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P R O C E E D I N G S

MS. FORD: Hi. I'm Lindsey Ford and this is the Brookings Cafeteria, a podcast about ideas and the experts who have them. I am thrilled to be doing another turn in the chair today as guest host to talk about some new analysis that Brookings has just published for our Global China Project. Some of you might have tuned in for the five-day Global China Takeover we did back in October. If you haven't, go back, check those episodes out.

But today, we're going to be talking about a new round of papers for the project that Brookings has just published. And these papers really look at China's engagements with its neighbors in East Asia. I'm going to be talking to a few of the authors of those papers today and we're going to be discussing an issue that's been a big focus when it comes to Chinese strategy and foreign policy: how to secure its periphery. This includes both how to address outstanding territorial disputes in the East and South China Seas, the cross-strait relationship between the PRC and Taiwan, as well as China's efforts to expand its influence in Southeast Asia.

For the first half of the podcast I'm going to be talking with Richard Bush, a senior fellow here at Brookings, who's here with me today. And for the second half we're going to be talking with Jonathan Stromseth and Lynn Kuok about the Southeast Asia angle of this question.

Richard, I am thrilled to have you in the studio. Thank you so much.

MR. BUSH: I'm pleased to be here.

MS. FORD: Richard and I are going to be talking about the paper that he did for this aspect of the project looking at China's relationship with Taiwan. And we're also going to be talking some about how China's handling territorial disputes in the East China Sea, which is an issue that you've written about previously.

Richard, I really enjoyed the paper that you did for this project looking at the cross-strait relationship. And Taiwan is obviously the biggest, most serious, outstanding territorial problem that China faces. In the paper you talk about three possible options for how the PRC might choose to resolve its Taiwan problem. Can you sort of briefly lay those options out for us?

MR. BUSH: Sure. The first option is to persuade the leaders and public of Taiwan that they should agree to unification with China and become a part of the People's Republic of China based on the One Country, Two Systems formula. The second option is the use of military force to subdue Taiwan and to take over the territory and thereafter incorporate Taiwan into the People's Republic of China. The third is to use intimidation, pressure, cooptation, interference in Taiwan's domestic politics, to wear down the self-confidence of Taiwan leaders and the public, and bring them around to the inevitability of conceding and to agree to unification that way.

Each of these entails different risks and opportunities. And Beijing,

until a couple of years ago, was mainly in the persuasion mode. I think it's now moved to the intimidation mode.

MS. FORD: And that's what you call their "just right" strategy.

MR. BUSH: Yes. It's the Goldilocks strategy.

MS. FORD: Yeah. I always tell my students when they're writing policy option memos for me don't give me the Goldilocks too hot, too cold, and just right. (Laughter) But it works in your three options in this paper.

MR. BUSH: Yes. I think that from the Beijing's point of view persuasion has not worked because Taiwan people, they like the status quo as it is. The future that Beijing has laid out is unpalatable. And I think there is a concern in China that Taiwan will just string them along and what they will end up with is permanent separation.

Going to war is highly risky, mainly because China understandably and reasonably has to work on the assumption that the United States will intervene and come to the defense of Taiwan. Who knows what damage that would wreak on the mainland of China. Moreover, even if China won, they would then have to take over a defeated territory and a defeated people.

The Goldilocks approach doesn't have the risks. It's not certain that it will succeed, but there's enough possibility that it will succeed to make it worthwhile. And China has a lot of instruments that they can use in support of that

strategy, so I think they're going to play it along for what it's worth and make a judgment later on on its results.

MS. FORD: Yeah, let's talk about what some of those tools are for a second. You lay out a long and slightly terrifying list in your paper of all the different sort of tools that Beijing has in its toolkit for an intimidation strategy, including various forms of economic coercion and political interference. Can you highlight for me a few of the ones that you think have been particularly effective and notable in terms of how the PRC is dealing with Taiwan right now?

MR. BUSH: Yes. First of all, I have to set the scene that China has pursued these various tactics because they are unhappy that Taiwan's president, Tsai Ing-wen, has not agreed to certain principles or preconditions that they have laid out concerning the legal relationship of Taiwan to China. And I actually think that they do not want to legitimize Tsai Ing-wen or her party, the Democratic Progressive Party.

So what have they done? First of all, they have suspended any kind of formal contact between government agencies of the two sides. They have engaged in military patrolling and exercises in and around Taiwan. These are not the use of force. These are displays of force. They're designed to have a psychological impact.

They have used economic measures. Some Taiwan business entities

grew every dependent on Chinese tourists coming to Taiwan, spending money on hotel rooms, transportation, luxury gifts, and so on. China found a way to restrict the flow of tourists.

Second, Taiwan universities became dependent on Chinese students filling spaces in their classrooms. And China has found ways to limit that flow, as well.

In terms of interference in Taiwan's political system, China has encouraged at least one wealthy Taiwan businessman who has a lot of operations on the mainland to buy one of the major newspapers in Taiwan, The China Times, and one of the major TV networks that's associated with The China Times and change the coverage. And this media group now gives favorable coverage of what's going on in China and it tilts towards China's side in talking about relations across the Taiwan Strait.

It's pretty clear that China has been involved in Taiwan social media universe. China has probably directed funds to election candidates that they like. And it has also tried to create special incentives for Taiwan businesses who do operations on the mainland, tried to attract Taiwan students to study in Chinese universities.

All of these things are done to attract some in Taiwan, on the one hand, and to remind everybody else that China's powerful, Taiwan's weak, and that

capitulation is inevitable.

MS. FORD: So there's both an incentive and an intimidation element to --

MR. BUSH: Yes, punishment basically.

MS. FORD: Punishment, yeah, of this campaign. I want to talk for a second about the two maybe less right --

MR. BUSH: Yes.

MS. FORD: -- or less preferred options that you include in the paper. The first that you lay out is persuasion, which is far more just trying to incentivize Taiwan to come around to see things Beijing's way essentially. And you talk about how in the past, in previous administrations, when Beijing thought that this might actually work, this was the preferred strategy. But they've now essentially made the calculus that that didn't quite work out in the way that they hoped, and this is why we've now moved to intimidation.

I'm particularly interested in this current environment today because the other example of One Country, Two Systems is Hong Kong. When we see what's happening in Hong Kong today, what impact do you think that has both on Beijing's calculus about whether under perhaps a more favorable administration in Taipei persuasion could ever work again and, on the flip side, in Taipei, when they see what's going on in Hong Kong, what impact do you think that that has?

MR. BUSH: Well, let me take the Taiwan side first.

MS. FORD: Yeah.

MR. BUSH: I think people in Taiwan and the government in Taiwan have always believed that Taiwan really doesn't belong in the same One Country, Two Systems basket as Hong Kong and Macao.

MS. FORD: Right.

MR. BUSH: Those were colonial territories and Taiwan was something else. The way that One Country, Two Systems has worked out in Hong Kong almost proves to people in Taiwan that it's not applicable there. Even at the beginning, the Hong Kong political system was rigged in ways that blocked political leaders that China didn't like from ever gaining power. It blocked political parties that China didn't like from ever having a majority in the legislative council. And because Taiwan already had a fully democratic system, the implication is that one party in particular, the Democratic Progressive Party, the one that's in power now, would not come to power under China's rules.

The demonstrations have only confirmed very strongly why One Country, Two Systems is not good for Taiwan. It has strengthened the political hand of President Tsai and probably the Democratic Progressive Party after they lost terribly in local elections last November.

MS. FORD: What about from Beijing's perspective? Is there anything

in looking at what's happening in Hong Kong that they take away in terms of how they think about Taiwan?

MR. BUSH: I think the immediate job is to get the Hong Kong situation under control. I suspect that maybe they don't have a clue what to do about Taiwan. They can't admit that their policy has failed. They can't change it in any way that would appeal to people in Taiwan without creating a ripple effect in Hong Kong and Macao and maybe even Shanghai and Guangdong.

Xi Jinping in a speech on January 2nd this year suggested that there might be a Taiwan variant of One Country, Two Systems, but he didn't specify what that was. It seemed --

MS. FORD: Do you think he knows what that is?

MR. BUSH: Well, he seemed to be asking Taiwan people to come up with what they thought the variant should be. In effect, he was inviting Taiwan people to negotiate with themselves, which is a terrible position for anybody to be in and no one in Taiwan has really picked up on it.

The priority for China right now is, first of all, to deter any movement towards Taiwan independence. That's what they fear. I think they've actually succeeded on that. The current administration and the previous administration have both signaled that they're going to stick with the status quo. They're not going to do anything to challenge China's fundamental interests.

They will continue as good Marxists to try to foster the economic and social integration between the two sides of the strait and hope that there's a spinoff effect in the politics. I suspect that that's not going to work under the current power balance. And even the candidate of the Kuomintang who's running against President Tsai has signaled that he's not going to make any major concessions on the fundamental relationship.

MS. FORD: On the other, lesser desirable option, which would be the military option, you talk in the paper about the 2005 anti-secession law and the fact that it's fairly intentionally vague about, aside from the obvious things like Taiwanese people vote for independence, what might prompt China to pursue a forceful way of taking back Taiwan. And that vagueness is baked in there on purpose so that it gives Beijing latitude and it creates a degree of ambiguity both for Taiwan and for the United States about what conditions might be necessary for Beijing to make that decision.

MR. BUSH: Let me give you a couple of examples, and we might call this strategic ambiguity with Chinese characteristics. But the first example would be that if a government in Taiwan took a variety of steps that looked like it was moving towards some kind of declaration of independence, and one possibility is that that government would hold a series of referenda that touched more and more on Taiwan's legal status and the legal relationship or lack of relationship with mainland

China. And the fear would be that if we allow this incremental movement towards independence to go to the end, it will be too late. And so we need to act right away and we reserve the right to act.

Another possibility would be that if the United States in its wisdom created an openly obvious military relationship with Taiwan, with U.S. Navy ships making port calls in Taiwan, with obvious joint planning going on between the armed services of the United States and Taiwan, if there were joint exercises between the two, that, I think, China would regard as a return to the era of our defense treaty with Taiwan and be a permanent block to anything that they wanted to do. They would fear that it would give Taiwan leaders and the public overconfidence about the acceptability or the durability of the status quo.

A third one would be what might be called permanent separation. If China decided that the policies of successive Taiwan governments were stringing China along and that however good relations were that Taiwan was never going to get around to negotiating on unification, then that's not a good outcome either. So the would feel justified in using force.

MS. FORD: It seems to me that of the things you just mentioned that the latter two may seem more likely.

MR. BUSH: Yes. Yes, I think so. I mean, I think the two governments have realized the danger of touching the independence red line even in an

incremental way. The concern about permanent separation first appeared during the Ma Ying-jeou administration and President Ma was a lot more accommodating to China than Tsai Ing-wen has been. They pushed him to have political talks and he rejected that appeal.

The Trump administration has broadened our deepened our security relationship with Taiwan. And I think there's growing concern in China that at some point it will go too far by their definition.

MS. FORD: So possibly escalating degree of uncertainty and risk when we look at cross-strait dynamics in the coming decade. I want to maybe contrast that for a second or compare and contrast --

MR. BUSH: Yes.

MS. FORD: -- with one of the other issues we were going to talk about, which is the territorial disputes that China has with Japan in the East China Sea over what Japan calls the Senkaku Islands, China calls the Diaoyudao Islands. It's an interesting comparison to me because we're talking about small, uninhabited rocks. It's a huge contrast with a large island full of millions of people who vote, right, who get a vote.

And so I'm curious if you could compare for me what you see in terms of the degree of risk of a possible military crisis or conflict in the East China Sea, where although it may seem like a less serious problem because we're talking

about small rocks, nonetheless the United States has said they fall under the mutual defense treaty that we have with Japan compared to Taiwan where we don't have --

MR. BUSH: No.

MS. FORD: -- an actual formal mutual defense treaty. And yet, I think politically it would be far more challenging for the United States to just stand back when we're talking about something where there are actual people involved.

MR. BUSH: Mm-hmm, that's exactly right. The Senkaku/Diaoyudao became an issue around 1968 or 1969, when I think it was the U.N. published a report that suggested that there might be fairly significant oil and gas reserves in the vicinity of those islands. And so what nobody had taken seriously before suddenly became very important. It became important to China, it became important to Taiwan, it became to Japan which had the advantage of already being there.

During the '80s and '90s, we had a series of incidents where patriotic people from China or Taiwan tried to challenge Japan's control of the islands. And those were fairly short episodes and officials of the two countries quietly resolved them.

Things began to change in the latter part of the last decade. Around 2008, China had been building up its naval and Coast Guard capabilities and all of a

sudden started challenging Japanese control. And this wasn't fishing boats. This wasn't a private enterprise. This was the government of China intruding into what Japan regards is its territorial waters.

And for a while, there was the possibility that through some accidental clash or somebody getting killed, that this could quickly escalate. Number one, because the decision-making systems of the two governments weren't perfect. Number two, because the publics in both countries were quite nationalistic.

I'm pleased to report that it seems that that situation has become somewhat ritualized and normalized. The Chinese Coast Guard does intrude on the territorial waters of Japan still, but they do it on more or less a regular basis. The Japanese Coast Guard can kind of predict which day it's going to happen on and everybody knows what they should and shouldn't do.

MS. FORD: So one of the concerns, I think, that you hear discussed in the U.S. analytical community a lot when it comes to Taiwan and the East China Sea is that were China to feel like it needed to pursue a military option, that what would happen is what people call a *fait accompli*. The PRC would move extremely quickly, essentially seize the islands or seek to take over, and it would be faster than Taiwan or Japan or even the United States could do anything about it.

How serious of a risk do you feel like that is right now in Taiwan or in

the East China Sea? And because of the concern that China's advancing military capabilities make that type of a strategy more plausible, how credible do you think the U.S. military deterrent looks vis-à-vis Taiwan or in the East China Sea right now?

MR. BUSH: I think one can draw a distinction between Taiwan on the one hand and the Senkaku/Diaoyudao on the other. Capturing the territory of Taiwan is a much harder military operation than seizing the Senkaku Islands.

MS. FORD: Yes.

MR. BUSH: And I'm pretty confident that our intelligence and Taiwan's intelligence would spot the kind of military buildup that you would need to carry out that kind of military campaign.

Other things could be done as a bolt from the blue, if you will: missile bombardment of downtown Taipei. But I think that an amphibious operation --

MS. FORD: A full amphibious invasion.

MR. BUSH: Yeah, we would know long before it started and could sort of put forces in place, first to try and deter it and, if deterrence didn't work, to deal with it.

Senkaku is a harder challenge because they're not very large, there are no people there, there's no armed forces there. It's just a bunch of seagulls. And the initial response would probably come from the Japan Self Defense Forces, who would try and take the islands back. And Japan has been training for

amphibious island seizure operations for some time and doing it with the U.S. Marines. I think Japan is fairly confident that it could carry that off.

But you're absolutely right, the Senkaku Islands are within the territorial scope of our mutual security treaty with Japan. And Japan would look to us to come to their aid if that aid were necessary.

MS. FORD: So can I ask you for a last question here to prognosticate for a second? If you can put on, I guess, your Xi Jinping hat for a moment, and if you're sitting in Beijing and you're looking at the situation you face vis-à-vis Taiwan as well as with the Senkakus, on the one hand, a much more powerful, capable military, you may also estimate that at least with Taiwan your strategy of intimidation may work out for you. On the other hand, both Taiwan and Japan seem to be increasing not only their capabilities, but drawing more tightly in their security relationship to the United States, which would make you nervous.

So what degree or confidence of nervousness do you think there is in Beijing right now looking at the situation that it faces in both of these cases?

MR. BUSH: With respect to Taiwan, Chinese leaders have reason to believe that they have been able to deter what they fear, and that's a move to Taiwan independence. They haven't figured out how to get what they want, which is unification, but I think they can be fairly confident in their ability to weaken Taiwan's self-confidence about its future. I can't tell you how long it would take to

do that, but Xi Jinping is president for life, so we have time.

MS. FORD: However long that is.

MR. BUSH: That's right. Also, it's worth pointing out that the Chinese military is probably not ready for a major military operation against Taiwan because they don't really know how to fight jointly the way the U.S. armed forces do, and this would be a joint operation.

The Senkaku Islands, it's stable now. China makes its political point by intruding every couple of weeks into the territorial waters of Japan. I mean, if I were Xi Jinping and felt really Machiavellian that day, I would seek to challenge Japan and the United States someplace else, and that's Okinawa.

People of Okinawa, frankly, don't like the United States bases there. Most of our bases in Japan are actually in Okinawa. And there's plenty of dry tinder to work with to set off some kind of fire in opposition both to the Japanese central government and to the United States and its military presence.

So I don't know how long it might take for that to play out. The risk is pretty low. Some stuff you can do and it never can be attributed to you, and even if it is that's not a bad thing. That might be a more clever kind of game to play.

MS. FORD: Remind me to not cross you on one of your Machiavellian days, Richard. (Laughter)

MR. BUSH: Well, what's interesting is you go back to Sun-Tzu, the

military strategist. One of the things that he said was getting your opponent to submit without warfare is better than having to fight a war to get that submission.

The other thing is if you want to weaken your opponent, attack his alliances. So this comes naturally, I think, to Xi Jinping.

MS. FORD: Great point. Well, Richard, this has been a great conversation.

MR. BUSH: Thank you.

MS. FORD: Thank you so much.

MR. BUSH: Sure.

MS. FORD: Stick with us. After a short break, we're going to be back with Jonathan Stromseth and Lynn Kuok and we're going to be talking about Southeast Asia and the South China Sea.

(Music)

MS. FORD: Hi, and we're back with the Brookings Cafeteria. I'm Lindsey Ford and for the second half of today's discussion I'm really happy to have Jonathan Stromseth and Lynn Kuok here in the studio with me.

Jonathan is the Lee Kuan Yew Chair in Southeast Asian Studies here at Brookings. And Lynn is senior research fellow and the University of Cambridge and associate fellow at the International Institute for Strategic Studies.

Lynn, Jonathan, thanks.

MR. STROMSETH: Well, happy to be here.

MS. KUOK: Happy to be here, too.

MS. FORD: So we've been talking in this episode about China's efforts to consolidate control of its periphery. And I talked to Richard Bush in the first half of the episode about cross-strait relations, East China Sea. And so we're going to get warmer and head south for this part of the episode, talk about the papers that you two wrote which deal with China's relationships in Southeast Asia and its activities in the South China Sea.

I wanted to start off with you guys just with a simple question, which is basically what does China want? Why do Southeast Asia and the South China Sea matter so much to Beijing? Jonathan, you want to start?

MR. STROMSETH: Sure. I had the opportunity to live and work in both China and Southeast Asia for many years. I was very struck when I moved from Hanoi to Beijing in the mid-2000s about how sort of little interest there was in Southeast Asia at that time among top think tanks and other experts who were experts on Asia, for instance. When I go back now I'm just struck at how important Southeast Asia looms in the thinking of these folks who showed less interest when I was actually living and working there. These would be at think tanks and universities in Beijing and Shanghai and so on.

And so I sort of have thought how did that change? What does that

suggest in terms of China's current foreign policy priorities for Southeast Asia? And I think it's important to sort of see Southeast Asia within the rubric of China's neighborhood or peripheral diplomacy more generally and the way that as China is becoming a great power, rising significantly in the world, neighborhood diplomacy, its region, and Southeast Asia in particular has become kind of strategically indispensable in their own thinking. In other words, how do they shape their own region as the process of rising in the region more globally? And I, in that kind of sense, see Southeast Asia as a testing ground or gateway for China's rise more generally.

It's obviously a maritime region, so it's an opportunity for China to expand navy power. Also, it's made up of a very diverse set of 11 countries and some are small, some are medium, some are very large in terms of population, like Indonesia. And so I think it's an opportunity for China to have different forms of outreach and engagement that really could be a kind of barometer for how it's going to behave in the world more generally in the future.

MS. FORD: Great. And, Lynn, if Southeast Asia is sort of the most important backyard that Beijing is paying attention to, the South China Sea would be basically the gateway in and out. So how do you think about Beijing's ambitions and its goals in the South China Sea?

MS. KUOK: Well, I think in determining what China wants in the

South China Sea it's necessary to look at what China is doing in the South China Sea. And I think in this respect we can look at two broad categories of what it's doing.

The first one is how it's consolidating, aggressively consolidating, its territorial claims. So beginning in December 2013, as we all know, China began converting small rocks and reefs into large artificial islands, and it began building facilities on them, as well. By the end of 2017, China effectively had naval and air facilities in the South China Sea. By 2018, it was escalating its militarization of these beaches.

Beijing repeatedly claims that it's entitled to do as it likes on its own sovereign territory, but, in fact, these territories are hotly disputed. And in the case of at least one feature, has been found by an international tribunal to be a low-tide elevation within the Philippines' exclusive economic zone and, therefore, within Philippines' jurisdiction and control. So what China is doing is completely illegitimate in terms of its territorial claims.

But China has also sought to strength its maritime claims and control around features, so it's encroached on coastal states' exclusive economic zones, which fly in the face of the tribunal's ruling. It's also increased its presence around features with hundreds of vessels swarming areas around Philippines' occupied features in the South China Sea. And China has also been very adamant about objecting to U.S. and other warships exercising, navigation, and other freedoms of

the seas.

What can we infer about what China wants from these actions?

Now, I think it's quite clear that it's seeking to exclude other powers from itself, from its backyard. It's also seeking to allow itself economic resources which are not legitimate under their law, so it's seeking to encroach upon the economic resources of its coastal states. And I think to a large extent it's also seeking to undermine U.S. credibility in the region.

It has presented the U.S. with a fait accompli by some artificial islands in the South China Sea. And I think, you know, in this respect, not only does this gain China advantages of the South China Sea, but more broadly in the region, as well, insofar as how it influences countries in the region, where it's able to influence other countries in the region.

MS. FORD: Let me follow up on that for a second because there's been debate in the scholarly community since China's island-building campaign started about what the significance of these islands actually is for China. Is it simply creating a sense of pressure, creating a sense of perhaps a fait accompli that eventually the South China Seas will be ours and, therefore, smaller Southeast Asian countries and claimants ought to essentially cede the ground now? Or is there actually a significant military advantage that Beijing accrues from having these islands, as well? What's your perspective?

MS. KUOK: Well, one view is that the features or its bases in the South China Sea are pretty vulnerable to U.S. aircraft, ships, and submarines, and, therefore, really don't play much of a role in terms of a military conflict. That may certainly be the case. However, what we're anticipating for most of the time is really nonmilitary conflict, so low-level, gray zone-type conflict, where there isn't kinetic force used. And in this respect, I think China has gained significant advantages through its bases in the South China Sea.

I think a Japanese Ministry of Defense report found that China's naval and air facilities in the South China Sea allow for a more robust maritime presence and it boosts China's intelligence, surveillance, reconnaissance, and other mission capabilities. It also found that runways for aircraft improved China's ability to project airpower capabilities and possibly allow China to enforce an air defense identification zone should it declare one in the future.

But I think quite apart from military advantages and situations short of outright rule, China has also gleaned nonmilitary advantages from its actions that are often overlooked, and I've touched on them earlier. So one would be to undermine U.S. credibility in the region. And the other thing, as well, is, of course, to deter regional countries from putting up a strong resistance to China's claims.

MS. FORD: Jonathan, in terms of undermining U.S. credibility, when you look at what's been going on in the South China Sea and perhaps Southeast

Asia more broadly, are there specific things that you feel like have been particularly influential for Beijing in using to pose questions in how much commitment and credibility the United States has in the region?

MR. STROMSETH: To me, I think the South China Sea issue is critical. To me, the main storyline of the last year or two has really been China's expression of economic power in the region just as, frankly speaking, the U.S. economic strategy for the region seems to have been in retreat. First, for instance, we got out of TPP and there hasn't really been an effective strategic follow-up on the economic side since that time beyond sort of interest in free and reciprocal bilateral trade deals, which not a lot of countries in the region seem to be pining for.

I mean, if I look at China's toolkit for Southeast Asia, I think it's kind of balancing of hard power and soft power today. The hard power is, as Lynn suggested, is looking at these land reclamation and militarization efforts in the South China Sea as they try to enforce their, you know, far-reaching nine-dash line throughout Southeast Asia. The soft power is economic engagement, primarily through its Belt and Road Initiative and other forms.

For instance, I really see China's ability increasing to achieve its strategic goals in the region through economic statecraft. And that can have a hard power element to it because it's not just inducement, say, it's also coercion at times. But the region needs infrastructure, which is what BRI is all about. BRI in

Southeast Asia is focusing on hydropower dams, oil and gas pipelines, a high-speed rail. And in mainland Southeast Asia, which we call the Mekong countries of Vietnam, Thailand, Cambodia, Laos, and Myanmar, China has become particularly strong and influential economically. There's a saying I sometimes hear in the region that we focus so much on the sea, we forgot about the land. And these things are inextricably intertwined.

So, for instance, China's building dams along the Mekong that could have very severe effects on water flows in the Mekong Delta of Vietnam. So when you think about Vietnam's calculus on the South China Sea as the mainland frontline state and how they push back, if China in time has leverage to basically control water flows toward Southern Vietnam, that could create a different way of thinking among Vietnamese leaders in Hanoi.

I would also say that while one has seen unease and some pushback in Southeast Asia over the Belt and Road Initiative, concern about, you know, financing, lack of transparency, too many Chinese workers, for instance, as opposed to having it more focusing on domestic priorities of the countries themselves, I think increasingly you see Southeast Asian countries getting smarter in the way they're negotiating with China. China has also learned from some of its mistakes. And you see kind of a mutual learning dynamic at play that's likely to make BRI more sustainable over the long term.

MS. FORD: So in talking about China's toolkit, this was a conversation Richard and I had earlier in the episode where in discussing Taiwan he said, you know, Beijing sort of has this Goldilocks strategy, right? Military intervention, probably don't want to have to go that route unless you're absolutely forced to. Positive inducements and persuasion doesn't seem to be working. So instead, we have something in the middle that's a mix, this kind of intimidation strategy that mixes both positive economic inducements alongside perhaps more coercive pressure techniques. And this is sort of what you're describing in Southeast Asia, as well, Jonathan.

One of the things I think that's been interesting to see as China looks at what levers it can pull is the use of overseas Chinese and other kinds of efforts to influence domestic political situations in countries to help them align more with Beijing's perspective. How have you seen this play out in Southeast Asia?

MR. STROMSETH: Well, officially, you know, for decades China has had a policy of noninterference in the domestic affairs of other countries.

MS. FORD: Of course.

MR. STROMSETH: But I do think they are engaging in new ways that we haven't seen in the past. One example of this in Southeast Asia, which is really still trying to figure out where this is going, but is China's effort to reengage with the Chinese diaspora in the region, and it's huge. There's over 30 million "overseas

Chinese,” many of them have, you know, lived there for decades and are almost fully -- or are fully integrated or assimilated. That’s 70 percent of the world’s total.

When I was doing some interviews in China in the summer of 2018, and that was around the time when the Communist Party was shifting the Office of Overseas Chinese Affairs, which was basically in the central government, into the United Front Agency of the Communist Party, which to other people suggests to Southeast Asians there’s a mobilizational element that may be coming. And we do see more engagement. There’s official talk of overseas Chinese being the bridge that helps implement successfully the Belt and Road Initiative in the region.

This isn’t a perspective that I think most overseas Chinese in Southeast Asia actually welcome. They’ve been in some countries, like Indonesia, suspected of dual loyalties in the past and that kind of thing. And so they’re quite concerned.

This is what I think of as a sort of tripwire for China in the region. It is more effective and I think getting more sophisticated in some ways, but this is a sort of blind spot that could be very toxic and I think provoke quite a backlash if they’re not very, very careful.

MS. FORD: It could blow up and see some of the backlash that you have against some of the BRI projects, as well.

MR. STROMSETH: I think so, yeah.

MS. FORD: Lynn, in talking about Beijing's toolkit and this sort of like coercion strategy, I think in the South China Sea what's interesting is you can see and watch over time that Beijing almost sort of adjusts the rheostat, right? So perhaps 2013/'14, some concern that maybe Southeast Asian claimants were getting out ahead and China needed to turn up the pressure with the island-building campaign. Post 2016, the tribunal ruling, perhaps an effort to turn it down a bit, move forward and emphasize the code of conduct negotiations, and find kind of this balance between soft power and making efforts to do things cooperatively, but then also some of these pressure efforts.

Where do you think things stand now? Where do you think the calculus is at the moment for Beijing and the South China Sea?

MS. KUOK: I think Beijing continues to forge this balance, so it's doing both more soft power persuasion, you know, seeking to cooperate with countries, but also a lot of the hard power. And I think it's ratcheted up the hard power in the last year or so.

I think what we've seen in the South China Sea is after the tribunal decision in 2016, China laid low, as you mentioned. But about a year after the anniversary of the war in 2017, July, China started threatening Vietnam with military action if Vietnam did not stop drilling for oil and gas in its own exclusive economic zone. And China repeated these threats again in May 2018 and in March

2018.

This year, China took things one step further in respect to Vietnam's exclusive economic zone. It sent a seismic vessel as well as some accompanying vessels to actually actively survey for oil and gas in Vietnam's exclusive economic zone. So I think that's an example of where China has ratcheted up the pressure on Vietnam. And Vietnam, of course, could do very little. It sent its own Coast Guard to try to push back against China, but it stopped short of anything more forceful.

And then in terms of its more soft approach, it's continued with that for sure and it continues code of conduct negotiations with the parties. And it's actually stepped away from two terms that most people have considered more problematic, so China insisted initially on parties from outside the region not being allowed to conduct joint exercises in the region with ASEAN countries. It stepped back away from that demand for the moment at least.

And the other term in the code of conduct that it's stepped away from is the insistence that development of the maritime economy in the region can only be conducted with companies from within the region, but not with companies from outside of the region. So definitely it's adopted a softer approach in the code of conduct negotiations.

Apart from that, as well, we have the Philippines-China Memorandum of Understanding that was concluded in November last year to

cooperate with development of oil and gas in the Philippines' exclusive economic zone. So I was in the Philippines in the middle of this year and I spoke to several high-ranking officials, who all uniformly expressed optimism that China appeared willing to conclude a deal that would implicitly at least accept that the Philippines had sovereign rights to the economic resources in its exclusive economic zone. So that's another example of how China continues to maintain its soft approach while ratcheting things up in the South China Sea with its seismic vessels in the Vietnam EEZ, as well as swarming the area around Philippines' occupied territories.

MS. FORD: So you raise, I think, an important point here in talking about the code of conduct negotiations and China backing away from some of the initial demands that would have been fairly exclusive in keeping outside powers, most notably the United States, from doing things like military exercises with claimant states. And I think what's important here is it demonstrates that Southeast Asian claimants have agency and do have influence in the situation because they did push back on some of these kinds of demands that Beijing was making.

And, Jonathan, you raised this point in your paper that, yes, China is the bigger power, but it doesn't mean that Southeast Asian countries have no agency in terms of their relationships with Beijing. So could you talk about that for a second?

MR. STROMSETH: Yeah. You know, I think the conventional wisdom

is that one day, you know, China will come to dominate this region, but I don't think that's a foregone conclusion. And I think it's important to look at it through the lens of both kind of the multilateral institution in the region, the Association of Southeast Asian Nations or ASEAN, and individual country responses.

ASEAN, you know, is a well-known regional institution that is made up of 10 countries in Southeast Asia. And the goal and I think a great achievement of ASEAN over the years has been its ability to sort of manage great power involvement in the region through kind of an enmeshment strategy, enmeshing the powers in a variety of institutions that it has created.

In recent years, though, there's a concern that the South China Sea disputes that Lynn is talking about has also kind of stymied ASEAN's ability to work effectively or I should say its consensus principle of decision-making has stymied its ability. Because if China can just isolate one member, then they can't effectively maybe push back as an institution.

Looking at the countries individually, a great diversity of responses I think to China that is affected by their geographic proximity, whether you're Vietnam which is right on the doorstep or Indonesia farther away, threat perceptions, and also their sense of economic opportunity. Like I said earlier, there's a real interest in infrastructure. Of course, Japan is a great provider of that and other countries. But China seems to have a lot of ready-made quick

opportunities.

I think if you look at Vietnam, you see a country that's really at its core trying to balance against China, but without provoking it. They are realistic about the great power to their north and they're very, very careful about going across some kind of red line that shifts and they're not quite sure where it is. But they are engaging the United States in new ways and they have a comprehensive partnership with the U.S. I think there's an opportunity to elevate that to a strategic partnership in the future. They're also getting maritime security support and a lot of infrastructure on the economic side from Japan. And they're engaging India in new ways.

Indonesia is farther away, very, very large demographically. But I find that Indonesia is fairly artfully taking advantage of the opportunities on the economic side that China is presenting. President Joko Widodo, or Jokowi, really is an economically focused person on domestic issues or a leader and he's very interested in developing maritime infrastructure and a kind of global maritime fulcrum as he talks about Indonesia's economic development.

So I think they have their own concerns about China. This overseas Chinese question we talked about is particularly toxic and of great concern there. But I think they've fairly artfully balanced between major powers over the years and I think they'll continue to do that and take advantage of economic

opportunities going forward.

MS. FORD: And so if Southeast Asian countries are ultimately -- if their strategy is an effort to sort of balance relations with great powers and maintain a degree of strategic space, I think that this is where it becomes particularly important for U.S. policymakers to think through what are the kinds of things the United States can do to play a role that it has traditionally over the last several decades of being perhaps not physically present in the region, but a major strategic player in order to give choices and options to some of the smaller countries?

Lynn, when it comes to the South China Sea, I think there are a lot of folks here in the U.S. who are maybe pessimistic that those choices still exist and that talk about the South China Sea as if perhaps all is lost. Do you think that's true? What do you think U.S. policymakers can and should still do at this point to provide some degree of space and choices for smaller claimant states in the South China Sea?

MS. KUOK: No, I do not think all is lost and --

MS. FORD: (Laughter) I'm glad there's an optimist in the room.

MR. STROMSETH: I'm glad to hear that, too.

MS. KUOK: And I think it's a very dangerous view to adopt. So if you think all is lost, you kind of throw up your hands and you don't do anything. But I

can point to at least two ways that things could get worse and it's imperative that the United States and its allies and partners actually seek to stand ground and not cede further ground to China in the South China Sea.

So the first thing I think that the United States needs to guard against is to stop what it calls its freedom navigation operations and I prefer to call this resurgence of maritime rights and freedoms. And I think this is necessary because failure to continue with such resurgence might be seen as acquiescing in some of China's excessive maritime claims as a matter of law. But as a matter of practice, failure to do so allows the South China Sea to become a Chinese lake.

Now, China has consolidated its control over the features it occupies, but it's quite another thing for China to then, as well, have complete control over the waters around these features.

MS. FORD: Right.

MS. KUOK: and I think it's really necessary and important that the United States and its allies and partners work to ensure that that doesn't happen.

Another thing that's important is guarding against China building on Scarborough Shoal. Now, China has been in control of Scarborough Shoal since 2012, when there was a standoff between the Philippines and China. But since then it has not actually built on Scarborough Shoal and I understand that under the former administration, under the Obama administration, China was warned in

private that that would be a red line. And for whatever reason, China has refrained from building on Scarborough Shoal.

This would be problematic for the U.S. if China did indeed build on Scarborough Shoal because, you know, it formed that corner of a strategic triangle in the South China Sea, and make it more difficult for the United States to conduct military planning. So those are at least two ways that all is not yet lost and things could get far worse, and I think we need to guard against that.

In terms of what else the United States could do, I mean, I highlight about eight different recommendations for the United States to adopt to try to push back against Chinese whims in the South China Sea. And I think the most important of them relates back to a point that Jonathan mentioned earlier, mainly that it's important to give the countries in the region economic options because how they position themselves in the South China Sea, you know, the stances that they take, will largely depend on the broader geostrategic and geoeconomic situation in their region.

And so failure to give them options, whether it's economic options or political and diplomatic options, it undermines their ability to have agency -- we talked about agency earlier, too -- have agency in terms of standing firm against Chinese encroachments and supporting the U.S. and its allies and partners when they choose to stand firm against Chinese encroachments.

MS. FORD: It's a great point. Jonathan, anything to add?

MR. STROMSETH: I agree with Lynn's comments on the South China Sea and her final point there on economic issues. And I would just add, you know, in closing to that particular point, I do think that the U.S. needs to up the economic game. And I don't want to discount the very robust private sector engagement that the U.S. already has in Southeast Asia in terms of FDI, or foreign direct investment, trade, and so on.

But there is so much emphasis, I think, on infrastructure today and I think we should not overestimate what the U.S. can do in that area. We have a lot of infrastructure to rebuild here in this country. But I think that is a kind of calling card in the region. China's very strong.

And the Trump administration has created some new mechanisms. There's a trilateral agreement that recently was created between Japan, Australia, and the United States, about how to create more high-quality, transparent infrastructure initiatives in the region. And I think that would be something that I would hope they would try to operationalize and accelerate going forward.

And also, I think the region is really moving ahead with multilateral trade arrangements. And so nobody's biting on the bilateral stuff. And I think probably if the U.S. really wants to engage on the trade side and make sure that our businesses get the same opportunities in terms of tariff reductions and so on that

others do, they're going to have to -- I think, at some point the U.S. is going to have to think hard about reengaging on the multilateral trade side, as well.

MS. FORD: Well, *Inshallah*. (Laughter) Lynn, Jonathan, thanks. This was a great conversation. I appreciated hearing all of your insights. I would encourage folks to go read your papers which are available on the Brookings website, and you can hear a lot more of what we discussed today in more detail.

So thanks very much. I'm Lindsey Ford and this has been another episode of the Brookings Cafeteria.

MR. STROMSETH: Thanks, Lindsey.

MS. KUOK: Thank you, Lindsey.

MR. DEWS: The Brookings Cafeteria Podcast is the product of an amazing team of colleagues, starting with audio engineer Gaston Reboredo and producer Chris McKenna. Bill Finan, director of the Brookings Institution Press, does the book interviews, and Lisette Baylor and Eric Abalahin provide design and web support. Our intern this fall is Eowyn Fain. Finally, my thanks to Camilo Ramirez and Emily Horne for their guidance and support.

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Until next time, I'm Fred Dews.

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