



**China and the South China Sea:
Two Faces of Power in the Rising China's
Neighborhood Policy**

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ABSTRACT

The South China Sea is subject to competing claims of sovereignty by the littoral states. Due to the number of claimants and the complexity of claims, it is called the “mother of all territorial disputes”. China is far the biggest country in the region and claims sovereignty over almost all the South China Sea. This Working Paper elaborates the claims and considers the implications for China’s neighborhood relations and the alignments in the Asia-Pacific. The focus is on two faces of power in China’s policy, military power and soft power, after China’s seizure of Mischief Reef in 1995 that upset its neighbors. China attaches great weight to developing good neighborhood relations and has become an advocate of soft power. However, when it concerns the South China Sea the soft power approach is combined with a continuing use of military power to strengthen its position. It is concluded that the two faces of power present China with new unwieldy challenges.

I. INTRODUCTION

As part of a broader study project, *Nationalism and Foreign Policy in the Rising China: the role of irredentist claims*, the aim of this *Working Paper* is to present an introduction to two faces of power in China's South China Sea policy. China regards the South China Sea as "lost territories" to be recovered like other lost territories on China's periphery. However, with China's more prominent power position in world politics, it has come to realize the multifaceted character of its power. China proclaims itself as a "responsible great power" bent on constructing a "harmonious world" through its "peaceful rise", and so it realizes the necessity of reassuring other countries, especially the United States and neighboring countries, which have claims overlapping with China's in the South China Sea (Ding, 2008). Thus, as China seeks to handle disputes over maritime boundaries with other littoral states and protect and promote its interests in the Asia-Pacific region, it has shown flexibility, for instance by suggesting "shelving the disputes and working for joint development". Attaching increased importance to good neighborhood relations and at the same time upholding its irredentist claims in the South China Sea, China applies an approach to power and influence as foreign policy means which aims both at addressing other states' fear about the impact of a stronger China and strengthening China's long-term position.

Studies of power, its sources and uses, is one of the classical subjects in international studies, actually going back to the time of Thucydides (Baldwin, 2002). Here I only consider a few aspects relevant to the subject "two faces of power in the rising China's neighborhood policy". One useful distinction, first introduced by Harvard Professor Joseph S. Nye in 1990, is between *hard*

power, i.e., military and economic might, and *soft power*, i.e., the ability to get what you want through attraction rather than through coercion or payments (Nye, 1990: 29f.). While hard power relies on the command power of tangible, material resources, soft power relies on intangible resources as culture, values, ideology, and institutions. In a later book about soft power as a means to success in world politics, Joseph Nye found that China lacked in many of the elements of soft power attraction (Nye, 2004), but already the year after he called attention to the rise of China's soft power (Nye, 2005). In 2007, Nye gave a lecture "The Rise of China's Soft Power" at Peking University, Beijing, where he elaborated that the rising of China's soft power was shown in the carrying forward of China's traditional culture, the demonstrating of China's economic achievements, and the promoting of China's international image. It was emphasized that to strengthen its soft power, China should consider opening to the world and joining more in to the global systems (Nye, 2007).

Focusing on faces of power, a related distinction is between *coercive*, *remunerative*, and *ideational* power, or "might, money and minds" as three faces of power (Lampton, 2008: 10 and 17-163). Coercive power relies on inflicting physical or psychological pain or deprivation, remunerative power is the realm of material inducement, while ideational power derives from human intellect, the creation and dissemination of knowledge and compelling ideas. Close in definition to soft power, ideational power is broader. Altogether, the different aspects of power are closely related and in empirical studies it is often difficult to apply the conceptual distinctions in a testable way. Especially notions of soft power and ideational power are ambiguous. Yet, the distinctions point to potentially

significant differences between sources of power, their uses, and further consequences. In this introduction to two faces of power in the rising China's neighborhood policy, I apply the distinction between hard power as military might and soft power as a matter of appealing to values, culture and institutions.

Among Chinese scholars, the interest for a more thorough understanding of the concept of power and its applications has increased strongly since the late 1990s. Joseph Nye's above-mentioned book, first published in 1990, was translated and published by China's *Military Translation Press* already in 1992, but Nye's approach to power analysis and his concept of soft power were not discussed in relation to China's foreign policy strategy by Chinese scholars until the late 1990s. Since then it has been the subject of several studies by Chinese researchers and various publications by China's Communist Party (CCP); actually, 'soft power' has become a buzzword in Chinese foreign policy circles (Leonhard, 2008: 93-99). Moreover, focusing on Chinese approaches to faces of power, it should be noted that the notion of soft power and related types of ideational power has been advocated by ancient Chinese philosophies and Chinese rulers for more than two millennia. To an old country, heavily influenced by Confucianism, it is natural that a state should obtain its lead status by setting an example, and so the notion of cultivating and managing soft power is not novel (Wangfa, 2007). In his masterpiece *The Art of War*, China's ancient military strategist Sun Tzu (c. 500 BC) put forward ideas close to a soft power concept, for instance that it is better to attack the enemy's mind than his fortified cities (Cho and Jeong, 2008; Ding, 2008 and 2010).

The main point of this paper is that China's overall foreign policy in the new century continues to be a version of the *Realpolitik*

nationalism which was introduced by Deng Xiaoping (1904-1997) after the "reform and opening" policy was initiated in 1979 (Lei, 2005), but within that general policy context, China has changed its preferences and strategies towards a greater reliance on multilateral approaches and soft power as a way to enhance its influence in the region (Hughes, 2006). When it comes to China's specific neighborhood policy in the South China Sea, the conclusion is more composite, however.

In Section 2, geographical dimensions of the South China Sea as an international issue are reviewed by focusing on competing claims to sovereignty by the littoral states, especially China's 'indisputable' sovereignty claim, and all the complexities which make the South China Sea deserve the label the "mother of all territorial disputes". Section 3 considers the most obvious use of military power in the post-Cold War period, namely China's seizure of the Mischief Reef in 1995 and the aftermath. Thereafter, two sections consider the changing faces of power since the late 1990s: Section 4 reviews China's new approach to multilateralism and its limits, while section 5 focuses on new combinations of hard and soft power. Finally, in section 6, I draw some tentative and preliminary conclusions about China's use of the two faces of power in its neighborhood policy, obstacles for implementing that policy, and consequences for changing alignments in the Asia-Pacific.

2. THE "MOTHER OF ALL TERRITORIAL DISPUTES": CHINA AND COMPETING CLAIMS

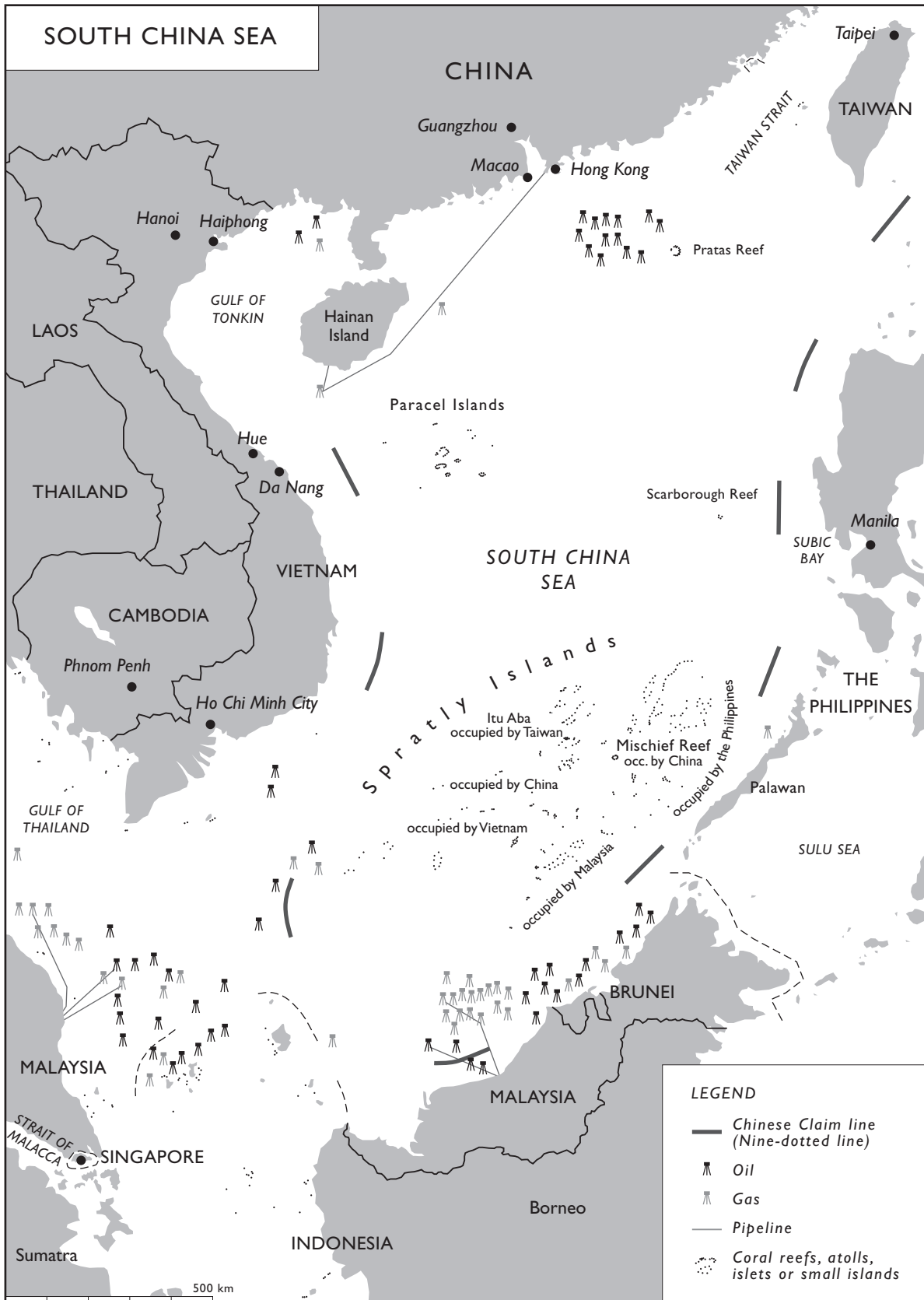
The South China Sea is a semi-enclosed sea covering an area of around 3,500,000 square kilometers, cf. the map. The area is subject to competing claims of sovereignty

by the littoral states (clockwise from north): the People's Republic of China ((PRC) or China), Taiwan, the Philippines, Malaysia, Brunei, Indonesia, Singapore, and Vietnam – countries that are vastly different from one another, in land size, population, per capita income, and political systems. Due to the number of claimants, the complexity of the claims and the wide range of interests involved, the South China Sea has been called the “mother of all territorial disputes” (Baviera, 2004: 505): Confrontations rather than cooperation marks its history and the disputes act as a major irritant in bilateral and multilateral relations in the region. In the post-Cold War era it is often believed to be one of the most volatile hot spots and the “least unlikely trigger” for inter-state war (Emmers, 2010: 241; Kivimäki, 2002: 1; Li, 2009: 151). A specific background for the competing claims is the economic value of the South China Sea which is assumed to be rich in oil, gas and sea-based minerals, but the exploitation of some of the oil and gas resources depends on the development in world prices. Moreover, the area is one of the richest fishing grounds in the world, with Chinese estimates being the highest, also as to oil, gas and mineral resources (Rosenberg, 2009; Zou, 2009). The region will probably be a centre of future economic growth in East Asia and is sometimes called a “second Persian Gulf”. There are obvious possibilities for joint development and cooperative management regimes to exploit the resources, but the many overlapping maritime claims to sovereignty throw up impediments.

Another part of the background is the geographical position of the South China Sea which makes it important not only to China as a prime sea-lane, but also to non-claimant states as the United States and Japan. To the south, the Strait of Malacca connects the

South China Sea to the Indian Ocean; to the north, the Taiwan Strait connects it to the Pacific Ocean. To the United States as the dominant Western power with a critical interest in the regional order in East Asia, the principle of freedom of navigation through all sea-lanes is all-important. In East Asia, especially Japan, but also South Korea, has a profound interest that a potentially unfriendly power does not dominate the area. More than a quarter of the world's trade traverses through the South China Sea, including 70% of Japan's energy needs and 65% of China's (Schofield, 2009: 18). The South China Sea is the world's second busiest international sea-lane and constitutes “a major communications hub” and the country that controls it will be a major maritime power in East Asia (Chang, 1998: 92). Not only Japan and other regional powers, but also the United States as the global superpower, are closely watching China's assertiveness in the South China Sea; whilst they maintain strict neutrality on the sovereignty substance of the disputes, any threat to free shipping by littoral countries, terrorists, or pirates will be met with a strong reaction, not only from America, but also from Japan (Ho, 2006; Møller, 2002).

Within the South China Sea are thousands of small islands, islets, coral reefs, and atolls. They are spread over a wide area – about 1,800 kilometers from north to south, and more than 900 kilometers from east to west. Especially two archipelagos, the Spratly Islands in the south and the Paracel Islands in the northwest, are important to understanding the peculiar geographical features of the area and the competing economic and political interests. The Spratly Islands comprise some 750 barren islets, rock formations, and outcroppings of varying size, spread over more than 425,000 square kilometers with a



total land area of less than 5 square kilometers. However, there are no native islanders. The islands are claimed by China (alongside Taiwan) and Vietnam, while the Philippines, Malaysia, and Brunei claim only certain parts of the Spratlys. As to actual country control, the pattern is extremely complicated, with no clear geographical carving-up and uncertainties as to the reliability of different accounts. However, it seems that of the about 60 islands and other features presently occupied, Vietnam controls 22, China 14, the Philippines 11, and Malaysia 10. Taiwan controls one, Itu Aba, which is the largest in the Spratly (1.4 km in length and 0.4 km in width); after having first withdrawn troops from the island in 1950, they reinstated them in 1956 (Amer, 2002; Djalal, 2009: 176). The Paracels are a smaller set of islets and sandbanks (more than 30), spread over about 15,000 square kilometers, which are claimed by China (as well as Taiwan) and Vietnam. Currently, China controls the whole Paracel archipelago (Baviera, 2004: 506; Collins, 2000: 144-47 and 2003: 189f.; Schofield, 2009; Valencia, 1995).

All claimants to the two archipelagos have adopted legislation related to their claims. Moreover, all (save Brunei) have established local sovereignty claim markers, incl. the granting of petroleum and natural gas concessions to foreign companies, in disputed ocean areas and maintain a military presence on one or more of the insular features that appear above water at high tide. The islands are small and have little value in themselves, but many still have their potential as military bases. Thus China has established bases with various electronic support systems both in the Spratly group and the Paracels which are second in importance only to Hainan Island bases on the South China coast (Ellemann, 2009: 46f.).

As the most crucial actor, China holds extensive sovereignty claims in the South China Sea. It draws a maritime boundary running southwestward from Taiwan virtually along the coasts of the Philippines, East Malaysia, and Brunei, then northward more or less along the coast of Vietnam, cf. the map (Zhao, 1999: 340 and 2004: 265). The PRC issued its first direct claim to sovereignty over the islands in 1951, following the “dotted line” found on Chinese maps dating back to 1947 and published by the Ministry of Internal Affairs of the Republic of China (Li and Li, 2003). China advances various historical evidences to support their claim to sovereignty over the Spratlys: They were the first to discover and name the islands, to develop them and the first to exercise jurisdiction over them (<http://id.china-embassy.org/eng/zxbd/nhwt/t87272.htm>). Although the South China Sea was long considered a potential trouble spot, a military clash between China and one of its neighbors did not occur until the 1970s. In 1974, China and the then South Vietnamese government clashed over the Paracels. The Chinese were already occupying the eastern part, while South Vietnam occupied the western part, and after the clash China has controlled the whole of the Paracels, even though the unified Vietnam has attempted to retake the islands. The 1974 Chinese operation was a relatively uncomplicated military maneuver that did not require deploying significant naval forces which China did not then possess, and it was relatively risk-free, as the United States was in no mood to intervene, one reason being that the US wanted some degree of Chinese cooperation over its disengagement from Vietnam and its attempts to counter the Soviet Union (Guan, 2000: 201-203). In 1988, another military clash between China and Vietnam took place, now in the western part of

the Spratlys. Seventy-two Vietnamese were killed, suggesting greater Chinese assertiveness and willingness to use force to protect its claims (Ba, 2003: 627).

A significant intensification of the Chinese territorial policy took place in 1992, when the National People's Congress promulgated a law on "Territorial Sea and the Contiguous Zone". In this law, the geographic scope of China's sovereignty claims included, among others, island groups in the South China Sea, especially the Spratly Islands, i.e. what the Chinese term the Nansha Islands, and the Paracel Islands, termed the Xisha Islands.¹ The law sparked protests from China's neighbors in South East Asia, especially Indonesia, Malaysia, the Philippines, and Vietnam; certainly, the unilateral promulgation of the law demonstrated a defiantly uncompromising stance on sovereignty and a remarkable lack of sensitivity towards the interests and anxieties of China's smaller neighbors in South East Asia (Kim, 1998; Goldstein, 2005: 110-11). A couple of years later, in 1995, it became known that China had enhanced its presence in the Mischief Reef part of the South China Sea, and during the following years the Chinese Spratly policy alternated between what may be termed "talk and take strategies" and China "capitalizing on opportunities" (Ba, 2003: 627; Guan, 2000: 202).

¹ Article 2 stated: "The territorial sea of the People's Republic of China is the sea belt adjacent to the land territory and the internal waters of the People's Republic of China. The land territory of the People's Republic of China includes the mainland of the People's Republic of China and its coastal islands; Taiwan and all islands appertaining thereto including the Diaoyu Islands; the Penghu Islands; the Dongsha Islands; the Xisha Islands; the Zhongsha Islands and the Nansha Islands; as well as all the other islands belonging to the People's Republic of China.", cf. <http://www.asianlii.org/cn/legis/cen/laws/lotprocottsatz739/>

3. THE 1995 MISCHIEF REEF SEIZURE AND ITS AFTERMATH

Like many other features in the Spratlys, Mischief Reef, the waters around that barely submerged coral reef and spit and the space above, are claimed in whole or in part by six governments – China, Taiwan, the Philippines, Vietnam, Malaysia, and Brunei. Particularly China and the Philippines have been engaged in intense rounds of diplomatic rows over the reef, as the Philippines claim 50 islands (known to Filipinos as the Kalayaans), well within their 200-mile Exclusive Economic Zone (EEZ). In early 1995, Filipino fishermen discovered that China had built wooden structures, apparently during the last half of 1994, and stationed armed vessels at Mischief Reef. Thus the Chinese seizure was an act of stealth and not one of open acquisition in the face of armed resistance from another littoral state (Leifer, 1999: 4). Anyway, the Philippines condemned the structures as inconsistent with international law and the 1992 Manila ASEAN declaration on the South China Sea which had called on all countries to use only peaceful means in resolving disputes through dialogue and diplomacy in the region.

Despite the Philippines' attempt to win sympathy for its case by expressing alarms and "sensationalizing China's creeping invasion" (Austin, 2003; Zia and Valencia, 2001), diplomacy and internationalizing the issue was the only realistic option available to the Philippines. After a few rounds of discussions between officials from China and the Philippines, a joint statement was issued in the summer of 1995 which stated that disputes should "be settled in a peaceful and friendly manner through consultations on the basis of equality and mutual respect". Moreover, efforts should be undertaken to build confidence and trust between the two countries,

and both sides should “keep an open-minded attitude on the constructive initiatives and proposals of regional states to pursue multilateral cooperation in the South China Sea at the appropriate time” (Zha and Valencia, 2001: 100). Yet, some skirmishes between vessels and warships from China and the Philippines took place during the next couple of years, but the dispute was still de-escalated and no dramatic escalation occurred (Cruz, 2007; Storey, 1999; Zha, 2001). However, in late 1998, the Mischief Reef issue came to prominence again when it was discovered that China fortified the structures on the reef, using armed military supply ships. The Manila government condemned the fortification as a violation of the 1995 joint statement which China rejected, stating that it had informed Manila of its intention to carry out the maintenance work (Storey, 1999).

China’s 1995 seizure added a new outside, i.e., Chinese, dimension to the traditional concept of national security in the Philippines which focused on internal challenges. The incident was seminal as it was the first diplomatic confrontation between the rising China and an ASEAN state over the disputed Spratly Islands and called into question the robustness of the normative framework of ASEAN and ASEAN Regional Forum (ARF) in East Asia’s security architecture. China’s seizure of Mischief Reef reinforced the view that the PRC was pursuing a policy of “creeping assertiveness”, i.e., a gradual policy of establishing a greater physical presence in the South China Sea without recourse to open military conflict. In the late 1990s, the Chinese policy had four operational strategies: (1) stating that China’s sovereignty is irrefutable and not open for negotiation, but its exact range is left undefined; (2) stating that for the time being it is prepared to shelve the sovereignty issue and work towards a peaceful resolution

of the dispute based on international law, incl. joint bilateral development of natural resources; (3) laying down territorial markers and seizing unoccupied reefs, first building structures and facilities for military personnel and later reinforcing them; (4) rejection of proposals for multilateral negotiations and preference for resolving the disputes bilaterally with other littoral states (Storey, 1999: 97f.; Tønnesson, 2000: 309).

In the aftermath of the Mischief Reef incident, a major debate evolved among concerned governments and in international research journals on whether the Chinese combination of “naval expansion and dilatory diplomacy” (Tønnesson, 2000: 311) could be seen as proof of a sinister long-term plan to establish regional hegemony. Did the building of structures on Mischief Reef in 1995 and their later expansion indicate a more powerful China’s long-term strategy of its “naval march” down the South China Sea? Outlining diverging views about the “China threat” issue and reviewing major arguments for viewing China as a threat, an Australian researcher, Denny Roy (1996), fastened not that much on intentions and sinister long-term plans, but upon more pertinent traditional patterns of “great powers behave like great powers” whose hard power have a “shadow impact” on neighbor states:

China’s... increased relative capabilities make it feasible for a rising great power to exert more control over its surroundings. ... [A]s a great power, China will behave more boldly, more inclined to force its will upon others than to consult them. ... There is no convincing reason to think China as a great power will depart from this pattern. If the opportunity arises to establish a dominant role in the region, China can be expected to

seize it. This would not necessarily involve physical conquest and occupation of neighboring states but would mean the use of various types of coercion to maintain an environment favourable to China's interests, and not necessarily to anyone else's (Roy, 1996: 761-62).

Analyzing the arguments for or against viewing China as a threat, Roy concluded (1996: 770-71) that an enmeshment strategy, rather than outright containment or appeasement strategy, was preferable in the face of uncertainty: "It neither trusts unduly in a rising major power's self-restraint, nor increases tensions hastily and unnecessarily; nor does it preclude tougher action in the future".

Before reviewing if China's South China Sea policy since then fits in with a notion that "great powers act as great powers", it has to be noted that virtually every island and reef in the South China Sea capable of supporting some kind of military presence had been occupied by littoral states in the late 1990s (Leifer, 1999: 2). Thus the scope for any further attempt by China or another littoral state to seize an unoccupied island worth holding has simply disappeared. In many ways South China Sea disputes had de-escalated and reached a stalemate at the end of the 1990s.

4. THE NEW PREFERENCE FOR MULTILATERALISM AND ITS LIMITS

China was long opposed to dealing with East Asian issues in multilateral institutions and preferred bilateral negotiations with other countries in the region. For medium and smaller countries, however, the establishment of multilateral regional institutions as the ASEAN Regional Forum (ARF) in 1994,

which had both China and the United States, other Asia-Pacific countries as Australia and Canada, as well as the European Union among its original 18 participants,² was a tool for socializing China to accept multilateralism in handling security issues in the region and involving outside powers, also in South China Sea disputes. In fact, while its policy toward ARF and other Asian multilateral institutions changed from caution and suspicion to optimism and sometimes enthusiasm (Cheng-Chwee, 2005), China strongly rejects that territorial and sovereignty issues in the South China Sea – as well as the Taiwan question – should be internationalized and considered in a multilateral forum. For China, the process of East Asian security multilateralism has become acceptable and worth trying, and sometimes the Chinese actively aspire to it, but the new preference for multilateralism is always limited by clearly reserving territorial issues for bilateral negotiations with other littoral countries. China is less interested in multilateralism than in *multipolarity*, a code word for constraining American unilateralism; otherwise expressed, the Chinese favor multilateral *diplomacy*, but they abhor any hint of common multilateral *decision making* in security affairs. The central point is that China has become not only much more active in international diplomacy, but more sophisticated and more confident when preparing and implementing its policy. That does not mean, however, that China has become kinder or gentler and ever ready to make a compromise – it has simply become smarter in pursuing its interests (Medeiros and Frankel, 2003).

Elaborating China's new approach to multilateralism within an overall *Realpolitik* nationalism, the problem for Beijing is ever: Where

² See the list in Beukel, 2008: 40.

to draw the line in the sand and how to stick to it? This is illustrated by China's behavior in relation to the neighbor states' search for a binding code of conduct on the South China Sea. After more than three years of negotiations, China and the ten ASEAN-states signed a "Declaration of conduct" in November 2002. It was the first multilateral agreement signed by China on the South China Sea and viewed in that perspective it was a sign of a new Chinese policy. On the other hand, the Philippines and Vietnam had pushed for a detailed and binding document, but China strongly rejected that idea – and succeeded. In the declaration, the parties "reaffirm their respect for and commitment to the freedom of navigation and overflight above the South China Sea" (paragraph 3). In paragraph 4, the parties undertake to "resolve their territorial and jurisdictional disputes by peaceful means, without resorting to the threat of force, through friendly consultations and negotiations". Furthermore, in paragraph 5, they undertake to:

exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability including, among others, refraining from action of inhabiting on the presently uninhabited islands, reefs, shoals, cays, and other features and to handle their differences in a constructive manner. (<http://www.aseansec.org/13163.htm>)

The last paragraph in the Declaration (paragraph 10) states that the parties "reaffirm that the adoption of a code of conduct in the South China Sea would further promote peace and stability in the region and agree to work, on the basis of consensus, towards the eventual of this objective". Here the words "on the basis of consensus" were included at

China's request. In the same way, the phrase "erection of structures" was dropped from paragraph 5 on self-restraint which the Philippines and Vietnam had sought, but China objected (Emmers, 2010: 245).

Assessing the limitations and possibilities of the multilateralism contained in the Declaration, both the negotiations and the actual content of the agreement point to several questions regarding its relevance and effectiveness. China had its way on all disputed issues in the negotiations. Moreover, after the signing ceremony China reiterated that the declaration was not designed to resolve territorial disputes in a multilateral context. Such conflicts should always be resolved through bilateral negotiations. So, the Declaration primarily has a symbolic character as *a potential normative standard* for the relations between the states around the South China Sea. This does not mean that the Declaration can simply be dismissed as being without any value. It depends upon the future behavior of the two most powerful states in the region, China and the United States. Power has different faces and sometimes the 'powerful' turn out to be powerless.

5. THE NEW SOFT POWER/HARD POWER MIXTURE

Related to the multilateralism issue is China's approach to power which has changed markedly since the mid-1990s. Already during the 1997-98 Asian financial crisis, China displayed its soft-power statecraft. As there was disappointment throughout the region with the American and Japanese responses to the crisis, China assisted the stricken Southeast Asian states by not devaluing its *yuan*, thus avoiding competitive depreciations of the region's currencies and damaging economic

consequences. The hitherto prevailing image in the region of China as either aloof or hegemonic began to be replaced by an image of China as a responsible power (Shambaugh, 2004/05: 68).

China's soft-power statecraft has since become an important part of its foreign policy vis-à-vis Southeast Asian countries as well as other developing nations in Africa and Latin America (Kurlantzick, 2006 and 2007). Thus, one observer has noted the "Great Leap Outward" of Chinese soft power (Lam, 2009). At the same time, the continuing significance of China's hard power is often mentioned as well by Chinese officials and leaders. The Chinese Ministry of Foreign Affairs reiterates, among others, mutual respect of sovereignty and territorial integrity, the peaceful resolutions of conflicts, mutual non-interference in internal affairs, and good-neighborly relations of friendship with the surrounding countries (<http://www.fmprc.gov.cn/eng/wjdt/wjzc/>) – all approaches that fit in well with 'the ASEAN way'. In 2006, President Hu Jintao stated that the increase in China's status and influence would have to be demonstrated in hard power as well as in soft power, and later the same year he declared that how to improve China's soft power through cultural development was one major practical issue facing the country (cited after Li and Worm, 2009:4). In his speech at the 17th CCP Congress in the autumn 2007, the president and party leader mentioned the concept of soft power, when he spoke about culture as a factor in overall national strength and the need for stimulating cultural activity and enhancing culture as part of the "soft power of our country" (http://news.xinhuanet.com/english/2007-10/24/content_6938749_6.htm). One indicator of China accumulating soft power is that the study of Mandarin in Southeast Asia has skyrocketed in recent years as

has the number of Confucian institutes, not only in the region but around the world; since 2005, China has announced new initiatives to boost Chinese-language teaching outside China. Also the number of students from the region studying in China has increased strongly (Cho and Jeong, 2008; Pan, 2006; Paradise, 2009). Lastly, since 1997 the Chinese government has enunciated 'a new security concept' that emphasizes the development of mutual trust, cooperation, consultation, and coordination between states, in contrast to military alliances which are seen as relics of the Cold War (Shambaugh, 2002: 292-93).

Whatever the reason, China's neighbor states in Southeast Asia have changed their fear of the prospect of China as a dominating power and have become much more willing to accommodate China as a good neighbor and a constructive partner. In the short-to-medium term, they are optimistic that a more powerful China will be a force for peace, stability and prosperity in the region, but long-term concerns remain over the impact of China's special mixture of soft power and hard power as a means for foreign policy influence (Glosny, 2006). China's successful addressing of neighbors' fears is most evident as to the Philippines which see China as clearly less threatening than in the first years after the Mischief Reef incident (Cruz, 2007; Storey, 2008b). Since the year 2000, the two states have signed a number of joint statements and agreements that contain concessions to the Philippines – concessions which China probably extended because it fears that the Philippines, along with other Southeast Asian states that were wary of China, might align with the United States against China in a Taiwan Strait crisis. China's long-term goal may be proclaiming an "Asian Monroe Doctrine" in which China's neighbors will subordinate their interests to China's and think

twice about supporting the United States in case of a threatening conflict over Taiwan (Cruz, 2007; Kurlantzick, 2006: 4).

Focusing on the South China Sea as a specific issue, military power plays a more prominent role in China's strategy. The hard power element is not an actual use of military forces to oust other littoral states from their occupations, which the Chinese have not attempted for more than twenty years. Instead they create and further strengthen all-purposes bases with electronic communications networks, structures for intelligence gathering, smaller airports, harbors, and naval supply structures on a number of strategically placed offshore islands. It is a naval strategy of exerting regional maritime control incrementally. As the PLA Navy continues to modernize and expand its fleet, it will likely increase the number of patrols in the South China Sea and its presence in disputed waters. There are still obvious shortcomings for an effective control of all Chinese maritime claims, but China seems to be pursuing a long-term strategy that will gradually allow it to overcome the shortcomings (Elleman, 2009: 55; Fravel, 2008: 316; Nødskov 2010: 33-39). This hard-power face of Chinese neighborhood policy is not visible to foreign observers in the same way as impressive charm offensives (Kurlantzick, 2007). It only becomes known when other countries' intelligence agencies opt to publish news about them. And it is always reasonable to expect that public agencies, in democratic as well as authoritarian countries, pursue own bureaucratic interests besides the public interest in more information about military and security matters.

During the latest 2-3 years, new controversies underscore the seemingly intractable nature of the South China Sea disputes and call in question the de-escalation of the conflicts since the late 1990s, particularly between

China, the Philippines, and Vietnam. The controversies concern, among others, joint explorations for oil and gas and the allowance of concessions to foreign companies in contested waters, Chinese naval patrol vessels firing on Vietnamese fishing boats, and protests from Vietnam against Chinese military exercises in the Paracels – a matter that China has considered settled since the occupation in 1974 (Schofield, 2009). In late 2007, China announced it had created a new “city” in Hainan province to administer the Paracels, the Spratlys and other Chinese claims in the South China Sea as a separate district (Elleman, 2009). It all led to anti-China student demonstrations in Hanoi and Ho Chi Minh City, accusing China of hegemonic ambitions. After the demonstrations, China and Vietnam moved quickly to stabilize relations. However, the demonstrations were probably coordinated by Vietnam's government and it is ever a dilemma for China's close neighbor to select the appropriate means to accommodate the rising China, avoiding confrontation and preserving the country's political autonomy (Storey, 2008a). Also Sino-Philippine relations have experienced a renewed rivalry in later years, particularly on joint exploration projects in disputed waters and the adoption of a new Philippine baselines act that designate territorial claims in the South China Sea which China contests (Storey, 2008b and 2009). In the Philippines, as in other smaller ASEAN countries, issues of sovereignty hit a raw nerve, particularly when China is perceived to exert undue pressure. China's obsession with sovereignty is shared by other countries in the region. For the time being, however, it seems that all countries endeavor to stop short of military clashes.

Another new development in recent years is the seemingly growing prospect for cooperation between mainland China and Taiwan

in the South China Sea. It is highly interesting that the suggested cooperation not only concerns functional areas as anti-piracy, anti-trafficking, anti-smuggling, search and rescue operations, and environmental protection. It has also been suggested that Beijing and Taipei coordinate their defense activities in the South China Sea. Actually, scholars and retired officers from both sides of the Taiwan Strait have intensified their calls for cross-strait cooperation and coordination in military matters, for instance at jointly organized academic seminars (Li, 2010). These suggestions are trial balloons, in China allowed and probably promoted by the authorities. There are several reasons to question that a substantive cooperation between the Chinese navy and Taiwan's navy is feasible in the near future, as the issue is highly sensitive on both sides of the Taiwan Strait. Still, the very appearance of such suggestions is dramatic.

6. CONCLUSIONS

The first tentative conclusion concerns the peculiar mixture of the two faces of power in China's South China Sea policy since the aftermath of the seizure of Mischief Reef. Generally, it demonstrates how activism has been balanced with caution to improve the regional environment through a steady and patient diplomacy rather than confrontation. It is a skillful soft-power policy, supplemented with a continuing hard-power drive in the South China Sea, building on a steady strengthening of the PLA Navy and incrementally increasing maritime control. China has adopted a special mixture of political and military strategies that have clear links with the Taiwan issue, which is far the most important question to China (Gupta, 2005).

It seems that China's leadership heeds Deng Xiaoping's advice for handling China's

foreign relations, propounded in the aftermath of the June 1989 crackdown (Tiananmen) when China was facing a dire international environment. Deng's statement has been translated from his *Selected Works* as roughly meaning: "calmly observe the situations; secure our footing; cope changes with confidence; conceal capacities and bide our time; skillfully keep a low profile; avoid sticking one's head out; be proactive" (Yong, 2008: 41-42).³

So far, China has been rather skilful in 'drawing the line in the sand'. However, many obstacles lie in the way of maintaining and strengthening the soft power element in China's particular 'hard power/soft power' mixture in its neighborhood policy in the South China Sea. Focusing on domestic politics, it is especially the widespread corruption, social inequities and turmoil, public health crises, outbursts of nationalism, turmoil in Tibet and Xinjiang, the Taiwan issue, and the authoritative character of the Chinese political system, particularly the censorship institution, which foreigners may face in the middle of Chinese attempts to opening to the world. Some of the obstacles are controllable by the Chinese leadership, others are beyond its reach, and despite an impressive record, also Chinese leaders may make mistakes (Ding, 2010; Wanfa, 2007: 121-23). Most serious is the possibility of a confluence of these factors, combined with a split at the very top of CCP leadership, as it happened in the spring 1989 when CCP's general secretary Zhao Ziyang was forced to resign by an informal group of party 'Elders', led by Deng Xiaoping.

³ Deng's statement has been translated slightly different by another scholar: "Adopt a sober perspective; maintain a stable posture; be composed; conserve your strength and conceal your resources; don't aspire to be head; do something eventually" (Lampton, 2008: 16). The critical point in the two translations is clearly the same.

In some respects, China possesses strong soft-power resources, in particular its long history, its culture, and the economic success of the Chinese development model. However, in other ways China can be called a “fragile superpower”, because its leaders seem to have a deep sense of domestic insecurity. Considered from that angle, the most critical issue is less an overwhelming military hard power, but primarily the leadership’s domestic insecurity, and so a defective institutional sturdiness and soft power presents the greatest challenge to the outside world (Shirk, 2007). That is the reason why the Australian researcher Denny Roy (1996), in his reasoning on the Chinese threat, as mentioned above, focused on a less critical issue: China’s increased relative hard-power capabilities. Even if he is right in concluding that there is a ‘threat’ from the rising China to the country’s neighbors, the most important problem may lie more in the leaders’ domestic insecurity than in China’s steadily increasing military capabilities. Great powers are not only great powers: The robustness of the domestic system is also important.

One part of the problem is the opaqueness of the Chinese decision-making process and the restricted public debate on foreign policy and military issues. To take one important example, the constructions on the Mischief Reef in the last half of 1994: Some researchers share the view – as Chinese officials apparently told the Philippines government – that it was undertaken by elements in the PLA Navy without the sanction of the top leadership (Guan, 2000: 206-7; Kim, 1998: 379). Other researchers, especially the late Michael Leifer, think the seizure was a “calculated act of national defiance and ... a demonstration of an unprecedented new-found strategic latitude and licence” which “almost certainly [was] decided at the highest level of the Communist Party” (1999: 3-4). Who is right? To

the author of this paper, Leifer’s view seems closer to the truth. Anyway, as added by Leifer, it was “a reef too far” for a country whose leaders again and again emphasize the importance of maintaining a stable peripheral environment to realize the all-important goal: economic growth and political stability.

The issue of China’s military transparency has been brought up frequently in bilateral meetings and multilateral forums. In recent years, China has taken steps to increase its military transparency, for instance by participating in exchange programs with foreign militaries, and since 1998 it has issued defense white papers. In May 2008, the PLA’s first spokesman debuted to brief the press on the Chinese military’s role in the rescue and relief efforts in the aftermath of the earthquake in Sichuan Province. The press briefing signified the official launch of an Information Office of the Defense Ministry in Beijing, like the Chinese Ministry of Foreign Affairs which appointed its first spokesman 25 years earlier (Li, 2008). The brief concerned the PLA’s activities in a civilian emergency and not a traditional military and security issue. Still, similar to what happened after the outbreak of SARS in 2003, the Chinese government seems to have learned that a certain degree of transparency in military affairs is needed, not only for better policy making in Beijing but also for the image of China as a responsible great power. Further progress towards greater openness depends on both international conditions and domestic developments, including opaque infighting in the Chinese security and military bureaucracy. China is highly sensitive to any ‘intrusion’ in China’s sovereignty, but sometimes progress requires that other countries are willing to run uncertain risks in the face of Chinese protests.

The other tentative conclusion relates to the changing alignments in the Asia-Pacific

after the seizure of Mischief Reef in 1995 and Chinese actions in the aftermath as the resort to military pressure against Taiwan in the summer 1995 and again in the spring 1996. These events were powerful enough to set off a chain reaction among Southeast Asian countries to reconsider their alignments, for instance for the Philippines to initiate a new cooperation agreement with American forces after they had left Subic Naval Base and Clark Air Base three years earlier. With new secondary states' alignments in East Asia and renewal of bilateral defense agreements with the United States, it became clear that a regional order was emerging which combined deterrence via US-led 'hub-and-spokes' alliance systems with cooperative multilateral institutions involving all countries concerned (Acharya, 2003 and 2007; Buszynski, 2003; Goh, 2007; Ikenberry and Matanduno, 2003; Odgaard, 2001; Ross, 2006; Yahuda, 2005). Indonesia, Malaysia, the Philippines, and Singapore reacted to the rise of China by pursuing a more active defense and security cooperation with the United States to be engaged in the region as a flexible counter-power and balancer, arranging naval visits and annual military exercises with the US navy, joint defense planning, and arms acquisitions. Individual states in Southeast Asia sought in their own distinct ways to protect themselves against domination by a strong China both by engaging China and by maintaining low-intensity balancing against it (Roy, 2005). Thus, military power and alliances, with China and the United States as the two critical powers, are at least as important in East Asia's security architecture as community- and norm-based orders (Odgaard, 2007; Beukel, 2008: 38-39). In other words: For a norm-based order between very unequal partners to work, it is necessary for the smaller countries to 'borrow' power from an outside power.

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