

Geo-Economics or Geo-Politics? China's rise in Asia and the US

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Abstract

The geostrategic environment of Asia-Pacific region has changed from the US' dominance to now also China's increasing existence. The US strategists think that their country must have a military capability of countering and defeating an emerging competitor, which in this case is China. The US' response to China's emergence in the Pacific region has also been full of confusion. For example, in 2012, Hillary Clinton (the then Secretary of State) said, "Pacific is big enough for all of us". However, on the other hand, the US has been taking steps, militarily and otherwise, to counter China. The US has already established a military base in Darwin, Australia. Recently, the biggest trade deal, the Trans-Pacific Partnership (TPP), was reached between 12 Pacific Rim countries, including the US and Japan as the key players. China was intentionally left out of the TPP agreement. This paper focuses on the constantly changing nature of competition between the US and China in the Asia-Pacific and its impact on the overall geostrategic environment in the region.

Key Words: Trans-Pacific Partnership, Gwadar Port, Southeast Asian Nations, Asia-Pacific East Asia Summit, One Belt-One Road.

Introduction

In order to better understand the origins of geo-economics one has to look at the colonial history from 17th century onwards. Since then, it has evolved but had mainly started off with European colonial powers using military strengths in quest of resources and markets for their goods around the world.

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There are many countries that have been following or had followed “mercantilist” policies and a prominent example is that of China. The understanding of geo-economics and its application has evolved over time. In the post-Cold War era, “geopolitics was driven by ideological rather than purely economic factors”.¹ According to Leonard, due to globalization and increasing competition among economies, “the pursuit of power is as important as the pursuit of profit, with increasing state presence in economies”.² The emerging economies like India and China are actively seeking new networks for trade – both for security energy, and selling their goods – at regional levels. As it looks, it is not purely geo-economics but also involves geopolitics, as both countries use trade connectivity as tools to strengthen influence in their neighborhoods that overlap too.³

There is a predominant point of view in Pakistan that China's investment for trade corridor from the Gwadar Port is going to upscale geostrategic relations through geo-economic cooperation.⁴ Similarly, according to Kalim, the construction of Gwadar Port is crucial for Pakistan's maritime security in the Indian Ocean and Arabian Sea.⁵ Although the idea of China-Pakistan Economic Corridor was the brainchild of Beijing, Pakistan had to make that happen, especially after 2001.⁶ For Islamabad, China's investment in Gwadar is more than geo-economics – more about gaining economic and political fortunes of partnership with China for counterbalancing India's rising influence.

¹Baru, Sanjay. 2012. "Geo-economics and strategy." *Survival* 54 (3):47-58

²Leonard, Mark. 2015. *Geo-economics: seven challenges to globalization*. Geneva: *World Economic Forum*, p.4.

³Ibid.

⁴Javaid, Umbreen, and Rameesha Javaid. 2016. "Strengthening geo-strategic bond of Pakistan and China through geo-economic configuration." *Pakistan Economic and Social Review* 54 (1):123-142.

⁵Kalim, Inayat. 2016. "Gwadar Port: serving strategic interests of Pakistan." *South Asian Studies: A Research Journal of South Asian Studies* 31 (1):207-221.

⁶Cordesman, Anthony H, and Abdullah Toukan. 2014. *The Indian Ocean region: a strategic net assessment*. New York: Rowman & Littlefield.

Thus, Chaziza talked about the possibility of geo-economic and geo-strategic implications of China's economic investment following operationalization of the Gwadar Port.⁷

Often scholars claim that China's foreign policy, especially with reference to relations with developing countries, is entirely different from that of the West because of being non-manipulative. For instance, China has opted for an approach that emphasizes on creating a different kind of empire – different from that of the colonial powers of the past by focusing on development in least developed and developing countries. According to Lee, China has invested billions of dollars towards infrastructural development in countries around the world, such as Pakistan. Beijing's aid policy is also the opposite of Western countries, but has been effective in promoting China's economic and political ambitions.⁸ It is mainly through aid to countries in Asia, Africa and South America that China has been able to achieve diplomatic successes vis-à-vis global politics. For example, Beijing asked its allies to refrain from attending the Nobel Peace Prize awards ceremony for dissident Liu Xiaobo. The response was very positive for China because over 19 countries, including US allies Colombia and Egypt, joined the protest.⁹ This is troublesome for the US and its allies who still are dominating the development or donors' world.

South China Sea Dispute

There are divergent claims, some active and some passive, over five countries' jurisdiction of South China Sea. Five Southeast Asian countries, namely the Philippines, Vietnam, Brunei, Malaysia, Indonesia and Taiwan, are in dispute with China over the South China Sea. Five out of six, excluding Taiwan, are members of the Association of Southeast Asian Nations (ASEAN) and have maritime claims that overlap with each other over the issue of South China Sea.

⁷Chaziza, Mordechai. 2016. "China–Pakistan Relationship: A Game-changer for the Middle East?" *Contemporary Review of the Middle East* 3 (2):1-15.

⁸Lee, Ann. *What the US Can Learn from China: An Open-Minded Guide to Treating Our Greatest Competitor as Our Greatest Teacher*. San Francisco: Berrett-Koehler Publishers, 2012, p.174.

⁹Ibid, p.175.

There are contentious claims over the Spratly Islands, Parcel Islands, Pratas Islands, Macclesfield Bank and Scarborough Shoal. China claims almost all of the area extending closer to Indonesia. Beijing's claim is based on historical records of the Han (110AD) and Ming (1403-1433AD) Dynasties. During the Ming Dynasty in the 15th century, Chinese Navy dominated South China Sea all the way through the Indian Ocean to East Africa. Taiwan contests these claims but passively. Vietnam claims the islands of Parcel (seized by China from Vietnam in 1974) and Spratly. The Philippines, Malaysia and Brunei partially claim jurisdiction of other islands. Out of all the stakeholders, only Vietnam and the Philippines have openly been challenging China's stance on South China Sea.¹⁰

South China Sea is crucial due to its significance in sea trade. It roughly covers an area of 1.4 million square miles in the Pacific Ocean from Singapore to Malacca Straits to the Straits of Taiwan, west of the Philippines, north of Indonesia and east of Vietnam. The Straits of Malacca link the Indian Ocean to the South China Sea and the Pacific Ocean. According to an estimate, \$5.3 trillion worth of trade, including \$1.2 trillion of the US, passes through the South China Sea on annual basis.¹¹ This includes roughly half of the world's merchant fleet through the Malacca, Sunda and Lombok Straits with the majority via the South China Sea.¹² In addition, Japan and South Korea are heavily reliant on energy imports through this trade corridor. Roughly 15 million barrels of oil are transported daily through the Malacca Straits and South China Sea to East Asia and this volume is more than three times that of Suez Canal.¹³ Any disruption in trade via the South China Sea is going to have economic and political implications for the US and its key partners in the region, mainly Japan, South Korea and the Philippines.

¹⁰Tariq, Sidra. "South China Sea: A New International Hotspot." Islamabad: Institute of Regional Studies, 2014.

¹¹Glaser, Bonnie S. "Armed Clash in the South China Sea." Council on Foreign Relations, <http://www.cfr.org/world/armed-clash-south-china-sea/p27883>.

¹²Tariq, Sidra. "South China Sea: A New International Hotspot." Islamabad: Institute of Regional Studies, 2014, p.4.

¹³Snowiss, Mark. "Oil Shipments Steady as South China Sea Dispute Heats Up." Voice of America, <http://www.voanews.com/content/oil-shipments-steady-as-south-china-sea-tensions-flare/3009261.html>.

On the issue of disputes between China and several countries claiming rights over South China Sea, there are countries which are interested in India's involvement. As far as diplomatic relations with the Philippines are concerned, New Delhi has been backing Manila's position over its dispute with China on the South China Sea. Therefore, New Delhi had supported Manila's decision for approaching Permanent Court of Arbitration against Beijing in 2013.¹⁴ China had boycotted the proceedings in The Hague and rejected the decision. So far, New Delhi's approach has been cautious. Although India seems interested in exporting weapons, such as Brahmos (cruise missile), to the Philippines, it has not threatened China's interests in South China Sea by sending any ship.¹⁵ Nonetheless, India is the only other Asian country that is anywhere closer to China in terms of parity and also the country that has its own territorial dispute with China and serious concerns of Beijing's increasing support for Pakistan – India's traditional rival. Other than the Philippines, India has closer ties with Vietnam that began in Indira Gandhi's time. "Many in India regard Vietnam as an ally against China", and it shows that weaker claimants of the South China Sea are exploited by strong players, such as the US and India, for their own competition with China.¹⁶ While President of the Philippines, Rodrigo Duterte, has already given clear signals of how he wants to handle his country's internal challenges, such as war against drugs, it is important to notice a shift in policy in South China Sea.¹⁷ Duterte has agreed with his Chinese counterpart Xi Jinping to open talks on South China Sea. This of course signals a shift from the Philippines' previous policy of seeking support from external actors like the US and India on the issue.

¹⁴Parashar, Sachin. "India Backs Philippines on South China Sea Row." *The Times of India*, 15 October 2015.

¹⁵Mohan, C Raja. "Why Delhi Must Not Be at Sea." Observer Research Foundation, <http://orfonline.org/cms/sites/orfonline/modules/analysis/AnalysisDetail.html?cmaid=90323&mmacmaid=90324>.

¹⁶Buszynski, Leszek. "The South China Sea: Oil, Maritime Claims, and US - China Strategic Rivalry." *The Washington Quarterly* 35, no. 2 (2012), p.142.

¹⁷Perlez, Jane. "Rodrigo Duterte and Xi Jinping Agree to Reopen South China Sea Talks." *The New York Times*, 20 October 2016.

It is also important to notice that indirect stakeholders in the conflicts, like the US and Japan, want India's participation in Asia-Pacific rebalancing. There is a realization in Washington and Tokyo that without India the new maritime alliance will remain incomplete. Therefore, there has been joint naval exercise among India, Japan, and the US. Australia, another key player in the Asia-Pacific security and a US ally, has shown interest in participating in the joint naval exercises. Currently, India is involved in trilateral frameworks as the US-India-Japan Ministerial Trilateral and India-Japan-Australia Trilateral at the official levels.¹⁸

The intensity of the dispute continues to grow, not merely because it is at the heart of the Asia-Pacific region, but also because it has significance beyond maritime security due to being a prominent trade corridor and energy rich. It is estimated that the South China Sea has proven oil reserves of seven billion barrels and estimated 900 trillion cubic feet of natural gas.¹⁹ Therefore, for an energy deficient region, its significance has grown considerably with time. Fish is a major source of protein for countries in conflict over the South China Sea. As of 2013, one-tenth of the world's global fisheries catch was in this region and fish protein accounts for 22 percent of Asian diet. In the view of Buszynski, "had the issue remained strictly a territorial one, it could have been resolved through Chinese efforts to reach out to ASEAN and forge stronger ties with the region."²⁰ In addition, US-China rivalry has intensified tensions at regional and international levels between China and other stakeholders of the South China Sea dispute.

The US Factor

Beyond the often-publicized version of the US foreign policy that they are interested in South China Sea out of their concern for freedom of navigation, international norms and law, there are also geostrategic reasons due to which the US is engaged in direct confrontation with China.

¹⁸Pulipaka, Sanjay. "India and Vietnam: Time for Trilaterals with the Us and Japan." *The Diplomat*, 1 September 2016.

¹⁹Tariq, Sidra. "South China Sea: A New International Hotspot." Islamabad: Institute of Regional Studies, 2014, p.20.

²⁰Buszynski, Leszek. "The South China Sea: Oil, Maritime Claims, and US - China Strategic Rivalry." *The Washington Quarterly* 35, no. 2 (2012), p.139.

For understanding the US' interest in South China Sea, we need to look into the US-China rivalry in the contemporary context of Asia-Pacific. As it appears from recent moves made by both Washington and Beijing, this part of the world will continue to give boost to the competition between the US and China. The US along with its partners in the Asia-Pacific and elsewhere, mainly through cooperation in security and trade, has been trying to decrease China's influence in the Asia-Pacific.

Much to Beijing's displeasure, the Obama Administration has intensified its role in the Asia-Pacific. This can also be a response to withdrawal of troops from Iraq and drawdown in Afghanistan. This new strategy is called Obama Administration's "rebalance" towards Asia for protecting its strategic interests. While addressing the Australian Parliament in 2011, Barack Obama said that, "the United States will play a larger and long-term role in shaping this region [Asia-Pacific] and its future, by upholding core principles and in close partnership with our allies and friends".²¹ The following are the key features of the Obama Administration's "rebalance" policy towards Asia:²²

1. Troop deployment to Australia and naval deployments to Singapore, and military cooperation with the Philippines
2. Strengthening of US' military presence in East Asia
3. Membership of the East Asia Summit
4. Trans-Pacific Partnership (TPP)

The above-mentioned facets of the US' policy are assurances that were much needed and timely for the US' key allies in the region who, during the previous Bush's Administration, had felt being ignored by Washington. Other than establishing a naval base in Darwin (Australia), the US has strengthened its military ties with the Philippines and Singapore. Membership of the East Asia Summit will offer just another forum for the US to gang up with local players against the rise of China.

²¹Obama, Barack. "Remarks by President Obama to the Australian Parliament." White House, <https://www.whitehouse.gov/the-press-office/2011/11/17/remarks-president-obama-australian-parliament>.

²²Campbell, Kurt, and Brian Andrews. "Explaining the Us 'Pivot' to Asia." London: Chatham House, 2013.

It is important to mention that the Bush administration had a completely different point of multilateral initiatives in the Asia-Pacific; therefore, participation on such forums was ignored. For example, Secretary of State Condoleezza Rice had missed two of the annual meetings of the ASEAN Regional Forum (ARF), which is central to the work of ASEAN on regional security.²³ In contrast, the Obama administration decided on greater engagement and meaningful cooperation with organizations like ASEAN and APEC.

Although the Obama Administration claims this “rebalance” or “Pacific Pivot” to be a new angle in the US’ policy towards the Asia-Pacific, this is just an extension or transformation of the United States’ long-term policy. For example, a couple of other dimensions, like partnerships with India and TPP, are products of initiatives taken by the previous government of President George W. Bush.²⁴ The term “pivot” was changed by “rebalance” but that seems to have not changed the direction of the approach in Washington. Bader labels the Bush administration’s policies towards most of the Asian countries as “generally sound”, for instance relations with India moved ahead through a civil nuclear energy deal.²⁵

The Obama Administration’s “rebalance” policy is not merely a policy because many concrete steps have been taken and achievements have been made by the US since its implementation. During her first three years in office as Secretary of State, Hillary Clinton made 36 official visits to East Asia and Pacific – double than her predecessor.²⁶

²³Bader, Jeffrey A. *Obama and China's Rise: An Insider's Account of America's Asia Strategy*. Washington: Brookings Institution Press, 2012, p.2.

²⁴Manyin, Mark E, Stephen Daggett, Ben Dolven, Susan V Lawrence, Michael F Martin, Ronald O'Rourke, and Bruce Vaughn. "Pivot to the Pacific? The Obama Administration's "Rebalancing" toward Asia." Washington: Congressional Research Service, 2012.

²⁵Bader, Jeffrey A. *Obama and China's Rise: An Insider's Account of America's Asia Strategy*. Washington: Brookings Institution Press, 2012, p.1.

²⁶Manyin, Mark E, Stephen Daggett, Ben Dolven, Susan V Lawrence, Michael F Martin, Ronald O'Rourke, and Bruce Vaughn. "Pivot to the Pacific? The Obama Administration's "Rebalancing" toward Asia." Washington: Congressional Research Service, 2012, p.17.

This perhaps shows new vigor rather than a mere change of direction in any policy. During one of her visits to the Asia-Pacific, Clinton said that, "Pacific is big enough for all of us" (*The Telegraph*, 15 November 2012) – perhaps a direct message to Beijing for avoiding any direct confrontations.

There is no doubt that several US allies who have claims over the South China Sea surround China. Simultaneously, China is facing an increasing US military presence in the region. There have been several occasions of diplomatic hiccups between China and the US over the issue of what Beijing views as violation of its sovereignty by the US through its ships in the South China Sea. A recent example is that of when China declared illegal the movement of USS Lassen near disputed Spratly archipelago in October 2015.²⁷ In the present scenario, China aims for increasing economic dependence of claimant countries on China, keeping them out of any development in the disputed region, and avoiding open confrontation with the US.²⁸

In the Asia-Pacific region, there are countries that are seen as blind followers of the US, for example Japan and Australia. These two countries are labeled as not having independent foreign policies. Many others, especially the ones having grievances against China, can be put in the same category. There is a strong defense cooperation among Japan, the US and Australia, and the issue of dispute over South China Sea is often under discussion (for example, it was discussed during Japan-US-Australia Defense Ministers Meeting in May 2015). At the meeting, the representatives of the three countries expressed serious concerns vis-à-vis China's dominance of the South China Sea, as reflected in the following statement:

They also expressed their strong opposition against coercive action to unilaterally alter the status quo in the East China and South China Seas as well as their serious concern over Chinese land reclamation activities in the South China Sea.²⁹

²⁷Phillips, Tom. "Beijing Summons Us Ambassador over Warship in South China Sea." *The Guardian*, 27 October 2015.

²⁸"Stirring up the South China Sea (I): Regional Responses." Beijing: Crisis Group (CG), 2012.

"Japan Defence Focus." Tokyo: Ministry of Defense, Government of Japan (GoP), 2015, p.2.

The South China Sea is a major reason behind the military buildup in Asia. All claimants, including China, are constantly increasing their military strengths. In this arms race, the weaker parties are buying weapons from the US and other countries. For example, Indonesia is buying 20 frigates from the Netherlands.³⁰ Beijing has several facets of its maritime defence system for protecting its maritime security and economic development, and South China Sea holds a central place in that defense system. Major goals are to deter the US' naval deployment in the area and to protect crucial maritime trade routes for China. It is important to mention that an estimated 80 percent of China's oil imports pass through the Indian Ocean and the Straits of Malacca.³¹ At the same time, China is building its naval capabilities to match that of the US. It has a naval aircraft carrier, the Shi Lang, and it is constructing a 50,000-60,000 ton carrier and working on a nuclear powered carrier.³²

With increasing military capabilities in relevant countries, the growing nationalism in some countries is increasing support for tougher solutions to the dispute. This would only make agreement on solutions difficult for all stakeholders. As far as solutions are concerned, Beijing has no interest whatsoever in going for any other option than bilateral talks. On the other hand, often Vietnam and the Philippines have approached the US and ASEAN for interventions. Indonesia, a leading player in ASEAN, has also rejected China's stance that the US should not become part of this dispute.³³ However, as far as bilateral talks are concerned, no progress has been made on the issue. There seems to be some hope regarding China-Taiwan relations with talks between Chinese President Xi Jinping and Taiwanese President Ma Ying-jeou in Singapore in November 2015 (News Week, 3 November 2015). In 1993, Singapore had hosted first direct talks between China and Taiwan.

³⁰Gauba, Vaishali. "Asia Defense Spending: New Arms Race in South China Sea." CNBC, <http://www.cnbc.com/2015/05/21/asia-defense-spending-new-arms-race-in-south-china-sea.html>.

³¹Buszynski, Leszek. "The South China Sea: Oil, Maritime Claims, and US - China Strategic Rivalry." *The Washington Quarterly* 35, no. 2 (2012), p.145.

³²Ibid, p.145.

³³Ibid, p.148.

The US has strong geo-strategic interests in Asia and therefore continues to push for the solution of the dispute over South China Sea. With reference to the Philippines case at an International Tribunal in The Hague, the Chinese government for the first time appeared before the international justice system. The Tribunal overruled China's claim over most of the South China Sea. It is said that this ruling may ignite the US-China rivalry while also influencing other countries, such as Brunei, Indonesia, Malaysia, Taiwan and Vietnam, having maritime disputes with China. Beijing's response was an expected and read: "China does not accept or recognize it (judgment)".³⁴ As far as the judgment of the Tribunal is concerned, China was not the only one on the losing side, as Taiwan's claim over the Spratly Islands was also rejected.³⁵ Beijing claims that the Tribunal judgment is because of the US pressure, the country that has not signed the UN Convention on the Law of the Sea.³⁶ However, there is no doubt that the US has geo-economic and geo-political interests in Asia due to which it is going to keep supporting its key allies having claims over the South China Sea.

It seems that the US' so-called transformed approach towards Asia-Pacific is full of contradictions because whatever it has been doing is with the purpose of countering China. TPP is just another example, from which China has been intentionally left out. TPP is supposedly the biggest trade deal that has been reached after a decade of intensive negotiations among the US, Canada, and ten countries of the Asia-Pacific region.³⁷ This is considered a "giant" agreement because TPP countries are responsible for 40 percent of the world's GDP and 26 percent of the world's trade. In addition, 40 percent of US' imports and

³⁴Perlez, Jane. "Tribunal Rejects Beijing's Claims in South China Sea." *The New York Times*, 12 July 2016.

³⁵Brosnan, Erica. "Taiwan Resists Hague-Based Tribunal's South China Sea Ruling." *The Washington Times*, 14 July 2016.

³⁶Blumenthal, Daniel. "Thoughts on the Hague Tribunal's South China Sea Ruling." *Foreign Policy*, 12 July 2016.

³⁷Following countries are party to TPP: Australia, Brunei, Malaysia, New Zealand, Singapore, Vietnam, Japan and South Korea, Chile, Mexico, Canada, the US and Peru.

exports will be governed under TPP.³⁸ Nonetheless, there is a view that Australia should try to bring Indonesia and China into TPP. So far, it seems that Beijing is not disturbed by TPP because China already has bilateral trade agreements with almost all of the TPP countries; therefore, it is likely that TPP would not harm China's economic growth. While, the US is pushing for its geo-economic and geo-political objectives through TPP in the Asia Pacific, China continues to give reality to its "One Belt-One Road (OBOR)" project in Asia. According to Mendis, "since China is excluded from the TPP, one would expect antagonism rather than symbiosis between the Washington-advocated trade package and Beijing's [OBOR] strategy".³⁹ Due to China's ongoing South China Sea dispute, OBOR may lead to suspicions that Beijing is using its geopolitical influence.⁴⁰ This is not different from the US geopolitical influence in China's neighborhood.

Conclusion

In the Asia-Pacific, South China Sea has become a conflict hotspot due to overlapping claims among China, Vietnam, the Philippines, Malaysia, Brunei, Indonesia and Taiwan. Due to energy reserves and fisheries, the conflict is more than a territorial dispute and, thus, claims of all stakeholders have been intensified over the years. Due to its rivalry with China and relations with other parties in the dispute, the US has become a party to the complex South China Sea dispute. Washington's role has further increased following the Obama Administration's "rebalance" towards the Asia-Pacific policy because some stakeholders wanted to seek the US' support for countering China's influence. In the rebalancing act, there is a desire in Washington and Tokyo to involve India in the Asia-Pacific. Thus, India is part of trilateral US-Japan-India naval exercises. As of now, it appears that Washington's policy is that of countering China's rise in the Asia-Pacific and beyond, and not that of co-existence. This is clear from geo-economic and geo-political policies and projects, such as TPP, promoted by the US and its allies in Asia.

³⁸DePillis, Lydia. "Everything You Need to Know About the Trans Pacific Partnership." *The Washington Post*, 11 December 2015.

³⁹Mendis, Patrick. "When the TPP and One Belt, One Road Meet." East Asia Forum, <http://www.eastasiaforum.org/2016/04/26/when-the-tpp-and-one-belt-one-road-meet/>.

⁴⁰Campbell, Charlie. "China's Xi Jinping Talks up 'One Belt, One Road' as Keynote Project Fizzles." *Time*, 18 August 2016.