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US-China rivalry as a source of instability in East Asia in the 21st century

Since the beginning of the 21st century East Asia has been going through tremendous transformations. The political elites in East Asia are changing, the economic power of a number of East Asian countries is rapidly strengthening, economic integration is gaining momentum both on a bilateral basis in the form of free trade agreements, and in the form of the creation of extensive regional trade blocs. Some disturbing trends are also developing, such as the worsening of territorial disputes in the sea and on land, the militarization of the region, a new round of arms race.

One of the most important factors influencing the developments in the region since the beginning of the 21st century has been the strengthening of economic and the overall national strength of China, Beijing’s growing assertiveness in pursuing its national interests, the US's innovative "return to Asia" strategy and the ever-increasing regional rivalry between the US and China. East Asia has been turning not only into the world economic and political center of gravity, but also into the front stage of the US-China rivalry.

China’s rise that became a reality since the late 1990s has led to the growing interest of Chinese leadership in expanding its presence in the near abroad and increasing its operating capacity in other, more remote regions of the world. At the turn of the 21st century the international and regional contexts were favorable for strengthening Beijing’s diplomatic and economic positions in East Asia. First of all, China had gained enough economic power to project its influence in other countries by using trade, investments, economic and development aid. Secondly, as a result of the Asian financial crisis of 1997–1998 in which China helped many East Asian countries to overcome, China’s national image improved a lot, the image of China as a threat started to fade away. Third, as the Cold War came to an end, there appeared a power vacuum in East Asia that China started to fill. With the end of the US-Soviet Union confrontation the interest of the only remaining superpower towards East Asia weakened. Moreover, after the 9/11 attacks the major goal of American foreign policy was to fight international terrorism, and the focus of American foreign policy has turned towards the Middle East. An over decade-long American neglect to East Asia and its disengagement in regional affairs opened for China a window of opportunity to promote its presence and influence in the region.

Beijing’s expanding economic, diplomatic and military ties with East Asian countries and China’s high potential to challenge US primacy in East Asia became extremely evident at the beginning of the 21st century and raised Washington’s concerns over China’s rapid rise. These were the main reasons behind Barack Obama’s decision to move the strategic focus of American foreign policy towards the Asia-Pacific region. Other groups of reasons that motivated Washington to the so-called "pivot to Asia" or "rebalancing of Asia" is the overall transformation of the Asia-Pacific and specifically the growing role of this region in the world economy and global politics. Against this background, the main objectives of the US in the Asia-Pacific turned out to be a re-engagement in the region, to regain America's disappearing clout, an enhancement of its decrease since the end of the Cold War diplomatic, military and economic presence, and prevention of highly unfavorable for Washington scenario of China becoming a regional leader. The necessity for its broad and multifaceted re-engagement in the Asia-Pacific was understood by the George
W. Bush administration, while the corresponding foreign policy adjustments were initiated by Barack Obama in 2009. This renewed re-engagement includes strengthening treaty alliances with Japan, South Korea, the Philippines, Thailand, and Australia; establishing and deepening new partnerships with other key regional countries (especially with Vietnam, Malaysia, Indonesia, India, and Singapore); engaging with regional multilateral institutions with an emphasis on ASEAN; expanding trade and investment; and advancing democracy and human rights (particularly in Myanmar and Vietnam).¹

Having faced American renewed policy in East Asia, Beijing, for its part, is not going to step back and lose its accumulated influence and position in its near abroad where any changes directly influences China's national security. Beijing became very alarmed with American re-engagement with East Asia. Strong statements that high level American officials regularly make concerning its growing interest in the region make China particularly nervous. This nervousness grows higher given the fact that there are a lot of contradictions between the two countries that once in a while trigger a micro crisis. The main sources of US-China contradictions are divergent ideologies, value systems, political and economic models of the US and China, an expansion of China's national interests, US-China disposition as a superpower and the potential superpower, and the most important – the lack of mutual strategic trust. As a matter of fact, the American "return to Asia" strategy is seen in Beijing as aimed at containing China.

The mutual distrust between the US and China, their perceptions of bilateral relations through the lens of zero-sum game have led to the high intensity and rivalry between the two countries in East Asia. At the current stage this rivalry has two dimensions: competition for the dominance of regional economic integration models, and rivalry in the political and military domain.

**US-China “soft” competition in East Asia**

The first dimension of the US-China regional rivalry, that is “soft” in nature, is the competition between the two countries for the dominance of regional economic integration models. In light of progressing regional economic integration in the Asia-Pacific, one of the main tasks for both the US and China within the major goal of spreading regional influence is assuming the leadership role in booming regional economic integration processes. For both countries it is critically important to take an upper hand in shaping the future trade and economic architecture of East Asia and in formulating regional norms and rules that East Asian countries will abide in trade and investment areas in future.

At present Asia is at the critical period when its economic architecture is taking shape. Asia is at the forefront of global free trade agreements activity. Despite the fact that Asia had a relatively late start in using FTAs as a trade policy instrument, the number of FTAs concluded in Asia increased dramatically in the years 2000-2013 from three to 76.² Moreover, for many years in the Asia-Pacific region there have been hard work and preparations underway targeted at the conclusion of broad regional economic agreement on establishing a free trade area resembling NAFTA or the EU common markets. By the time Obama initiated "return to Asia" policy, the most known and discussed integration projects were ASEAN+3 and ASEAN+6, both of which excluded the US.

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In order to avoid marginalization in Asia’s emerging trade architecture, Washington has started to promote the economic integration model where it can play a leadership role. In this regard Washington’s attention was caught by the Trans-Pacific Strategic Economic Partnership, formed in 2005 by Brunei, Chile, New Zealand, and Singapore. Obama decided to turn it into the cornerstone of the US “return to Asia” economic strategy. On this basis the US plans to conclude new comprehensive free trade agreements – the Trans-Pacific Partnership (the TPP). The start of the negotiations of the TPP was given at the 2010 Yokohama APEC leaders’ meeting, where the American initiative was backed by Australia, Malaysia, Peru, and Vietnam. In November 2011 during the Honolulu APEC leaders’ meeting Obama again raised the issue of the TPP creation and emphasized the high potential of this free trade area. The TPP negotiations have become the central symbol of the US re-engagement in the Asia-Pacific region.

Currently the TPP is being negotiated by 12 countries (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US, and Vietnam) with a population of over 796 million (around 11 per cent of world population) and the total GDP worth of $27.53 trillion (around 38.3 per cent of global GDP). The TPP which the Obama administration labels as “the gold standard” or “twenty-first century” trade pact aims at deep trade and investment liberalization and establishes high standards concerning state-owned enterprises, government procurement, intellectual property rights, regulatory coherence, environmental and labour standards. However, as one can see, these high standards that have never been implemented before in any free trade agreements along with a great difference in economic levels of the 12 negotiating parties cast a shadow on the future success of Obama’s TPP initiative. Even such a developed country as Japan had been hesitating for a long time before entering into TPP negotiations. Announced on the 15th March 2013 by Japanese Prime Minister Shinzo Abe decision to participate in the TPP negotiations was dictated not by the potential economic benefits, but by Japan’s necessity to strengthen the ties with Washington in the face of China’s rise and aggravated territorial disputes with China in the East China Sea.

The US-led initiative of the TPP stands as an alternative to the China-backed model of regional economic integration in the format of ASEAN+6 – the Regional Comprehensive Economic Partnership (the RCEP). The talks on creation of the ASEAN-centric free trade area were in action for quite a long time. Its history reaches back some 10 years when discussions started on the creation of FTA between ASEAN, China, Japan, and Korea. In 2007 this was complemented with a parallel discussion on ASEAN+6’s creation. At the official level the RCEP initiative was announced by the ASEAN leaders in November 2011 during the 19th ASEAN Summit, while the official launch of negotiations was heralded at the next ASEAN Summit held in November 2012. By the end of 2014, 5 rounds of RCEP negotiations were successfully held. The completion of the RCEP negotiations is scheduled for the end of 2015.

The scale of RCEP is as huge as the TPP’s. It includes 10 ASEAN members plus ASEAN’s FTAs partners (Australia, China, India, Japan, Korea, and New Zealand), which make up over 48 per cent of the world’s population (around 3.4 billion people) and contribute 29.5 per cent of the world’s annual GDP ($21.23 trillion). What differs the RCEP from the TPP is that it is less ambitious in terms of trade liberalization and tariff reduction, which makes it more appealing to those Asian countries that are not ready for deep trade liberalization.

At present, the Trans-Pacific Partnership and Regional Comprehensive Economic Partnership are two major alternative models of economic integration in the region. Theoretically these two models

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could co-exist and can be seen as mutually reinforced parallel models for regional integration. Any country can simultaneously be a part of both of these integration groupings. Such countries like Australia, Vietnam, Malaysia, New Zealand, Singapore and Japan are the negotiating parties of both the TPP and RCEP. However, if one of these two economic integration models eventually prevails in the region, it will result in the critical strengthening of the regional presence and position of either the US (if the TPP prevails) or China (if the RCEP prevails) at the expense of its vis-à-vis.

Most of the experts agree that the US will play the dominant role in the TPP. The US accounts for approximately 57 per cent of TPP GDP. Despite the formal inclusiveness and openness of the TPP, the world's second largest economy, China, is very unlikely to join it soon because of the TPP high standards. Beijing will hardly make concessions on a number of issues that the TPP require.

China, for its part, despite declarative ASEAN centrality in the RCEP, will play a major role in this emerging integration platform. China's share in the RCEP's overall GDP accounts for 39 per cent. Even Japan and India jointly can hardly act as a balance to the Chinese power in the RCEP.

Although these two models of integration are not competing in an economic sense, they are viewed by the US and China as competing because the future of the region to a large extent will be shaped by the model of integration that will prevail, and the output of this competition will enhance the regional leadership role of either the US or China.

Highly unfavorable consequences for Beijing might have the success of the TPP. In such a scenario, Beijing would have to accept Washington's traditional demands, such as appreciation of the Chinese national currency, adequate protection of intellectual property rights, termination of discriminatory government procurement policies, compliance with environmental and labour standards, etc. Otherwise, China would find itself in a highly disadvantaged position of a country excluded from preferential free trade area which would lead to China's economic marginalization in the region. If future regional economic integration follows a path consistent with American interests, China will again find itself functioning in the regional system based on the rules formulated and dictated by Washington. At present, when economic integration in East Asia is at its starting point, China has a unique opportunity, an historic chance to take an active role in shaping the rules of the game for the region that will further promote Chinese interests.

And Vice versa, if China's model of economic integration becomes dominant in the region, Washington will lose its leadership role in East Asia. So, basically now there is a quasi struggle between the US and China for taking the lead in shaping the rules and norms and in establishing institutions that the future regional economic architecture will be based on.

In promoting their preferred models of economic integration, the US and China not only try to take the lead in ongoing economic integration, but are also taking efforts to stimulate trade relations with East Asian countries. This is extremely important for Washington whose economic presence in the region is rapidly declining. By 2013 China had become the top trade partner for ASEAN and for most Asian countries, like Japan, Korea, Australia, New Zealand, Vietnam, Malaysia, Indonesia, India, Myanmar, Mongolia, and North Korea. The TPP will promote both American trade relations with Asian countries and an economic recovery of the US by increasing access for American goods to the growing Asian markets, by stimulating the growth in US exports, generating export-related jobs, etc.
US-China “hard” rivalry in East Asia

While “soft” competition doesn’t present any direct threat to the stability in East Asia and can be seen as having its positive implications for the region, “hard” rivalry between the US and China that took pace several years ago is becoming more and more alarming. Despite belief in the so-called “soft power” that has became particularly popular since the beginning of the 21st century, military power still dominates the international relations. Both the US and China sees their military presence in the region as promoting and defending their national interests. In that regard, a highly important role is attached to the task of strengthening political and military relations with Asia-Pacific countries, of preserving old and forging new partnerships.

The last several years have seen an intensification of the US and China’s military ties with Asia-Pacific countries. Washington has been taking efforts to deepen or in the cases of the Philippines and Thailand to reinvigorate the existing military alliances. The US has also been trying to make operational trilateral blocs of the US-Japan-Australia, the US-Japan-India, and the US-Japan-Korea, the latter one is of the least successful because of strong contradictions between Japan and Korea over disputed islands.

Both the US and China have been undertaking great efforts to buy over key East Asian countries. The focus of these efforts has been directed at countries that showed its hesitation at taking either the US or Chinese side, like Vietnam, Myanmar, the Philippines, and Thailand. While in winning the “hearts and minds” of Asian countries China uses as a tool its financing of infrastructure projects, generous economic aid and development assistance, demonstration of potential economic benefits that the development of trade ties with China presents for any Asian country, the US utilizes Asian countries’ deep concerns over China’s rapid rise and their desire to counterweight China’s rising power.

In order to demonstrate its enduring leadership role in the Asia Pacific and to exert psychological pressure on Beijing, the US has undertaken a number of symbolic moves. In November 2011 the US signed with the Philippines the Manila Declaration on strengthening bilateral defense cooperation that were meant to declare the endurance of this treaty alliance. In November 2012 the US and Thailand announced a Joint Vision Statement, the first such bilateral document in over half a century of the history of this treaty alliance. In November 2010 and June 2012 the US and New Zealand signed Wellington and Washington Declarations which opened a new chapter in bilateral defense cooperation that had been frozen since the 1980s.

The US has also begun undertaking practical moves spreading its military presence across the Asia-Pacific with a focus on naval forces presence. In June 2012 Secretary of Defense Leon Panetta summarized “pivot to Asia” related activities by announcing plans to repurpose American Navy forces from 50/50 percent split to 60/40 split between the Pacific and the Atlantic oceans by 2020. This included the deployment of 6 out of 10 American aircraft carriers, 60 per cent of submarines, a majority of American cruisers, destroyers, Littoral Combat Ships in the Pacific. Additionally, the Pentagon’s plans include not only a quantitative rise in warships and aircrafts deployed in the region, but also improvements in their quality and technological characteristics. The US is planning to relocate into this region the newest and most advanced weaponry. American military command’s plans include a fourth Virginia-class fast attack submarine forward-deployments to Guam and the F-22 Raptor and F-35 Joint Strike Fighter deployments to Japan. By 2022 the US Navy plans to

deploy 11 littoral combat ships (LCS) to the Pacific region: 4 LSC to Singapore, and 7 LSC to Sasebo, Japan.

The fact that notwithstanding reductions in overall levels of US defense spending, Washington didn’t abandon its grand “return to Asia” policy, says a lot about the high priority of expanding its military presence in the Asia-Pacific in the US’s strategic calculus. For many times and on many occasions American high level officials have pledged that a reduction in defense spending will not come at the expanse of the Asia-Pacific. For instance, in June 2013 at the Shangri-La Dialogue meeting Secretary of Defense Chuck Hagel emphasized that new fiscal realities will not shake the American commitment to the rebalance towards the Asia-Pacific and to the expansion of the military presence in this part of the world.

China is also rapidly expanding its military presence in the region and continues to pursue comprehensive military modernization. China’s annual defense budget has increased for 23 consecutive years and continues to demonstrate double digit growth. According to Chinese official statements, the defense budget for 2014 rose 12.2 per cent to $132 billion. In military modernization, Beijing places a high priority on the strengthening of the Navy and on the expansion of its military presence in the near seas, which is conditioned by the necessity to defend its territorial claims in the South and East China Seas, along with an aspiration to extend its operational reach into the open seas. In November 2012 during the 18th CCP National Congress Chinese leadership for the first time publicly announced an ambitious goal to build China into a maritime power. On this front several notable accomplishments have been already achieved: a new naval base on Hainan Island was constructed, China’s first aircraft carrier was eventually commissioned, an indigenous aircraft carrier program is being pursued, and modernization of its submarine force is underway.

According to the US Department of Defense’s latest report, in Asia China has the largest force of major combatants, submarines, and amphibious warfare ships. China’s naval forces include some 77 principal surface combatants, more than 60 submarines, 55 amphibious ships, and 85 missile-equipped small combatants. Due to the escalation of China’s territorial disputes with the Philippines, Vietnam, and Japan, over the course of the past several years there has been a substantial growth in Chinese law enforcement vessels conducting patrols in the South China, East China and Yellow Seas, and an expansion of China’s airfields and military facilities on the contested Spratly and Paracel islands.

In enhancing its regional power projection capabilities, Beijing is also trying to get greater access to Asian logistics facilities, including airports and airfields, maritime ports, etc. Formally remaining committed to its long-standing policy of not having overseas military bases China has recently introduced a more nuanced approach by pursuing a strategy of spreading chock points for its navy and air forces in the Indo-Pacific region. By providing economic and technical assistance in constructing and modernizing ports, airports, navy and air bases, radar stations to other countries, Beijing in most cases eventually get access to these facilities. The much publicized China’s “string of pearls” strategy involves spreading chock points for Chinese naval ships and submarines to get berth from Chinese Hainan island across the Indian Ocean to Pakistan’s Gwadar port including such “pearls”

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like the ports of Myanmar, Bangladesh, the Maldives, Shi-Lanka, the Seychelles, and Pakistan. In particular, China has made significant investments in building naval bases on Myanmar's Hainggyi and Great Coco Islands, in modernizing naval bases on the Mergui archipelago, and in developing the airfields of Mandalay, Pegu and Yangon. China also supported Bangladesh in developing a deep-sea port in Chittagong.

The task of getting greater access to Asian military bases has high importance also for the US whose continental part of the country is located a long distance from Asia (e.g., the Korean Peninsula and Singapore are about 6,050 miles and 8,900 miles from San Diego, respectively\textsuperscript{11}). At present the US has permanent military bases in Japan and South Korea, significant military contingent on Guam and Hawaii. However, during the last fifteen years there has been a change in American military strategy of forward deployment. A key premise of the new strategy vision is to place less emphasis on maintaining expansive Cold War-style permanent large-scale bases and instead place more emphasis on the so-called flexible basing, meaning relatively small in size, geographically distributed rotational deployments of American troops abroad and occasional usage of foreign countries' military bases for carrying out some specific operations and maneuvers. Under defense cooperation and access agreements with corresponding countries, the US now enjoys access to Thailand's U-Tapao airfield, Singapore's Changi naval base, Paya Lebar air base and Sembawan port facilities. In November 2011 the US and Australia reached an agreement concerning the rotational deployment of American marines at the Australian military facility in Darwin and greater access by the U.S. military to the Royal Australian Air Force Tindal facilities and Indian Ocean navy base HMAS Stirling. In fulfilling this agreement in April 2012 two hundred US marines arrived in Darwin. Over the course of years, the size of the rotation will be gradually expanded into a force of around 2,500 Marine Corps personnel by 2016.

Equally important is an agreement reached in 2012 between the US and Singapore concerning rotational deployment of American Navy’s Littoral Combat Ship (LCS) at Singapore’s Changi Naval Base. The first LCS, the USS Freedom, arrived in Singapore in April 2013. In April 2014 the US and the Philippines signed a 10-year defense agreement that lays out a framework for the increased rotational presence of American military forces at Philippine military bases.

In recent years, in addition to efforts directed at getting greater access to Asian logistics and military facilities, both the US and China have tried to increase their military presence in the Asia-Pacific region through the organization of joint military exercises and trainings. The past five years have seen a dramatic rise in the number, size and scope of military exercises held by both the US and China in the Asia-Pacific. The US has intensified its joint military maneuvers with a wide spectrum of Asian countries including Japan, South Korea, Thailand, and Malaysia. For instance, In August 2010 the US and Vietnamese navies conducted their first joint exercises since the Vietnam War ended. In December 2010 the US and Japan conducted the largest-ever joint military exercises. These eight-day maneuvers involved more than 10,000 American and 34,000 Japanese troops, 400 planes and 50 warships including B-52 bombers and the nuclear powered aircraft carrier USS George Washington. The scenario of these exercises was possible conflicts on the Korean peninsula and territorial disputes with China over the Diaoyudao islands. According to Japanese media, it was the first time that China had become a theoretical adversary in US exercises\textsuperscript{12}.


For the period of 2012 the US conducted in the Western Pacific military exercises under as many as 17 code names. In 2013 only during a short period of time from May to August the US held at least seven series of joint military exercises in East Asia with a total duration of 64 days that sounds as if the US conducted military maneuvers every second day. Even when faced with defense budget cutting, the American administration is not planning to lower its activity in this direction. At the Shangri-La dialogue meeting held in June 2013 American Secretary of Defense Chuck Hagel mentioned the plans to expand the size and scope of exercises in PACOM and to allocate over $100 million in funding for joint exercises in the Pacific.

Since the announcement of the American “return to Asia” policy, there has also been an increase in the number and geography of distribution of US port calls in the Asia-Pacific. The US navy vessels regularly make port calls in the Philippines, Australia, Thailand, Singapore, Indonesia, Japan, Malaysia, Korea, Hong Kong, and Vietnam. During the last several years the number of American port calls in the Philippines has reached an unprecedented level, never seen since the removal of the US military bases in 1991. According to some estimates, in 2012 alone there had been at least 200 port calls in the Philippines by the US Navy destroyers, aircraft carriers, and nuclear-attack submarines. Lately, there is also a high frequency in the US Navy port calls in Australia. For the three-month period from July through September 2013 the US Navy made at least 18 port calls in Australia.

The scope and frequency of Chinese People’s Liberation Army (PLA) participation in joint military exercises is still quite modest and beyond any comparison with the US. In 2013, for example, the PLA conducted a mere seven bilateral and multilateral exercises with foreign militaries. The practice of conducting joint military exercises with foreign partners is relatively new for China – the first joint exercise ever run was the one with Kyrgyzstan in 2002. The past several years have seen a rise in intensification of this kind of defense cooperation between China and its foreign partners. In East Asia China has conducted joint military exercises and trainings with Thailand, Indonesia, Australia, New Zealand, Singapore, Russia, and Mongolia. Though the vast majority are those run on land, joint maritime exercises and training have recently been expanded. For three consecutive years starting since 2012 the PLA and Russian navies have held “Maritime cooperation” maritime military exercises.

While China’s joint exercises are not yet of particular interest for the US, the expansion in size, complexity and geographic location of Chinese unilateral military operations has already raised deep concerns in the US as well as in many East Asian countries. The US Pacific Command paid close attention to the PLA Navy exercises held in the summer of 2012 that was the largest ever Chinese military naval exercise observed outside the “first island chain” and into the Western Pacific. The Chinese Navy increased its capabilities to break through the “first island chain” and gain access to the Pacific were demonstrated in July 2013 when Chinese warships for the first time entered the Pacific through La Perouse Strait, situated between the...

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13 Remarks by Secretary Hagel, op.cit.

Russian island of Sakhalin and the Japanese island of Hokkaido\textsuperscript{18}. Additionally, Washington's concerns cover not only the growth of Chinese Navy operational capabilities, but also the change in military approaches to the operations at seas. Since 2012 PLA's Navy voluntarily begun to conduct military activities within the US exclusive economic zones (EEZ) around Guam and Hawaii\textsuperscript{19}. This comes as a departure from China's decades-old position that foreign military activities in the EEZ of other nations, without the permission of those coastal countries, are unlawful. Beijing has always opposed US military vessels within its exclusive economic zones (specifically in the South China Sea area). Explaining the presence of Chinese ships in American EEZ, Chinese Senior Colonel Zhou Bo called it a reciprocal measure\textsuperscript{20}.

The emphasis of China's efforts undertaken in the military realm on the strengthening of naval forces and expanding its military presence in East Asia's seas and in the Pacific is conditioned by Beijing's desire to fulfill two major goals – to build China into a maritime power, and to protect sovereignty and territorial integrity. The urgency of addressing the latter goal was highlighted over the course of recent years when tensions over the disputed islands in the South and East China Seas that had been under control since the end of 1990\textsuperscript{s} have flared up substantially. Two factors, that became the key drivers of territorial disputes and tensions were Chinese heightened assertiveness in advancing its sovereignty claims in the disputed maritime regions beginning around 2007–2008 and the change in Washington's approaches concerning these issues from a non-interference policy towards a proactive mediation role, which became evident staring from midsummer 2010.

Washington interference in the territorial disputes between China and several Southeast Asian countries over the South China Sea and into disputes between China and Japan over Diaoyudao Islands in East China Sea has proved to be an effective tool in advancing American "return to Asia" policy. Washington found the weak point in China's "charm offensive" or "smile diplomacy" towards East Asian countries. By skillfully exploiting these territorial disputes, the US has been completing a number of tasks, like strengthening political and security ties with the Philippines, Vietnam and Japan, expanding its cooperation with ASEAN (that is a major player in diplomacy over the South China Sea) and containing China's growing regional influence by means of discrediting and demonizing Beijing amongst Chinese neighbours. As a result of the rising tensions over disputed islands, China's soft power, positive image, and regional diplomatic influence in East Asia has been damaged dramatically. A number of East Asian countries reassessed their approaches towards overcoming minor contradictions and developing closer political and military cooperation with the US as the only country that can counterbalance the rising China.

An American "forward-deployed diplomacy"\textsuperscript{21}, the term used by Chinese scholar Liu Feitao for Washington's strategy of exploiting divergences among Asian countries and taking advantage of the territorial disputes and other concerns of Asian countries, has led


to the tightening of sovereignty claims by the countries engaged in territorial disputes in the South and East China Seas. As a result, starting from 2011 the frequency of various maritime incidents and confrontations between ships of China, the Philippines, the US, Japan, Vietnam, and Taiwan in the South and East China Seas has increased immensely.

The deepening concerns amongst Asian countries over their security have caused a rise in their defense spending. At present, not only the US and China, but the majority of East Asian countries is speedily and hastily modernizing their militaries and specifically navy forces. Defense budgets of many East Asian countries have been growing and military procurements have been rising. Even such a country as the Philippines, that for decades neglected its military forces' build-up and have some defense budget limitations, initiated modernization of its naval forces that are still one of the weakest in the region. In 2013 President Aquino announced a 5-year military modernization program worth $1.8 billion. These funds were in addition to the normal defense budget and intended for new equipment that would help to protect the Philippines's maritime domain. The United States is the country that offers assistance and makes sales to Manila to support the development of the Philippines's military capabilities to protect its coastal waters. In 2012 and 2013 the US transferred two decommissioned Hamilton class Coast Guard frigates to the Philippines, which remain the largest and the most advanced vessels in the fleet.

Asian countries' growing concerns over ever-increasing instability in the region can also be exemplified by Tokyo's decision to increase defense-related expenditures for the year of 2013 by $1.13 billion, which became the first increase in 11 years. In addition, Japan's defense budget for the fiscal year 2014 again saw an increase by 2.8 per cent from the budget for the fiscal year 2013.

The growth of the Philippines and Japan's defense spending are just a few examples of a much broader list of countries that accelerated their military modernization. An analysis of the Stockholm International Peace Research Institution data shows that during two three-year periods of 2007–2009 and 2010–2012 the annual average defense expenditures of the Asia Pacific countries had risen as following: in Indonesia and China by 33 and 32 per cent respectively, in Vietnam and Mongolia by 22 and 21 per cent, in India and Cambodia by 16 and 12 per cent, in South Korea, Thailand, Australia, New Zealand, and the Philippines by 8, 7, 7, 5 and 5 per cent respectively.

Conclusion

By having examined in detail “soft” and “hard” dimensions of the US-China regional rivalry in East Asia, that became particularly evident since the Obama administration launched its “return to Asia” policy in 2009, this research paper argues that while competition for the dominance of regional economic integration model doesn't present any direct threat to the stability in East Asia, the US-China

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rivalry in the political and military domain has already become the major source of the region's instability. The latest developments in East Asia show that the US-China rivalry for regional preeminence carried out with the support of traditional political-military tools has brought about a significant impact on the stability and security of East Asia. It has led to the aggravation of contradictions and conflicts in interests among various countries in the region, the militarization of East Asia, the arms race never seen since the end of the Cold War, and as a result to greater regional instability. East Asia's security environment that for the past three decades had remained relatively stable is now rapidly changing for the worst. East Asia has already turned into an area where multiple flashpoints are concentrated, each of these hotspots are at a potentially dangerous stage where any miscalculations from any side might lead to armed conflict. The aggravation of tensions in the South and East China Seas is now as high that in the foreseeable future there is no prospect for territorial disputes settlement at all, the only plausible best-case scenario would be conservation of the current state of affairs by avoiding a greater heightening of contradictions and tensions between the claimant parties.

By analyzing the current state of the US-China regional rivalry, this paper makes a very alarming prognosis. On the economic front the US is facing difficulties in spreading its clout in the Asia-Pacific; it can hardly compete with China in expanding its economic influence in the region. The Regional Comprehensive Economic Partnership promoted by China has much better future perspectives than the Trans-Pacific Partnership that has already missed all the important dated and deadlines announced by the Obama administration in the first place. American inability to shape the region's future and architecture by "soft" methods, might lead to the situation when the US chooses to implement its "return to Asia" policy with an increased emphasis on spreading its military presence in the region, interfering in the territorial disputes between China and its neighbours, and on discrediting Beijing before East Asian countries. Such a scenario will result in further complications in the US-China relations and to the enhanced rivalry between the two powers in the Asia-Pacific, which in turn will further promote instability in East Asia.

Abstract

The creeping militarization of East Asia and speedy military build-up in the majority of East Asian countries that has become a major trend in the East Asia security landscape in the beginning of the 21st century can be attributed to two major factors: the rise of China and the ever-increasing US-China rivalry for regional and global dominance. Washington's growing concerns over China's rise, China's strengthening of economic, diplomatic, military and other ties with East Asian countries and China's high potential to challenge US primacy in East Asia were one of the main reasons behind Obama's decision to increase the US' focus on the Asia-Pacific. Other groups of reasons that motivated Washington to the "pivot to Asia" is the overall transformation of the Asia-Pacific and specifically the growing role of this region in the world economy and global politics. The contradicting goals in East Asia of the US and China have led to the high intensity competition for regional dominance between them.

This research paper provides an in-depth analysis of the US-China regional rivalry in East Asia by dividing it into two major blocs: "soft" and "hard" rivalry. The first one implies competition for the dominance of regional economic integration models that is the TPP vs. RCEP. The latter is reflected in both countries' efforts to increase their military presence either in the form of strengthening defense cooperation with other Asian countries, enhancement and greater dispersion of their military forces held in the region or intensification of military exercises.

Keywords: US-China rivalry, instability in East Asia, Obama's policy in the Asia-Pacific region, "pivot to Asia", defense cooperation, the Trans-Pacific Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP), U.S.-China relations
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