

# Territorial Issues in the Indo-Pacific: the East China Sea... and Beyond

June Teufel Dreyer\*

## Abstract

Chinese actions over the past decade indicate that the PRC intends to assert functional control over broad areas of the globe, including the Indo-Pacific, Eurasia, Africa, Latin America and the antipodes. The stated motivation for these actions, the need to protect energy sources crucial to support the nation's economy is valid, although the means employed to do so have sometimes violated both international law, the laws of the countries impacted, and the Beijing government's own promises. Militarization of certain areas, the threat of force, cyberattacks, economic pressures, and united front efforts to influence the domestic politics of target countries in ways that favor Chinese interests have all been employed. This article summarizes these actions, the countermeasures that have been taken against them, and their possible consequences.

## What Issues?

According to China, there are no issues in the Indo-Pacific. Although the numerous other claimants to territories disagree, influential voices within them have reluctantly concluded that territorial disputes have indeed been resolved, or are well on their way to resolution, and in China's favor. The headline of a recent article in *the New York Times* stated flatly that China's sea control is a "done deal."<sup>1</sup> This perhaps startling statement is supported by congressional testimony: at his confirmation hearing as head of the United States Indo-Pacific Command by the Senate Arms Services Committee in April 2017, Admiral Philip Davidson stated that that "China is now capable of controlling the South China Sea in all scenarios short of war with the United States."<sup>2</sup> Beijing's construction of artificial islands, after first denying any intention to militarize them, was followed quickly by their doing so. Bases, hangars, barracks, bunkers, underground fuel and water storage facilities appeared, all carefully constructed to resist the punishing typhoons that regularly afflict the area.<sup>3</sup> Western countries frequently abet the PRC's rapidly enhancing capabilities, as evidenced by Britain's decision to sell unlimited amounts

---

\* June Teufel Dreyer is Professor of Political Science at the University of Miami, Coral Gables, Florida.

<sup>1</sup> Hannah Beech, "China's Sea Control Is a Done Deal, 'Short of War With the U.S.,'" *The New York Times*, September 20, 2018, <https://www.nytimes.com/2018/09/20/world/asia/south-china-sea-navy.html>.

<sup>2</sup> "Advance Policy Questions for Admiral Philip Davidson, USN Expected Nominee for Commander, U.S. Pacific Command." *United States Senate Committee on Armed Services*, last modified January 29, 2018, [https://www.armed-services.senate.gov/imo/media/doc/Davidson\\_APQs\\_04-17-18.pdf](https://www.armed-services.senate.gov/imo/media/doc/Davidson_APQs_04-17-18.pdf).

<sup>3</sup> David Brunnstrom and Michael Martina, "Xi denies China turning artificial islands into military bases," *REUTERS*, September 26, 2015, <https://www.reuters.com/article/us-usa-china-pacific/xi-denies-china-turning-artificial-islands-into-military-bases-idUSKCN0RP1ZH20150925>.

of military radars and technology to China.<sup>4</sup>

The situation in the East China Sea seems to be moving in a similar direction, with incidents of incursion into Japan's claimed exclusive economic zone (EEZ) increasing after a Chinese fishing boat rammed two Japan Coast Guard (JCG) vessels in September 2010. Beijing announced that, since the waters involved belonged to China, its fishermen had a legitimate right to ply its waters, it would henceforth patrol the area. And so it has, less often at first, more frequently since then, although the pace has been measured and the increases sporadic—the so-called salami tactics that make defining a threshold that would trigger retaliation difficult for Japanese authorities to determine. Japanese fishing boats, fearing for their safety, now rarely venture into the area. Recent cases in point include:

- More Japanese Air Self Defense (ASDF) scrambles near the contested Senkaku/Diaoyu Islands from April to June 2018 than in January through March (173 versus 105) or in April to June 2017 (105 versus 101).
- Chinese Coast Guard (CCG) ships entered the territorial waters of the Senkakus 23 times from April to June 2018 versus 20 from January to March.
- What appeared to be a Chinese unmanned aerial vehicle (UAV) flew north of the Senkakus in April 2018, albeit without entering Japanese airspace, for the first time since May 2017.<sup>5</sup>
- In June 2018, a hospital ship of the Chinese navy entered the contiguous zone adjacent to the Senkakus for the third time in a year.<sup>6</sup>
- The PRC's State Oceanic Administration statement that it had installed a large buoy within Japan's claimed EEZ in the vicinity of the Senkaku, presumably to collect weather and other data for military purposes.<sup>7</sup>
- A JCG report revealed that the Chinese oceanographic ship Xiangyanghong10 had conducted unauthorized activities inside Japan's claimed EEZ.<sup>8</sup>

## Port Facilities

China's expansionism is also evident in its activities relevant to the Indian Ocean and the Persian Gulf. These passages are important to the PRC's energy needs, since 82 percent of the oil and gas that China imports pass through the Indian Ocean. Pakistan has leased its port of Gwadar, located just outside the Straits of Hormuz at the mouth of the Persian Gulf and Indian Ocean, to China until 2059. In July 2018, Sri Lanka awarded a 99 year lease on Hambantota, at the country's

<sup>4</sup> Stephen Chen, "Britain to sell China 'unlimited' amount of military radar equipment, technology," *South China Morning Post*, November 1, 2018, <https://www.scmp.com/news/china/society/article/2171242/britain-sell-china-unlimited-amount-military-radar-equipment>.

<sup>5</sup> Ministry of Defence Joint Staff Office, "Suitei Chūgokuki no Higashishinakai ni okeru hikou ni tsuite [Regarding what it appears to be a Chinese aircraft flying over East China Sea]," *Joint Staff Press Release*, April 18, 2018, [http://www.mod.go.jp/js/Press/press2018/press\\_pdf/p20180418\\_01.pdf](http://www.mod.go.jp/js/Press/press2018/press_pdf/p20180418_01.pdf).

<sup>6</sup> "Chinese naval vessel spotted near disputed islands, Japan airs concern," *Kyodo News*, June 29, 2018, <https://english.kyodonews.net/news/2018/06/caaf411aa97a-chinese-naval-vessel-spotted-near-disputed-islands-japan-airs-concern.html>.

<sup>7</sup> "Nihon no EEZnai de chugoku no aratana bui: gunji mokuteki demo shushu ka [New Chinese buoy in Japanese EEZ: information gathering for military purpose too?]," *Sankei Shimbun*, Oct. 2, 2018, <https://www.sankei.com/affairs/news/181002/afr1810020003-n1.html>.

<sup>8</sup> Japan Coast Gard, "Waga kuni shūhen kaiiki ni okeru kaiyō chōsasen no katsudō jōkyō [The activities of marine research vessels within ocean surrounding Japan]," last modified March 1, 2019, <https://www.kaiho.mlit.go.jp/info/topics/post-485.html>.

southern extremity and overlooking South Asian sea lanes, to China Merchant Port Holdings.<sup>9</sup> At the same time, the Sri Lankan government announced that it would move the headquarters of its southern fleet to the Chinese-operated port. Whether observers' concerns that this could result in Chinese constraints upon Sri Lanka's freedom of action are justified remains to be seen.

Djibouti, on the Horn of Africa, may be the most strategically valuable acquisition of all. The Bab al-Mandeb, a twenty-mile passage between Djibouti and Yemen, connects the Suez Canal through the Red Sea, with the Indian Ocean and the Arabian Sea. In July 2017, it became the first formal overseas Chinese military base.<sup>10</sup> China will not be alone in Djibouti, however, since the United States, Japan, France, and Italy also maintain facilities there.

China also expressed an interest in constructing a naval facility in the Maldives' Southern Laamu Atoll, near the main trading route between Africa and Asia. In 2018, India, already involved in a long-simmering land border conflict with China as well as concerned with maritime encirclement from Gwadar and Hambantota, spent millions of dollars helping Ibrahim Mohamed Solih, a leading opponent of the facility, to defeat then-president Abdulla Yameen, who favored it.<sup>11</sup>

New Zealand media described their country as "blindsided" when Niue and the Cook Islands, self-governing nations in free association with New Zealand and subsidized by its aid and investment, signed memoranda of free association to join China's belt and road initiative in return for nearly \$15 million for wharf renovation and an upgraded expressway<sup>12</sup>; Beijing has already paid the Cook Islands for pelagic tuna fisheries licenses and is discussing development of a deep-water port on its Penrhryn Island.

Acquisition of overseas bases and basing rights is not confined to the Indo-Pacific. China has expressed interest in the polar route, now ice-free for longer periods of the year. It has also announced plans to build a permanent airfield in Antarctica.<sup>13</sup> This will insert the PRC into the management of the continent's air traffic network. While there are legitimate scientific research reasons for the facility, its associated radar and other communications facilities can be used for missile guidance and surveillance operations that would give Beijing the ability to shift the strategic balance in the area. In Latin America, soon after El Salvador broke diplomatic relations with Taipei in favor of recognizing Beijing, reports circulated that the PRC was negotiating to establish a military base in El Salvador's strategically located Gulf of Fonseca. These were promptly denied by a Chinese official<sup>14</sup>, with Salvadorian President Salvador Sanchez Ceren reiterating that

<sup>9</sup> Abhijit Singh, "China's strategic ambitions seen in the Hambantota port in Sri Lanka," *Hindustan Times*, July 26, 2018, <https://www.hindustantimes.com/analysis/china-s-strategic-ambitions-seen-in-the-hambantota-port-in-sri-lanka/story-PErf7dzG8lZINVGuF37gxK.html>.

<sup>10</sup> "For Djibouti, It's All About Location," *Stratfor Worldview*, last modified January 29, 2018, <https://worldview.stratfor.com/article/djibouti-its-all-about-location>.

<sup>11</sup> Yuji Kuronuma and Oki Nagai, "Maldives election marks setback for China's Belt and Road," *Nikkei Asian Review*, September 25, 2018, <https://asia.nikkei.com/Spotlight/Belt-and-Road/Maldives-election-marks-setback-for-China-s-Belt-and-Road2>.

<sup>12</sup> Matthew Rosenberg and Hamish Rutherford, "Government blindsided as Niue signs up to Chinese blandishments," *stuff*, November 4, 2018, <https://www.stuff.co.nz/national/108331406/government-blindsided-as-niue-signs-up-to-chinese-blandishments>.

<sup>13</sup> "China expands its presence in Antarctica," *The Japan Times*, November 1, 2018, <https://www.japantimes.co.jp/opinion/2018/11/01/editorials/china-expands-presence-antarctica/#.XFKhgVz7SUL>.

<sup>14</sup> Rosa María Pastrán, "China niega una intención militar en golfo de Fonseca," *La Prensa Grafica*, October 1, 2018, <https://www.laprensagrafica.com/economia/China-niega-una-intencion-militar-en-golfo-de-Fonseca-20180930-0070.html>.

there were no such plans<sup>15</sup>. Skeptics recalled that this is exactly what Xi Jinping said about not militarizing the islands in the South China Sea, just before China began to militarize them.

While Beijing states that its port facilities are to be used for commercial purposes, or, in the case of Djibouti, to support its humanitarian assistance and disaster relief operations in the area, having access to foreign ports allows the PLA to pre-position the logistics support that it needs to regularize and sustain military deployments, hence enabling the projection of military power at greater distances from China. The acquisition of what has been called a “string of pearls” has been accompanied by annual increases in the defense budget that would be the envy of any military in the world. Since the PRC faces no external enemy, increasing capabilities raise concerns about its geostrategic intentions. China avows that it is a good global citizen and abides by international law. Still, its angry response to a 2016 international court ruling that invalidated the PRC’s claims to the 9-dash line in the South China Sea, stating that this made war more likely, did not inspire confidence.<sup>16</sup> China has also prolonged discussions on a code of conduct (COC) for the South China Sea, with the latest draft indicating that it will be able to impose its conditions on signatories in such a way as to ensure that its rules rather than their preferences will be definitive.<sup>17</sup>

Threats aside, and in no way to minimize the threat posed by an increasingly powerful Chinese military and its increasingly assertive leadership, it should be recognized that the danger posed to Indo-Pacific security is not simply a kinetic threat but involves what is known in basketball terminology as a full-court press. Chinese leaders recognize the dangers of war to its hard-won and precariously poised financial prosperity. Despite government stimulus efforts that Chinese and foreign economists warn are unwise, the 2018 rate of growth is the lowest in decades.<sup>18</sup> The debt to GDP ratio has reached worrisome levels, and although the citizenry remains politically inactive, it is angry over such issues as choking pollution and massive official corruption. China’s budget for domestic security exceeds its defense budget, indicating insecurity at the highest level. While belligerent international behavior increases national pride, an actual war could not only derail economic growth but lead to the fall of the ruling elite.

### The Three Warfares

Whether through study of the revered 500 B.C. military strategist Sun Zi or their own common sense, the Chinese leadership seems to have determined to win without fighting. None of the “three warfares”—legal warfare, which is sometimes referred to as “lawfare;” public opinion warfare, and media warfare—involve the use of physical force. With regard to lawfare, Beijing has acted as if its domestic laws trump international law, citing a February 1992 decision of its National People’s Conference to unilaterally annex all disputed territories: the Spratlys, the Paracels, the Diaoyu/Senkakus, and Taiwan. When international law provides a claim that favors Beijing’s case, it will be utilized as well, often by omitting references that would qualify its claims. For example, although purportedly authentic ancient documents have been produced to back

<sup>15</sup> “Presidente Sánchez Cerén: En El Salvador solo existirá una base military [President Sánchez Cerén: In El Salvador there will only be one military base],” *El Mundo*, October 6, 2018, <https://elmundo.sv/presidente-sanchez-ceren-en-el-salvador-solo-existira-una-base-militar/>.

<sup>16</sup> Tom Phillips, “China attacks international court after South China Sea ruling,” *The Guardian*, July 13, 2016, <https://www.theguardian.com/world/2016/jul/13/china-damns-international-court-after-south-china-sea-slapdown>.

<sup>17</sup> Carl Thayer, “A Closer Look at the ASEAN-China Single Draft South China Sea Code of Conduct,” *The Diplomat*, August 3, 2018, <https://thediplomat.com/2018/08/a-closer-look-at-the-asean-china-single-draft-south-china-sea-code-of-conduct/>.

<sup>18</sup> Chao Deng, “China Finds Big-Ticket Spending Is a Road to Nowhere,” *The Wall Street Journal*, Oct 20, 2018, <https://www.wsj.com/articles/china-finds-big-ticket-spending-is-a-road-to-nowhere-1540036800>.

the claim that China discovered their areas first, international law states that first discovery does not automatically confer ownership, which requires other actions such as continued assertions of the country's claim to the territory, the placing of plaques or flags on the area claimed, and or habitation by its nationals. All are lacking. Beijing adds to its claims that Chinese mariners discovered the Diaoyu/Senkakus first that, since Japan ruled the islands from its then-colony of Taiwan, the Diaoyu/Senkakus reverted to China when Japan relinquished control of Taiwan after World War II. So far, neither China nor Taiwan, which also claims the islands, has been able to find any evidence to back this assertion. Japan states that it administered the islands as part of Okinawa prefecture, as it has done since reversion from American stewardship in 1972.

### **United Front Work**

In the case of the other two warfares, numerous tactics to win hearts and minds have been employed. In effect, they seek to use the openness of the society to undermine and subvert its democratic processes. The CCP's United Front Work Department has been charged with coordinating these activities though, as New Zealand scholar Anne-Marie Brady has pointed out, all CCP agencies and every party member are tasked with united front work, albeit some more than others.<sup>19</sup> A particular focus of its efforts are the many Chinese diaspora communities. These overseas Chinese associations, often pre-existing ones, receive infusions of funds and guidance designed to create sympathy for the PRC government's positions on such matters as the disputed territories. Chinese-language newspapers have been bought and transformed to reflect the CCP's position. Candidates for public office, sometimes ethnic Chinese and sometimes not, have been effectively suborned.

### **Australia**

In Australia, a joint investigation by journalists from the country's Four Corners and Fairfax Media exposed what it called a wide-ranging campaign by the Chinese government and its proxies to infiltrate Australia's political process through its universities, local student and community groups, the Chinese language media, and some of the nation's leading politicians. In one much-publicized case, a woman who had emigrated from China and married the assistant secretary of Australia's Office of Net Assessments, which provides secret intelligence briefings to the prime minister, was later discovered to have been the conduit between funds from China to politicians with whom they wanted to become "sincere friends." Sam Dastyari, an Iranian-born Labor member of parliament whose campaigns had been generously supported by Chinese donors, resigned after it was revealed that he had contradicted both the Australian government's and his own party's position supporting the international tribunal's ruling on the South China Sea and that he had warned a major Chinese donor that his phone was probably being tapped by Australian security.<sup>20</sup> He is now a radio show host in Sydney.

### **New Zealand**

In New Zealand, the issue of Chinese interference in politics came to a head with the case of

---

<sup>19</sup> Anne-Marie Brady, "Exploit Every Rift: United Front Work Goes Global," *Party Watch Annual Report 2018*, October 19, 2018, <https://www.ccpwatch.org/single-post/2018/10/18/Party-Watch-Annual-Report-2018>.

<sup>20</sup> Katharine Murphy, "Sam Dastyari: senator recorded contradicting Labor on South China Sea," *The Guardian*, November 29, 2017, <https://www.theguardian.com/australia-news/2017/nov/29/sam-dastyari-senator-recorded-contradicting-labor-on-south-china-sea>.

member of parliament Yang Jian.<sup>21</sup> Yang, born and educated in the PRC, omitted to mention on his application for New Zealand citizenship that he had worked in China's military intelligence sector for fifteen years. The People's Liberation Army would not have allowed individuals with his background to go overseas to further their studies unless they had official permission; even so, Yang would have had to wait at least two years to leave China. This did not happen. After entering parliament, Yang accompanied two successive prime ministers to meetings with visiting senior Chinese leaders, which gave him privileged access to New Zealand's China policy briefing notes and positions. Normally, someone with a foreign military intelligence background would not have been given the security clearances necessary for this access, but elected members of parliament need not apply for such clearances. Yang remains a member of parliament, with Deputy Prime Minister Winston Peters angrily defending this continued presence there. He has, however, been removed from committees that deal with classified information.

## United Kingdom

After resigning as prime minister, David Cameron announced that he would lead a billion-dollar infrastructure investment initiative between the UK and China that is connected to the PRC's belt and road initiative.<sup>22</sup> As described by the U.S.-published journal *Foreign Policy*, this initiative "has revealed itself to be rather uncompromisingly aligned with an aggressive interpretation of Chinese interests."<sup>23</sup> (For more on the Belt and Road, see below.)

## Taiwan

Perhaps the biggest territorial prize of all is Taiwan, the overwhelming majority of whose citizens reject unification with a country they have never been part of. Here, too, united front work has been utilized. Efforts to bring the island under control through economic agreements arranged with a compliant Taiwan president backfired when the compliant president attempted an extraparliamentary maneuver to gain approval of yet another trade pact. Hundreds of thousands of opponents streamed into the streets and occupied the country's parliament building for over three weeks, leading to a humiliating defeat for the president's party in the next, 2016, election. Beijing then strengthened its ties with other political groups on the island.

These ties had actually existed for many years. Information revealed by the *Taipei Times* disclosed that in 2005, Wang Huning, then director of the CCP's Central Party Research Office and since promoted to Politburo membership, identified more than twenty people who had been marginalized by their respective political parties and invited them to organize a new, pro-Beijing party. The *Taipei Times'* investigation was corroborated by an exiled Chinese dissident, Yuan Hongbing, whose book *The Taiwan Crisis*, stated that in June 2008, the Politburo had approved a political strategy for Taiwan that named organizing a political party as its most important united front tactic. There are at least two of these, the New Party and the Chinese Unity Promotion Party (CUPP), both of which are perfectly legal under Taiwan's constitution.

What is not legal are their sources of funding and certain of their activities. In late 2017, investigators searched the residences of four prominent members of the New Party for documents relevant to subsidies for its newspaper and for founding a paramilitary New China

<sup>21</sup> Anne-Marie Brady, "Magic Weapons: China's political influence activities under Xi Jinping," *Document Cloud*, last modified January 29, 2018, <https://www.documentcloud.org/documents/4053774-Magic-Weapons-China-s-political-influence.html#document/p22/a376225>.

<sup>22</sup> Rowena Mason, "What is David Cameron doing now?," *The Guardian*, December 29, 2017, <https://www.theguardian.com/politics/2017/dec/29/what-is-david-cameron-doing-now>.

<sup>23</sup> Bruno Maçães, "David Cameron Didn't Just Sell Out to China," *Foreign Policy*, December 20, 2017, <https://foreignpolicy.com/2017/12/20/david-cameron-didnt-just-sell-out-to-china/>.

Youth Association with the goal of “wartime control.” A party spokesman has denied all charges.<sup>24</sup> The CUPP’s chairman, Chang An-le, also known as “White Wolf,” is an acknowledged former gangster. His son, Chang Wei, who is a CUPP activist, and an associate were charged with attempted murder after CUPP members assaulted university students during a cross-strait music event on their campus on behalf of a CCP effort to absorb Taiwan.<sup>25</sup> The charges, corroborated by videos of the attack, were later dropped to assault, and the accused given 40-day prison sentences.<sup>26</sup>

Particular targets of China’s penetration of Taiwanese society are businesspeople with assets in the PRC, the younger generation who have no memories of what life under communism was like for those who escaped it, and the estimated 300,000 Chinese women who married Taiwanese and live on the island. Some of these activities are legally unobjectionable—for example, inviting youth baseball teams, baseball being Taiwan’s national game—for exchanges in China, entertaining them lavishly, and having them play in stadia adorned with banners proclaiming that there is only one China, with Taiwan a part of it. Scholarships to major Chinese universities have also been made available, with lucrative job offers extended to some of the island’s top technological talent.

### Soft Power versus Sharp Power

Most countries seek to create good will in others through such methods as sending abroad dance and theater groups that reflect their national cultures, making their literature available in translation, and showcasing such aspects as their cuisine, cinema, and couture. This is soft power: it seeks to attract through its culture and values. Sharp power, by contrast, attempts to pierce, penetrate, or perforate the political and information environments in targeted countries to create support for itself and its values. It typically seeks to silence or counter critical voices through rejecting foreign scrutiny of its human rights record, and asserting its own alternative conceptions of human rights, insisting that target countries back its positions on sovereignty. In Australia and New Zealand, ethnic Chinese who resist the united front blandishments have received hate mail; the home and the office of Professor Anne-Marie Brady, the scholar whose work brought these and other united front activities to light, were broken into and rifled for data<sup>27</sup>—clearly not the work of common thieves. One observer describes Beijing as having adopted the stance of the wounded bully: a powerful state that describes itself as victimized, shouting that the world is treating it unfairly.<sup>28</sup>

### Debt Traps

In 2013, Chinese President Xi Jinping announced an ambitious economic plan that would rewrite the rules and norms of international trade, replacing a system heretofore dominated by seven of the earliest industrialized states (G-7) with a creatively reimagined globe-spanning silk route emanating from and financed by China. The vehicle that would underwrite this, the Asian Infrastructure Investment Bank (AIIB) was established in Beijing with a Chinese national as

---

<sup>24</sup> Stacy Hsu, “New Party spokesman denies allegations of collusion,” *Taipei Times*, January 3, 2018, <http://www.taipeitimes.com/News/front/archives/2018/01/03/2003685093>.

<sup>25</sup> Jason Pan, “Prosecutors charge five CUPP members with assault,” *Taipei Times*, December 2, 2017, <http://www.taipeitimes.com/News/front/archives/2017/12/02/2003683283>.

<sup>26</sup> Aris Teon, “Pro-China Gangsters Jailed In Taiwan For Injuring Students,” *Global perspectives*, July 31, 2018, <https://www.aristeon.net/2018/07/pro-china-gangsters-jailed-in-taiwan-for-injuring-students.html>.

<sup>27</sup> Matt Nippert, “The curious case of the burgled professor,” *NZ Herald*, September 15, 2018, [https://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=12125210](https://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=12125210).

<sup>28</sup> Professor Jacques de Lisle, October 6, 2018.

head. The PRC, having contributed the majority of capital, holds the largest number of shares. At first attracted by the prospect of “free money,” often by states of doubtful credit worthiness, or who wanted to undertake projects that other lending agencies had considered unacceptably financially risky, countries contracted loans that they were unable to pay back, and that they later complained had been accompanied by demands and conditions that benefited China rather than themselves.

This is the genesis of leaseholds or basing rights to the strategically positioned ports that the PRC has been acquiring. Several states, already unable to repay the loans, are caught in a debt trap, as happened to Sri Lanka with regard to Hambantota. Large infusions of aid to Venezuela—over \$50 billion through oil-for-loans over the past decade, beginning even before the OBOR plan was announced, have also proved impossible for its beleaguered economy to repay. New infusions of Chinese money halted nearly three years ago, when declines in oil prices and Venezuela’s badly mismanaged petroleum sector pushed the country’s economy into a hyperinflationary collapse. The Caracas government then requested a change in the terms of payment. In September 2018, President Nicolás Maduro Moros traveled to Beijing to seek relief, but apparently failed to secure the new credit lines he sought.<sup>29</sup> Maduro agreed to sell 9.9 percent of the shares in joint venture Sinovensa to the PRC’s state-owned China National Petroleum Corporation (CNPC), which, added to the 40 percent CNPC already held, means that China now owns 49.9 percent of the company.

The situation in Africa is similar. According to *Africa Confidential*, 23 of the 68 developing countries participating in OBOR are in debt distress or close to it because of their participation in the project.<sup>30</sup> Kenya is at risk of losing control of Mombasa, its major port, if, as expected, it default on loans from The China EximBank.<sup>31</sup> Uganda, which waved sovereignty over certain properties as a condition of loans from China, may lose them for similar reasons.<sup>32</sup>

Malaysia almost immediately became dissatisfied with the terms of Chinese loans, with Prime Minister Mahathir Mohamed criticizing the “stupidity” of previous negotiations and announcing the cancellation of two major projects, the East Coast Rail Link and the Trans-Sabah Pipeline, that had been part of the OBOR infrastructure initiative.<sup>33</sup> They had been valued at \$23 billion. Pakistani officials have voiced nearly identical concerns that the deals were badly negotiated, too expensive, and overly favorable to China. The Pakistan government refused China’s demand to accept Chinese currency within the Gwadar free zone; a Chinese national was assassinated in the capital city of Karachi, and another murdered in Balochistan, through which a crucial stretch of the China Pakistan Economic Corridor (CPEC) passes. The principal goal of the CPEC is to connect China’s restive northwestern province of Xinjiang with Gwadar and from there to the

<sup>29</sup> Brian Ellsworth and Corina Pons, “Venezuela sold 9.9 percent of joint venture to China oil firm: Maduro,” *Reuters*, September 19, 2018, <https://www.reuters.com/article/us-venezuela-china/venezuela-sold-9-9-percent-of-joint-venture-to-china-oil-firm-maduro-idUSKCN1LY2NN>.

<sup>30</sup> “Bonds, bills and ever bigger debts,” *Africa Confidential*, September 14, 2018, [https://www.africa-confidential.com/article-preview/id/12424/Bonds%2C\\_bills\\_and\\_ever\\_bigger\\_debts](https://www.africa-confidential.com/article-preview/id/12424/Bonds%2C_bills_and_ever_bigger_debts).

<sup>31</sup> “Report: Kenya Risks Losing Port of Mombasa to China,” *The Maritime Executive*, December 20, 2018, <https://www.maritime-executive.com/article/kenya-risks-losing-port-of-mombasa-to-china>.

<sup>32</sup> “China to take over Uganda’s main assets over unpaid rising huge debt,” *African Stand*, January 12, 2019, <https://www.africanstand.com/news/africa/east-africa/china-to-take-over-ugandas-main-assets-over-unpaid-rising-huge-debt/>.

<sup>33</sup> Isabel Van Brugen, “Malaysia Cancels Megaprojects Under China’s OBOR to Save Country From Debt,” *The Epoch Times*, August 21, [https://www.theepochtimes.com/malaysia-cancels-megaprojects-under-chinas-obor-to-save-country-from-debt\\_2629309.html](https://www.theepochtimes.com/malaysia-cancels-megaprojects-under-chinas-obor-to-save-country-from-debt_2629309.html).



Arabian Sea.<sup>34</sup> The Pakistani component of this initiative is \$60 billion, equal to 20 percent of the country's entire GDP.

China has responded to these and other criticisms by pointing out that the infrastructure projects are usually initiated by host countries, who then choose to enter into contracts on terms they deem appropriate.<sup>35</sup> The Sri Lankan government, for example, wanted to develop Hambantota into a transportation hub on the Indian Ocean; the Chinese company that now controls it is responsible for no more than the operation and management of the port, and the port is being used for commercial use only. China's interest rates, they aver, are not high in percentage terms. Those who call OBOR a debt trap are simply trying to stoke the perception of a China threat.

Countries indebted to China would nonetheless be ill-advised to challenge Beijing's claims to disputed territories. Even countries that do not have territorial disputes find it expedient to endorse the PRC's claims. In Greece, where China has taken out a lease on the country's major port of Piraeus, locals grumble about their government selling the country's strategic assets to China.<sup>36</sup> But the parliament's foreign affairs and defense committee head, Costas Douzinas, contrasted the PRC's willingness to provide money with the European Union [EU]'s "medieval leech" behavior.<sup>37</sup> Although China never explicitly asked for support on such sensitive issues, he said "when you can do something in return, who will you help, the one who helped you or the one who slapped you?"

Hungary, where China has promised to provide billions of dollars for railway construction, has blocked an EU statement on the South China Sea, with EU officials expressing concern that such pre-emptive deference to Beijing's wishes is undermining the organization's ability to speak with one voice. U.S. Secretary of State Mike Pompeo has also warned of China's "predatory economic activity"<sup>38</sup>—an interesting parallel, or perhaps counterpoint, to Douzinas' description of EU medieval leeches—noting that "when China comes calling, it's not always to the benefit of your citizens."

The sum total of these developments have raised concern that OBOR's real purpose is control of the seas and strategic overland routes rather than the "win-win" future of global prosperity through enhanced connectivity that the Chinese government advertises the initiative as.

## The Weaponization of Trade

Trade has also been employed to extract compliance with the PRC's territorial policies. When in 2010, Japan announced its intention to put on trial the captain of a Chinese fishing boat that had rammed two Japanese coast guard vessels off the Diaoyu/Senkaku Islands, the Chinese government announced that it would halt sales of rare earth to Japan, these being necessary for the catalytic converters used in the Japanese auto industry. It also imposed meticulous inspection procedures for all Japanese exports entering China, thereby slowing trade, and arrested several Japanese nationals on spying charges. The captain was soon released. Something similar

<sup>34</sup> Adnan Aamir, "China's Belt and Road plans dismay Pakistan's poorest province," *Financial Times*, June 14, 2018, <https://www.ft.com/content/c4b78fe0-5399-11e8-84f4-43d65af59d43>.

<sup>35</sup> Zhao Minghao, "The BRI is Not a Debt Trap!," *China US Focus*, October 16, 2018, <https://www.chinausfocus.com/article/2018/1016/17257.html>.

<sup>36</sup> Alexander Bowe, October 22, 2018.

<sup>37</sup> Jason Horowitz and Liz Alderman, "Chastised by E.U., a Resentful Greece Embraces China's Cash and Interests," *The New York Times*, August 26, 2017, <https://www.nytimes.com/2017/08/26/world/europe/greece-china-piraeus-alexis-tsipras.html>.

<sup>38</sup> Edward Wong, "Mike Pompeo Warns Panama Against Doing Business With China," *The New York Times*, October 19, 2018, <https://www.nytimes.com/2018/10/19/world/americas/mike-pompeo-panama-china.html>.

happened to the Philippines two years later with regard to Chinese fishing boats off Scarborough Shoal. Manila's protests were followed by Beijing announcing a halt on the import of fruit it claimed was infested.<sup>39</sup> Manila quickly backed down: China now controls the area, although it is within the Philippines' exclusive economic zone. A commentator for the *Asia Sentinel* noted that the effect of Chinese action would not be lost on the other claimants to disputed territories in the area.<sup>40</sup>

Private and semi-private companies have also been forced to comply with Chinese rules. The app and websites of international hotel giant Marriott were taken off line for a week in punishment for its showing Taiwan as a separate entity. The hotel chain apologized as well as announcing "disciplinary action" against an employee who had supported independence for Tibet.<sup>41</sup> Clothing manufacturers must also comply, as Zara, among others, was told. Airlines have been affected, as well: while White House spokesperson Sarah Sanders denounced<sup>42</sup> Beijing's demand<sup>43</sup> that Taiwan be referred to as "Taiwan, China," as "Orwellian nonsense," most airlines, including private, state-owned or partially state-owned carriers such as Air India, Lufthansa, Qantas, and Delta quickly changed their websites. The airline of Palau, one of the 17 remaining states who accord diplomatic recognition to Taiwan, went out of business after Beijing banned all group tours to the island and announced fines for those who violated the new rule.<sup>44</sup> Tourism accounts for most of the GDP of the small island, which has only 21,000 inhabitants.

Sometimes, capitulation appears to result from self-censorship, since it occurs even when there is no evidence, or perhaps no public evidence, of Chinese demands. In Australia, a local beef council painted over the Taiwan flags that two little girls had contributed to the statue of a bull meant to show the cultural diversity of their community.<sup>45</sup>

## Cyberattacks

Cyberattacks have also been used against many countries, including but not limited to the U.S., India, the Philippines, and Japan, with the Beijing government disclaiming any responsibility.<sup>46</sup> Some instances in the latter two appear to be the work of nationalist forces, since they are accompanied by strident claims over the disputed territories. It has, however, been pointed out that, given the degree of surveillance the Chinese government exercises over its population, the hackers are likely to have had official approval for their actions. In cyber intrusions in the

<sup>39</sup> "The China-Philippine Banana War," *Asia Sentinel*, June 6, 2012, <https://www.asiasentinel.com/society/the-china-philippine-banana-war/>.

<sup>40</sup> Isabel Van Brugen, "Malaysia Cancels Megaprojects Under China's OBOR to Save Country From Debt," *The Epoch Times*, August 21, 2018 (Updated: August 22, 2018), [https://www.theepochtimes.com/malaysia-cancels-megaprojects-under-chinas-obor-to-save-country-from-debt\\_2629309.html](https://www.theepochtimes.com/malaysia-cancels-megaprojects-under-chinas-obor-to-save-country-from-debt_2629309.html)

<sup>41</sup> Abha Bhattarai, "China asked Marriott to shut down its website. The company complied.," *The Washington Post*, January 18, 2018, [https://www.washingtonpost.com/news/business/wp/2018/01/18/china-demanded-marriott-change-its-website-the-company-complied/?utm\\_term=.2f16e53ae5aa](https://www.washingtonpost.com/news/business/wp/2018/01/18/china-demanded-marriott-change-its-website-the-company-complied/?utm_term=.2f16e53ae5aa).

<sup>42</sup> Erica Pandey, "Go deeper: The list of airlines bending to China's will," *Axios*, last modified January 29, 2019, <https://www.axios.com/go-deeper-list-of-airlines-china-taiwan-references-orwellian-nonsense-e514d38e-d155-4bcf-8a76-7c0bec4b7033.html>.

<sup>43</sup> *Ibid.*

<sup>44</sup> Michael Auslin, "The New China Rules," *National Review*, September 27, 2018, <https://www.nationalreview.com/magazine/2018/10/15/chinas-geopolitical-power-play/>.

<sup>45</sup> Paul Robinson and Emilia Terzon, "Taiwan flag design painted over by council ahead of beef industry event," *ABC News*, May 9, 2018, <https://www.abc.net.au/news/2018-05-09/childrens-cow-statue-design-altered-taiwan-flag-painted-over-qld/9739574>.

<sup>46</sup> Christopher Bing, "U.S. Warns of New Cyber Attacks by Group with China Ties," *Insurance Journal*, October 4, 2018, <https://www.insurancejournal.com/news/national/2018/10/04/503399.htm>.

Philippines, for example, the patriotic hackers have claimed that China will never surrender sovereignty over Huangyan, the Chinese name for Scarborough Shoal.<sup>47</sup> In Japan, a favorite target is the Yasukuni Shrine, since Chinese nationalists regard it symbolic of Japanese warlike instincts. The massive theft of information from the U.S. Office of Personnel Management, involving data on more than 20 million people, is believed to have been a Chinese government effort that is part of a larger strategic plan. The data could be used, for example, to identify U.S. intelligence personnel, or to recruit spies for China. Along with Russia, Beijing is also believed to be involved in efforts to influence voting in the elections of democratic countries including the U.S. and Taiwan. According to a Reuters report, China has been exporting this technology to other countries.

## What Can Be Done

Although the Chinese leadership has for decades stated its preference for a multipolar world order, its recent actions indicate that it intends to establish a world order in which Beijing makes the rules, and will enforce its claims, territorial and otherwise, through united front techniques, economic inducements, economic sanctions, cyberattacks, and threats to use force backed up by impressive increases in its ability to actually use force.

Assuming that other countries do not want to accept these rules—although there are many who apparently are willing to, however reluctantly, what sorts of counterstrategies exist? Certain counterstrategies have been undertaken.

- Australia has not only passed more stringent laws on financial contributions from abroad but also on acquisition of assets such as its electricity grid.<sup>48</sup>
- After a wave of Chinese purchases of high technology German firms, the government of Chancellor Merkel enacted rules that will make future acquisitions more difficult.<sup>49</sup>
- The UK's Office of the Advisory Committee on Business Appointments informed former prime minister David Cameron that, although it had approved his petition to head the China investment fund, the approval was subject to certain conditions including that he must not draw on any privileged information available to him as prime minister; and that for two years from his last day in office, he should not become personally involved in lobbying the UK government on behalf of the UK-China Fund or its partners or investors or make use, directly or indirectly, of his contacts in government and/or crown service to influence policy or secure business on their behalf.<sup>50</sup>
- Australia has offered up to \$2.8 billion dollars to fund infrastructure construction among South Pacific states to help counter expanding Chinese influence there.<sup>51</sup>

---

<sup>47</sup> Phil Muncaster, "Patriotic hackers face off in South China Sea," *The Register*, April 27, 2012, [https://www.theregister.co.uk/2012/04/27/philippine\\_china\\_hack\\_stand\\_off/](https://www.theregister.co.uk/2012/04/27/philippine_china_hack_stand_off/).

<sup>48</sup> Jamie Smyth, "Australia to tighten foreign investment rules amid China concerns," *Financial Times*, February 1, 2018, <https://www.ft.com/content/308ca8d6-06f6-11e8-9650-9c0ad2d7c5b5>.

<sup>49</sup> Stephan Scheuer, Sha Hua and Klaus Stratmann, "Germany may block tech takeover amid security and trade concerns," *Handelsblatt*, May 25, 2018, <https://www.handelsblatt.com/today/politics/chinese-checkers-germany-may-block-tech-takeover-amid-security-and-trade-concerns/23582248.html?ticket=ST-249302-VTZbrA7uhZKG1RfYj46s-ap4>.

<sup>50</sup> Appointment Advice by the Advisory Committee on Business Appointments dated 6 December 2017, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/668702/171206\\_Letter\\_DC\\_UK-China\\_final\\_\\_2\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/668702/171206_Letter_DC_UK-China_final__2_.pdf).

<sup>51</sup> Philip Wen and Colin Packham, "China shuns rivalry in Pacific as Australia says 'this is our patch'," *Reuters*, November 8, 2018, <https://www.reuters.com/article/us-australia-china-pacific/australia-launches-1-5-billion-pacific-fund-to-counter-chinas-influence-idUSKCN1NC333>.

- It successfully outbid China to fund a base on Fiji<sup>52</sup> and, after rumors circulated that the PRC was seeking to fund a port on Papua New Guinea's Manus Island, has pledged<sup>53</sup> to help Papua New Guinea develop a naval base there. The U.S. and Japan subsequently agreed to render assistance as well.
- According to Reuters, Canberra, citing security considerations, will also underwrite the costs of an undersea internet cable aimed at shutting out Chinese telecom giant Huawei.<sup>54</sup>
- There has been increased surveillance of persons suspected of carrying out united front activities, albeit against resistance by civil liberties groups and ethnic Chinese who fear having their loyalty suspected because of their ethnicity.
- Some efforts have been taken toward defense cooperation. Japan, Australia, India, and the United States participate in an as yet rather amorphous quad aimed at resisting Chinese expansion.
- The U.S. and Japan are drafting plans for a combined response to the Chinese threat to the Diaoyu/Senkaku Islands, which is expected to be finalized in March 2019.<sup>55</sup>
- The largest ever Operation Keen Sword exercises began, with Canadian ships taking part with U.S. and Japanese forces for the first time in line with its desire to have a military presence in Asia, alongside British and French navies.<sup>56</sup> Japan and France have agreed to cooperate on defense against the expanding Chinese military presence.<sup>57</sup>
- Hunter Stires, a strategist affiliated with the U.S. Naval War College has suggested a collective maritime counterinsurgency effort to protect local civilian mariners against Chinese harassment.<sup>58</sup>
- Pakistan is now looking to Saudi Arabia to help balance China's inroads and has asked Riyadh to join the CPEC as the third "strategic partner."<sup>59</sup>
- French President Emmanuel Macron applauded New Caledonia for rejecting a referendum on independence that would have abetted the PRC's expanding influence in the strategically located and nickel-rich territory.<sup>60</sup>
- In 2018, Japan's Maritime Self Defense Force sent its largest ship, the Kaga helicopter

<sup>52</sup> Christopher Mudaliar, "Australia outbids China to fund Fiji military base," *The Interpreter*, October 4, 2018, <https://www.lowyinstitute.org/the-interpreter/australia-outbids-china-fund-fiji-military-base>.

<sup>53</sup> "Australia plans to help PNG build a navy base," *Taipei Times*, November 2, 2018, <http://www.taipeitimes.com/News/world/archives/2018/11/02/2003703492>.

<sup>54</sup> Ibid.

<sup>55</sup> "Japan and U.S. to formulate armed response to China threat to Senkakus: sources," *The Japan Times*, November 4, 2018, <https://www.japantimes.co.jp/news/2018/11/04/national/japan-u-s-plan-armed-forces-response-china-threat-senkakus/#.W98uGOJ0lc8>.

<sup>56</sup> "U.S. carrier leads warships in biggest Japan defense war game," *The Asahi Shimbun*, November 4, 2018, <http://www.asahi.com/ajw/articles/AJ201811040018.html>.

<sup>57</sup> "Abe and Macron agree to boost cooperation for Indo-Pacific stability," *Kyodo*, October 18, 2018, <https://www.japantimes.co.jp/news/2018/10/18/national/politics-diplomacy/abe-macron-agree-boost-cooperation-indo-pacific-stability/#.XH3m5Yj7SUK>.

<sup>58</sup> Hunter Stires, "Understanding and Defeating China's Maritime Insurgency in the South China Sea," *The National Interest*, November 1, 2018, <https://nationalinterest.org/feature/understanding-and-defeating-china%E2%80%99s-maritime-insurgency-south-china-sea-34637>.

<sup>59</sup> Harsh V. Pant, "Why China could lose its 'all weather friend' Pakistan," October 2, 2018, <https://www.dailyo.in/politics/china-pakistan-debt-trap-diplomacy-xi-jinping/story/1/27009.html>.

<sup>60</sup> Christian Edwards, "French President Emmanuel Macron holds on to New Caledonia, but with another referendum in just 2 years, Paris is further from paradise than ever," *Business Insider*, November 5, 2018, <https://www.businessinsider.com/new-caledonia-rejects-independence-from-france-in-referendum-vote-2018-11>.

carrier, on an unprecedented two-month tour of the Indo Pacific, including stops in the Philippines, Indonesia, Sri Lanka, India and Singapore.<sup>61</sup> The Kaga and its two destroyer escorts also conducted drills with a Japanese submarine in the South China Sea.

- In the same year, the Ground Self Defense Force has established<sup>62</sup> an Amphibious Rapid Deployment Force (ARDF) whose mission includes retaking islands that have been seized, and has finalized<sup>63</sup> plans to establish a base at Ishigaki which would be on the front line if war were to break out between China and Japan.
- The US Department of Justice announced a China initiative aimed at increasing efforts to protect critical infrastructure against external threats including foreign direct investment, supply chain threats and foreign agents seeking to influence the American public and policymakers without proper registration.<sup>64</sup>
- The U.S. Congress passed the 2018 Countering Foreign Propaganda Act, which requires a U.S.-based foreign media outlet that produces or distributes any video programming for a foreign principal that is or intended to be transmitted by a multichannel video programming distributor (such as cable operators and direct satellite services) to U.S. consumers to include a conspicuous statement that the programming is produced or distributed by the outlet on behalf of its foreign principal.<sup>65</sup> It empowers the Federal Communication Commission to define what constitutes a conspicuous statement.
- Section 1042 of the 2019 U.S. Defense Authorization Act explicitly tasks the National Security Council coordinate the full U.S. government response to malign foreign influence operations and campaigns, particularly those that are cyber-enabled.<sup>66</sup>

Whether these will be able to successfully halt an apparently determined China from imposing a Sinocentric, unfree and closed sea in which non-Chinese vessels sail only at Beijing's pleasure remains to be seen.

Concerns about the Belt and Road aside, countries continue to sign on. Some may hope to learn from the mistakes earlier participants have made. Several of the earlier participants, notably Malaysia and Pakistan, are insisting on renegotiating better terms, and many can benefit from balancing the funds and expertise being offered by the U.S., Japan, and Australia with those available from China. Even so, dangers lurk, with the verbal barbs exchanged between Chinese President Xi Jinping and U.S. Vice President Pence at the November 2018 APEC meeting arousing concerns of war between the world's largest and second largest powers with other countries caught in the cross fire. Xi accused the United States of unilateralism and the imposition of punitive unilateral tariffs and urged it to make good on supporting regional infrastructures, while Pence countered by accusing the PRC of drowning its BRI partners in a sea of debt and

<sup>61</sup> "U.S. carrier leads warships in biggest Japan defense war game," *The Asahi Shimbun*, November 4, 2018, <http://www.asahi.com/ajw/articles/AJ201811040018.html>.

<sup>62</sup> Grant Newsham, "Japan Activates Amphibious Rapid Deployment Brigade: What Now?," *Japan Forward*, April 9, 2018, <http://japan-forward.com/japan-activates-amphibious-rapid-deployment-brigade-what-now/>.

<sup>63</sup> Kim Sengupta, "China Sea crisis: Japan to bolster military base on island idyll that could become front line in event of war," February 13, 2018, <https://www.independent.co.uk/news/world/asia/china-military-aggression-island-missiles-troops-south-china-sea-ishigaki-japan-winter-olympics-a8208586.html>.

<sup>64</sup> The United States Department of Justice, "Attorney General Jeff Session's China Initiative Fact Sheet," November 1, 2018, <https://www.justice.gov/opa/speech/file/1107256/download>.

<sup>65</sup> The United States Congress, "H.R.5354 - Countering Foreign Propaganda Act of 2018," last modified January 29, 2019, <https://www.congress.gov/bill/115th-congress/house-bill/5354>.

<sup>66</sup> The United States Congress, "National Defense Authorization Act for Fiscal Year 2019" last modified January 29, 2019, <https://www.congress.gov/115/crpt/hrpt676/CRPT-115hrpt676.pdf>.

transforming harbors and highways into military conduits. To date, no one has been charged with the crimes against New Zealand scholar Anne-Marie Brady, and Sam Dastyari and Yang Jian remain respected figures in their countries.

There is a consensus that war would be disastrous for all, winners as well as losers. And that cooperation with China on shared national interests such as curbing North Korea nuclear capabilities, resolving unexpected encounters in the air and in the ocean, anti-piracy operations, disaster relief, humanitarian assistance, and environmental sustainability is both possible and desirable. But these are unlikely to be sufficient to outweigh territorial issues. At present, robust defense and resolute commitment to resist while agreeing to cooperate when the mutual benefits are clear appear to be the best hope for countering Chinese aggression.