US-CHINA RIVALRY
IN THE SOUTH CHINA SEA

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Introduction

The South China Sea disputes are multi-dimensional. One particular dimension that has had a profound impact on peace and stability in this maritime area, as well as the future trajectory of the disputes, is the strategic rivalry between China and the United States. US-China strategic rivalry has affected the positions and policies of various claimant countries, the role of the Association of Southeast Asian Nations (ASEAN) in regional security management, and the involvement of other external players in the South China Sea. US-China interactions in the South China Sea may have a significant impact on the management of various non-traditional security challenges in the area as well.

While many analysts would take the US current interventions in the South China Sea for granted, it is not the case that Washington has always wanted to play an important role in this dispute. Before the Second World War, the United States had very little interest in getting involved in the conflicts in the South China Sea. Even during the Cold War era, the US involvement in the dispute demonstrated different patterns at different times. It is in the post-Cold War era, particularly after the 2010s, that Washington began to play a much more interventionist role in the South China Sea. And, of course, the US interventions in the area were mainly targeted at China. Beijing believes that the South China Sea issue is used as a major platform by the United States as part of its containment strategy against China. US-China rivalry has become a regional geopolitical backdrop that significantly shapes the dynamics of disputes and security in the South China Sea.

This chapter addresses these questions: How did China and the United States interact in the South China Sea in historical times? What are the major sources of rivalry between the two countries in the region in the contemporary era? What major policy tools do the two powers employ to secure their respective strategic interests? What are the implications of US-China strategic rivalry for the South China Sea disputes?

Historical evolution of US-China interactions in the South China Sea

To understand the US policy in the South China Sea in the contemporary era, it is important to have a historical review of Washington’s involvement in the dispute. A brief historical
overview from the 1930s to the 1980s reveals that the US policy in the South China Sea has been closely linked to its geopolitical interests in East Asia and in the South China Sea in particular.

**US indifference towards France-China dispute in the 1930s**

In the early 1930s, China protested when the French colonial authorities in Vietnam began to occupy some islands in the South China Sea. When France consulted the American government on its annexation of these islands, the US State Department officials reportedly noted that they first heard of these islands through press reports on the French claim. The United States remained indifferent and did not make any statement in favour of either France or China.

During the Sino-French conflict, the then Filipino Senator Isabelo de los Reyes claimed that the islands occupied by France should belong to the Philippines because of geographic proximity and urged William Francis Murphy, the then American Governor-General of the Philippine Islands, to negotiate with France on this issue. Murphy requested Washington's opinion, but he did not receive any response from the Roosevelt administration. Subsequently, in reply to Reyes, the American colonial authorities claimed that the islands were excluded in the Treaty of Paris of 1898, which ended the Spanish-American war and enabled the United States to take over the colonial rule of the Philippines from Spain. The American colonial government in Manila concluded that the French occupation in the South China Sea had nothing to do with the Philippines and thus it was not a concern for the United States.

**US weak response to Japanese occupation 1938–1939**

A bigger challenge for the United States came when the Japanese began to use forceful means to expel the French forces from the Paracels and occupied those islands in November 1938 and later the Hainan Island. After the occupation, the Japanese government claimed the Paracels to be part of Japanese territory. The Japanese activities made France and Great Britain uneasy. Fearful that the Japanese occupation of the Paracels and Hainan Island may pose a threat to their colonial presence in Southeast Asia, the two countries lodged a joint protest against the Japanese government. They demanded explanations for the purposes, nature, and duration of Japanese occupation. Japan did not give them any substantive reply.

While the United States was watching closely Japan's invasion of China at that time, the Roosevelt government failed to react strongly to Japan's activities at the Paracels and Hainan Island. On 15 February 1939, the then US Secretary of State Cordell Hull asked the American ambassador in Tokyo to deliver a verbal inquiry from the US government to Japan to remind the Japanese government of the many American missionaries and other Americans working in the educational sector in Hainan. The verbal inquiry also urged Japan to inform the United States of the purposes of Japan's occupation activities because the United States and other powers had important interests in the West Pacific. In response to the moderately-toned US message, Japan explained that its occupation of the Paracels and Hainan Island was aimed at blockading mainland China and did not make any promise to protect American nationals in Hainan.

While continuing to keep an eye on Japan's moves, the United States sent a warship from Hong Kong to Hainan to inspect the situation of American nationals in Hainan. France, under the wrong assumption that Washington was going to take a tough position on Japan, took the opportunity to propose to the United States and Great Britain that the three countries...
could send warships to Hainan at the same time to exert pressure on Japan. France failed to
gain support from both Washington and London.\(^7\)

In March 1939, Japan continued to advance its military occupation to the Spratlys and
declared the area to be Japan’s territory. Japan informed American, British, and French am-
bassadors in Tokyo that it annexed these islands on the basis of Japanese nationals’ first util-
isation of these land features. Both France and Great Britain were very concerned about the
possibility of Japan using these Spratly islands as a springboard for military actions against
their colonial possessions in Southeast Asia. Senior American officials were also worried
about this new round of Japanese aggression in the South China Sea. The American am-
bassador to Japan noted in a cable to the State Department that Japan’s occupation of the
Spratlys was a brazen forceful annexation of territory.\(^8\) The US ambassador to France also
noted that Japan’s move in the Spratlys was aimed at further military expansion in South-
east Asia.\(^9\) Despite these negative assessments provided by America’s senior diplomats, the
Roosevelt government did not take any concrete action to counter Japan’s occupation of the
Spratlys. Even when France twice urged Washington to put pressure on Japan, the US State
Department claimed that it was still undertaking an investigation of the issue and refused to
make any public statement. The State Department attempted to justify its reticence on the
ground that the Spratlys, unlike Hong Kong or Indo-China, were territories under dispute.\(^10\)

Later, Washington’s position changed slightly. On 17 May 1939, the Roosevelt govern-
ment sent a diplomatic note to Japan, which emphasised that the Spratlys were disputed
between France and Japan and that the legal ground for Japan’s incorporation of these islands
as Japanese territory was questionable. The diplomatic note suggested that Japan and France
resolve the dispute through bilateral negotiations or international arbitration.\(^11\) The United
States made this position change largely because of serious warnings from France, Britain,
and the Netherlands about Japan’s upcoming military campaigns in Southeast Asia, which
would also harm American interest in the region.\(^12\) Washington did not take any further
action to help curb Japan’s expanding ambition. The American mild response to Japan’s
occupation of the islands in the South China Sea in the late 1930s was mainly a result of the
neutrality policy that the United States pursued in Asia before Japan’s surprise attack on Pearl
Harbour in 1941.

**US changing postures in the South China Sea during the Cold War era**

After the end of the Second World War, the Republic of China’s government sent warships
to the Paracels and Spratlys to occupy a few major islands in the South China Sea. Because of
the close relations between the United States and the Chiang Kai-shek government during
the Second World War, Washington did not oppose China’s actions. The founding of the
People’s Republic of China under the rule of the Chinese Communist Party marked a sig-
nificant turning point in America’s policy towards the South China Sea. In 1951, the United
States successfully managed to block any wording in the San Francisco Peace Treaty with
Japan that would allow Beijing to infer any sovereignty over the islands in the South China
Sea, despite the then Soviet Union foreign minister’s strong efforts to help China during the
drafting of the treaty.\(^13\) The peace treaty proclaimed that Japan should give up all the islands
in the South China Sea that it had occupied during the Second World War, but it did not
mention which country should take sovereignty over these islands. In the 1950s and 1960s,
the South China Sea played an important part in America’s strategy to contain China. The
US military presence and activities in the South China Sea served to block the expansion
of Chinese and Vietnamese communism in Southeast Asia and beyond. On a number of
occasions when China and South Vietnam had frictions over the Paracels, the US naval ships and planes were sent to the vicinity to help South Vietnam conduct surveillance and to deter China's military actions.\textsuperscript{14}

Washington's policy in the South China Sea dispute significantly changed again after the US-China rapprochement in the early 1970s. Soon after Nixon's visit to China in February 1972, Winston Lord, a senior member of the National Security Council, informed Chinese Ambassador to the United Nations Huang Hua that the US Department of Defense had ordered the Seventh Fleet not to get into the waters within 12 nautical miles of the Paracels.\textsuperscript{15} During the military conflict between China and South Vietnam in January 1974, the United States followed a policy of diplomatic and military non-intervention. Before the conflict broke out, Washington openly stated that the dispute should be resolved by the claimant parties themselves.\textsuperscript{16} Amid the South Vietnamese government's repeated requests for help, the Seventh Fleet was told by the US Department of Defense not to get close to the conflict area.\textsuperscript{17} The Americans did not even support South Vietnam's request for the United Nations Security Council to discuss the issue.\textsuperscript{18} While Washington did not want to get directly involved, the Seventh Fleet did provide intelligence support to South Vietnam behind the scene. Some American officials expressed regret that the dispute was resolved through military means.\textsuperscript{19}

In the 1980s, in the context of US-China quasi alliance relationship, Washington's policy in the South China Sea could be characterised as strict neutrality. America's neutral position can be seen in the case of the Sino-Vietnamese conflict in March 1988 in the Spratlys area. Both officials at the State Department and the US Pacific Command leaders stated that the United States would not take any position and had no interest to intervene in the conflict.\textsuperscript{20} It is commonly believed that the US neutral policy in the South China Sea in the 1970s and 1980s was driven by the Soviet factor, in particular Moscow’s interests in Cam Ranh Bay and Danang ports, which may complicate the security of sea lines of communication in the South China Sea.\textsuperscript{21}

It can be seen from this brief historical account that the US policy in the South China Sea has indeed been heavily shaped by its strategic interest in East Asia. Different from the US motivations, China's policy and activities in the South China Sea from the 1930s to the 1980s have perhaps been primarily driven by its understanding of sovereignty claims and nationalistic impulses.

**Intensifying US-China strategic rivalry in the contemporary era**

After the end of the Cold War and at the beginning of the 21st century, US-China geopolitical rivalry in the South China Sea dramatically increased. Such escalation of tensions can be seen in various aspects: tit-for-tat diplomatic tussle of war between the two sides, clearer and more critical views of the United States on China’s claims, increased military presence and activities of both countries in the South China Sea, and both powers' political pressures on many regional states. The intensification of US-China strategic rivalry can be attributed to many factors. The most important factor is China's rising power and all the accompanying repercussions. A stronger China finds itself increasingly less tolerable of the existence of the US geopolitical and military supremacy in East Asia, a region which many Chinese elites may consciously or unconsciously regard as China's backyard. From the Chinese perspective, the US military supremacy in the region poses a daunting challenge to China, along with many regional territorial and maritime disputes related to the East China Sea, Taiwan, and the South China Sea. The US’s strong presence in the region also significantly constrains...
China’s ambition to expand its political and security influence in the region. As a result, Beijing has many reasons to change the geopolitical status quo in the region, while the United States appears to be determined to sustain the existing US-led regional security order.

The South China Sea issue is thus placed in the centre of US-China strategic rivalry in East Asia. If Washington does not play an active interventionist role in the South China Sea, it is almost certain that the developments in this dispute will strengthen Beijing’s position, given the much weaker power of all other claimant countries in comparison to China. American inaction to the dispute or regional perception of the US’s weak response would significantly undermine the US regional security leadership role. The latter is largely buttressed by US alliances and close security partnerships with a number of regional states, strong American military deployment in the region, and the rules and norms that are advocated by Washington.

Such rivalry has been played out between the two major powers in the past two decades. The competition is most evident in the rapid catch-up of Chinese hard power versus that of the United States. To begin with, China’s defence spending increased drastically over the last two decades. Moreover, China has enhanced informatisation of its military power, defined as a force’s ability to use advanced information technology and communications systems to gain an operational advantage over an adversary. It continues to regularly restructure the armed forces by reorganising personnel, creating new institutions, and developing new weaponry including precision-guided cruise and ballistic missile systems. Going by China’s grand strategic naval vision, China would become a global sea power and hence be on par with the US military power in the region in the coming decades.

The military competition in the South China Sea is also related to the strategic nuclear deterrence between the two powers. The US Department of Defense is wary that China’s nuclear forces are undergoing major reform: expanding and diversifying its nuclear arsenal by developing nuclear theatre-range precision-strike systems capable of reaching US territory, allies, and partners as well as the US forces and bases in the region. China’s naval and air projection in the South China Sea, in the words of one analyst, is part of its bastion strategy, whereby a safe ‘bastion’ is constructed for hiding its nuclear deterrent. Through this strategy, China requires near-exclusive control of the central South China Sea, and therefore it pursues regular rejection of other claimants and outside navies. Some view this strategy as a temporary solution to combat the rivals until the People’s Liberation Army (PLA) succeeds in establishing a permanent primacy in the region.

US-China rivalry can also be easily observed in Washington’s views and actions whenever there are conflicts between China and other claimant states. From the Chinese perspective, American statements and activities in response to these conflicts all reflect the US inclination to take sides in the South China Sea dispute in favour of other claimant countries. We can take a look at a few examples. In 2012, the Philippines and China were involved in a maritime dispute for nearly two months over the Scarborough Shoal. America did not take a position on the sovereignty issue. However, the US officials maintained that the issue was of America’s national interest in peace and international law and freedom of navigation in the South China Sea. In 2014, China and Vietnam had a serious conflict over energy resources in the waters near the Paracels. A crisis situation between China and Vietnam continued for a few months after China deployed an oil rig Haiyang Shiyou 981 for exploratory drilling approximately 120 nautical miles east of Vietnam’s Ly Son Island. The United States encouraged Hanoi to pursue international arbitration. The then US Secretary of State John Kerry told his Chinese counterpart that China’s deployment of the oil rig was ‘provocative’.26
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Such skirmishes and conflicts between China and Southeast Asian claimant countries over energy resources and fishery activities were frequent in the past years. And Washington has consistently criticised China each time that China interfered in other claimant states’ energy exploitation activities in areas that Beijing claimed to enjoy certain rights.27 There are very significant legal differences between the two powers in the South China Sea. In fact, international law in the context of the South China Sea has become another battleground between Washington and Beijing. The United Nations Convention on the Law of the Sea (UNCLOS), in particular, has been used by Washington to criticise and undermine China’s claims in the region. The main target of American contestation has been the nine-dash line map that was promulgated by the Republic of China government in 1947 and accepted by the People’s Republic of China after 1949. A popular view of the nine-dash line is that it is too expansive as it overlaps with an extensive area of other regional littoral states’ exclusive economic zones.28 At the core of the US criticism of China’s claim is the historic rights within the nine-dash line that Beijing is determined to claim. Although China has not officially clarified the actual historic rights it claims in the South China Sea, many analysts believe that the claims would include fishing, navigation, and resources.29

While Chinese analysts contend that China can legally enjoy historic rights in the nine-dash line area,30 the United States has argued that international law, particularly UNCLOS, does not allow China to claim historic rights in the South China Sea. In December 2014, the US Department of State issued a report that concluded that any maritime boundary claim or historic waters/rights claim on the basis of the nine-dash line would not be supported by UNCLOS.31 Senior US political and military leaders repeatedly criticised China’s historic claims in the South China Sea.32 The United States also opposed China’s straight baseline around the Paracels.33 In the past few years, US naval ships conducted freedom of navigation operations within the baseline of the Paracels.34 Washington is worried that China may announce straight baseline claims around the Spratlys in the future.

In the past years, US officials took every opportunity to challenge China’s claim and some activities in the South China Sea from a legal perspective. The verdict by an arbitral tribunal in July 2016, a legal move launched by the Philippines under the former President Aquino III, may have now provided a powerful legal weapon for the United States to attack Beijing’s positions on the South China Sea disputes. The ruling concluded that China’s historic rights claim from the nine-dash line is not supported by UNCLOS. The verdict also stated that none of the land features in the South China Sea can be regarded as an island that is capable of generating an exclusive economic zone, and continental shelf. It is no surprise that Washington unequivocally called for all parties concerned, especially China, to respect the tribunal’s ruling.35 Beijing announced that it would not recognise, accept, and execute the ruling. Furthermore, China reaffirmed its position that it will continue to claim historic rights in the South China Sea after the tribunal’s ruling.36 The legal contention between Washington and Beijing is expected to last for decades to come.

Another major development in the South China Sea that has significantly heightened Sino-American rivalry in the region was China’s massive land reclamation activities and deployment of various military assets on the artificial islands in the Spratlys since 2014. A Pentagon report claimed that China had reclaimed about 3,200 acres of land in the South China Sea by 2016.37 China deployed paramilitary forces such as anti-ship cruise missiles and long-range surface-to-air missiles on three features of Spratly islands. In doing so, China could detect the rival claimants’ activities in the area. China’s intention to reclaim land is evident in its effort to strengthen its operational capabilities within the nine-dash line to discourage rivals from challenging its territorial claims. For China, the land construction on
its South China Sea islands and reefs is a ‘legitimate right and is purely defensive in nature’. But the United States has reacted to China’s construction activities in the South China Sea with outrage. The then US Defense Secretary Jim Mattis criticised China’s construction activities on the islands and stated that America ‘cannot and will not accept unilateral, coercive changes to the status quo’ at the Shangri-La Dialogue in 2017.

US-China rivalry in the South China Sea is likely to remain unabated in the future as strategic competition has now become a more prominent feature in the overall bilateral relations. Many political leaders, policy analysts, and opinion leaders in the United States believe that it is now the time for Washington to pursue a tougher policy towards China on potential disagreements concerning trade and investment, intellectual property rights, hi-tech industry, human rights, political influence, military power, among others. With this competitive mode set in motion in the US’s China policy, the South China Sea is likely to continue to be a focal point in US-China strategic rivalry in Asia. The two countries will continue to engage in a balance of military power game, legal contestations, and diplomatic bickering concerning the South China Sea.

**Strategic policy tools for the two titans**

Both the United States and China have employed various strategic policy tools to compete with each other in the South China Sea. These policies include regional strategic realignment, security cooperation with regional states, political engagement with ASEAN, and economic statecraft.

**Shaping regional strategic realignments**

Given the strategic, political, and economic importance of the South China Sea, Washington and Beijing sought to compete for regional geopolitical influence by employing their own bilateral and multilateral strategies to engage with regional countries. One of America’s major moves is the Indo-Pacific strategy, which is said to be President Donald Trump’s ‘Pivot to Asia’ strategy. The fact that President Trump unveiled the ‘free and open Indo-Pacific’ in Da Nang, Vietnam, at the Asia Pacific Economic Cooperation (APEC) Summit, is not a coincidence, given China’s disputes in the South China Sea, particularly with Vietnam and the Philippines. The official document of the Indo-Pacific Strategy report reassures the Asian partners the following:

> The United States, our allies, and our partners are at the forefront of preserving the free and open regional order. All nations have a shared responsibility to uphold the rules and values that underpin a free and open Indo-Pacific. We are increasing the tempo and scope of our work with allies, partners, and regional institutions such as the Association of Southeast Asian Nations (ASEAN), the Mekong states, the Pacific Island countries, and our strategic partner India to address shared challenges and advance a shared vision.

China’s strategy to reshape the regional order has been characterised by President Xi Jinping as a community with a shared future. Chinese leader Xi has utilised bilateral meetings with leaders of regional countries and various multilateral occasions to promote his vision of an Asian community of shared future. The Chinese vision of regional order emphasises the principles of mutual respect and equality and all countries, the balance between short- and
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long-term issues, coordinated governance to address regional problems, multilateralism in opposition to unilateralism and protectionism, the realisation of mutual benefit and common development of Asian countries, and common security in the region. Official Chinese media highlighted that significant progress has been made in building a regional community of shared future in trade, regional connectivity, regional multilateralism, and the establishment of regional rules.

In this competition for regional strategic realignment, Washington may have gained an upper hand marginally. The four core countries, the United States, Japan, Australia, and India, have further deepened their military and security cooperation to some extent. The idea of the Indo-Pacific has been widely accepted by many other regional states and even other external powers such as France and Great Britain. One significant development is the ASEAN’s adoption of an Outlook on the Indo-Pacific (AOIP). In contrast, China’s vision for an Asian community of shared future has not been notably accepted by political leaders in other regional countries. On the other hand, the AOIP document is carefully phrased to avoid annoying China. The document downplayed the military and security dimensions in regional cooperation across the Indo-Pacific. ASEAN, instead, emphasised economic integration in the region and the imperative of utilising existing multilateral institutions with ASEAN as the central player. The AOIP did not mention the South China Sea disputes at all.

Contentions over freedom of navigation

In retaliation for China’s land reclamation and intelligence survey activities, Washington began to intensify its Freedom of Navigation Operations (FONOPs) in the South China Sea in 2015. The US ships conducted six in 2017, five in 2018, and nine FONOPs in 2019 in the area. These FONOPs were aimed at challenging China’s requirement that ships provide notification or obtain permission before transiting through another state’s territorial sea under innocent passage. More importantly, from the US perspective, the objective of FONOPs is to oppose excessive maritime claims and conduct comprehensive, regular, and routine execution to advance the longstanding American national interest in maintaining the freedom of the seas.

In response to US FONOPs, Beijing’s statement is that it respects the freedom of navigation in the South China Sea, that it considers the US actions ‘provocative’, and vows to protect China’s sovereignty and security interests in the South China Sea. Beijing has been cautious to avoid military collision with American forces. Occasionally, Chinese countermeasures could be a challenge for America. Washington claims that on at least six occasions between 2001 and 2014, the US warships were harassed by Chinese vessels during surveillance operations in international waters in the region. In 2014 alone, People’s Liberation Army Air Forces (PLAAF) fighters performed at least five high-risk interceptions of the US surveillance aircraft around Hainan Island to prevent the US pilots from collecting intelligence. In the backdrop of a heightened trade war, in 2018, the USS Decatur ship while conducting a FONOP in the Spratlys, was forced to manoeuvre out of the way to prevent collision with a Chinese warship.

Washington’s security cooperation with regional States

Another major tool for the United States is to further enhance its security cooperation with its allies and partners in the region. The United States and the Philippines signed the Enhanced Defense Cooperation Agreement (EDCA), which was envisioned to advance the
implementation of the existing Mutual Defense Treaty (MDT) first signed in 1951. The EDCA was designed to promote interoperability, maritime capacity building, and strengthening the Philippine military for better external defence and maritime security. Washington reaffirmed its commitment to the MDT with the Philippines, providing assurances that ‘as the South China Sea is part of the Pacific, any armed attack on Philippine forces, aircraft, or public vessels in the South China Sea will trigger mutual defense obligations of MDT’.50

Washington continues to engage with Vietnam to improve its defence capabilities by providing security assistance, including unmanned aerial vehicles, T-6 trainer aircraft, a former US coast guard high endurance cutter, and small patrol boats.51 Although there are no defence treaties with Vietnam similar to that of the Philippines, the US military engages with Hanoi from time to time to advance their security cooperation. The United States held numerous annual training exchanges and activities to enhance bilateral cooperation and interoperability with the Vietnamese army and navy over the years. For instance, the United States transferred a major piece of defence equipment to Vietnam – the Coast Guard’s Hamilton-class cutter US CGC Morgenthau – in 2018 to help improve Vietnam’s security and law enforcement capabilities. That ship is now active in maritime security missions for Vietnam. America and Vietnam have begun holding joint naval exercises frequently since 2010 and have boosted their maritime ties since 2018. For the first time after the war between the two countries, a US Navy aircraft carrier arrived in the Danang, signifying the importance of Vietnam’s relationship and the US resolve to develop strong maritime and defence ties.52

The United States maintains numerous engagements with ASEAN countries, such as Thailand, Malaysia, and Singapore to enhance defence relations as well. Washington had two major maritime exercises with ASEAN: the Cooperation Readiness and Afloat (CARAT) and the Southeast Asia Cooperation Training (SEACAT) exercises. In addition to existing exercises, Washington held a multilateral maritime exercise for the first time with ASEAN countries in the Gulf of Thailand and the South China Sea in 2019. According to media sources, America issued a statement that the purpose of the five-day maritime drill was to ‘maintain maritime security, focus on prevention and pre-empt wrongdoing in the sea’.53 Additionally, to promote dialogue and strengthen cooperation to address regional security challenges facing the region, the plan of action was to implement the ASEAN-US Strategic Partnership 2016–2020.

US security strategy dovetails with regional countries’ interests. ASEAN needs to expand its military might to strengthen sovereignty and to oppose China’s land reclamation activities in the South China Sea. China claims that the projects are mainly for marine scientific research, navigation safety, and improving the living and working conditions of the stationed troops on the outposts. However, some analysts believe that China is attempting to bolster its de facto control in the U-dash line by improving its military and civilian infrastructure in the South China Sea. Militarising the islands with airfields, berthing areas, and resupply facilities would improve China’s ability to detect and challenge activities by rival claimants and also give China an advantage to maintain a more flexible coast guard presence.

**China’s security engagements with regional players**

China has engaged with ASEAN through various regional forums such as the ASEAN plus China, ASEAN Defense Ministerial Meeting-Plus, ASEAN Regional Forum (ARF), Shangri-La Dialogue, and Jakarta International Defense Dialogue. China also holds informal defence ministers’ meetings with ASEAN.
While increasing its assertiveness in the South China Sea in recent years, China also attempted to reassure littoral claimant ASEAN states. For example, immediately after the Scarborough Incident in April 2012, China agreed to implement the Declaration on the Conduct of Parties (DOC) in the South China Sea after 18 years of negotiations. The DOC guidelines were seen as mechanisms for conflict management but not for conflict resolution. Consequently, DOC failed to set guidelines to resolve the territorial claims or the maritime boundary claims related to the Scarborough Incident in 2012, for example. When the Philippines was successful in its appeal to the international tribunal to address the Scarborough Incident, China was criticised for openly rejecting the verdict. Two years later, Beijing agreed to hold consultations to accelerate the process of establishing the ‘Code of Conduct in the South China Sea (COC)’ under the framework of implementing the DOC and showing its commitment to multilateralism.

As the COC is considered a mechanism for security management and stability building in the South China Sea, it is expected to serve as a rules-based framework to promote confidence-building. Taking a step further, China set a timeline of three years to conclude the COC. The COC, unlike the previous kind of negotiations, will be China’s proposal against the 11 proposals from Southeast Asian countries. The DOC does not stipulate a non-compliance policy for unilateral actions at sea and it also lacked a legal entitlement; in contrast, the COC is designed to restrain the actions of claimant parties and to increase confidence-building measures to prevent major military conflicts that would jeopardise security environment in the South China Sea.

China believes that ASEAN would lend support to the Philippines and Vietnam in times of dispute. However, individual countries in ASEAN tend to fail to take a stronger stand against China and Beijing has taken advantage of the divides among ASEAN countries on the South China Sea issue. This divide-and-rule strategy works well for China. Through the Belt and Road Initiative (BRI) projects and infrastructure development, China managed to garner the support of Laos, Cambodia, and other ASEAN countries. While the United States explicitly aims to contain China through its Indo-Pacific strategy, China has pushed for its own strategies through the DOC. Since the 2000s, China’s key condition throughout the COC process has been the exclusion of external interference.54

Economic statecraft

Although Washington has considerable influence over ASEAN through defence and security cooperation and economic assistance, Beijing has experienced greater success by using economic assistance, foreign aid, loans and assistance, and debt relief policies. China also has a geographical and diaspora advantage in ASEAN. Since the early 2010s, China’s state-owned companies have funded dam, road, and other infrastructure projects in Southeast Asia. Moreover, China’s BRI, unveiled in 2013 by President Xi Jinping, funds huge connectivity projects that bring ASEAN closer to mainland China.

Under the broader BRI spectrum, China initiated sub-regional infrastructure initiatives such as the Lancang-Mekong Cooperation (LMC) mechanism. The LMC ropes in six Southeast Asian countries, namely Cambodia, China, Laos, Myanmar, Thailand, and Vietnam, to work closely on regional infrastructure projects. The vast economic influence is a combination of economic inducements and coercion to advance Beijing’s strategic objectives in Southeast Asia. Furthermore, the Regional Comprehensive Economic Partnership (RCEP) conclusion in 2019 reaffirmed China’s commitment to work with ASEAN to achieve a comprehensive, and mutually beneficial economic partnership agreement.
Washington has been under significant pressure to cope with China’s economic influence in Asia.\textsuperscript{55} The United States has come up with a number of economic engagement proposals in the region.\textsuperscript{56} In October 2018, the US Congress passed the Better Utilisation of Investment Leading to Development (BUILD) Act, which allowed the government to provide US$60 billion for the newly-established US International Development Finance Corp (IDFC) to support infrastructure development in Asia and Africa. American leaders and senior officials frequently mention that the new BUILD Act can be a tool to counter China’s BRI in the Indo-Pacific region.\textsuperscript{57} With strong support from Washington, the US Chamber of Commerce’s US-India Business Council (USIBC), together with the US-Japan Business Council, launched the Indo-Pacific Infrastructure Trilateral Forum to encourage the private sector in India, the United States, and Japan to invest in regional infrastructure and connectivity.\textsuperscript{58} The US government has also taken the lead to form the Blue Dot Network, which aims to ‘promote quality infrastructure investment that is open and inclusive, transparent, economically viable, financially and socially sustainable, and compliant with international standards, laws, and regulations’.\textsuperscript{59}

The regional economic power competition between China and the United States will have a significant impact on the security dynamics in the South China Sea. Some regional states, such as Cambodia and Laos, are becoming increasingly dependent on China’s economic support. It is no surprise that these countries would diplomatically support China to benefit from the latter’s security management of the South China Sea. China has become the largest trade partner for almost all regional states, making it almost impossible for ASEAN as a grouping to adopt a confrontational posture towards China. Clearly, Beijing has gotten an upper hand in the economic statecraft rivalry between China and the United States.

\section*{Conclusion}

The United States, as a non-claimant party in the South China Sea, has been involved in this regional dispute mainly because of its geopolitical interests since the 1930s. Today, the strategic drive for Washington’s involvement in the South China Sea is perhaps stronger than ever. This is mainly because of the rise of China, an emerging regional hegemon that is keen to pursue its territorial and maritime interests in Asia. The South China Sea has thus become an unfortunate battleground for US-China strategic rivalry. Washington will have high stakes for its regional security leadership role and its geopolitical presence in Asia if it appears to be weak in response to China’s activities in the South China Sea. Beijing, likewise, will also have high stakes not only for its national interests but also for its domestic politics. The two countries are locked in this great-power rivalry over supremacy in the South China Sea and the whole Asian region.

Intensified strategic competition between the two major powers has further complicated the resolution of the South China Sea disputes. Facing strategic pressures from Washington, Beijing will have a greater incentive to increase its military power in the South China Sea and to change the status quo in the dispute and expand its presence in the region in order to gain a more favourable position versus the United States. China will have less incentive to significantly amend some of its claims and positions that have been criticised as legally invalid. These Chinese policies and activities will not only further prompt the US push-back but also complicate China’s interactions with other claimant states and even non-claimant states in Southeast Asia. Trust and mutual confidence between China and Southeast Asian states could be weakened, which in turn undermines China-ASEAN security management in the South China Sea.
There are very few signs that US-China strategic rivalry in the South China Sea will decline in the future. Currently, neither Beijing nor Washington is prepared to engage in an outright military confrontation in the region. Very likely, the two powers will continue to use the same strategic policy tools against each other in the coming years. And there is unlikely to be a clear winner or loser in this strategic contestation in the coming decades.

Notes
3 Han Zhenhua, ed., Woguo nanhai zhudao shiliao huibian, [A Compilation of Historical Materials about China’s South China Sea Islands] (Beijing: Dongfang Publishing), 261.
12 Guang, supra note 2.
14 Ibid.
19 Qiu, supra note 13.
23 Mary Beth Morgan, ‘A ’World-Class’ Military: Assessing China’s Global Military Ambitions” (Testimony delivered before the U.S.-China Economic and Security Review Commission),
Mingjiang Li and Archana Atmakuri


28 Antonio Carpio, The South China Sea Dispute: Philippine Sovereign Rights and Jurisdiction in the West Philippine Sea, (Manila: Institute for Maritime and Ocean Affairs, 2017).


US-China rivalry


