Geopolitics and geo-economics in Eurasia and the Indo-Pacific Rim

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In 2013, Xi Jinping, President of the People’s Republic of China, introduced the One Belt One Road (OBOR) Initiative to underpin the country’s increasing involvement in global supply chains (Map 32.1). Outlined by China’s National Development and Reform Commission (NDRC, 2015), this long-term international economic and political plan comprises both the New Silk Road Economic Belt and the 21st-Century Maritime Silk Road. Now known as the Belt and Road Initiative (BRI), this plan encapsulates the key development strategy that China has been pursuing for over a decade, which is intended to raise the world’s second-biggest economy’s profile as both a regional leader and a global power.

Not only is China’s infrastructural BRI designed to facilitate policy coordination, international transport, unimpeded trade, financial integration and people-to-people bonds within and between Asia and other continents but also to leverage the comparative advantages of various regions within China (Wong, 2015). Overcapacity in many of China’s regional production sectors is to be addressed by using the country’s vast foreign reserves to give loans for BRI projects in less-developed countries. Besides the financial backing of the Export-Import Bank of China (Cexim), these investments include US$890 billion through the China Development Bank (CDB) and US$40 billion under the New Silk Road Fund (NSRF) (Vien, 2015). Also, the China-led Asian Infrastructure Investment Bank (AIIB) has an authorized capital of US$100 billion, and the BRICS (Brazil, Russia, India, China and South Africa) New Development Bank has an initial authorized capital of US$100 billion and a contingency fund of an additional US$100 billion (Hilpert and Wacker, 2015; Zhou et al., 2015). Much of this investment stemming from the internationalization of the renminbi (RMB) will be focused on plugging infrastructural gaps in transport and communications. This task in the Asia-Pacific region alone has been estimated by the Asian Development Bank (ADB, 2012a: 13) as requiring US$8.29 trillion between 2010 and 2020. In carrying out this mission, full use is being made of China’s involvement in institutional frameworks, particularly those in which the country has a leading role, such as the Association of Southeast Asian Nations (ASEAN) Plus China (10+1) Free Trade Agreement, the Asia-Europe Meeting (ASEM) and the Shanghai Cooperation Organization (SCO).

As the BRI’s land-based corridor stretches from west to east across Eurasia, and the littoral and maritime crescent extends north to south from the East China Sea through the Indian
Ocean to Europe, China is brought into direct contact with the great powers of India, Japan, Russia, the United States and, potentially, Indonesia. Changes in China’s contact with the world’s major political entities through its land-based and maritime corridors, covering 65 countries and 4.4 billion people, have important implications for geostrategic discourses involving the stability of the continent’s political order.

The BRI’s emphasis on networks, connectivity between places and cross-border ties to create new markets indicates that it falls within the compass of the post-Cold War strategic concept of geo-economics (Sparke, 2007). Associated with the rapid pace of global and regional integration, this notion contends that economic competition has eclipsed military confrontation at the center of relations between states. The rise of Asia’s fast-growing economies, such as China and India, is perceived as having too much to lose from military confrontation in which they engage in activities that destroy trust in their relationships with other countries. Such a consideration is expected to lead to the reframing of territorial security arrangements to accommodate transnational flows. Further growth dynamism, trade, energy and regional integration through free trade agreements are seen as the key geo-economics drivers to overcome low levels of Pan-Asian connectivity. These levels concern multinational corporations involved in orchestrating global value chains in both manufacturing and services because their managers have difficulties in positioning key nodes within their regional production networks. Nevertheless, the proposition that geo-economics matters inherent in China’s BRI are eroding geopolitical calculations manifest in trade blocs, barriers and national borders may be premature (Cowen and Smith, 2009; Lim, 2012; Pradhan, 2014).

Given the emergence of fresh security threats and strategic fault lines, new powers and a changing international political order in Asia, concerns involving geography, state territoriality and world power politics inherited from the imperial era suggest that geopolitical calculations are still relevant (Mackinder, 1904; Kaplan, 2012). This renewed focus on realist-driven geopolitical calculations in security issues has revived interest in Alfred Mahan’s (1890) notions of sea power embodied in the importance of choke points in facilitating the control of sea lanes, Sir Halford Mackinder’s (1942 [1919]: 113) dictum that “Who rules the World Island commands the World”, and Nicholas Spykman’s (1944:13)
counterpoint that “Who rules the Rimland controls Eurasia: who rules Eurasia controls the destinies of the World”. These observations raise the issue as to how the great powers will react to the worldview of China’s strategists and their audiences in terms of the interplay between geopolitics and geo-economics. Will their actions lead to greater cooperation to manage new security threats and expansion of their political and security relations to consolidate economic interdependencies?

Mapping and studying China’s BRI in all its political and economic complexity needs to be employed to address grounds for optimism and pessimism in Asian politics. Initially, the Silk Road Economic Belt is examined in light of the series of land-based transnational corridors designed to bring about the economic integration of Asia’s major subregions. Then the Maritime Silk Road is considered as a crescent that encompasses key gateways, ports and shipping lanes between China and Northern Europe. As the South China Sea is Asia’s most important littoral and contested maritime space through which there are heavy flows of oil and commerce, China’s ambit claim is subjected to a more detailed investigation. The concluding section reflects upon China’s ability to operate simultaneously in Asia’s land-based and maritime strategic arenas, and the extent to which geopolitical controls are being eroded through the rise of geo-economic calculations intended to accommodate supranational flows.

Land bridging

China’s Silk Road Economic Belt is planned to accommodate the progressive westward shift in the country’s industrial capacity from coastal to inland provinces. The Belt will provide the growing economic centers of Chengdu, Chongqing and Wuhan in the middle Yangtze region, and other key hubs in the domestic logistics network such as Xi’an and Zhengzhou, with greater connectivity to Europe and market access to a total population of 3 billion (Lam, 2015; Rimmer, 2014). Nevertheless, implementation of the Belt across Eurasia is fraught with problems, particularly where there is not good governance in recipient countries. As transit countries do not always benefit from the movements of trade and commerce across their borders, Beijing has developed 35 special economic zones along the Belt to take advantage of any distortions between adjacent economies (Wong, 2015). Even then, there are issues of harmonizing custom procedures, technical standards and trade tariffs, and the need to obviate costly delays at border crossings. These problems have bedeviled other mooted Eurasian projects (Economic Commission for Europe and Economic and Social Commission for Asia and the Pacific, 2008). Unlike these past proposals, China does have the financial wherewithal to carry out regional integration across national borders. Already DHL Global Forwarding, a division of the Deutsche Post DHL Group, has announced an inaugural 14-day multimodal service across the Belt, departing from Lianyungang in China, traversing Kazakhstan, Azerbaijan and Georgia and transiting the Caspian Sea and the Black Sea en route to Istanbul (DHL, 2015). Provided investments are made in the China’s cold chain infrastructure, these developments would allow imports of fresh food from Europe.

The Silk Road Economic Belt is the central corridor among the three Eurasian land bridges originating in China that stretch across steppes and deserts with the Arctic to the north and the Himalayas to the south (Map 32.2). A northern land corridor links China’s northeastern region via Central Asia and Russia to the Baltic; and a southern land corridor ties China’s northwestern region to West Asia. Secondary routes interconnect all three corridors and China with Southeast Asia to provide the country’s southwestern region with access to the sea. Drawing upon its financial liquidity and surplus productive capacity, the
progressive implementation of these routes will strengthen the country’s re-emergence as a Eurasian land power and directly affect Russian, Japanese and Indian political and economic interests.

The Russian Federation’s Eurasian land bridge, afforded by the Trans-Siberian Railway linking the Baltic and the Pacific, has allowed Moscow to pivot to the country’s resource-rich Far East in the immediate aftermath of the breakup of the Soviet Union. Initially this shift enabled Moscow to maintain political, economic and cultural control over the land-locked and sparsely populated Central Asian countries—Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan—despite their joining Afghanistan and Mongolia among the ranks of independent states. By the mid-2000s, Russia still maintained security control over its ‘near-neighbors’, but they have come increasingly under the thrall of China’s trade dominance. These Central Asian landlocked countries, marked by semi-authoritarian governments, narrow economic bases and varying degrees of domestic instability, would have preferred a north-south corridor to the Indian Ocean (Wesley, 2015). Nevertheless, they are being incorporated through China’s ‘go west policy’ into the country’s alternative economic corridor to the Trans-Siberian Railway as a means of linking East Asia to the Mediterranean. Shackled by European Union sanctions over its acquisition of Crimea, troublesome relationships in the Caucasus and difficulties in establishing its own Eurasian Economic Union and Eurasian Development Bank with Armenia, Belarus, Kazakhstan and Kyrgyzstan, Moscow has had to seek a different axis by joining China and four of its former satellites in the SCO (Ghoshal, 2016; Rogan, 2016; Sussex, 2015; Weitz, 2016). This has led Russia to pivot to Eurasia; suppress past disputes over its common border with China; acquiesce, at least in the short term, in the loss of control over the buffer zone’s trade in Central Asia; and engage in exchanging raw materials with China in return for the country’s financial backing, technology and industrial capacity.

Japan has long prioritized Asian regional integration in a way akin to the United States’ policy emphasis on democracy. Consequently, the country’s overseas aid program has been planned to provide opportunities for the country’s small and medium businesses by investing in regional transport and logistics systems within Asia. The ADB, to which Japan is the

Map 32.2 Major economic corridors.
principal contributing member with the United States, has complemented these efforts by fostering the geo-economic drivers of growth dynamism, trade, energy and regional integration as well as by building infrastructure across national borders to create a ‘seamless’ Asia (ADB and ADBI, 2009).

Since 1992, the ADB has been promoting the ‘economic corridor’ concept to attract investment and generate commercial activity in adjacent less-developed areas through investments in transit routes and energy networks (Brunner, 2013; Srivastava, 2011). Based upon the foundation of an efficient transport, communications and energy system, the corridor concept is designed to attract investment and generate economic activities within 100–150 km of its spine. Besides upgrading infrastructure, the corridor is also designed to provide long-term advantages to both businesses and industries located within its sphere of influence by decreasing transport and communications costs, improving delivery times and reducing inventories. Apart from promoting further economic growth and regional development, the overriding aim of the ADB’s program of economic corridors is to reduce poverty.

Under Japan’s leadership, the ADB has developed a raft of economic corridors to bring about economic development through the cross-border integration of markets (Map 32.3). Their numbers include six corridors across landlocked Central Asia that link the region’s economic hubs to one another as well as to global markets (ADB, 2006, 2012b). Some of them have been incorporated in China’s grander Silk Road Economic Belt concept. Although Japanese interests have long included the northern and central long-distance corridors across Eurasia, the country’s foreign aid has been directed to the shorter-distance corridors across the Southeast Asian peninsula to forge east-west and southern economic corridors between Vietnam and Myanmar via Thailand and Cambodia. Cutting across the Japanese Government’s efforts at regional integration in Southeast Asia’s Greater Mekong Subregion (GMS) is the ADB’s north-south economic corridor from China’s landlocked Yunnan Province and Laos, which will incorporate a planned high-speed rail link between Kunming and Singapore. Also cutting across the pioneering efforts of the Japanese freight

![Map 32.3 Economic corridors.](Source: Ref. Rimmer (2014: 420, 422).)
forwarder, Nippon Express (NE, 2016), to link Shanghai and Singapore is the proposed China-Indo-China International Corridor to facilitate economic integration between China and ASEAN by connecting Nanning and Singapore, and providing a link to Guangzhou and Hong Kong. These two corridors will extend Beijing’s influence over trade in Southeast Asia at the expense of Japan, particularly in Cambodia and Laos (Santasombat, 2015).

India has also been concerned about the strategic impact of the north-south ‘secondary’ corridors emanating from China into Southeast Asia and South Asia, which circumvents the disputed portions of their common 4,056 km border, and which led to the 1962 Sino-Indian War. China has sought to use the north-south economic corridor from its Yunnan Province through Myanmar and Bangladesh to gain access to the Bay of Bengal. Also, China has invested in the north-south China-Pakistan Economic Corridor (CPEC) from Kashgar in the remote Xinjiang province via the Karakoram Highway to the port of Gwadar on the Arabian Sea—a joint undertaking between the AIIB and the ADB that is being routed via Islamabad and Lahore to avoid the troubled Baluchistan province in west Pakistan (Ashraf, 2015). The proposed east-west Bangladesh, China, India and Myanmar (BCIM) Economic Corridor to link Afghanistan is not currently a feasible political proposition due to unfavorable regional dynamics impairing direct trade connections. New Delhi’s response has been to adopt a ‘look east-act east’ policy to integrate with Southeast Asia because the country’s firms are less deeply embedded in regional production networks centered on China as the ‘world factory’ (Kapur and Suri, 2013). Aided by the ADB, India has sought to develop a stronger east-west economic corridor with Southeast Asia by land, sea and air (ADB and ADBI, 2015; De and Iyengar, 2014; RIS and AIC, 2016). Also, by co-opting Tokyo’s assistance to improve basic domestic logistics networks, New Delhi has been offering Japanese firms an alternative location to China (JETRO, 2009).

Thus, India, Japan and Russia have differed in their reaction to the Silk Road Economic Belt and associated corridors, which are rooted in China’s prioritization of land-based cross-border ‘connectivity’. Nevertheless, Beijing has realized that an exclusive terra-centric approach mirroring the continent’s east-west economic geography fails to recognize that the port is also at the border (Rimmer and Dick, 2012). Both investment and good governance are required to make the port more efficient, especially where it is part of an extended coastal metropolitan region functioning as a global gateway replete with international airport and teleport connections (Rimmer, 2014). As access to these gateways is important in any political calculus, China has added the Maritime Silk Road to the country’s vision and actions.

**Littoral and maritime crescent**

China’s 21st-Century Maritime Sea Road in the BRI representation reflects Beijing’s blueprint designed to strengthen global trade links by establishing a blue water fleet underpinned by a network of port facilities. The Sea Road plan is much narrower in focus than the Silk Road Economic Belt, because it excludes neighboring Russia, the North Pacific archipelagic power of Japan and even regions of China from consideration, despite their collective north-south maritime comprehension of Asia’s economic geography.

Russia’s ports in the Far East underpinning the country’s Pacific and Arctic ambitions are not featured, despite the northern shipping route becoming more accessible with climate change and giving both China and Japan an alternative source of oil that bypasses the Malacca Strait choke point (Alekseev, 2013; Oleynikov, 2013). Variability in seasonal ice melting and the absence of ports on the Arctic route for container operations, at least in the short term, presumably account for them being ruled out from China’s vision.
Japan’s ports, like those in South Korea, are not included in the Maritime Sea Road, seemingly because they are primarily concerned with transpacific shipping. Their omission means that the stepping up of Tokyo’s military response to claims by China and Taiwan to sovereignty over the Japanese-administered Senkaku Islands located within Beijing’s 2013 East China Sea Air Defense Identification Zone (ADIZ) can be avoided in the formulation of China’s grand vision and actions. Also, this task can be accomplished without any need to consider the issue of North Korea.

China’s major port complexes in the Bohai Rim and the Greater Shanghai regions are also not included in the Maritime Sea Road, because they are primarily engaged in the trade with North America. Indeed, China’s plan of offering alternative shipping routes to Europe and enhancing energy security is to link major gateways in coastal regions south of Shanghai, including Hong Kong, Macau and Taiwan, across the Pacific and Indian Oceans, and through the Suez Canal, to their counterparts in the Mediterranean and Northern Europe. This plan is intended to support Fujian province becoming one of the Sea Road’s core areas, consolidate the Guangdong-Hong Kong-Macau Big Bay extended metropolitan area, strengthen port construction along the coast and reinforce the functions of major international airports, such as Guangzhou.

The origins of the Maritime Sea Road Strategy can be traced through state-directed mergers of domestic shipping companies and port operators to create national champions that can ‘go out’ and compete internationally. This process has foreshadowed further outward investment, as the country’s biggest state-owned shipping companies and port operators have exercised China’s increasing financial clout to invest in a range of overseas ports that fit the Sea Road strategy at little risk to the economy as a whole (DMR, 2015). Between 2013 and 2015 Grison Peak, the London investment bank reported that the key recipients of China’s government-backed lending were typically its state-owned corporations operating in countries along rapidly expanding sea routes; this investment pattern has complemented Beijing’s maritime strategy of combining offshore waters defense with open seas protection (CIR, 2016).

The state-owned China Ocean Shipping Company China Shipping (COSCOCS), controlling one of the world’s largest fleets of container vessels, dry bulk ships and oil tankers, has acquired outright control of the Greek port of Piraeus and shares in ownership of the ports of Antwerp and Zeebrugge, Port Said and Singapore (Map 32.4). Also, the state-owned conglomerate, China Merchants Group (CMG), the country’s largest global port operator based in Hong Kong, has made investments in the ports of Colombo and Djibouti that promise higher returns than China’s mining ventures. However, Djibouti is to also double as China’s first overseas military base to support its decade-long anti-piracy efforts, humanitarian assistance and disaster relief operations in the Gulf of Aden. Although China’s proposed first Indian Ocean naval base in the Maldives has not been pursued, the country is seeking a permanent naval base upon the island of Seychelles for logistics operations.

Chinese built, owned and operated deep-water regional ports complement the investments by the COSCOCS and the CMG. Their numbers include Gwadar and Karachi in Pakistan, Chittagong in Bangladesh and Khauk Phyu (Sittwe) in Myanmar. Not only do these ports provide access to and from China’s western provinces, but also, they offer an alternative to the Strait of Malacca choke point through which 80 percent of the country’s oil supply passes. Despite varying degrees of domestic opposition to the deployment of Chinese workers in these port projects, their adverse environmental impacts and flooding of local markets with Chinese goods and exports, Bangladesh, Pakistan and Sri Lanka have encouraged China’s investments as an effective counter balance to India’s regional hegemony.
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(Khanandawaarachchi, 2015). Indeed, China’s greenfield investment in Sri Lanka’s new container port of Hambantota is also intended to double as a rest and recreation center for the country’s navy. These developments have prompted a response from India, Indonesia and the United States.

Indian defense analysts and media have seen the Maritime Silk Road as a reincarnation of the ‘string of pearls’ characterization of China’s maritime strategy coined by American defense contractors (MacDonald et al., 2004; Pehrson, 2006). New Delhi is concerned about China’s port investments in Bangladesh, Myanmar, Pakistan, Sri Lanka and, possibly the Kra Isthmus in Thailand, leading to the country’s stronger naval presence in the Indian Ocean and ‘containment’ of India. In particular, China’s refurbishment of the port of Colombo to accommodate the new generation of mega container ships could siphon up to almost one-third of India’s transshipments from its own less-streamlined ports and leave the country vulnerable to dependence on a foreign outlet. The degree to which these developments will affect India’s security is debatable. Ultimately, this may not be significant because China’s navy will employ a mobile platform similar to those used by the United States expeditionary forces to maintain its influence over the Maritime Silk Road from the sea. Nevertheless, New Delhi has countered China’s Indian Ocean activities by engaging in developments in Mauritius, the Maldives, Nicobar Islands and the Seychelles and extending its own naval area of operation into the western Pacific.

Indonesian observers are also wary of China’s Maritime Silk Road concept and have countered with Jakarta’s own ‘global maritime axis’ in which the country features as a ‘Pan Indo-Pacific’ hub (Shakhar and Liow, 2014). President Joko Widodo has espoused this notion of straddling the two oceans in a bid to transform Indonesia into a maritime power. By interconnecting the Indonesian archipelago, the plan is to leverage the country’s maritime corridors and choke points to boost trade and commerce that, in turn, will contribute to the acquisition of a more advanced naval capability to discourage external incursions into its waters. These developments have led Indonesia to engage more closely on security matters with India, Japan and the United States, while taking advantage of China’s rapid economic growth.

Map 32.4 China’s port investments (Source: Soberana, 2006; Drewry, 2015).
development. The latter is evident in Jakarta accepting China’s bid over Japan’s offer to build Indonesia’s high-speed railway (Syailendra, 2015).

The United States’ uneasiness with China’s Maritime Sea Road is more complex. Washington had underpinned its naval supremacy in the Pacific region through bases in Alaska, Australia, Japan, Hawaii, the Philippines, and South Korea to ‘contain’ the Soviet and Chinese navies (Map 32.5). By 1987 China’s late Admiral Liu Huaqing (1916–2011), echoing Mahan’s ideas, had marked out three offshore defense lines in a long-term shift from China’s prevailing coastal defense strategy to focus on establishing control within the ‘first island chain’ and progressively moving foreign navies from this domain. According to Beijing, such an action would be merely akin to the United States acquiring islands in the western Pacific under the Monroe Doctrine and then proclaiming any intervention by external powers in its waters as an act of aggression. In 1991, an opportunity to move from rhetoric to action in pursuing Liu’s strategic architecture was provided by the enforced withdrawal of the US Navy from Subic Bay and the Clark Air Base in the Philippines following the eruption of Mount Pinatubo (Winchester, 2015). The 1992 Law of the People’s Republic of China on the Territorial Sea and the Contiguous Zone (PRC, 1992), confirming Beijing’s claim to territory within the first island chain, occurred when China’s economy was beginning to benefit from significant transfers of technology and knowledge by multinational corporations in return for them gaining access to the country’s consumer market.

Since 2000, members of the US Congress have been concerned about the security implications of China’s emergence as an economic power. This anxiety has led the US Office of the Secretary of Defense to detail the China’s military and security developments in an Annual Report to Congress. The Reports underline the importance to the United States of maintaining critical sea lines of communication (SLOC) that run through several major

Map 32.5  Indo-Pacific naval ports (Source: AG, 2016: 70; Winchester, 2015: 390–391).
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maritime choke points, including the Strait of Hormuz, Strait of Malacca, the Lombok Strait and the Strait of Maghreb (OSD, 2016). An initial focus pursued by Congress was on the Hong Kong-based Hutchison Port Holdings’ global network of ports owned by the tycoon Li Ka-shing to substantiate ties between the transnational corporations and the Chinese military (Olivier, 2006). As this accusation did not gain traction, attention of the Secretary of Defense turned to detailing evidence that China was building a deep-water navy and mapping the ever-increasing range of its intercontinental ballistic missiles. In 2009 Washington’s ‘pivot to Asia’ and ‘rebalancing’ from the Middle East (‘the Central Region’) reflected the felt need to counter China’s growing power in the ‘Indo-Pacific region’, mirrored in the country being given preferred access to an increasing number of commercial ports (Green et al., 2016; Pan, 2014). This has raised the issue as to whether the US Seventh Fleet can keep pace with China’s naval expansion in the longer term (Till, 2015; Yung and Wang, 2016).

As an economic counter, Washington had been involved under President Barack Obama in negotiating the Trans-Pacific Partnership (TPP) as a regional trade agreement involving Brunei Darussalam, Japan, Malaysia, Singapore and Vietnam among its Asian members (Table 32.1). Had this arrangement been ratified by incoming President Donald Trump, it would have brought China’s neighbors closer to the United States and reduced their dependence on Chinese goods and in the process would have strengthened American corporate influence over the rules affecting the international trade. Given the TPP has not been ratified, greater impetus would now be given to the Regional Economic Partnership (RCEP) that includes Japan but excludes the United States. While both the United States and Japan are members of the ADB, they are not founder members of the AIIB, in which China has the dominant equity of 29.8 percent (Devonshire-Ellis, 2015). Despite pressure from Washington upon allied countries, such as Australia and the United Kingdom, both have joined

Table 32.1 Membership of institutional frameworks and regional development banks, 2016

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Trans-Pacific Partnership</th>
<th>Regional Comprehensive Economic Partnership</th>
<th>Asian Development Bank</th>
<th>Asian Infrastructure Investment Bank</th>
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<td>2016a</td>
<td>Proposed</td>
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<td>2015</td>
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</tr>
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<td>19</td>
<td>22e</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>16</td>
<td>67</td>
<td>57</td>
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*aSigned 4 February 2016 but not ratified.
*b10 Association of Southeast Asian Nations (ASEAN).
*c13 Pacific Islands and Taipei, China.
*dIncludes 9 Middle Eastern States.
*eIncludes 17 European states, 2 each from Africa and Oceania and 1 from South America.
the AIIB along with India, Indonesia, Malaysia and Vietnam. These ‘defections’, according to Joseph Stiglitz (2016), suggest that trade deals under the TPP would have been unlikely to tilt the balance of economic power in favor of the United States, especially given the billions of dollars that China has available for supporting the Sea Road’s infrastructure development.

The varying anxieties of India, Indonesia and the United States about China’s Maritime Sea Road have been heightened by Beijing’s claim to 90 percent of the South China Sea. As this claim has been boosted by the China’s improved anti-access/area denial capabilities (A2/AD), concerns have been raised over the country’s long-term intentions and their impacts on international security. All regional countries want to maintain freedom of navigation and flights over the South China Sea without seeking permission or notifying China. As this is one of the most contentious issues in Asian politics, it is considered in more detail.

**South China Sea**

China has employed the ‘nine-dash line’ to assert its sovereignty to islands, rocks and reefs in the South China Sea covering 3.5 million square kilometers (Map 32.6). China’s historical rights to both the Paracel Islands and the Spratly Islands, according to Beijing, go back to the

![Map 32.6 South China Sea.](image-url)
Han Dynasty (206 BCE–220 CE). During the early 15th century, China’s strong maritime tradition was also confirmed by Admiral Zheng He’s expeditions to the Indian Ocean and Africa. All of this activity predated the international carve up of Asia by Western powers in the 19th and 20th centuries when China was conspicuously weak and unable to assert the country’s diplomatic rights to the South China Sea. China’s impotence at this time has left an indelible ideational legacy that drives Beijing’s need to have a maritime reach commensurate with the country’s current economic power.

Since the early 20th century, cartographic skirmishes over China’s claims to the South China Sea have gained momentum. A series of national atlases have shown the South China Sea as part of China, but it was not until 1947 that an 11-dashed line appeared on Chiang Kai-shek’s national government map to encompass both the Paracel Islands and the Spratly Islands (Malik, 2013, 2014). In 1949, the Government of the People’s Republic of China adopted this representation as its official map, but four years later, two dashes in the Gulf of Tonkin were removed to make it a nine-dash line. Then, in 2006, China elevated its historical claim to the South China Sea as a ‘core interest’ within which the country has the right to act with impunity. In 2009, China’s claim gained official status when it asserted its rights to the country’s traditional fishing grounds in the South China Sea in a diplomatic note to the United Nations Secretary-General. Before 2009, there is no formal record of China’s claim under the 1982 United Nations Convention of the Law of the Sea (UNCLOS) that came into force in 1994 to address the rights of coastal states and the freedom of navigation.

Since 2012, notwithstanding the Convention, China has escalated its claims to the South China Sea to provide a safe haven for its naval forces based on Hainan Island. This has involved land ‘reclamation’ and infrastructure construction at outposts within the Spratly Islands, which, on completion, will include airfields, communications and surveillance systems, harbors and logistics facilities. These civil-military installations have enhanced China’s presence in the South China Sea by enabling its air force, upgraded coast guard and navy to exert greater control over both air and maritime space (ONI, 2015). This ‘low-intensity coercion’ is also advanced through punitive trade policies such as tariffs, tourism restrictions and limits to foreign direct investment on countries adjacent to the South China Sea.

China’s coast guard has maintained a continuing presence on Scarborough Reef to undertake patrols to justify the country’s inalienable right to sovereignty over the South China Sea. Both China and the Philippines claim sovereignty over the Scarborough Reef and the Second Thomas Shoal. The Philippines have posted military personnel on a sunken vessel moored on the latter island, whereas China has based coast guards at both locations. In October 2015 an arbitral tribunal, constituted at the request of the Philippines Government calling for a halt to China’s construction, decided it had the jurisdiction under Section XV Settlement of Disputes of the UNCLOS (1982) to decide whether a feature could generate an entitlement beyond 12 nautical miles island to an exclusive economic zone (EEZ) of 200 nautical miles or a continental shelf. Although China is a party to the Convention, Beijing declared in advance that it did not accept the jurisdiction of the tribunal on this matter and would not abide by its determination. But China’s declaration did not halt the tribunal proceeding with the case.

On July 12, 2016, the Permanent Court of Arbitration (PCA, 2016) in The Hague concluded that there was no legal basis for China to claim historic rights to areas within the nine-dash line. Despite Chinese navigators and fishermen making use of the islands in the South China Sea, the tribunal declared that there was no evidence that China had historically exercised exclusive control over its waters or their resources. None of the artificial islands built by China on low-tide areas or rocky outcrops were capable of generating an EEZ.
Indeed, the tribunal found that China “had violated the Philippines’ sovereign rights in its exclusive economic zone by (a) interfering with Philippine fishing and petroleum exploration, (b) constructing artificial islands, and (c) failing to prevent Chinese fishermen from fishing in the zone” (PCA, 2016: 2). Further, China’s land reclamation projects and construction of artificial islands have done irreparable harm to the coral reef environment, which has been compounded by harvesting endangered sea turtles, coral and clams.

The favorable outcome of the tribunal’s benefits the Philippines and has a likely positive flow-on effect to Indonesia, Malaysia and Vietnam in their dealings with Beijing. Already the Philippines has received US$9 billion in loans from China as part of US$13.5 million in deals (Koty, 2016). Indonesia has been seeking to repel Chinese fishermen near Natuna Islands; Malaysia is in dispute with China over the Luconia Shoals that have rich fishing grounds and possibly natural gas and oil reserves; and Vietnam has been at loggerheads with China over the location of a hydrocarbon drilling rig near the Paracel Islands 180 nautical miles from Hainan Island and 120 nautical miles from the Vietnamese coast. Also, Taiwan contests portions of China’s territorial and maritime claims (a tenth dash was inserted by China in 2014 to cover both the South China Sea and Taiwan). Although all of these territories affected by China’s claims, except Taiwan, are members of the ASEAN, no common policy has emerged covering the South China Sea. Indeed, Beijing has reached a consensus with Brunei Darussalam, Cambodia and Laos that China’s claim to the South China Sea should not disrupt relations with the Association. This has led Indonesia, Malaysia, the Philippines and Vietnam to seek support from allies outside the region to counterbalance China’s growing assertiveness. Although not parties to the dispute, Japan and the United States have responded to this request in different ways.

Japan has been active in developing a maritime pivot to the South China Sea to support the switch in its corporate investments from China to Southeast Asia (Koh, 2015). Capacity building support has been provided to the Philippines and Vietnam in the form of patrol boats, and both Malaysia and Indonesia have received coastguard training. This assistance has stopped short of involving Japan’s Special Defense Forces in the South China Sea due to restrictions upon its activities imposed by the current Japanese Constitution.

The United States has responded more proactively to China’s island building in the South China Sea by flexing its military muscle, despite not being a signatory to the Law of the Sea Convention (Groves, 2011). Surveillance aircraft have been used to fly patrol missions over reclaimed areas and naval vessels employed to assert freedom of navigation. But these high-profile intelligence gathering operations have stopped short of dismantling the reclaimed areas, prompting Hu Bo (2016) to suggest that these over-flights and freedom of navigation operations (FNOPs) are little more than ‘Hollywood extravaganza’ that ignore China’s legitimate rights. China seeks to defend them by using fishing vessels and coastguards to ‘buzz’ United States ships and those of neighboring countries with territorial claims in the South China Sea—a form of ‘passive assertiveness’ that shifts the burden of any escalation onto the United States and its partners (Townshend and Medcalf, 2016).

The US Department of Defense’s Office of Net Assessment under the long-term leadership of the now retired Andrew W. Marshall has responded by preparing for the possibility of an ‘air-sea battle’ should it be attacked by any unspecified regime (Luttwak, 2012). As an attack by China on United States assets is seen as implausible, critics in the Brookings Institution see this policy as inflating threat (O’Hanlon, 2012). Subsequently the air-sea battle concept has been rebadged as the Joint Concept for Access and Maneuver in the Global Commons. Nevertheless, the resultant tensions in the South China Sea have fueled an arms race in Asia. Countries have concentrated upon boosting their military spending to build up their armed
forces with all the risk and cost that occurred when the Soviet Union was cast as the putative enemy five decades ago. China alone spent an estimated US$180 billion on its armed forces in 2015 (OSD, 2016). As elaborated by Rory Medcalf et al. (2011), this situation has long highlighted the need for confidence building measures (CBMs) involving continuous military dialogue, security hotlines and the establishment of formalized Sea Road rules.

**Conclusion**

Geostrategic discourses on Asia’s changing political order reflect the nexus between the scripting of a new geopolitics and the framing of the geo-economics of an interdependent world. Crossing and crafting of traditional borders, internal and external to the state, is juxtaposed with globalizing business networks characterized by digital communication, trade, tourism and financial interests. Political partitions and unevenness of fractured territorial and maritime space are contrasted with the global economic flatness associated with geo-economics.

This interplay between territorial borders and global flows in Asia has been borne out in the relationship between the rising power of China and the established power of the United States (Acharaya, 2016). Both adhere to a rules-based international order but each country wants to challenge the status quo in its own particular way—one rooted in history and the other anchored in law—to promote their own national champions. While Beijing has professed support for economic interdependence, the development of BRI and the AIIB has challenged the established political framework of regional cooperation orchestrated by Japan and the United States. Also, the United States had pivoted to Asia to support regional political stability but Washington’s major economic instrument of rebalancing—the aborted TPP—excluded China and had it been ratified it would have tested the extent of economic interdependence between the two powers. Much now depends on establishing mutually compatible regional roles between Beijing and Washington, possibly requiring greater recognition by the United States of China’s regional role and influence in supporting free and open trade, and good order and security at sea albeit within the framework of the UNCLOS (Frost, 2014; Mills, 2015).

Confining Asia’s political order to a contest between China and the United States is misleading because we are dealing with a contested multipolar strategic region involving other great powers, notably India, Japan, Russia and, putatively, Indonesia. China’s BRI has led to the country being seen as the only world power able to operate simultaneously in both Eurasia’s land-based and maritime strategic arenas (i.e. Heartland plus Rimland). Russia’s potential to become a comparable Eurasian land-based and maritime powerhouse to China with a similar clout in Southeast Asia has been discounted, because its proposed plans are considered to be too grandiose (Dave, 2016). Nevertheless, Russia’s great power status within Asia would be enhanced by new Arctic shipping routes through the Northwest Passage via Russia and the Northeast Passage via Canada because the ice-free route would reduce shipping times from Asia to Europe compared with the Maritime Sea Road via the Malacca Strait (Egorshev, 2014). As highlighted in this study, India, Japan and Indonesia are also poised to play great power roles within Asia along with those ranked below them in the ‘geopolitico-economic hierarchy’ (Desai, 2013: 280).

The possible outcomes from the interplay between the twin sisters of geopolitics and geo-economics presage the need for a new political order in Asia underpinned by cooperative regional economic institutions that can accommodate the great powers of China, India, Indonesia, Japan, Russia and the United States, and shifting alliances between them.
Simultaneously, there is a need for the great powers to restrain their actions in regard to weaker countries in Southeast Asia and give up cherry-picking on which outcomes from international legal decisions they will support. This process will involve a greater emphasis on reestablishing and maintaining mutual trust between all countries in Asia and ensuring that any aggressive act incurs reputational damage.

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