiangyu yanjiu [Studies Regarding China's Territory in the South China Sea]* (Harbin: Heilongjiang Education Press, 2014), p. 266.

¹⁹⁹ "Conoco Phillips and BP concerns about projects in the South China Sea," June 15, 2007, https://wikileaks.org/plusd/cables/07HANOI1119_a.html, accessed August 30, 2016.

report to the commanding center of the Chinese fishery administration.²⁰⁰ Measures such as expelling and arresting foreign ships have to be approved by the sub bureaus.²⁰¹

Interviews with scholars and former officials also indicate that the center is in control of when coercion should be used regarding maritime disputes.²⁰² For example, one scholar states that every incident involving foreign countries is reported to the center.²⁰³ 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.²⁰⁴ 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.²⁰⁵ 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.²⁰⁶ In addition, local governments such as Hainan do not have much leeway.²⁰⁷ Finally, maritime agencies follow the center, lacking the bottom-up mechanism the bureaucratic alternative suggests.²⁰⁸

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

²⁰⁰ Li Zhujiang and Zhu Jianzhen eds., *Ocean and Fishery Emergency Administration [Haiyang yu yuye yingji guanli]* (Beijing: Oceanic Press, 2007), p. 314.

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=jg1A6HCSEdKQcDNLvkRLkaxQElyBwEaagQteISwXUlc0EIjc2BL6dD0FxnUw_jBQa9y9LpAocMb0UYlqeJPV017cDH2Xl5s-ur-PL8pQ, 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.²⁰⁹ Another reconfirms that the more recent coercion has already started since the second term of Hu.²¹⁰ Hu and Xi act similarly to establish credibility.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.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.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

²⁰⁹ Interview, KZ-#4, Beijing, September 15, 2015.

²¹⁰ Interview, KZ-#7, Beijing, September 29, 2015.

²¹¹ Interview, KZ-#8, Beijing, September 29, 2015.

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.

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 coercers.

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.²¹⁴ 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.”²¹⁵ 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.²¹⁶ 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

²¹⁴ Chalmers Johnson and E. B. Keehn, “East Asian Security: the Pentagon's Ossified Strategy,” *Foreign Affairs*, Vol. 74, No. 4 (July/August 1995), p. 111.

²¹⁵ For similar thoughts, see <http://warontherocks.com/2016/05/successful-signaling-at-scarborough-shoal/>

²¹⁶ See Akira Iriye, *The Origins of the Second World War in Asia and the Pacific* (London: Longman, 1987); Kenneth Pyle, *Japan Rising* (New York: PublicAffairs, 2007); Ian Nish, *Japanese Foreign Policy in the Interwar Period* (Westport: Praeger, 2002); Theodore S. Hamerow, *The Age of Bismarck: Documents and Interpretations* (New York: Harper & Row, 1973); Imanuel Geiss, *Germany Foreign Policy 1871-1914* (London: Routledge & Kegan Paul, 1976); Hajo Holborn, *A History of Modern Germany 1840-1945* (New York: Alfred A. Knopf, 1969); John C. G. Rohl, *Wilhelm II: The Kaiser's Personal Monarchy, 1888-1900* (Cambridge: Cambridge University Press, 2004); Prosser Gifford and W M. Roger Louis eds., *Britain and Germany in Africa: Imperial Rivalry and Colonial Rule* (New Haven: Yale University Press, 1967); Herbert Feis, *Europe, The World's Banker, 1870-1914* (New Haven: Yale University Press, 1930); Paterson et al., *American Foreign Relations: A History, Volume 1: To 1920 7th Edition* (Belmont: Wadsworth Publishing, 2009); J. Robert Moskin, *American Statecraft: The Story of The U.S. Foreign Service* (New York: St. Martin's Press, 2013); Dana Gardner Munro, *Intervention and Dollar Diplomacy in the Caribbean, 1900-1921* (Princeton: Princeton University Press, 1964); David M. Pletcher, *The Diplomacy of Involvement: American Economic Expansion Across the Pacific, 1784-1900* (Columbia: University of Missouri Press, 2001).

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.