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Abstract: Since 1990, China has used coercion for maritime territorial disputes in the South China Sea, despite adverse implications for its international image. China is also curiously selective in the timing, target, and tools of coercion: most cases of Chinese coercion are not military coercion, nor does China use coercion against all states that pose the same threats to its national security. The question regarding China’s coercion patterns – crucial for the prospect of peace and stability in the Asia-Pacific region – has not been systematically answered. I therefore examine when, why and how China attempts to coerce states over perceived threats to its national security. This question entails two parts: 1) when and why does China choose coercion over inaction, and 2) if coercion is chosen, what tools does China utilize? I explain Chinese coercion with the cost balancing theory – and test it against China’s coercion in the South China Sea. I employ qualitative methods such as process tracing and congruence testing, leveraging on primary Chinese documents and interviews with Chinese officials, government analysts, and scholars.
I. Introduction

When faced with challenges to national security, China has used sticks – coercion – since the 1990s. China has utilized a full spectrum of coercive tools, ranging from diplomatic sanctions, economic sanctions, and military coercion, despite adverse implications for its international image. Take, for example, Chinese maritime territorial disputes in the South China Sea, these disputes concern the sovereignty of claimed islands as well as maritime jurisdiction. China has disputes with Vietnam, the Philippines, Malaysia, Brunei, and Indonesia in the South China Sea, and has used coercion against claimants such as Vietnam and the Philippines since 1990.

![Figure 1. Chinese Coercion Regarding Maritime Disputes In The South China Sea 1990-2015 (When Met with Challenges)](chart)

Figure 1 above is Chinese coercion in the South China Sea from 1990 to 2015. The vertical axis is the number of incidents. The blue bar with dashed lines is the total pool of incidents, which are an amalgamation of incidents where China could react to other states' behavior by either using coercion or not using coercion. These incidents concern two categories: the control of disputed land features in the South China Sea and energy exploration in the disputed maritime area. I code these two categories because an internally circulated publication by China's State Oceanic Agency (SOA) stated clearly in 2002 that defending maritime rights — sovereign, jurisdictional, and administrative rights — are the
core of maritime rights and that resource exploration in one’s exclusive economic zones (EEZ) and continental shelves is an exclusive right that is “quasi-sovereign” (zhunzhuqan), one that lies just below sovereign rights.¹ Disputes over the control of claimed territories clearly concern sovereign rights and since China highlights resource exploration as the only right that qualifies as a “quasi-sovereign” right, I code incidents of control over land features and resource exploration. Specifically, incidents regarding the control over land features include other claimants seizing and building infrastructure on land features. Incidents regarding resource exploration include actual oil and gas exploration activities and oil and gas production contracts signed by other claimants.

As Figure 1 shows, China used coercion in the mid 1990s, especially from 1994 to 1996. The cases of coercion from 1994 to 1996 were more drastic, which sometimes involved militarized coercion. In the early 2000s, however, China refrained from using coercion. Starting from 2007 and particularly from 2010, China began to greatly increase the use of coercion especially in the form of grey-area administrative coercion, which peaked in 2014.² Yet unlike the early 1990s, these cases of coercion tend to be non-military. There are therefore temporal variation and variation in the tools of Chinese coercion, which the linear growth of overall Chinese power cannot explain.

China’s coercive behavior, however, has not been systematically studied. There has been an ongoing debate on whether China is assertive, yet this debate does not provide a concrete coding of assertiveness.³ Without clear coding of Chinese coercive behavior, which is an important indicator of assertiveness, it is difficult to engage in a meaningful debate regarding assertiveness. In addition, the literature on rising powers such as the power transition and offensive realism literature overlooks the empirical question of how rising powers behave in terms of coercion, focusing instead on the grand

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² One might doubt that why there was no Chinese coercion in 2015. China used active coercion in 2015, including land reclamation and coercion against the fishermen of other countries. Nevertheless, China did not use coercion responding to oil and gas related or land feature related incidences.
theorization of war and peace. The current literature only makes predictions about long-term trends, and thus cannot explain specific foreign policy conduct of a rising power. In short, many specific foreign policy behaviors of a great power while it is in the process of rising are left unexplained, including a rising China’s coercive behavior. This paper therefore examines when, why, and how China uses coercion over maritime territorial disputes in the South China Sea. Specifically, I analyze the general trend of China’s coercive behavior in the South China Sea and conduct one case study on the Sino-Philippine Mischief Reef incident of 1994-1995.

I explain coercion decisions with the cost balancing theory. For issues of the same stake, first, states will choose coercion when the credibility benefit is high and the economic vulnerability cost is low. Second, in rare circumstances when the credibility benefit and economic vulnerability cost are equally high, states will only use coercion if the stakes of the issue at hand are highest. Third, states are much more likely to choose non-militarized coercive tools because of the geopolitical backlash cost. Fourth, all else equal, states escalate to use military coercion when the stakes of the issue are highest. In short, credibility benefit and economic vulnerability cost matter for when and why states use coercion, whereas geopolitical backlash cost and stakes are relevant for the tools of coercion. Since the stakes in the South China Sea issue remain constant for China, this paper mainly deals with the changing balance of the costs and benefits of coercion.

The structure of this paper is as follows. Section II conducts a brief literature review and lays out the potential contributions this paper seeks to make. Section III discusses the conceptualization of the dependent variable. Section IV introduces the theory, alternative explanations, research design, and measurement of the variables. Section V and VI detail the empirics. Section VII concludes.

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II. Literature Review and Potential Contributions

The coercion literature under-theorizes the cost-benefit calculus of the coercer (i.e., the state who initiates coercion) and, by extension, the conditions under which states choose coercion over inaction. In addition, the literature leans heavily towards understanding military coercion, leaving an empirical gap regarding non-military coercion and the full spectrum of coercion choices.

Lack of focus on decisions to coerce: the literature focuses on the effectiveness of coercion, under-theorizing when states choose coercion. For Thomas Schelling, coercive diplomacy is based on the power to hurt and the coercive use of the power to hurt is thus the exploitation of enemy wants and fears.\(^5\) Schelling focuses on understanding the credibility of the power to hurt. That is, Schelling analyzes the effectiveness of coercive diplomacy, with attention to the actual or potential cost to the target state. This fixation on identifying costs to the target state has led scholars analyzing different forms of coercion to further dissect the kinds of costs to the target state. Robert Pape, for example, uses the cost-benefit calculus of the target state to explain the success or failure of military coercion.\(^6\) Kelly Greenhill, who identifies a new form of non-conventional coercion, coercive engineered migration, also emphasizes the costs to the target.\(^7\) Daniel Drezner, who focuses on economic sanctions, states that economic sanctions imposed on one's adversary rarely succeed.\(^8\) Thus, the literature favors the analysis of the costs to the target, which leads to studies evaluating the effectiveness of economic sanctions.\(^9\) This overemphasis on the effectiveness of different kinds of coercion and the costs to the target state, however, has resulted in an under-theorization of the conditions leading to coercion. One cannot assume that coercion takes place automatically when the coercer is faced with national security

threats. As Michael Hiscox notes, one issue that the literature does not address is the question of why or when policymakers choose to apply [economic] sanctions in the first place.\(^\text{10}\)

Within the coercion literature, some scholars do tackle the question of sanctions decisions and are divided into two camps. The first camp adopts a cost-benefit framework with unitary actor assumption. Baldwin, for example, stresses the cost-benefit analysis of sanctions vis-à-vis diplomatic and military measures. Baldwin argues that states choose economic sanctions over military actions because economic statecraft is an “appealing combination of costs that are high enough to be effective yet low enough to be bearable.”\(^\text{11}\) Similarly, Drezner compares the costs imposed on the coercer vis-à-vis the target and theorizes that states are more likely to impose sanctions on adversaries.\(^\text{12}\) Branislav Slantchev argues that states balance between the utility of military coercion in reducing crisis instability and the high costs of military coercion.\(^\text{13}\) The second camp of scholars focuses on domestic factors. Hiscox argues that sanctions are influenced by lobby groups: the U.S. Congress and presidents are more likely to impose trade sanctions when domestic producers face more competition from imports from the target and when these producers depend less on exports to the target.\(^\text{14}\) Alternatively, Daoudi and Dajani view sanctions as safety valves. Leaders impose sanctions to appease the public when the target violates values the domestic audience holds dear.\(^\text{15}\)

These scholars provide a good start for analyzing coercion initiation, yet more can be done. First, the actual costs and benefits of the coercer are underspecified. Slantchev, Krustev, Drezner, and Baldwin do not clearly define or specify the concept of costs and benefits. Second, for scholars focusing on domestic politics, they do pay keen attention to specific domestic costs of coercion. Yet they tend to


\(^{11}\) David Baldwin, Economic Statecraft, p. 108.


focus on the United States as the case or Western democracies. The domestic dynamics of these countries, however, are quite different from countries such as China, an authoritarian state. For example, China is highly unlikely to impose sanctions for purposes of advancing universal values. More importantly, there is a curious disconnect between Drezner and the domestic-focused scholars in that Drezner focuses on the strategic calculation of the coercer whereas scholars such as Hiscox argue for the importance of domestic interest groups. Yet from a neo-classical realist point of view, it is logical to assume that coercion carries with it both domestic and strategic calculations.

The empirical gap of overlooking non-military coercion: the coercion literature leaves a relatively blank space regarding non-military coercion. Starting from Schelling, the literature emphasizes by and large military coercion. There is, however, greater room in the analysis of non-military coercion. States do not automatically escalate to military use of force when they decide to take action – there is an entire category of non-military coercive measures at hand.

To briefly summarize, rich as the coercion literature is, it under theorizes conditions leading states to employ coercion and overlooks tools of coercion other than military coercion. This paper thus tries to fill these gaps by theorizing states’ decisions to use coercion for threats to its national security.

III. Conceptualizing the Dependent Variable

The dependent variable (DV) of this paper is the decision to use coercion and the choices over coercive tools. It is therefore necessary to provide the definitions of key terms, i.e., coercion and forms of coercion. The classical definition of coercion comes from Schelling, who uses the term “compellence.” For Schelling, compellence is an active strategy to make an adversary act in a desired way and usually
involves the use of punishment until the enemy acts.\textsuperscript{16} Robert Art and Patrick Cronin further specify that in coercive diplomacy, the change in behavior sought by compellence can be manifested in two ways: either the adversary starts doing something it is not now doing, or the adversary stops doing something it is now doing.\textsuperscript{17}

Following this tradition, I define coercion as negative action of statecraft taken to change the behavior of the target state, which works by inflicting pain on the target state. There are five distinctive characteristics of coercion. All of these five should be present in order for an instance to be coded as coercion. First, it is state behavior. Second, there should be clear target or targets, most of which are other states. Third, behaviorally, coercion involves clear tools, i.e., the use or credible threats of negative statecraft in the form of economic, diplomatic sanctions, administrative action, or military action. Positive inducements, though equally aimed at changing behavior, are not instances of coercion. Fourth, the goals of coercion are two fold. Coercion can aim at making the target \textit{stop action} it has undertaken or is currently taking, which is more reactive. Coercion can also aim at forcing the target to \textit{take action}, such as acknowledging a new foreign policy position. In order for an action to be deemed as coercion, it has to meet either of these two goals, that is, it has to be clear what kind of action of the target the coercer wants to shape. Of course, these goals do not necessarily have to be made public. This paper broadens the definition of coercion, putting coercion on a full spectrum.

\textit{Inaction} is the situation where coercion is \textit{not} used. Inaction is forbearance: the conscious choice of not taking physical action, even when the state has the ability to. In other words, this is the negative case of coercion decisions. When faced with perceived threats to national security, states can resort to rhetorical protest or simply remain silent, which is what constitutes inaction.

\textit{Diplomatic sanctions} constitute one form of coercion. I define diplomatic sanctions as the coercer’s deliberate interruptions of bilateral relations with the target state. According to Chas


Freeman, defiance from another government invites censure. The break of diplomatic relations, therefore, can be used as an instrument of statecraft to convey a symbolic rebuke to objectionable policies and practices. Tara Maller, for example, codes diplomatic sanctions from 1) short and temporary recall of the ambassador, 2) downgrade in diplomatic status for less than a year, 3) downgrade in diplomatic status for more than a year, to 4) embassy closure, which ranges from the least severe to the most severe.\(^{18}\) The complete break of overall bilateral diplomatic relations, however, leaves both sides without the unique intelligence and ease of communication that these relations provide.\(^{19}\) As a result, states may choose to maintain some level of relations, leading to less drastic measures such as closing consulates, canceling important meetings or all senior-level communications.

*Economic sanctions* are deliberate government-instructed withdrawal of customary trade or financial relations to coerce the target to change undesired foreign policies.\(^{20}\) Specific contents of economic sanctions include trade sanctions include embargos, boycotts, tariff increase or discrimination, withdrawal of "most-favored-nation" (MFN) status, quotas, blacklist, license denial, and preclusive buying; financial sanctions include freezing assets, aid suspension, expropriation, unfavorable taxation, and controls on capital import or export.\(^{21}\)

*Grey-area administrative coercion* is the category that straddles strictly non-military coercion and military coercion. I define grey-area administrative coercion as the physical\(^{22}\) use of civilian government agencies, such as the police and coast guard ships to force the target state to change

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\(^{19}\) Freeman, p. 95–97.

\(^{20}\) For a generic definition in the literature, see O'Sullivan, *Shrewd Sanctions: Statecraft and State Sponsors of Terrorism*, p. 12. For specification of the goals, see Baldwin, *Economic Sanctions*, p. 32. This definition stresses first that since sanctions are means of statecraft, they should be imposed by the government, which excludes *popular* boycott. Secondly, it excludes trade retaliation, which is pure economic protection. Third, trade sanctions include embargos, boycotts, tariff increase or discrimination, withdrawal of "most-favored-nation" (MFN) status, quotas, blacklist, license denial, and preclusive buying. Financial sanctions include freezing assets, aid suspension, expropriation, unfavorable taxation, and controls on capital import or export.\(^{20}\)


\(^{22}\) This is in contrast to establishing, for example, administrative cities such as Sansha city in China. In other words, administrative measures could be physical action taken under the jurisdiction of the administrative city, but such measures have to be physical.
behavior. In maritime territorial disputes, states use coast guard ships to ram and damage foreign vessels. Grey-area administrative coercion can also apply to other issue areas, for example, interdiction efforts led by NATO border patrol forces against Syrian refugees and the U.S. Drug Enforcement Agency’s enforcement in Latin America.

Military coercion is the most escalatory level of coercion, which entails the display or show of force short of the use of force. Freeman divides military coercion into two kinds: the first being the nonviolent use of military power and the second the use of force. Nonviolent military actions include shows of force, such as temporary deployments, military exercises, and naval visits. Such shows of force could emphasize the possibility of escalated and intensified confrontation.

In this spectrum, inaction is clearly least escalatory. Military coercion is the most escalatory. Diplomatic sanctions, economic sanctions, and grey-area administrative coercion lie in between. On theoretical grounds, these three categories do not themselves have a clear escalation hierarchy.

IV. Theory, Measurement, Alternative Hypotheses, and Research Design

I explain coercion decisions with my cost balancing theory. I first lay out the stakes of the issue at hand. I then conceptualize the benefits and costs of coercion. The core benefit of coercion is credibility benefit, which is the benefit of being viewed as strong and credible by other states. The major cost of coercion is economic vulnerability cost, which is the cost of negative disruption to foreign economic relations, such as losing markets and/or supply. A secondary cost is geopolitical backlash.

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24 As for the use of force, there is a rich literature, for example, Robert A. Pape, Bombing to Win: Air Power and Coercion in War.
25 See Freeman, Arts of Power: Statecraft and Diplomacy, p. 53.
26 Ibid., p. 54.
cost, which is the cost of other states balancing against the coercer if coercion is used. I code each of the costs and benefits as either high or low.

Stakes

Stakes are things that have intrinsic values – be they tangible or not – and include but are not limited to the value of certain territories and economic growth. Taylor Fravel notes that all types of states are more likely to escalate to the use force in territorial disputes over land highly valued for its strategic importance, economic resources, or symbolic significance. In other words, the stakes at hand for these territories are higher, motivating states to take action such as the use of force. The logic for choosing coercion could be similar. Nevertheless, stakes do not dictate when states decide to use coercion: the stakes are different across issues but are constant in the same issue. That is, stakes do not dictate when states decide to use coercion: the stakes are different across issues but remain constant in the same issue. For example, stakes remain constant in the South China Sea dispute, yet China chooses to use coercion in certain periods and target certain countries, but not others. This is when the specific benefits and costs of coercion become critical, as discussed below.

Core Benefit of Coercion – Credibility Benefit

The core benefit of coercion is external: the benefit of being viewed as strong by other states. States fear that if they do not use coercion, they might not be considered as credible by other states and instead might be viewed as weak and unwilling to deter future transgression. Therefore, one benefit of coercion is for states to establish credibility: demonstrate their credibility in committing to defend

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national security interests. Schelling is among the first to view credibility as a bank, treating precedents as important to maintain one's credibility. According to Schelling, to be convincing, commitments usually have to be qualitative rather than quantitative, with the backing of precedents.\textsuperscript{28} Therefore, Schelling calls for the importance of communicating "evidence" of commitment, which requires more than the communication of words.\textsuperscript{29} He further fleshes out his idea that actions are more credible and less ambiguous than verbal messages: actions prove something; significant actions usually incur some cost or risk, and carry some evidence of their own credibility.\textsuperscript{30} In this sense, Schelling suggests that to credibly deter future aggression, states sometimes need to take physical action. As Mercer points out, in deterrence theory, a reputation for resolve — the extent to which a state will risk war to keep its promises and uphold its threats — is critical to credibility.\textsuperscript{31}

This logic of establishing credibility is in line with more recent scholarly works. Miller finds that states such as the United States might impose economic sanctions on some of its allies attempting to proliferate, so as to deter other potential perpetrators.\textsuperscript{32} In explaining why states tend to use diplomacy honestly rather than engaging in bluffing, Sartori argues that this is because the prospect of acquiring a reputation for bluffing — and reducing the credibility of its future deterrent threats — keeps a state from bluffing except when doing so is most tempting.\textsuperscript{33} Other scholars analyze the importance of reputation from the perspective of the target.\textsuperscript{34}

\begin{footnotesize}
\begin{enumerate}
\item \textit{Ibid.}, p. 147.
\item Schelling, \textit{Arms and Influence}, p. 150.
\end{enumerate}
\end{footnotesize}
Core Cost of Coercion – Economic Vulnerability Cost

The major cost of coercion involves the domestic economic repercussion from economic interdependence, that is, the coercer’s fear of economic vulnerability due to economic dependence. Coercion may generate economic costs for both the coercer and the target, affecting the trade or capital flow between the coercer and the target. Thus, their bilateral economic structure matters. Hirschman argues that commerce can be an alternative to war only when the coercer creates a situation in which the target would do anything in order to retain the bilateral trade – i.e., it is "extremely difficult" for the target to dispense with trade with the coercer and to replace the coercer as a market and a source of supply with other countries. Hirschman is thus essentially concerned with "exit options" – do states have easy alternatives? If the coercer does and the target does not, then the coercer can use trade as a coercive tool. Building on this power dimension, Keohane and Nye use vulnerability dependence to indicate the "costliness of making effective adjustments to a changed environment." Unlike the geopolitical backlash cost, which is more strategic, this cost of economic vulnerability has much to do with the “second-image reversed” impact: the potential effect of bilateral foreign economic relations on the domestic economy of the coercer. That is, states are less likely to initiate coercion if the coercer is dependent on the target for markets and/or supply.

Secondary Cost of Coercion – Geopolitical Backlash Cost

Robert Jervis points out when discussing the policy implications for the spiral model that threats and negative sanctions can be self-defeating by eliciting counteraction from the other side, thereby setting in motion a costly and unstable cycle. If states are aware of the implications of the

37 Jervis, Perception and Misperception in International Politics, p. 58-60.
spiral model, they should also take into consideration the costs of actually using coercion, even though they have an imperative to avoid appearing weak domestically and internationally.

As such, the first kind of cost of coercion involves the cost of generating a balancing backlash geopolitically. By geopolitical backlash, I mean concerns about balancing as expressed in Walt’s balance of threat theory. Here balancing is defined as the creation or aggregation of military power through internal mobilization or the forging of alliances to prevent or the political and military domination of the state by a foreign power or coalition.\[^{38}\] Walt argues that states tend to balance against threats instead of bandwagoning and that larger states balance more than smaller ones.\[^{39}\] If coercion is applied, the target state or its neighbors might interpret coercion as threats. So if the coercer is aware of this logic, it will be concerned about geopolitical backlash when deciding whether to use coercion – the target might side with other states against the coercer.

Synthesis and Predictions – A Cost Balancing Theory

The decision to choose coercion over inaction: As discussed above, when states are faced with national security issues, there are both costs and benefits of coercion. I therefore theorize that for issues with the same stake, states initiate coercion when the credibility benefit is high and the economic vulnerability cost is low. States will refrain from using coercion when the economic vulnerability cost is high and the credibility benefit is low. In circumstances when both credibility benefit and economic vulnerability costs are high, I argue that states will only use coercion when the stakes of the issue at hand are highest.

The choice between military and non-military coercion: once a decision to use coercion has been made, states will have to think about what kinds of coercive tools they will utilize. I discuss this

choice because military coercion is theoretically more escalatory than other forms of coercion. I hypothesize that states will be cost-conscious and optimizing: that is, maximizing the utility of coercion while minimizing the cost. In particular, states tend to prefer non-militarized tools of coercion, especially when the geopolitical backlash cost is high. All else equal, non-militarized coercion should generate lower geopolitical backlash (including invoking alliance treaties for immediate war escalation), as they are less escalatory. I therefore theorize that states are much more likely to choose coercive tools such as diplomatic sanctions, economic sanctions, and grey-area administrative coercion because they are conscious of geopolitical backlash. All else equal, states are more likely to resort to military coercion when the stakes of the issue at hand are highest.

Alternative Hypotheses

There are two alternative hypotheses regarding when and why states use coercion. The first concerns individual leadership. Samuels, for example, conceives of leaders as political actors who have a greater range of assets to stretch the constraints of geography and natural resources, institutional legacies, and international location, showing that under the same constraints, different leaders can choose and do choose differently.40 Byman and Pollack in their article lay out hypotheses indicating the centrality of individual leaders, for example, individuals set the ultimate and secondary intentions of a state, individuals can be an important component of a state’s diplomatic influence and military power, individual leaders shape their state’s strategies, states led by risk-tolerant leaders are more likely to cause war, and states led by delusional leaders start wars and prolong them unnecessarily.41 In other words, the decision to use coercion should be related to individual leadership styles, i.e., some state

leaders are more assertive than others. The predictions for the individual-level hypothesis are therefore: 1) risk-tolerant and assertive leaders are more likely to use coercion, 2) risk-averse leaders are less likely to use coercion, 3) we should see a sharp increase in terms of decisions of using coercion when a risk-tolerant assertive leader comes to power, 4) once a coercion decision has been made, risk-tolerant and assertive leaders are more likely to escalate to military coercion.

Second, choosing coercion might be related to powerful domestic lobbies. The predictions are therefore: 1) when hawkish groups such as the military are more powerful domestically, they are more likely to lobby (successfully) for the use of military coercion; 2) when business groups such as large state owned enterprises are more powerful, they are more likely to lobby (successfully) for the use of coercion (regardless of the kinds of coercion), when they have conflicting economic interests with the target state, and they are less likely to lobby for coercion when their economic interests are in line with the target state.

**Measurement**

Table 1 below summarizes the observable implications for measuring the costs and benefit.

<table>
<thead>
<tr>
<th>Credibility Benefit</th>
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<th>Low</th>
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<tr>
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<td>Incidents were abundant and highly visible, especially through the international media, meaning there are more challengers and a greater likelihood of other states observing Chinese reactions, thus adding to the pressure to establish credibility.</td>
<td>There were few incidents and they were not visible; the media remained low key and did not make these incidents salient.</td>
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<td></td>
<td>Official and semi official statements stressed showing resolve.</td>
<td>Official, semi official statements, and interviews indicated satisfaction with the target state, noting their restraint.</td>
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<tr>
<td></td>
<td>Interviews indicated concerns.</td>
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about appearing weak and the need to deter other states from engaging in threatening actions in the future.

### Geopolitical Backlash Cost
- Official and semi-official statements and analyses indicated increasing U.S. military presence in the Asia-Pacific, particularly the strengthening of U.S. alliances with allies such as the Philippines.
- Interviews indicated concerns and worry about greater U.S. emphasis and inputs into Southeast Asia.
- Official and semi-official statements and analyses indicated the lack of U.S. emphasis or decreasing U.S. presence in the Asia-Pacific region, particularly in Southeast Asia.
- Interviews indicated lack of U.S. emphasis and inputs into Southeast Asia.

### Economic Vulnerability Cost
- Objective economic data indicated Chinese need for imports and export markets regarding Southeast Asia.
- Official and semi-official statements as well as and interviews indicated China’s need to win over Southeast Asia economically.
- Objective economic data indicated reducing Chinese reliance on Southeast Asia for export markets.
- Official and semi-official statements as well as and interviews indicated reduced need for Southeast Asian markets.

As for stakes, in the theory chapter, I stated that territorial disputes, Taiwan, and the Tibet issue are all of important national security concerns to China. Maritime territorial disputes in the South China Sea constitute a high-stake issue for which China would be willing to use coercion. Although South China Sea maritime territorial disputes remain a constant high-stake issue, China did not use coercion all the time, which has to do with the varying degrees of costs and benefits of coercion. The stakes variable matters in the South China Sea chapters to the extent that it is relevant for why China did not use military coercion in the post-2007 period, and we should expect to see ambiguity regarding whether the South China Sea dispute was considered an explicit “core interest” to China. That is, maritime territorial disputes in the South China Sea were not high enough for militarized coercion. In other words, the stakes are constant within the South China Sea issue, but vary among different issue areas – territorial disputes, Taiwan, and Tibet.

*RResearch Design*
I use qualitative methods such as process tracing and congruence testing to identify causal mechanisms and to rule out alternative explanations.

**Primary Written Materials:** there are three kinds of sources as categorized by their level of authority (i.e., whether they are official sources). The first kind — the strongest and most authoritative evidence — is official government documents and speeches. The ones that I use in my dissertation are as follows: the annual book (zhongguo waijiao) from the Chinese Ministry of Foreign Affairs, the biannual defense white paper from the Ministry of Defense, China’s annual government work report, and China’s maritime development reports. In addition, I also use the official chronologies of Chinese leaders (nianpu), official statements, press releases, and press briefings from the Ministry of Foreign Affairs, the People’s Daily, as well as statements made by the SOA. Finally, in terms of data measuring economic costs, I use official data and assessments from the Chinese customs, ministry of commerce, and China’s annual statistical yearbooks (as well as yearbooks from specific agencies), among other official datasets. These are the strongest and most convincing among all primary written materials.

The second kind — semi-authoritative and therefore less strong than the first kind — is semi-official documents and reports written by government thinks, as well as articles written by “zhongsheng” in the People’s Daily, which is an apparent homophone for “the voice of the Center,” and appears to be written by the editorial staff of the People’s Daily International Department. Specifically, I use the following semi-official reports from government think tanks: the annual Yellow Book of International Politics (guoji xingshi huangpishu) published by the Chinese Academy of Social Sciences (CASS) starting from 2002, the annual Strategic and Security Review (guoji zhanlue yu anquan xingshi pinggu) published by the China Institute of Contemporary International Relations (CICIR) starting from 2001, internal reports by the National Institute of South China Sea Studies (NISCSS) on the situation of the South China Sea, the annual Bluebook of International Situation and China’s Foreign

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Affairs (guoji xingshi he zhongguo waijiao lanpishu) published by the China Institute of International Studies (CIIS) starting from 2005, the annual Strategic Assessment (zhanlue pinggu) from the Chinese Academy of Military Science (AMS). As for the government think tanks, CASS is under the jurisdiction of the Chinese State Council. CICIR is under the Chinese Ministry of State Security. CIIS is under the Chinese Ministry of Foreign Affairs. NISCSS is under the dual jurisdiction of the Chinese Ministry of Foreign Affairs and the State Council. AMS is under the jurisdiction of PLA. These think tanks are important both because they report to their respective government branches their analyses are taken seriously, and many analysts themselves are previous government officials. Sometimes I am able to obtain internal reports written by the above government think tanks. I also use memoirs of Chinese leaders. Despite being recollections, the memoirs of Chinese leaders are quite accurate, according to my validation of each against the others, and additional sources.

The third kind of primary written sources – non-authoritative and less strong than the previous two – is academic scholarly writing. Nevertheless, some of the more prominent scholars have close ties to the Chinese government.

**Interview Data:** Just as the above primary written sources, there are three kinds of interviews. The first kind is interviews with former Chinese officials and foreign officials. Of the interview category, they are the strongest evidence, as these are personnel who either personally experienced certain cases in my dissertation or who have had extensive experience working within the government. The second kind of interviews is interviews with official government policy analysts, many of which are from CASS, CICIR, CISS, NISCSS, among others. These interviews are less strong than the first kind, but are nonetheless useful because these government policy analysts have internal information from the government and they are also the ones writing the semi-official think tank reports. The third kind of interviews is interviews with scholars. The interviews took place in Beijing, Shanghai, Nanjing, Guangzhou, Wuhan, Xiamen, Haikou, and Washington D.C. By diversifying the geographical locations of
the interviews and the kinds of interviewees involved, I will be able to reduce organizational, geographical, and occupational biases.

Secondary Sources: I use secondary sources (i.e., non-Chinese language sources) for two purposes. First, when constructing the dataset on cases of Chinese coercion and the incidents which China views as threatening, I use LexisNexis newspaper searches. To avoid biases in favor of China, I use both the Chinese and foreign accounts of particular incidents, especially the official accounts from the target states. Second, I use secondary sources — including statements made by U.S. or foreign officials, English language journalistic reports such as the New York Times and Diplomat, the secondary literature on cases in my dissertation, and U.S. alliance treaties and how they evolve over time — to triangulate the measurements of the costs and benefits in my theory.

V. Explaining the Temporal Trend of China’s Coercion on the South China Sea

As shown in Figure 1, China used coercion in the 1990s and particularly in the mid 1990s, some of which militarized. It then refrained from coercion in early to mid 2000s. China eventually began coercion in 2007, and the frequency increased since 2012. As such, this section uses the cost balancing theory to explain the general trend.

Why These Cases Count as Coercion

The dotted purple bar in Figure 1 indicates cases where coercion is used. These cases constitute as coercion because of the following characteristics: state behavior, clearly identified targets, use or threats of tools that inflict pain, and most importantly, clear intentions (goals). First, they are state
behavior, implemented through the Chinese Ministry of Foreign Affairs (here after MFA), the Ministry of Commerce or the China Customs Agency (economic sanctions), and the SOA (grey-area administrative coercion). Second, Chinese behavior — be they diplomatic sanctions, economic sanctions, or grey-area administrative coercion — inflicts pain on the target state. For example, regarding grey-area administrative coercion, China mainly uses its maritime surveillance ships to stop other claimants from continuing to conduct exploration in China’s claimed maritime area. One former diplomat previously appointed to Southeast Asia states that there are two ways for maritime surveillance ships to succeed: first, use the loudspeaker to ask foreign exploration ships to leave until they actually do so, and second, if these ships do not leave, Chinese maritime surveillance ships then use technical means to block these ships from conducting exploration, such as throwing dried tree branches which interrupts seismic surveys. Chinese administrative ships sometimes ram other foreign vessels as well. Third, the goals of Chinese coercive behavior are clear. For example, in terms of interrupting foreign oil and gas exploration in waters claimed by China, China mainly uses its maritime surveillance ships to stop other claimants from continuing their exploration in China’s claimed maritime area. The broader goal, according to former officials, government analysts, and scholars, is to use coercion to stop countries such as the Philippines from unilateral development of the resources and to force other claimants to go back to the negotiation table to discuss and conduct joint development with China. As the internal report of the NISCSS stated in 2009, China should consider coercing (bipo) others into jointly developing resources in the South China Sea with China, which Wu

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44 Interview KZ-#91, Beijing, China, June 7, 2016.
45 Ibid.
46 Interview KZ-#12, Beijing, China, October 21, 2015; Interview KZ-#26, Nanjing, China, December 30, 2015; Interview KZ-#54, Haikou, China, April 8, 2016.
Shicun – head of the NISCSS – reaffirmed during an interview in 2011. Internally published materials also point to this broader goal.

The following paragraphs explain the temporal trend first by carefully measuring and tracing the ebbs and flows of credibility benefit, economic vulnerability cost, and geopolitical backlash cost. If the cost balancing theory is correct, we should see China uses coercion when credibility benefit is high and economic vulnerability is low. We should see China choosing non-militarized coercive tools when the geopolitical backlash cost is high.

**Credibility Benefit**

Credibility benefit was high in the 1990s, turned low roughly between 2000 and 2006, and became high again in the post-2007 period. The following paragraphs demonstrate this change with three kinds of evidence. The first concerns objective incidents in the South China Sea, reports containing the wording “South China Sea islands” in the *People’s Daily*, and the exposure of the South China Sea issue in international media. The second kind involves official assessments of the South China Sea, semi-official assessments, and interviews with government analysts and former officials. The third kind is scholarly writing, but I limit it only to the extent that it is necessary.

Turning first to objective measures, Figure 4 below shows the number incidents from 1990 to 2015. As mentioned, these incidents include other claimants’ seizure of land features in the South China Sea, fortification or construction of airport runways on previously occupied land features, and oil and gas contracts as well as exploration activities with foreign companies.

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49 For the data, see appendix.
It is clear that the 1990s – the mid 1990s in particular – witnessed a surge in other claimants’ action in the South China Sea, in particular that of Vietnam, the Philippines, and Malaysia. For example, Vietnam took Prince Consort Bank (Xiwei tan) in the Spratlys in November 1990 and Grainger bank (Lizhun tan) and Alexandra Bank (Renjun tan) in November 1991.50 Throughout the 1990s, Vietnam took control of six banks and reefs in the Spratlys.51 Vietnam was also constructing lighthouses on these occupied islands.52 Its action especially concentrated during the early to mid 1990s period. In addition to controlling land features in the Spratlys, Vietnam also drastically increased the number of production sharing contracts (PSCs) signed with foreign companies. For instance, in 1992, Petrovietnam, Vietnam’s state oil company, signed agreements with Canadian, Norwegian, and Indonesian companies to explore oil and gas in the Spratlys.53 In 1993, Vietnam signed PSCs with Australian company BHP, French

51 For English language sources, see http://tribunecontentagency.com/article/south-china-sea-who-claims-what-in-the-spratlys/
https://www.unc.edu/~rowlett/lighthouse/spr.htm
53 See Times Staff and Wire Reports, http://articles.latimes.com/keyword/oil-industry-vietnam, accessed February 24, 2016, the agreement was signed in Hanoi with Liquigaz/SNC, which groups one of Canada’s biggest natural gas recovery companies,
company Total, Malaysian company Petronas, Japanese companies, as well as U.S. company ExxonMobil in areas that China claimed as its Exclusive Economic Zones (EEZ).\textsuperscript{54} In 1994, Vietnam also started to work with British company BP and engaged in joint exploration with Russia in the Spratlys.\textsuperscript{55} As with taking control of land features in the Spratlys, Vietnamese action in making PSC deals with foreign companies peaked in early to mid-1990s, having signed a total of 6 new contracts from 1992 to 1995 and conducted several joint development activities in the Spratlys.\textsuperscript{56}

The Philippines and Malaysia were also taking control of and building infrastructure on land features in the Spratlys. For example, Malaysia finished building a runway on Swallow Reef in the summer of 1992 and the Philippines ordered its armed forces to build an airport on disputed islands in the Spratlys.\textsuperscript{57} Throughout the 1990s, there were 66 incidents of action taken by Vietnam, the Philippines, and Malaysia to take control of land features in the Spratlys and to make oil and gas production deals with foreign companies, and these incidents concentrated in the mid 1990s, with 1994 alone having 13 cases of incidents. In particular, the rapid increase of Vietnamese PSC deals was something that never took place during the Cold War.\textsuperscript{58}

Foreign states’ challenges to Chinese sovereignty claims in the South China Sea reduced greatly in the 2000-2006 period. The nature of these challenges also made them less concerning to China.

\textsuperscript{54} See Li Jinming, Waves in the South China Sea — Southeast Asian countries and the South China Sea Issue [Nanhai botao — dongnanya guojia yu nanhai wenti], appendix.


\textsuperscript{56} See appendix.


Actions taken by Vietnam, the Philippines, and Malaysia were more moderate. These countries seized land features in the 1990s, but focused more on building infrastructure on land features they had already taken in the 2000-2006 period. Unlike the 1990s when the incidents of seizure of land features were abundant, many of the 30 incidents in the 2000-2006 period had to do with oil exploration and new PSC deals, presumably some of which were outside of China’s nine-dashed lines. In addition, the number of oil and gas PSCs signed with foreign countries in this period was also smaller than the 1990s. The little bump in 2003 had more to do with officials of other claimant countries visiting land features they had already taken in the 1990s.59

The post 2007 period witnessed a resurgence of actions in the South China Sea by Vietnam, the Philippines, and Malaysia. For one, in 2007 alone, there were 11 cases of oil and gas exploration and new PSC deals initiated by Vietnam and this increase (which already began in 2006 with 10 cases of exploration and PSC deals by Vietnam) was dramatic compared to previous years. Even in the mid-1990s when Vietnam began to drastically increase the number of new PSC deals with foreign countries, the highest number of Vietnam’s PSC and oil exploration behavior was 7 per year. In addition, Malaysia, which rarely signed new PSC deals, started to sign new PSC deals in 2007, and the number peaked in 2012. The Philippines, albeit a latecomer, also joined this growing emphasis on oil and gas exploration in the Spratlys by conducting oil exploration around the Reed Bank in 2011.60 Moreover, the claimants’ efforts in strengthening infrastructure on occupied islands seemed to have rekindled.61 For example, Vietnam started to renovate the airport runway on the Spratly Island (Nanwei dao) in 2007.62 Philippine naval personnel and politicians boarded the Thitu Island (Zhongye dao) in July 2011, while strengthening military infrastructure on land features in the Spratlys.63 Between August 2011 and

59 See appendix.
61 For complete details regarding each of the efforts to strengthen territorial claims, see appendix.
February 2015, Vietnam also made upgrades to the Sand Cay Island in the Spratlys.64 In short, as Figure 4 shows, incidents challenging Chinese claims in the South China were abundant in the 1990s, dropped in the 2000-2006 period, and picked up again in the post-2007 period. This trend is generally corroborated by trends in international media exposure and the *People’s Daily* reports, as shown below.

![Figure 5. Factiva Search of “South China Sea” and “Spratly” in Reuters, AP, and AFP 1990-2016](image)

Figure 5 above shows the Factiva search of reports containing either “South China Sea” or “Spratlys” in *Reuters, Agence France Presse*, and *Associated Press*.65 I choose these three because they are the most influential English-language news agencies. A greater exposure from them would increase the salience of the South China Sea issue and the pressure to establish one's credibility. Generally albeit not perfectly in line with Figure 4, international media exposure was greater in the 1990s, died down in the 2002-2010 period, and picked up again starting from 2011. An examination of the contents of the reports indicated that the little bump in 2001 was due to reports regarding the EP-3 incident between the United States and China in the South China Sea and discussions of the ASEAN-China code of conduct on the South China Sea, a positive development.

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65 I did not use LexisNexis because it only contains *Reuters* reports.
Similarly, Figure 6 above shows the People’s Daily search of articles containing the South China Sea.\textsuperscript{66} In line with Figure 4 regarding the number of incidents, domestic report of the South China Sea issue was greater in the 1990s, died down in the 2000-2005 period, and picked up particularly since 2011.

To briefly summarize, objective measures of credibility – number of incidents and media exposure – indicated that the pressure to establish one’s credibility was greater in the 1990s (especially the mid-1990s), smaller in the 2000-2006 period, and higher again in the post-2007 (especially post-2011) period. As will be shown below, objective measures of credibility are in line with assessments from official sources, semi-official documents, and interviews.

Turning next to official assessments, semi-official documents, and interviews, China was keenly aware of the concentrated activities of South China Sea claimants in the 1990s (especially in the early to mid 1990s) and wanted to stop such actions. The Chinese MFA was quick to respond to activities taken by other claimants and did aim at preventing further actions of other South China Sea claimants. For example, two weeks after Vietnam took the Prince Consort Bank in November 1990, the \textit{People’s Daily} — China’s official party paper — reported a conference convened by China’s SOA, in which

\textsuperscript{66} The exact wording for the search included: \textit{nanshaqundao}, \textit{nanshaizhudao}, and \textit{nanshazhudao}. This search yields the number of times the South China Sea appeared, so it could appear multiple times in one article. But as I have checked, these circumstances are relatively few.
experts stated that the Paracels and Spratly islands belong to China and that China absolutely would not withstand any behavior that aimed at controlling and encroaching upon islands in the Spratlys. The MFA’s 1991 *China’s Foreign Affairs Overview* also singled out Vietnam, stating that despite multiple warnings, Vietnam strengthened its encroachment upon the South China Sea and began to plan for drilling oil and gas in the Spratlys. When asked about whether China would support holding international conferences regarding the South China Sea on July 17, 1992, MFA spokesperson Wu Jianmin emphasized that China opposed the internationalization of the South China Sea issue. Wu’s remarks came just a few weeks after Vietnam signed separate contracts with Norwegian companies and Malaysian companies to explore oil in the South China Sea, and seemed to respond to a Philippine proposal for an international conference to settle disputes. The MFA’s reactions took a harsher turn in 1994 – the year that witnessed the most incidents China deemed as threatening. On June 16, 1994, MFA spokesperson Shen Guofang demanded that Vietnam stop all of its actions that encroached upon China’s sovereignty in the Spratlys, emphasizing that Vietnam had been in recent years inviting foreign companies to bid for oil and gas development in the Spratlys, especially around the Vanguard bank. Shen’s remarks were in direct response to Vietnamese exploration around the Vanguard bank. China subsequently used naval ships to turn back Vietnamese vessels in the Vanguard bank area in July. On September 9, 1994, Shen Guofang criticized Vietnamese action of building a fishing harbor on the Lagos Island in the Spratlys, stating that Vietnamese action seriously encroached upon China’s sovereign rights. The MFA spokesperson expressed its concern again when Vietnam continued its oil and gas exploration in around the Vanguard bank on October 18, 1994, reiterating that Vietnamese activities seriously encroached upon China’s sovereignty and maritime rights.

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68 China’s Foreign Affairs Overview 1991, p. 49.
Internal publications of CASS in 1993 and 1994 also documented such behavior of South China Sea claimants, worrying about the increasing trend of internationalization of the South China Sea issue.\(^\text{73}\) Speech evidence of Chinese government policy analysts also indicated the high credibility benefit, as seen from internal publications from CASS and interviews with government policy analysts. Cao Yunhua, for example, wrote in 1995 that after the March 14, 1988 maritime battle with Vietnam, South China Sea claimants began to increase their speed of taking control of islands in the Spratly and internationalizing the South China Sea dispute, citing the Philippine Foreign Minister's July 26, 1993 announcement that "we should generate international attention to the [South China Sea] issue."\(^\text{74}\) In particular, Cao pointed out that other claimants tried to reach consensus without China, such as ASEAN's consensus of joint fishery exploration in June 1993 and the joint development agreement between Vietnam and the Philippines in March 1994.\(^\text{75}\) Shang Guozhen added that one ASEAN official stated during the Southeast Asian security conference in January 1994 that the South China Sea issue should be handed over to the UN to draw worldwide attention.\(^\text{76}\) Yang Yunzhong wrote in 1994 that Vietnam also attempted to internationalize the South China Sea issue through international conferences.\(^\text{77}\)

Chinese government policy analysts believed in the early 1990s that the reason why other claimants began to "carve up" the Spratly islands was that China had not take measures to assert sovereign rights in the Spratlys for a period of time — since the March 1988 maritime conflict with

\(^{73}\) Sun Xiaoying, "Using the peaceful strategy to resolve the spratly disputes [buzhan erzheng de heping zhanlue yu heping jiejue nansha zhengduan]," in Asia-Pacific Office of CASS ed., *Materials Regarding the South China Sea Issue [nansha wenti yanjiu ziliao]*, p. 278. See also Shang Guozhen, "Discussing the trend of internationalization of the South China Sea issue and our countermeasures [luelun nansha wenti guojihua qushi ji women de duice]," in *ibid.*, p. 288; Zhou Liangbiao and Ye Hong, "Solving the Spratly issue requires economic exploration [jiejue nansha wenti bixu zhongshi jingji kaifa]," in *ibid.*, p. 314-315.

\(^{74}\) Cao Yunhua, "Situation in the South China Sea" [nanshi zhongguo fengyu], in Asia-Pacific Office of CASS ed., *Materials Regarding the South China Sea Issue [nansha wenti yanjiu ziliao]* (Internal Circulation: 1996), p. 38, 42-47. Cao's article was written in 1995, but given that the events that he described end in February 1995, it is quite plausible that this article was written well before the May 13, 1995 standoff between China and the Philippines.

\(^{75}\) *ibid.*

\(^{76}\) Shang Guozhen, "Discussing the trend of internationalization of the South China Sea issue and our countermeasures [luelun nansha wenti guojihua qushi ji women de duice]," in *ibid.*, p. 289.

\(^{77}\) Yang Yunzhong, "Vietnam speeds up the expansion in the South China Sea [yuenan jiajin xiang zhongguo nansha kuozhang]," in *ibid.*, p. 62.
Vietnam. According to the internal CASS publication, ASEAN countries took China's dire diplomatic situation after the 1989 Tiananmen incident as an opportunity: they increased the speed of encroaching upon islands and resources in the Spratlys, whereas China had to compromise and maintain a low key. SOA's internal publication in March 1992 reasoned that only by taking an assertive attitude regarding China's territory would China be able to make great powers hesitate or even stop when they contemplate whether to invest in Vietnam for oil in China's waters (kaolv zai san huo wanger que bu). That is, China's weakness and reticence invited other claimants to further “encroach” upon the Spratlys. As such, China took action to stop other claimants from taking further control of land features and internationalizing the South China Sea issue. One scholar stated that seizing some land features in the South China Sea would be advantageous for China, without which China did not have any cards against Southeast Asian countries when it came to discussing the issue. Other scholars stated that China had to take action in the 1990s, because it had seen Vietnam and the Philippines taking action in the South China Sea. In other words, seeing Vietnam, the Philippines, and Malaysia taking action in the Spratlys, China had to take action so as to make sure that they believed that China was resolved and willing to defend its interests in the South China Sea. Thus, in the 1990s, the credibility benefit was high.

In contrast, official and semi-official government threat assessments acknowledged the reduced pressure to establish credibility in the 2000-2006 period. For example, China's official defense white papers indicated consecutively in 2000 and 2002 that the situation in the South China Sea was “basically stable” (jiben baochi wending), while not mentioning the South China Sea at all in 2004. The

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78 Sun Xiaoying, “Using the peaceful strategy to resolve the spratly disputes [buzhan erzheng de heping zhanlue yu heping jieju nansha zhengduan],” in Asia-Pacific Office of CASS ed., Materials Regarding the South China Sea Issue [nansha wenti yanjiu ziliao], p. 280. This article was written in 1993.
81 Interview KZ-#19, Guangzhou, China, December 4, 2015.
82 “Zuizhongyao de shi kind yuenuan feiyvbin zuole, suoyi zhongguo yea zuoyixie.” Interview KZ-#25, Nanjing, China, December 30, 2015.
reports by the China Institute for Marine Affairs — a government institute under the SOA — indicated in the 2004 and 2005 reports that the situation in the South China Sea was relaxed (huanhe).84 Similarly, the internal 2003 and 2004 reports from the NISCSS described the general situation in the South China Sea as “overall stable” (zongti shang xingshi baochi wending).85 Interviews with current government officials and government policy analysts are also in line with the above assessments.86 One analyst, for example, states that the South China Sea during this period was “relatively quiet” (xiangdui pingjing de), and it was not until later that the United States and ASEAN started to pay more attention to it.87 By quiet, this researcher means that the South China Sea issue was not made salient. Because these cases of incidents were less salient than the 1990s cases, China did not need to take action towards these cases to demonstrate its credibility so as to check further action of other states. Therefore, the credibility benefit was low.

In the post-2007 period, China became aware of the increasing actions of other claimants and was highly concerned about the dispute attracting international attention, as seen in official documents, semi-official assessments, and interviews with Chinese officials and scholars.88 For instance, China’s official defense white paper of 2010 stated that the pressure for defending national sovereignty and maritime rights increased.89 Semi-official documents also share this assessment. Starting from 2008, the internal annual NISCSS assessments stated that the situation in the South China Sea began to be complicated and that disputes became “salient” (tuchu).90 The internal NISCSS report therefore

85 NISCSS, The 2003 Report Regarding Situation in the South China Sea [2003nian nanhai diqu xingshi pinggu baogao], printed by NISCSS in July 2004 for internal use, p. 5; NISCSS, The 2004 Report Regarding Situation in the South China Sea [2004nian nanhai diqu xingshi pinggu baogao], printed by NISCSS in 2005 for internal use, p. 4. This book is available in the library of the NISCSS in Haikou. These books are available in the library of the NISCSS in Haikou.
86 Interview KZ-#114, Beijing, China, December 29, 2016; Interview KZ-#64, Beijing, China, April 27, 2016.
87 Interview KZ-#30, Haikou, China, January 6, 2016.
88 See CICIR, CISS, CASS, and NISCSS for the reports of above-mentioned “transgressions” of Vietnam, the Philippines, and Malaysia. These reports conform to foreign media sources.
90 NISCSS, The 2007 Report Regarding Situation in the South China Sea [2007nian nanhai diqu xingshi pinggu baogao], printed by NISCSS in 2008 for internal use, p. 4. NISCSS, The 2008 Report Regarding Situation in the South China Sea [2008nian nanhai diqu xingshi pinggu baogao], printed by NISCSS in 2007 for internal use, p. 3-4. These books are available in the library of the NISCSS in Haikou.
suggested that China strengthen regularized patrol of the Spratlys and “selectively disrupt and stop” actions taken by other claimants.91 One internal CASS report indicated in 2011 that China’s maritime security environment worsened in 2010 and that China would face “regularized” (changtai hua) pressure from the maritime realm.92 CICIR’s 2012 Strategic and Security Review worried that external involvement in the South China Sea would lead some claimants to take more assertive and reckless measures (caiqu bianyuan maojin zhengce).93 The CASS 2011 and 2012 Yellow Books of International Politics agreed that the growing U.S.-led military exercises might make other claimants miscalculate the situation and further escalate.94 This implies that if China does not take action to check the actions of other claimants – especially since China believed that the South China Sea issue had been highly internationalized, just like the early 1990s – other claimants would take further actions.

Furthermore, the publicity and salience of the South China Sea issue add to China’s credibility pressure. For example, the 2008 NISCSS report was particularly concerned by actions taken by Vietnam, the Philippines, and Malaysia, because they tried to publicize (chaozuo) the South China Sea issue, which would adversely affect conditions in the South China Sea.95 In this sense, the greater the publicity of the issue, the greater the cost it imposes on China if China does not take action. Even though signing PSC deals with foreign companies would not change the status quo territorial control in a physical manner, nor would they change the balance of power regarding control of land features in the South China Sea, the sheer publicity of these deals – especially since they involved foreign companies – added the pressure for China to establish credibility in defending its own sovereign rights. As such, the deputy chief of staff of the PLA stated in early 2010 that “we are against the action of drastically publicizing the

91 NISCSS, The 2007 Report Regarding Situation in the South China Sea [2007nian nanhai diqu xingshi pinggu baogao], printed by NISCSS in 2008 for internal use, p. 15 and 41. This book is available in the library of the NISCSS in Haikou.
94 CASS, Yellow Book of International Politics 2011, p. 16; CASS, Yellow Book of International Politics 2012, p. 56, 62.
95 See NISCSS, The 2008 Report Regarding Situation in the South China Sea [2008nian nanhai diqu xingshi pinggu baogao], printed by NISCSS in 2009 for internal use, p. 11. This book is available in the library of the NISCSS in Haikou.
South China Sea issue (fandui jiangciwenti chaode guore), the internationalization of the issue, and the intervention by external actors."\(^{96}\) This also explains why CICIR, CIJS, CASS, and NISCSS annual reports focused on less physical actions of the Vietnam, the Philippines, and Malaysia – signing PSC contracts and visiting disputed islands – as opposed to actions of building more infrastructure on the disputed islands.

Interviews with government policy analysts and researchers from different regions of China also confirm this logic of using coercion to establish credibility, and scholars emphasized that China used coercion so as to avoid being seen as weak and to demonstrate resolve.\(^{97}\) Several scholars stated that China used coercion so as to "kill the chicken to scare the monkey" (shaji jinghou), sending signals to all claimants and warning them against taking further action in the future.\(^{98}\) Government policy analysts expressed concerns particularly about the Philippines, fearing that the publicity of Philippines' taking the South China Sea issue to the international court would lead other claimants to follow suit.\(^{99}\) Chinese coercion was thus actually a deterrence signal against any future encroachment of China's sovereign rights in the South China Sea.\(^{100}\) As an official from the maritime surveillance team of the SOA stated, China needed to show its resolve that it would not lose any island or maritime area.\(^{101}\) China needed to increase the "cost of offence" (weizhang chengben) and make other states understand that

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\(^{96}\) Wang Guopei, "The Deputy Chief of Staff of the PLA — Against the Internationalization and Intervention by External Actors [jiefangjun fuzongzhang: fandui nanhaiweiquan douzheng de qishi]," in Li Xiangyang eds.,  *Eastern Morning Daily* (Dongfang zaobao), April 28, 2010, A. 12.

\(^{97}\) Interview KZ-#4, Beijing, China, September 15, 2015; Interview KZ-#5, Beijing, China, September 16, 2015; Interview KZ-#11, Beijing, China, October 14, 2015; Interview KZ-#12, Beijing, China, October 21, 2015; Interview KZ-#16, Guangzhou, China, November 30, 2015; Interview KZ-#17, Guangzhou, China, December 1, 2015; Interview KZ-#18, Guangzhou, China, December 3, 2015; Interview KZ-#19, Guangzhou, China, December 4, 2015; Interview KZ-#30, Haikou, China, January 6, 2016; Interview KZ-#34, Haikou, China, January 8, 2016; Interview KZ-#35, Atlanta, United States, March 17, 2016; Interview KZ-#69, Shanghai, China, May 5, 2016.

\(^{98}\) Interview KZ-#8, Beijing, China, October 6, 2015; Interview KZ-#11, Beijing, China, October 14, 2015.

\(^{99}\) Interview KZ-#20, Beijing, China, December 9, 2015; Interview KZ-#25, Nanjing, China, December 30, 2015; Interview KZ-#34, Haikou, China, January 8, 2016.


China was “not weak or unconditionally accommodating” (yīweide qianjiu ruanruo), which would then make them return to joint exploration.\textsuperscript{102}

Although some articles are written more recently and therefore hindsight, scholarly writing also indicates the logic of establishing credibility. Compromises mean weakness, and “showing weaknesses (shíruò) was not an effective way to establish deterrence and credibility in the region (bushi daguo jianli weixin de youxiao shouduan),” according to a former diplomat.\textsuperscript{103} Being not “fearful enough” in the eyes of other states (bugou rang tamen jupa) would only invite further damage to China’s interests.\textsuperscript{104} That is, there was a need to establish credibility: making sure that other claimants in the South China Sea believed that China was resolved and willing to defend its national interests and would act in a similarly resolved manner in the future. The credibility benefit in the post 2007 period was thus high.

In short, both objective measures and speech evidence suggest in general that credibility benefit was high in the 1990s (especially the mid 1990s), low roughly in the 2000-2006 period, and high in the post-2007 (especially post-2011).

\textit{Economic Vulnerability Cost}

Economic vulnerability cost was low in the 1990s, turned high briefly and roughly between 2000 and 2006, and became low again in the post-2007 period. The following paragraphs demonstrate this change with three kinds of evidence. The first concerns objective trade measures. The second involves official and semi-official assessments, and interviews. The third kind is scholarly writing, but I limit it only to the extent that it is necessary.


\textsuperscript{103} Ye Hailin, “The Intentions and Strategies of All Parities Regarding the Escalation of the South China Sea Issue since 2014 [Youxian chongtu yu bufen guankong — 2014nian yilai nanhai wenti de jihua yu youquan gefang de yitu he celue],” \textit{Strategic Decisions Studies [Zhanlue juece yanjiu]}.  

Turning first to objective indicators, Figure 7 below, which shows China’s exports to and imports from ASEAN from 1997 to 2014.\textsuperscript{105}

![Figure 7. China’s Exports to and Imports from ASEAN 1997-2014](image)

The blue line indicates Chinese exports to ASEAN and the red line denotes Chinese imports from ASEAN, in millions of U.S. dollars. It is clear that the trade volume between China and ASEAN did not pick up until the mid-2000s. In addition, Sino-ASEAN trade has never been China’s most important trade relations, which was particularly the case in the 1990s, as shown below in Figure 8.

![Figure 8. Exports to ASEAN, Japan, EU, and US As Total Share of China’s Exports 1992-2014](image)

Figure 8 above indicates China’s exports to ASEAN, Japan, EU, and the United States as a share of China’s total exports.\textsuperscript{106} Data is unavailable for Chinese exports to ASEAN from 1992 to 1996, which is

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why they take on a value of 0. It is clear that China’s important export markets in the 1990s were Japan, the EU, and the United States, each taking up about 15% of Chinese exports. Even though Chinese exports to ASEAN grow continuously in terms of share of total Chinese exports in the late 2000s, exports to ASEAN pale in importance when compared with Chinese exports to the EU and the United States. In contrast, as Figure 9 below indicates, Sino-ASEAN trade has increasingly become an important aspect of ASEAN’s external trade relations since the mid-2000s, both in terms of exports to and imports from China. In short, Sino-ASEAN trade was not an important concern for China in the 1990s. Despite China’s growing exports to ASEAN since the mid-2000s, it still constituted a relatively smaller proportion of Chinese exports compared to the EU and the United States.

In line with the objective indicators in the 1990s, Chinese government policy analysts indicated that China directed its attention to attracting investment from Japan and the United States in the

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1990s.\textsuperscript{108} Of course, China would have liked to expand economic ties with South East Asian countries, yet that was not China’s priority then.

Interestingly, what the objective data does not show is that there was a brief period – roughly between 2000 and 2006 – when the economic vulnerability cost for China to use coercion against ASEAN countries was high. This shift manifests itself in official statements, semi-official assessments, and interviews. Starting from the early 2000s, China began to increase economic cooperation with ASEAN, especially by negotiating the ASEAN-China free trade zone. For example CICIR’s 2001/2002 report indicated that due to the increasing entry of the United States into Southeast Asia, China should further develop relations with all ASEAN countries and use the development of economic and trade relations as the foundation.\textsuperscript{109} The negotiation of the free trade zone with ASEAN was suggested and initiated by China out of economic concerns. China’s foreign economic focus in the late 1990s was on entry into the WTO. By the end of 2000, China had made breakthroughs in entry into the WTO, and the focus regarding WTO had turned into multilateral negotiations and preparations for meeting the obligations of the WTO.\textsuperscript{110} China’s 2001 government work report thus stated that China needed to step up the preparation and work regarding the transitional period after entering the WTO (about five years upon entry).\textsuperscript{111} ASEAN was one such concern for China, because ASEAN was worried about the potential negative effects of China’s entry into the WTO, such as competition regarding overseas markets and foreign direct investment.\textsuperscript{112} China was aware of ASEAN’s concerns; for example, the 2002/2003 CICIR report noted that some in Japan and ASEAN asserted that China’s rapid development took away their markets, capital, leading to unemployment and the hollowing out of their industries.\textsuperscript{113} In order to alleviate ASEAN’s concerns and to smoothen China’s entry into the WTO, Premier Zhu Rongji pointed out in November 2000 that China and ASEAN could further discuss free trade issues.

\begin{itemize}
  \item \textsuperscript{108} Interview KZ-\#40, Beijing, China, January 22, 2016; Interview KZ-\#39, Beijing, China, January 22, 2016; Interview KZ-\#42, Beijing, China, January 25, 2016.
  \item \textsuperscript{109} CICIR, Strategic and Security Review 2001/2002, p. 222.
  \item \textsuperscript{110} China’s Foreign Affairs 2001, p. 17.
  \item \textsuperscript{111} China’s Government Work Report 2001, \url{http://www.gov.cn/test/2006-02/16/content_201157.htm}
  \item \textsuperscript{112} He Xiaoqin, “Goals, Process, and Benefit Analysis Of the Sino-ASEAN Free Trade Zone,” World Economic Research [Shijie jingji yanjiu], Issue 6 (2003).
  \item \textsuperscript{113} CICIR, Strategic and Security Review 2002/2003, p. 101.
\end{itemize}
between ASEAN and China.\textsuperscript{114} China also aimed at using this free trade agreement to boost the bilateral economic ties.\textsuperscript{115}

In addition, unlike the 1990s, Sino-ASEAN trade expanded rapidly in the 2000s and China needed the free trade zone to maintain its market share in ASEAN.\textsuperscript{116} According to CICIR's 2001/2002 report, Southeast Asia was China's “important market” and in 2001 ASEAN was China's third main trading partner following the United States and Japan.\textsuperscript{117} Expanding economic relations with ASEAN was also in line with China's growing emphasis on market diversification and exploring new export markets, which manifested itself in the official 2001 government work report.\textsuperscript{118} Similarly, China's official \textit{White Paper on Foreign Trade and Economic Cooperation} — published by the Ministry of Foreign Trade and Economic Cooperation in 2002 — stated that the current focus of China's foreign trade relations was to expand export by whatever means possible (\textit{qianfang baiji}), because export, investment, and the expansion of Chinese enterprises overseas (i.e., the "going out" strategy) were three pillars of China's export-oriented economy.\textsuperscript{119} The white paper also pointed out that the United States, Japan, and Europe were important and traditional markets of China, yet relying only on these markets would be risky, and China therefore should increase the speed of market diversification.\textsuperscript{120}

Wooing ASEAN was particularly important during this period, also because Japan stepped up its own effort to improve economic cooperation with ASEAN in 2003.\textsuperscript{121} As such, several government policy analysts from different regions in China stated that in order to further develop China's economy and to improve Sino-ASEAN trade and economic relations, China refrained from coercion.\textsuperscript{122} This logic was

\textsuperscript{114} Zhang Zhen and Peng Yun, "ASEAN Factors Regarding the Establishment of the Sino-ASEAN Free Trade Zone [Shixi goujian zhongguo-dongmeng ziyou maoyiqu zhongde dongmeng yinsu], \textit{Around Southeast Asia \[Dongnanya zongheng\]}, Issue 10 (2002).

\textsuperscript{115} \textit{Ibid}.


\textsuperscript{120} \textit{Ibid}., p. 87.

\textsuperscript{121} See MOFA, \url{http://www.mofa.go.jp/region/asia-paci/asean/year2003/summit/action.pdf}

\textsuperscript{122} Interview KZ-\#35, Beijing, China, January 18, 2016; Interview KZ-\#28, Haikou, China, January 5, 2016.
echoed in interviews\textsuperscript{123} and even by the SOA: an internally circulated material of the SOA in 2002 stated that in order to develop China’s economy, China should avoid escalation and focus on diplomacy instead.\textsuperscript{124} Given that China needed to expand its market in ASEAN and to smooth its initial years upon entry into the WTO, the economic vulnerability cost of China was relatively high in the 2000-2006 period.

China’s brief economic vulnerability regarding the WTO and the need to greatly expand its market in ASEAN reduced in more recent years. Instead, China believed ASEAN to be more dependent on China. For example, the 2009 NISCSS report noted that due to the global financial crisis, ASEAN countries would need China for a relatively long period of time.\textsuperscript{125} Several scholars also indicated that China utilized the crisis: because the Chinese economy was in a better shape compared to others, China believed that it could stand firm.\textsuperscript{126}

In addition, the Chinese government began to emphasize the transition from an export-oriented to consumption oriented economy. China’s official government work reports in the post 2007 period reflected this trend. Unlike the early 2000s when China’s focus was an export-oriented economy, the 2008 government work report pointed out for the first time that China needed to shift its developmental strategy from relying on investment and export to one that would rely on consumption, investment, and export.\textsuperscript{127} The 2011 government work report further stressed that China should move quickly to a developmental path that focused on “internal growth” (neisheng zengzhang) and innovation.\textsuperscript{128} In addition, by April 2009, according to the CASS report, China had completed

\textsuperscript{123} Interview, KZ-\#59, Wuhan, China, April 18, 2016; Interview KZ-\#64, Beijing, China, April 27, 2016.
\textsuperscript{124} Internal Materials Edited by the China Institute for Maritime Affairs, \textit{EEZs and the Continental Shelf [Zhusanshu jingji qu he dalujia]} (Beijing: Oceanic Press, 2002), p. 144.
\textsuperscript{125} NISCSS, \textit{The 2008 Report Regarding Situation in the South China Sea [2010nian nanhai diqu xingshi pinggu baogao]}, printed by NISCSS in 2009, p. 51.
\textsuperscript{126} Interview KZ-\#19, Guangzhou, China, December 4, 2015; Interview KZ-\#35, Beijing, China, January 18, 2016.
\textsuperscript{128} China’s Government Work Report 2011.
negotiations with ASEAN regarding all aspects of the free trade zone.\(^{129}\) That is, China’s export is not as important to economic growth as it was in the 2000-2006 period. China does not need ASEAN economically as much as it did in the 2000-2006 period. In short, the economic vulnerability cost was low in the post-2007 period.

To briefly summarize, both objective measures and speech evidence suggest in general that economic vulnerability cost was low in the 1990s, high roughly in the 2000-2006 period, and low in the post-2007 period.

*Geopolitical Backlash Cost*

Geopolitical backlash cost was low in the 1990s, but became high in the post-2000 period. The following paragraphs demonstrate this change with three kinds of evidence. The first concerns Chinese official assessments, cross-checked by U.S. official documents. The second kind involves semi-official assessments as well as interviews with government analysts and former officials. The third kind is scholarly writing, but I limit it only to the extent that it is necessary.

Turning first to official Chinese and U.S. documents, including the MFA’s annual *China’s Foreign Affairs* and the U.S. *National Security Strategy*, as show in Table 3 below. Important wording and significant changes are emphasized with an underline.

Table 3. Official Assessments

<table>
<thead>
<tr>
<th>Year</th>
<th>MFA Annual China’s Foreign Affairs Assessment on the International Situation</th>
<th>MFA Annual China’s Foreign Affairs Assessment on the United States</th>
<th>U.S. National Security Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990&lt;sup&gt;130&lt;/sup&gt;</td>
<td>The trend of multipolarity is developing. The Soviet Union is in decline, so is U.S. influence. Sino-U.S. relations are gradually recovering, so are China’s relations with Western countries.</td>
<td>The United States still maintained a status-quo policy in the Asia-Pacific.</td>
<td>Neither East Asia nor Southeast Asia was mentioned in the “Interests and Objectives” section; in contrast, NATO allies were emphasized.</td>
</tr>
<tr>
<td>1991</td>
<td>The world is moving fast towards multipolarity. U.S. power is reduced. China’s relations with Western countries have shown a marked improvement.</td>
<td>The former Soviet Union’s plans to withdraw from Mongolia and the Cam Ram Bay are in near completion. The United States reduced its troops in Korea and Japan, while beginning to implement the agreements regarding the closure of U.S. military bases in the Philippines.</td>
<td>Neither East Asia nor Southeast Asia was mentioned in the “Interests and Objectives” section; in contrast, NATO allies were emphasized.</td>
</tr>
<tr>
<td>1992</td>
<td>The influence of the United States as the only superpower is waning. China’s relations with Western countries have further recovered and improved. Most Western countries have resumed their developmental assistance to China, and their FDI in China has also increased.</td>
<td>The United States makes adjustment to its Asia-Pacific Policy. On November 24, 1992, the last 1,000 soldiers withdrew from the Subic naval base in the Philippines.</td>
<td>No document produced.</td>
</tr>
<tr>
<td>1993</td>
<td>The trend towards multipolarity is in rapid development. China’s relations with Western countries witnessed new progress.</td>
<td></td>
<td>The economic rise of Germany and Japan is a concern and challenge. The United States reduces significantly: by almost a quarter, to their lowest level in terms of manpower since before the Korean war. Emphasis on the NATO and Japan alliances.</td>
</tr>
<tr>
<td>1994</td>
<td>The trend towards</td>
<td></td>
<td>Economic imbalance vis-à-</td>
</tr>
</tbody>
</table>

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<sup>130</sup> This is the 1991 MFA book assessing the situation in prior years.
<table>
<thead>
<tr>
<th>Year</th>
<th>Statement</th>
<th>Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>The trend towards multipolarity is progressing quickly.</td>
<td>Economic imbalance vis-à-vis Japan is a concern. European stability is vital to U.S. security. “East Asia is a region of growing importance for U.S. security and prosperity.”</td>
</tr>
<tr>
<td>1996</td>
<td>The trend towards multipolarity further develops.</td>
<td>European stability is vital to U.S. security. “East Asia is a region of growing importance for U.S. security and prosperity.”</td>
</tr>
<tr>
<td>1997</td>
<td>The trend towards multipolarity is developing rapidly and is unstoppable.</td>
<td>European stability is still U.S. strategic priority. We seek to cement America’s role as a stabilizing force in a more integrated Asia Pacific region.</td>
</tr>
<tr>
<td>1998</td>
<td>The trend towards multipolarity further develops.</td>
<td>Europe is still U.S. strategic priority. European stability is vital to U.S. security. The United States hopes that the Philippines will ratify the visiting troops agreement soon. We seek to cement America’s role as a stabilizing force in a more integrated Asia Pacific region.</td>
</tr>
<tr>
<td>1999</td>
<td>The trend towards multipolarity develops amidst obstacles.</td>
<td>Europe is still U.S. strategic priority. The Philippine Congress ratified the visiting troops agreement. No document produced.</td>
</tr>
<tr>
<td>2000</td>
<td>The trend towards multipolarity develops amidst obstacles.</td>
<td>European stability is vital to U.S. security. We seek to cement America’s role as a stabilizing force in a more integrated Asia Pacific region. The Philippine Senate’s ratification of the Visiting Forces Agreement (VFA) in May 1999 is one example of how our continuing engagement enhances both...</td>
</tr>
<tr>
<td>Year</td>
<td>Statement</td>
<td>Details</td>
</tr>
<tr>
<td>------</td>
<td>-----------</td>
<td>---------</td>
</tr>
<tr>
<td>2001</td>
<td>The trend towards multipolarity does not change.</td>
<td>The United States keeps increasing inputs in the Asia-Pacific region. After the 9/11 attack, the United States strengthened relations with Japan, South Korea, and Southeast Asia for purposes of countering terrorism. European stability is vital to U.S. security. First time since 1990, East Asia was also named as vital U.S. interest; Our regional strategy is based on the premise that a stable and prosperous East Asia and Pacific is vital to our own national security interests. U.S. security objectives in Southeast Asia include: strengthening our security alliances and partnerships with Australia, Thailand, the Philippines, and Singapore; sustaining facilities access arrangements with these countries and other ASEAN nations.</td>
</tr>
<tr>
<td>2002</td>
<td>The trend towards multipolarity develops amidst obstacles.</td>
<td>The Bush administration carried out a sweeping strategic readjustment of U.S. foreign, defense, and security policies. Identifying terrorism as the No. 1 imminent threat for a fairly long time to come, the U.S. made waging a global war against terror etc. its primary strategic goals. Focus was on terrorism. Europe was no longer stated as vital interest. The war against terrorism has proven that America’s alliances in Asia not only underpin regional peace and stability, but are flexible and ready to deal with new challenges.</td>
</tr>
<tr>
<td>2003</td>
<td>Not mentioning multipolarization at all</td>
<td>In the Asia-Pacific region, the United States increased inputs and deepened cooperation on counter terrorism, viewing the Philippines and Thailand as important non-NATO allies. No document produced.</td>
</tr>
<tr>
<td>2004</td>
<td>The trend towards multipolarity develops amidst obstacles.</td>
<td>Philippines and Thailand were awarded by the United States the status of major non-NATO allies. No document produced.</td>
</tr>
<tr>
<td>2005</td>
<td>Not mentioning multipolarization at all</td>
<td>The United States increased inputs in Southeast Asia, No document produced.</td>
</tr>
<tr>
<td>Year</td>
<td>Statement</td>
<td>Action</td>
</tr>
<tr>
<td>------</td>
<td>-----------</td>
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</tr>
<tr>
<td>2006</td>
<td>Not mentioning multipolarization at all</td>
<td>The United States increased inputs in Asia, further developing relations with the Philippines, Vietnam, etc.</td>
</tr>
<tr>
<td>2007</td>
<td>The trend towards multipolarity deepens in terms of development.</td>
<td>The United States continued to increase inputs in Asia.</td>
</tr>
<tr>
<td>2008</td>
<td>The trend towards multipolarity deepens in terms of development.</td>
<td>The United States continued to increase inputs in Asia, including strengthening relations with Vietnam.</td>
</tr>
<tr>
<td>2009</td>
<td>With the global financial crisis, the international balance of power is conducive to the trend towards multipolarity.</td>
<td>The United States further increased inputs in Asia, including furthering relations with Vietnam and the Philippines.</td>
</tr>
<tr>
<td>2010</td>
<td>The trend towards multipolarity is a long-term process with obstacles.</td>
<td>The United States made further adjustment to its foreign policy, paying more attention to the Asia-Pacific region and rising powers. The United States further increased inputs in Asia, including furthering relations with Vietnam and the Philippines.</td>
</tr>
<tr>
<td>2011</td>
<td>The trend towards multipolarity is a long-term process with obstacles.</td>
<td>The United States made a high profile involvement in Asia-Pacific affairs, strengthening relations with Japan, South Korea, and the Philippines.</td>
</tr>
<tr>
<td>2012</td>
<td>Not mentioning multipolarization at all</td>
<td>The United States continued to strengthen relations with Southeast Asian countries such as the Philippines and Vietnam.</td>
</tr>
<tr>
<td>2013</td>
<td>The trend towards multipolarity is clear</td>
<td>The United States continued to strengthen relations with the Philippines, increasing the number of troops in rotation there.</td>
</tr>
</tbody>
</table>
Table 3 above clearly shows a trend of increasing geopolitical backlash cost — especially the pressure from the United States — with geopolitical pressure from the United States changing from low in the 1990s to high in the post-2000 period. First, whether and how the Chinese MFA used the word “multipolarity” is an important indicator of the geopolitical pressure China felt from the United States. That is, the more optimistic China was in its description of multipolarity, the less unipolar China’s perception of the international balance of power became and the less pressure China felt from the United States, the hegemon. One can easily see that China was quite confident about the progress of multipolarity in the 1990s, particularly the early to mid-1990s. The MFA assessment used mainly wording such as “rapid,” “quick,” and “unstoppable” to describe what it perceives to be the progress of multipolarity. Starting from the early 2000s, however, the MFA began to decrease its mention of multipolarity, making no mention of multipolarity at all in 2003, 2005, 2006, and 2012. When the MFA did mention multipolarity in the post-2000 period, it usually described the progress of multipolarity as “in obstacle” or “long-term,” which was much more moderate and less confident when compared with the 1990s.

Second, pertaining to China’s relations with the rest of the world and the shifts in U.S. grand strategies, despite the assumption that China should be concerned about other states’ backlash against China due to the 1989 Tiananmen incident and the collapse of the Soviet Union, the geopolitical backlash cost regarding the Spratly disputes was low in the 1990s. For example, as seen in Table 3, assessments from official Chinese government documents indicated that by 1993, China’s foreign relations – especially bilateral relations with the western world – had recovered. For example, in the 1993 version of “China’s Foreign Affairs Overview” (zhongguo waijiao gailan) published annually by the MFA, China’s relations with western countries had “further recovered and advanced” — most western countries had resumed their official development aid to China and their investments in China had also been continuously increasing.131 Another official government document — China’s government work

131 Diplomatic History Research Office of the Chinese Ministry of Foreign Affairs, China’s Foreign Affairs Overview 1993 [zhongguo waijiao gailan 1993] (Beijing: World Knowledge Press, 1993), p. 17. This official document has changed its name
report (zhengfu gongzuo baogao) published annually by the State Council — also stated in 1993 that China’s relations with western countries had improved, with high-level exchanges commencing and progress made in economic and technological cooperation.\textsuperscript{132} Notably, the 1994 \textit{China's Foreign Affairs Overview} stated that the meeting between U.S. and Chinese leaders in November 1993 signified that Sino-U.S. relations had entered a new stage.\textsuperscript{133} The wording in previous versions of government work reports and \textit{China's Foreign Affairs Overview}, however, was such that China’s relations with the United States and other western countries experienced difficulties.\textsuperscript{134}

The geopolitical situation in Southeast Asia was particularly favorable to China. The 1992 \textit{China’s Foreign Affairs Overview} noted that China and Vietnam had normalized relations; President Yang Shangkun visited Indonesia, Thailand, Singapore, and Malaysia; and China had established formal diplomatic relations with Brunei.\textsuperscript{135} The 1993 government work report also emphasized that China’s relations with ASEAN had made “comprehensive progress” (qude quanmian jinzhan).\textsuperscript{136}

Moreover, MFA annual assessments in Table 3 noted that external great powers such as the United States and Russia decreased their presence in the region. Anticipating that a post-Cold War peace dividend could provide new opportunities for further U.S. force reductions in Asia, president Bush senior released two East Asia Strategy Initiative reports to Congress in April 1990 and 1992, which outlined a strategic framework of a reduction of U.S. force levels in Asia from 135,000 to 100,000 while assigning greater defense burden-sharing responsibilities to regional allies.\textsuperscript{137} The 1992 \textit{China’s Foreign Affairs Overview}, for instance, stated that by the end of 1991, the former Soviet Union was about to close its naval bases in Cam Ranh Bay and that the United States had reached agreements with

\textsuperscript{134}China’s Foreign Affairs Overview 1992, p. 12.
\textsuperscript{135}China’s Foreign Affairs Overview 1992, p. 12.
the Philippines to close its military bases. The 1993 China’s Foreign Affairs Overview emphasized that the United States adjusted its Asia-Pacific policy, pulling its troops from the Subic naval base in the Philippines on November 24, 1992. The 1997 China’s Foreign Affairs believed that the priority of U.S. global strategy was Europe and the MFA continued this belief till 2000, as manifested in the 1998, 1999, and 2000 versions of China’s Foreign Affairs. This MFA belief was corroborated by the official U.S. National Security Strategy, which treated Europe as the vital interest until the early 2000s. The United States did not return until the end of 1990s, with the United States and the Philippines signing an agreement allowing “elements of the United States armed forces to visit the Republic of the Philippines from time to time.” The Chinese MFA noticed that the Philippine congress did not ratify this agreement until May 1999. The official national defense white papers – China’s National Defense (zhongguo de guofang) also had similar threat assessment with that of the MFA and the State Council. In short, starting from 1993, the international situation for China began to fully recover and the U.S. withdrawal from Subic Bay and its focus on Europe made the geopolitical conditions in Southeast Asia favorable to China.

Unlike the 1990s, geopolitical backlash has become a serious concern for China since the 2000s, which manifests itself in official threat assessments in Table 3. In contrast to the 1990s when official government threat assessments indicated that the U.S. focus was on Europe, the official threat assessments of the 2000-2006 period expressed concerns and worries that the United States had come back to Asia, ironically, precisely due to the war on terror. The 2001 China’s Foreign Affairs stopped stating that Europe was U.S. priority; instead, it began to indicate that the United States increased putting resources in Asia, including reinstating joint military exercises with the Philippines, signing a

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138 China’s Foreign Affairs Overview 1992, p. 33.
139 China’s Foreign Affairs Overview 1993, p. 27.
142 China’s Foreign Affairs 2000, p. 474.
new agreement with Singapore regarding a naval base, and sending its defense minister to visit Vietnam for the first time since the Vietnam War ended.\textsuperscript{144} The 2002 \textit{China's Foreign Affairs} stated explicitly that after the 9/11 incident, the United States strengthened cooperation with ASEAN countries due to counterterrorism.\textsuperscript{145} The 2004 \textit{China's Foreign Affairs} pointed out in particular that the United States increased its input into the Asia-Pacific region and treated the Philippines and Thailand as “important non-NATO” U.S. allies (\textit{zhongyao feibeiyou mengyou}), which was later elevated to “main non-NATO allies.”\textsuperscript{146} In short, with the U.S. priority of counterterrorism, the statuses of ASEAN countries rose. China's official defense white papers also noted increasing U.S. military presence and the strengthening of U.S. alliances in the Asia-Pacific.\textsuperscript{147}

As with the 2000-2006 period, official assessments acknowledged that the geopolitical pressure imposed by U.S. presence continued in the post-2007 period. According to the 2007-2014 versions of the MFA’s \textit{China's Foreign Affairs}, increasing U.S. presence in the Asia-Pacific region remained a salient characteristic of the general situation that China faced.\textsuperscript{148} Each of the 2007-2014 versions of \textit{China's Foreign Affairs} also emphasized that the United States kept strengthening relations with ASEAN countries such as Indonesia, Vietnam, the Philippines, and Singapore. Similarly, China’s official defense white papers noted in 2008, 2010, 2013, and 2015 that the United States kept strengthening its alliances and expanding military presence in the region.\textsuperscript{149} In short, official Chinese assessments and official U.S. national security documents indicated a low geopolitical backlash pressure in the 1990s and high pressure from the United States post-2000.


\textsuperscript{145} \textit{China’s Foreign Affairs 2002}.

\textsuperscript{146} \textit{China’s Foreign Affairs 2004}, p. 15; \textit{China’s Foreign Affairs 2005}, p. 2.


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Turning next to semi-official assessments and interviews, their assessments are in line with the official ones. The aforementioned advantageous geopolitical factors in the 1990s, the mid 1990s in particular, manifest themselves also in speech evidence of Chinese scholars and government policy analysts. For example, Sun Xiaoying stated in the internal publication of CASS in 1993 that South China Sea claimants were not without differences and conflicts of interests among themselves.\textsuperscript{150} Several interviewees explicitly indicated that Chinese coercion during the early to mid 1990s had much to do with the U.S. withdrawal from Subic Bay.\textsuperscript{151} The U.S. withdrawal provided a “geopolitical power vacuum” (\textit{diyuan kongxi}) for China and China’s geopolitical cost did not increase until the return of U.S. troops, which was after 1999.\textsuperscript{152} In fact, after China used coercion regarding the Mischief Reef in early and mid 1995, the internal publication of CASS noted in 1995 that the result of China’s Mischief Reef action was a perfect test of the international reaction – it suggested that China did not generate drastic reactions from ASEAN countries, nor did it damage China’s relations with ASEAN.\textsuperscript{153} This report went on to state that as long as Chinese coercion was restrained, it would be able to maintain normal relations with ASEAN countries and that China should engage in more “struggle” [\textit{douzheng}] after the Mischief Reef coercion.\textsuperscript{154} Another government analyst from CASS reaffirmed in 1998 that the Asian financial crisis in 1997 reduced the cohesion (\textit{ningjuli}) among ASEAN members and internal differences within ASEAN had never been greater than in 1998.\textsuperscript{155} Indeed, after the Mischief Reef coercion in 1995, China subsequently used coercion in late 1995, 1996, 1997, and 1999. As such, in China’s view, with the United States and Russia leaving, Vietnam and the Philippines would not have been able to create the momentum to invite outside powers to balance against China over issues in the South China Sea.

\textsuperscript{150} Sun Xiaoying, “Using the peaceful strategy to resolve the spratly disputes [buzhan erzheng de heping zhanlue yu heping jiejue nansha zhengduan],” in Asia-Pacific Office of CASS ed., \textit{Materials Regarding the South China Sea Issue [nansha wenti yanjiu ziliao]}, p. 280.
\textsuperscript{151} Interview KZ-#16, Guangzhou, China, November 30, 2015; Interview KZ-#25, Nanjing, China, December 30, 2015.
\textsuperscript{152} Interview KZ-#17, Guangzhou, China, December 1, 2015; Interview KZ-#19, Guangzhou, China, December 4, 2015.
\textsuperscript{154} \textit{Ibid.}
ASEAN in the 1990s was not able to apply unified pressure on China, nor did it play a significant role in resolving territorial disputes.\textsuperscript{156} The geopolitical backlash cost was thus low in the 1990s.

Starting from the post-2000 period, however, CICIR stated in its 2001/2002 report that the United States believed that its alliance systems during the Clinton era were weakened and therefore paid attention to developing alliance or semi-alliance relations with ASEAN countries such as the Philippines, Thailand, Indonesia, and Vietnam, using counterterrorism as a way to expand its alliances.\textsuperscript{157} In particular, CICIR noticed that the United States had promised to fully support the Philippines militarily and economically, while showing interests in Vietnam’s Cam Ram Bay.\textsuperscript{158} The report worried that once the United States expanded its military presence in Southeast Asia, the balance of power in the South China Sea region would change, which would then affect China’s security environment.\textsuperscript{159} CICIR’s 2002/2003 annual report indicated that since the war on terror started, the United States had been jointly working with the Philippines to counter terrorism, using the war on terror as an opportunity to expand to the strategically important Southeast Asia.\textsuperscript{160} This report added that the current U.S. frontline of counterterrorism almost completely overlapped with "the circle of U.S. containment" that China had been worried about and guarded against, emphasizing that after the 9.11 incident the vacuum the United States left when the Cold War ended was filled again.\textsuperscript{161} CICIR’s assessments were joined by similar assessments from the annual reports of CASS, AMS, and CIIS.\textsuperscript{162} In short, both official and semi-official assessments of the time indicated an increasing geopolitical pressure China felt from the United States.

\textsuperscript{158} Ibid., p. 28.
\textsuperscript{159} Ibid., p. 222.
\textsuperscript{161} Ibid., p. 266.
Similarly, post-2007 semi-official assessments from China’s government think tanks also concur with the increasing U.S. footprint in the Asia-Pacific region. An internally circulated report by CASS indicated in 2011 that the United States viewed the role of ASEAN as critical and that with the highly publicized U.S. involvement in Asian affairs, China’s security environment worsened. Its publicized version in January 2012 also noted that the presence of U.S. Marine Corps in Australia signaled the United States expanded its long-term military presence in the Pacific region for the first time since the Vietnam war, which was aimed at China. As such, the geopolitical backlash cost remained high.

Moreover, unlike the 1990s when China viewed ASEAN as having internal differences, in the early 2000s, internal discussions among official government policy analysts in China made a 180-degree turn regarding geopolitical conditions in Southeast Asia. Citing SOA official Liang Jinzhe’s statement in 2002, the internal publication of NISCSS noted that due to converging interests, neighboring countries had begun to “collectively take on China” (lianhe duifu woguo de geju yi xingcheng). The internally circulated annual report by NISCSS noted in 2003 that ASEAN was recently trying to strengthen relations with Japan, the United States, India, Australia, and Russia so as to balance China. The report therefore listed greater cooperation with countries surrounding the South China Sea as a countermeasure to the trend of ASEAN countries working together to face China. Similarly, the NISCSS 2004 annual report predicted that the integration of ASEAN would be greater and


166 *Selected Papers From the Seminar on Issues of the South China Sea [nanhai wentsi lunwen yantao hui lunwenji]*, printed by the Hainan South China Sea Research Center in August 2002, p. 96. This book is available in the library in the National Institute for South China Sea Studies in Haikou.

that it would be “speaking with one voice” and again advised maintaining stability in the South China Sea. These internal reports advised restraint and cooperation to prevent an ASEAN that would be united against China, despite Vietnam and Malaysia's actions in the Spratlys regarding oil and gas exploration.

To briefly summarize, official and semi-official assessments as well as interviews all indicated that the geopolitical backlash cost of coercion was low in the 1990s but high in the post-2000 period.

**Result: Temporal Variation of Chinese Coercion and Choices of Coercive Tools**

<table>
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<th>Table 4. Cost Balancing and China’s Use of Coercion</th>
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<td><strong>Credibility Benefit</strong></td>
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<td><strong>1990-1999</strong></td>
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As table 4 shows above, in the 1990s, the credibility benefit was high and both geopolitical backlash and economic vulnerability costs to use coercion in the South China Sea were low, and China used coercion, some of which were militarized. For example, in July 1994, China used the navy to expel PetroVietnam's ships conducting oil-drilling operations. In late 1994, China began to build infrastructure on the Mischief Reef and when the Philippines dispatched journalists to the reef, China used administrative coercion. In December 1995, China was reportedly drilling oil near the Spratlys and when Vietnamese vessels began to monitor Chinese actions, China used naval vessels to fire

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169 See Julian Brutus, “Prospects of Oil Make Spratlys Hot Property; Storm Brews Around the Islands,” *South China Morning Post (Hong Kong)*, July 26, 1994, p. 7.
warning shots. When Vietnam gave the oil exploration deal to Conoco, an U.S. company, on April 10, 1996, China threatened economic sanctions against Conoco, as its subsidiary — the Dupont — had several joint ventures in China. In short, during the 1990s, China used coercion against incidents initiated by other claimants and actively by initiating incidents itself.

In the 2000-2006 period, credibility benefit was low whereas both geopolitical backlash and economic vulnerability costs were high, and China refrained from coercion.

In the post-2007 period, credibility benefit was high and economic vulnerability cost was low, and China used coercion. Yet due to high geopolitical backlash cost, China used non-militarized coercive tools. For example, in April 2007, when Vietnam was conducting oil exploration using Russian ships, China used its maritime surveillance ships to monitor and expel (quli) these ships. Also in April 2007, when Vietnam planned to work with British Petroleum (BP) in the Spratlys, China reportedly made threats of economic sanctions to BP in June 2007, and BP eventually gave up the bid in 2009. Britain confirmed that the Chinese government had not voiced objections over BP activities in blocks claimed by China before 2007. Similarly, in July 2008, when Vietnam planned to work with ExxonMobil, China threatened ExxonMobil’s business interests in China. China began to use coercion more frequently starting 2012, taking the opportunity to force the Philippines out of the Scarborough Shoal and the Second Thomas Shoal while drastically reclaiming occupied land features.

VI. The Sino-Philippine Mischief Incident in 1994-1995

This section first describes the Mischief incident, lays out the magnitude of coercion, and finally explains why China used coercion against the Philippines with the cost balancing theory. China used coercion in this case because credibility benefit was high whereas economic vulnerability cost was low. Because the geopolitical backlash cost was low due to the U.S. withdrawal from Subic Bay in the Philippines, China jumped the window of opportunity provided by this geopolitical power vacuum and used military coercion to seize the Mischief Reef, located in the eastern part of the Spratlys.

Justifying the Case Selection

First, I use the Mischief Reef case for detailed process tracing so as to show that the causal mechanisms are indeed what the cost balancing theory argues. Second, the Mischief Reef case is a hard case because China should be quite unlikely to use coercion. The Mischief Reef incident took place in the 1990s, when the Tiananmen incident just took place in 1989 and when China just embraced the notion of “hiding one's strength.” China should not have used coercion when the geopolitical backlash and economic costs seemed high. This period was during President Jiang Zemin’s rein, and alternatives prioritizing individual leadership would predict that a weaker president such as Jiang would not use coercion. Third, the Mischief case is an important “first-time” case: the first time after the 1988 battle when China used coercion to take control of land features in the Spratlys. Fourth, the Mischief incident is one typical case of Chinese coercion in the 1990s, given some cases of Chinese coercion were militarized in the 1990s. I conduct case studies in the post-2007 in other papers.

The Mischief Incident
In August 1994, Liu Guojun, the head of the South China Sea section of the Chinese FAB had a secret meeting with the deputy Minister of Agriculture, who told Liu that the central leaders had made the decision of establishing shelters on the Mischief Reef so as to “make salient” (tuchu) China’s presence in the South China Sea. Liu was told that this mission was “politically critical” and that the South China Sea section of the FAB should “unconditionally” implement it. The Philippines patrolled the Mischief Reef in rotation, yet China jumped the loophole in between the rotation – when the Philippines were not present – and took the reef. China began the construction of shelters on the Mischief Reef in December 1994.

China fishery administrative ship No. 31 was tasked with the guarding of the reef and had the authority of blocking and warning foreign unarmed ships (lanzu, jinggao). On January 17, 1995, the crew of fishery administrative ship no. 31 found that a Philippine fishing boat entered the Mischief Reef and therefore blocked and boarded this fishing boat. Fishery administrative ship no. 31 was later replaced by ship no. 34 for rotation. This incident escalated when the Philippines found Chinese shelters on the reef. On May 13, 1995, the Philippine navy planned to enter the waters surrounding the Mischief Reef with new naval vessels and one civilian ship. According to the Strait Times, Manila had “invited 37 journalists, mostly from the foreign media, for a six-day tour of the Mischief area.” The captain of China’s fishery administrative ship no. 34 laid out three plans: the first was to blockade Philippine ships eight nautical miles from the reef; the second was to take a tough stance and forcefully expel were they to enter the reef; the third was to blockade the entrance to the reef, even if it was at the cost of sinking ship no. 34 itself. Fishery administrative ship no. 34 was lightly armed to the level of

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174 Yi Shi, Yao Zhongcai, and Chen Zhenguo, South China Sea! South China Sea! [Nanhai! Nanhai!] (Guangzhou: Guangdong People’s Press [Guangdong renmin chubanshe], 2009), p. 36. Chen Zhenguo was in the South China Sea section of the Fishery Administrative Bureau and was involved in the Mischief incident.

175 Ibid., p. 36.

176 Interview KZ-#26, Nanjing, China, December 30, 2015.

177 Ibid., p. 9.

178 Zhang Liangfu, A Ten-thousand Mile Trip in the South China Sea — Days Spent During the Patrol Around the Spratlys [Nanhai wanlixing — zai nansha quad xuhang de rizi] (Beijing: Oceanic Press, 2006), p. 58. Zhang was previously in the MFA and is now a research analyst working for China National Offshore Oil Corporation (CNOOC).

179 Nanhai! Nanhai!, p. 71.


181 Ibid.
the paramilitary. The situation was quite tense: at 1:40pm on May 13, 1995, ship no. 34 was only 0.75 nautical miles from the Philippine naval frigate, and both sides were still charging towards one another. With its maneuver, ship no. 34 eventually succeeded in blocking the Philippine naval frigate and patrol boat at the entrance of the reef. The crewmembers of ship no. 34 had a 70-minute standoff with the Philippines, hiding on the deck and holding assault rifles. This account was corroborated from foreign media reports. As the Philippine naval ship neared the reef, “the two Chinese vessels began to cut across its bows, lying some 150 meters in front of the Philippine ship.” The standoff ended with the Philippine ships eventually backing off, and China successfully took control of the Mischief Reef.

The Magnitude of Coercion

Chinese coercion in this episode was great in terms of magnitude. The seizure of reef itself constituted military coercion. The Chinese navy was involved in the construction of shelters on the Mischief Reef. According to one ex-naval personnel who used to serve in the South Sea fleet, China used the navy’s “type 991 landing ship” (991 denglujian) to transport construction materials. In addition, China mainly used grey-area administrative coercion – once on January 17, 1995 and once on May 13, 1995. During both times, Chinese fishery administrative ships no. 31 and no. 34 took actual law enforcement actions such as boarding, blocking, expelling Philippine vessels. The military was not at

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182 Ibid.
184 Ibid., p. 184.
185 Ibid., p. 76.
187 Interview KZ-#26, Nanjing, China, December 30, 2015.
the forefront of confrontation with the Philippines and Chinese naval ships only trailed behind, hiding secretly.  

Why the Mischief Incident Counts as Coercion

Chinese actions in January and May 1995 were coded as coercion because of the following characteristics: state behavior, clearly identified targets, use or threats of tools that inflict pain, and most importantly, clear intentions (goals). First, the use of fishery administrative ships was strictly state behavior. Second, the target and goals of coercion were clear. The immediate goal was to stop the Philippines from controlling the Mischief Reef. As the Mischief Reef lies in the eastern part of the Spratly islands, the Chinese viewed it as a good location for taking control of another land feature in the South China Sea. After all, previous Chinese seizure of the land features in the Spratlys was all in the western part closer to Vietnam. Yet most of the re-supply lines of Vietnam and the Philippines to land features in the Spratlys lie in the eastern part, and China thus wanted to take control of one land feature in the eastern Spratlys to “cut off their supply lines.” The broader goal, however, was to enforce the “policy of restraint” (baochi kezhi) on claimants. In May 1994, Philippines’ Ramos government secretly approved an application from a Philippine company, Alcorn Petroleum, to conduct a paper assessment of the oil and gas potential in an area off the coast of Palawan. Although it did not involve any survey or drilling work at sea, this was, arguably, a violation of the Manila Declaration, a 1992 agreement between the then-six members of ASEAN to “exercise restraint in their actions in the South China Sea.” After news of the survey leaked, China protested against what it saw as “an infringement of its own sovereignty.” And the location of Mischief Reef was “almost exactly in the middle of the

188 Ibid.
189 Interview KZ-#55, Haikou, China, April 12, 2016; Interview KZ-#57, Haikou, China, April 14, 2016; Interview KZ-#84, Guangzhou, China, May 21, 2016; Interview KZ-#91, Beijing, China, June 7, 2016.
190 Interview KZ-#92, Xiamen, China, June 13, 2016.
191 Interview KZ-#54, Haikou, China, April 8, 2016.
193 Ibid.
area being surveyed by Alcorn Petroleum.”194 Therefore, China also aimed at using coercion to force the Philippines to return to the policy of restraint. Third, behaviorally, China used military and grey-area coercion that clearly inflicted pain.

*Explaining the Case – Why China Used Coercion*

Turning first to credibility benefit, behaviorally, the Philippines took several land features in the Spratlys in the early 1990s and expanded infrastructure on occupied land features, as shown in the 1990-1999 period in the previous section. Moreover, from China’s perspective, it was the Philippines who increased the international salience of the South China Sea disputes by involving non-claimants – other ASEAN countries as well as the external powers – in the issue. For example, it was he Philippines who first raised the idea of a "Spratlys Declaration" during the ASEAN Ministerial Meeting in Manila in July 1992, making diplomatic efforts to elevate discussions on the Spratlys dispute to official ASEAN levels.195 Immediately after this declaration, a senior U.S. official who arrived in Manila with Secretary of State James Baker for a meeting with Philippine President Ramos, stated that the United States would be “prepared to play a role if all of the [South China Sea] claimants want[ed] us to.”196 China subsequently warned ASEAN against “internationalizing” the issue, especially the meddling by the United States and Japan.197 The Philippines further proceeded to “internationalize” the conflict by invoking ASEAN and the UN in 1994, thereby directly challenging the longstanding Chinese preference for bilateral management.198 In reaction to the 1994 annual talk between ASEAN and its dialogue partners (including China, the United states, Japan, and the EU), then MFA spokesman Shen Guofang made clear that even though the talk covered the conflicting claims over the disputed Spratly Islands,

194 Ibid., p. 86.
Beijing was not willing to discuss its ownership of the islands and would prefer any talks to be bilateral with the other claimants. In response to Philippine President Fidel Ramos’ discussion with U.S. experts that the Spratly dispute should be referred to the United Nations, one Chinese MFA spokesman reiterated that Beijing was opposed to internationalizing the issue because this would "only add complicated factors" and would not be conducive to a settlement.

Speech evidence from semi-official sources also indicated that China viewed the Philippines as being vocal and internationalizing the South China Sea dispute. For example, the internal publication of CASS noted that the Philippine Foreign Minister demanded in September 1992 for U.S. protection if attacked on disputed islands and announced in July 1993 during the ASEAN foreign ministerial meeting that ASEAN should generate international attention to the South China Sea issue. Writing in July 1992, Xiong Changyi noted Philippine President Ramos’ “positive reply to a journalist from Associated Press who asked whether he supported convening international conferences to resolve disputes.” In particular, during the fourth annual "Workshop on Managing Potential Conflicts in the South China Sea" — an informal annual symposium organized by Indonesia — in August 1993, President Ramos explicitly stated that “the United States, Japan, and Australia should all participate in this symposium,” which Chinese government analysts resented as a salient tactic of internationalizing the dispute. China also opposed suggestions of formalizing this symposium and bringing in foreign governments and international organizations. In short, government analysts in the internal publication of CASS worried that the Philippines was too vocal in internationalizing the South China Sea disputes.

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199 Reg Gratton, “ARF is born but will it be all bark and no bite?,” Reuters, July 29, 1994.
200 “China opposes referring Spratly dispute to UN,” Agence France-Presse, September 1, 1994.
201 Cao Yunhua, “Situation in the South China Sea” [nanhai zhongguo fengyu], in Asia-Pacific Office of CASS ed., Materials Regarding the South China Sea Issue [nansha wenti yanjiu ziliao] (Internal Circulation: 1996), p. 46-47. Cao’s article was written in 1995, but given that the events that he described end in February 1995, it is quite plausible that this article was written well before the May 13, 1995 standoff.
202 Xiang Changyi, “Philippine stance on the Spratly issue” [feilvbin zai nansha qundao shangde lichang], in ibid., p. 51.
203 Zhang Liangfu, “The annual Workshop on Managing Potential Conflicts in the South China Sea [lici chuli nanzhongguo hai qianzaichongtu feizhengshi taolunhui shuping],” in Asia-Pacific Office of CASS ed., Materials Regarding the South China Sea Issue [nansha wenti yanjiu ziliao], p. 108. This was written before the May 13, 1995 standoff.
204 Ibid., p. 111.
The immediate trigger, as previous paragraphs mention, was approval for Alcorn Petroleum to conduct a paper assessment of the oil and gas potential in an area close to the Mischief Reef. China knew the news from the English report of Agence France-Presse on June 13, 1994, and made the final decision to establish infrastructure on the Mischief Reef in August. Once the Philippines found out Chinese infrastructure on the reef, it tried to publicize Chinese shelters on the Mischief Reef by having the Ministry of National Defense show pictures of Chinese shelters to foreign media, while making Chinese actions a focal point in its domestic news. The Washington Post reported on February 11, 1995 that China expanded its presence in the Spratlys by taking over an area claimed by the Philippines, the New York Times commented on February 19, 1995 that “the construction of what appears to be a Chinese military guard post atop the aptly named Mischief Reef is of direct concern to Manila,” and this dispute also caught the attention of Australian and British newspapers, including the Times. In March 1995, the Philippines subsequently demolished the markers and structures that China placed on land features in the Spratlys, which was reported extensively by Singaporean based newspaper the Strait Times and Australian newspapers. Australian media also reported the Philippine navy’s detention of Chinese fishing boats in disputed waters in March 1995. According to Chinese officials in the South China Sea bureau of the SOA, the Philippines invited foreign journalists to the Mischief Reef in May 1995 to “attract international attention.” Remarks by spokesperson Shen Guofang from China’s Ministry of Foreign Affairs (MFA) – a few days after the May 13 standoff – shed light on China’s rationale. In response to this standoff, Shen accused the Philippines of breaching Chinese sovereignty.


208 “Spratly islands: China likely to continue claiming territory,” The Straits Times (Singapore), March 25, 1995; Nirmal Ghosh, “No co-operative ventures in Spratlys until atmosphere improves,” The Straits Times (Singapore), April 7, 1995; Lindsay Murdoch, “Spratly bombing fuels row,” The Age (Melbourne, Australia), March 25, 1995.


210 Ibid., p. 434.
by taking reporters to the reef, advising the Philippines “not to misinterpret China’s restraint, but
instead return to the correct path of negotiations to resolve this dispute” and warning that any similar
actions could result in “serious consequences.” In particular, China tried to stop the Philippines
before the May 13 standoff: Shen accused the Philippines of encroaching on Chinese sovereignty by
taking journalists to the Mischief Reef area despite a warning from Beijing that taking foreign journalist
to the reef would "internationalize" their disagreement. That is, China did not want the Philippines to
treat Chinese restraint as a sign of weakness and engage in further transgressions, which is the logic of
using coercions to establish one’s credibility in defending sovereign rights. Taking foreign journalists to
the reef was especially a serious issue to China – it further publicized the dispute and might put China’s
resolve (or lack thereof) in the spotlight.

Interviews with former officials and government policy analysts also suggest that if China did
not take action, the Philippines might think that its future encroachment would also go unnoticed, and
China thus needed to establish its credibility in defending its own territory. Policy analysts close to
the central government coined the development of the situation in the early 1990s as “rather
unfavorable” to China, because countries such as Vietnam were all grabbing resources and land
features in the South China Sea. As one scholar stated, the Philippines’ action of internationalizing
the Mischief issue and taking land features in the South China Sea touched China’s “bottom line”
(dixian), and China had to take action. China also needed to signal to other ASEAN countries that
alliances with the United States would not deter China and that such alliances would not add to these
states’ security interests. In short, China needed to demonstrate its credibility in defending its
national security interests in the South China Sea in front of ASEAN countries so as to convince them
that China would behave in a similarly resolved manner for future attempts to infringe upon China’s

211 Nirmal Ghosh, “Menacing moves by Chinese vessels raise tension.”
212 Nirmal Ghosh, “Ramos defends press visit to Spratlys,” The Straits Times (Singapore), May 18, 1995; Abby Tan, “Chinese
forts rise from sand to build the Spratlys tension.”
213 Interview KZ-#17, Guangzhou, China, December 1, 2015.
214 Interview KZ-#54, Haikou, China, April 8, 2016; Interview KZ-#92, Xiamen, China, June 13, 2016.
215 Interview KZ-#34, Haikou, China, January 8, 2016.
216 Zhou Fangyin, “The Asia-Pacific Alliances of the United States and China’s Countermeasures [Meiguo de yatai tonging tixi yu
zhongguo de yingdui].”
interests. This was particularly crucial because as seen in Figure 1 in the previous section, in addition to aforementioned actions of the Philippines, the 1993-1994 period witnessed a total of 22 cases in which the Philippines, Vietnam, and Malaysia signed new PSC deals and strengthened control of land features. Thus, the credibility benefit was high.

Turning next to economic vulnerability cost, China’s focus in the economic realm in the 1990s was improving economic and trade relations with western countries, especially the United States, as shown in the previous section. Sino-Philippine economic relations were not China’s priority at all. The Philippines’ lack of importance to China manifested itself in Sino-Philippine trade relations in the early to mid 1990s. The Philippines did not lift its trade restrictions on China due to the 1989 incident until April 1993, and even after the end of trade restrictions, China’s import from and export to the Philippines only constituted 0.2% and 0.3% of overall Chinese import and export in 1993, respectively. Similarly, China’s import from and export to the Philippines constituted 0.18% and 0.4% of overall Chinese import and export in 1994, respectively.

Philippine scholar Aileen S.P. Baviera confirmed that from 1975 to 1995, the Philippines’ trade with China “fell behind China’s rapidly growing trade with other ASEAN countries.” In fact, the trade volume between China and the Philippines was the lowest compared with China’s bilateral trade relations with other ASEAN countries. One policy analyst stated that because China and the Philippines had a very small trade volume, using coercion on the Philippines would not have much impact on China’s foreign trade at all. Figure 10 below shows Sino-Philippine trade as a share of China’s total foreign trade.

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221 Interview KZ-#55, Haikou, China, April 12, 2016.
The red line indicates import from the Philippines as percentage points of China’s total import and the blue line is export to the Philippines as percentage points of China’s total export. One can see that Sino-Philippine trade constitutes only a minor portion of China’s foreign trade, be it import or export, which is especially the case in the 1990s. China did not depend on the Philippines for its import or export. Instead, due to the growing economy and the burgeoning need for fishery resources, China was looking for places to develop fishery. According to one former senior official in the South China Sea section of the SOA, one factor leading to China’s control of the Mischief Reef was to turn it into a “distant-water fishing base” (yuanyang bulao jidi).223 Indeed, the Mischief Reef later turned into a fishery base (yueye buyu jidi).224 Thus, economic vulnerability was low.

An important factor to explain China’s seizure of the Mischief Reef – an act of military coercion – was the low geopolitical backlash cost. For one, China in the 1990s viewed the Philippines as relatively weak and preoccupied with domestic issues, meaning that it would take a “subordinate role” (congshu diwei) in regional security affairs.225 For another, the United States withdrew its troops from Subic Bay in the Philippines in 1992. As seen in the previous section, the Chinese government had been tracking the U.S.-Philippine negotiations and noticed this move immediately, citing also statements of

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223 Interview KZ-#88, Guangzhou, China, May 25, 2016.
224 Interview KZ-#92, Xiamen, China, June 13, 2016.
the U.S. Embassy in Manila in November 1992 that “the United States will defend the Philippines, but will not support any specific demands [from the Philippines].”\(^{226}\) To recap the Chinese MFA’s annual *China’s Foreign Affairs* (shown in Table 3 in the previous section), China emphasized in 1992 that the former Soviet Union’s plans to withdraw from Mongolia and the Cam Ram Bay are in near completion and in 1993 that the United States made adjustment to its Asia-Pacific Policy, reducing troops in East Asia and withdrawing completely from the Subic naval base in the Philippines on November 24, 1992.

Internal publications of CASS also noted in early 1995 that after the Cold War ended, Russia was preoccupied with its internal affairs and the United States began "strategic retrenchment" (*zhanelue shousuo*) in Asia.\(^{227}\) Due to the end of the Cold War, the importance of the Subic base to the United States decreased, so did the strategic significance of the Philippines.\(^{228}\) Worse, the annual subsidy that the United States had provided to the Philippines disappeared too and being underfunded, the Philippine navy and air force were unable to fill the gap left by the U.S. departure.\(^{229}\) Of course, The United States, “still upset about the termination of the bases agreement and more worried about events in Bosnia,” would not be willing to help the Philippines in the event of Chinese coercion.\(^{230}\)

U.S. statements seem to confirm Chinese assessments. Despite the U.S.-Philippine Mutual Defense Treaty, U.S. officials stated that the treaty would not apply to the Spratlys and that it “does not bind the United States to come to the rescue of the Philippines in a case involving a third country.”\(^{231}\) In particular, Admiral Richard Macke, Commander-in-Chief of the U.S. Pacific Command, emphasized on March 8, 1995 “not to confront China. The answer to China is to work with them ... to become partners

\(^{226}\) Zhang Liangfu, *Chronology of the Spratlys [Nansha qundao dashijii]*, p. 238.


\(^{228}\) Zhou Fangyin, “The Asia-Pacific Alliances of the United States and China’s Countermeasures [Meigu de yatai tongxing tixi yu zhongguo de yingdu].”


\(^{230}\) Hayton, *The South China Sea: Struggle For Power in Asia*, p. 84-85.

with them."\textsuperscript{232} While suggesting that China and the Philippines engage in talks, Admiral Macke added, "alliances and treaties were not as important as dialogue in the Asia-Pacific region."\textsuperscript{233} Indeed, Filipino officials admitted that they could not invoke this if they went to war with China over the Spratlys, explaining that the Spratlys were "not part of the Philippine territorial limits covered under the defense pact."\textsuperscript{234} This U.S. aloofness reduced the geopolitical pressure that China faced. Sure enough, the internal publication of CASS picked up U.S. statement in March 1995, right before the May 13 standoff, stating that the United States indicated that the U.S.-Philippine defense treaty would not cover the Spratlys.\textsuperscript{235}

Interviews with government policy analysts and former officials from various places in China also confirmed that China read U.S. withdrawal as a sign that the Philippines would not gain U.S. support and many stressed that China therefore took the geopolitical vacuum "as an opportunity" (\textit{zhangwo le shiji}).\textsuperscript{236} One former government official stated that before the Mischief Reef incident the United States was truly neutral.\textsuperscript{237} The United States did not pay much attention to the South China Sea disputes and would not intervene in a Mischief Reef incident.\textsuperscript{238} In addition, one long-time policy analyst of the South China Sea indicated that by 1992, China had withstood the drastic collapse of the Soviet Union and had since stabilized (\textit{zishen wenzhule zhenjiao}).\textsuperscript{239} In particular, one former MFA official stated that by the early to mid 1990s, China had gradually broken through Western economic sanctions, previously imposed due to the 1989 Tiananmen incident.\textsuperscript{240}

\begin{itemize}
  \item \textsuperscript{232} Jayandra Menon, "China’s blue-water fleet not a threat," \textit{The Straits Times (Singapore)}, March 8, 1995.
  \item \textsuperscript{233} \textit{Ibid.}
  \item \textsuperscript{234} Martin Abbugao, "Updates with US ambassador’s appeal," \textit{Agence France-Presse}, February 10, 1995.
  \item \textsuperscript{235} Li Geping, "An analysis of relevant countries and their attitudes in the Spratly disputes [qianxi jinqi youguan guojia zai nansha zhengduan zhong de taidu]," in Asia-Pacific Office of CASS ed., \textit{Materials Regarding the South China Sea Issue [nansha wenti yanjiu ziliao]}, p. 168.
  \item \textsuperscript{236} Interview KZ-\#17, Guangzhou, China, December 1, 2015; Interview KZ-\#26, Nanjing, China, December 30, 2015; Interview KZ-\#55, Haikou, China, April 12, 2016; Interview KZ-\#64, Beijing, China, April 27, 2016; Interview KZ-\#69, Shanghai, China, May 5, 2016; Interview KZ-\#103, Philadelphia, USA, September 2, 2016; Interview KZ-\#106, Washington, D.C., USA, September 22, 2016.
  \item \textsuperscript{237} Interview KZ-\#54, Haikou, China, April 8, 2016.
  \item \textsuperscript{238} Interview KZ-\#106, Washington, D.C., USA, September 22, 2016.
  \item \textsuperscript{239} Interview KZ-\#55, Haikou, China, April 12, 2016.
  \item \textsuperscript{240} Interview KZ-\#91, Beijing, China, June 7, 2016.
\end{itemize}
In fact, China responded immediately to this geopolitical vacuum in 1992. As one former military personnel who was involved in maritime patrol in the South China Sea in the 1990s recalled, the decision to build infrastructure on the Mischief Reef and to occupy it originated in around 1992 and 1993, which was confirmed by another long-time watcher of Sino-ASEAN relations. Although the center released the official decision to establish sheltering infrastructure on the Mischief Reef secretly to the South China Sea FAB in August 1994, it took around a year or so to prepare.242 Even though it was the Chinese navy who first had the intention of taking the Mischief Reef and the FAB also lobbied for more attention to the South China Sea, these two organizations could do nothing without gaining approval from the central government.243 The decision to take the Mischief Reef was completely a decision from the center; the SOA and the military only “followed orders from the center unconditionally” (wutiaojian zhixing).244 In short, U.S. withdrawal and Philippine weakness greatly reduced China’s geopolitical backlash cost of seizing the Mischief Reef.

To briefly summarize, credibility was high in the Mischief incident, whereas the geopolitical backlash and economic vulnerability costs were low. The benefits outweigh the costs, and China therefore decided to take the Mischief Reef and use coercion. China’s coercion was quite successful as it brought the Philippines back to bilateral negotiations: “Beijing refused to discuss the issue at the official regional meetings that President Ramos would have preferred and Ramos had to agree to China’s preferred channel bilateral discussions.”246 On June 1, 1995, China and the Philippines signed an agreement regarding joint development and shortly after in August, they signed agreements on resolving their disputes through “friendly bilateral negotiations.”247

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241 Interview KZ-#26, Nanjing, China, December 30, 2015.
242 Yi Shi, Yao Zhongcai, and Chen Zhenguo, South China Sea! South China Sea! [Nanhai! Nanhai!], p. 34.
243 Interview KZ-#26, Nanjing, China, December 30, 2015. By center, I mean top Chinese leaders.
244 See KZ-#26, Nanjing, China, December 30, 2015; Yi Shi, Yao Zhongcai, and Chen Zhenguo, South China Sea! South China Sea! [Nanhai! Nanhai!], p. 36.
245 Ibid., also confirmed by Yi Shi, Yao Zhongcai, and Chen Zhenguo, South China Sea! South China Sea! [Nanhai! Nanhai!], p. 36.
246 Hayton, The South China Sea: Struggle For Power in Asia, p. 88.
247 Zhang Liangfu, A Ten-thousand Mile Trip in the South China Sea — Days Spent During the Patrol Around the Spratlys [Nanhai wanlixing — zai nansha quad xuhang de rizi], p. 73.
Alternative Explanations

As stated in the theory section, there are two major alternative explanations regarding when China decides to use coercion. The first concerns bureaucratic interests and the power struggle among different bureaucracies. In this view, when and why China uses coercion is a result of the winning bureaucracies, rather than centrally led cost-benefit decision making.

However, from scholarly writing, official documents, and interviews with official scholars and former officials, it is clear that China's use of coercion regarding disputes in the South China Sea has been quite centralized. There are clear, detailed, and modularized plans (yu’an) with regard to how the maritime surveillance and fishery administrative ships should behave when faced with maritime incidents involving foreign counterparts. For example, Guangdong province states in the emergency plan regarding fishery incidents involving foreign countries that when foreign fishing vessels engage in illegal fishing in Chinese EEZs or when foreign administrative ships attempt to harass Chinese fishermen in Chinese EEZs, the fishery administrative ships should initiate the emergency reporting procedure and report to the commanding center of the Chinese fishery administration (Zhongguo yuzheng zhihui zhongxin). Measures such as expelling, following, and arresting foreign ships have to be approved by the sub bureaus in respective maritime regions (haiqu ju).

Interviews with scholars and former officials also indicate that the center is in control of when coercion should be used regarding maritime disputes. For example, one scholar states that every incident involving foreign countries is reported to the center (yishi yibaodao). Several official scholars from different localities in China, citing internal seminars by officials from the SOA, China Coast Guard, and the maritime surveillance agency, indicate that when carrying out patrol missions,

249 Regulations Regarding The Fishery Administrative Patrol in EEZs [Zhuanshu jingji qu yuzheng xunhang gongzuozuo guifan, shixing], China Ministry of Agriculture, June 2007, see http://wenku.baidu.com/link?url=ig1A6HCSEDkOeDNLykJkaxOElyBwEaagdQtelSwXUlc0EliqCBL6d0FxUIuW_jBoa9y9LpA ocMboIjYlqoPv017cDH2X15s-ur-P8Po, accessed February 26, 2016.
250 Interview, KZ-#17, Guangzhou, December 1, 2015.
251 Interview, KZ-#7, Beijing, September 29, 2015.
Chinese administrative patrol ships strictly follow instructions and orders from above, and everything is according to plans (an yu’an jinxing de).\textsuperscript{252} One former military personnel who was personally in charge of the PLA navy’s patrol of the South China Sea states that there are institutionalized plans (jizhixing de yu’an) and the patrol as well as action follow instructions (shoudao tongyi zhihui).\textsuperscript{253} Countering the notion that large SOEs such as the China National Offshore Oil Corporation (CNOOC) push for coercion in the South China Sea, a scholar with close relations with the government states that in fact CNOOC does not want to place oil rigs in the South China Sea during the “981 oil rig” incident in 2014 at all, because the costs of placing rigs are too high.\textsuperscript{254} Rather, the 981 oil rig was placed in the Paracels in 2014, because the center ordered to do so.\textsuperscript{255} Several scholars point out that the bureaucracies may have some leeway in specifics regarding how to carry out the orders from the center, but the very decision about whether to take action or not lies in the hands of the center.\textsuperscript{256} In addition, local governments such as Hainan province do not even have much leeway at all.\textsuperscript{257} Finally, even in periods before the 2013 reconfiguration of the maritime surveillance agency and the fishery administrative ships into the China coast guard agency, these separate agencies follow the central leadership, lacking the bottom-up mechanism the bureaucratic alternative suggests.\textsuperscript{258}

Second, another alternative explanation emphasizes the importance of individual leaders. That is, hawkish leaders will be more prone to the use of coercion, despite adverse international and domestic environments. It is true that different Chinese leaders – presidents Jiang Zemin, Hu Jintao, and Xi Jinping – may have their own distinctive personalities and characteristics, yet the personality differences of individual leaders do not dictate when and why China uses coercion. Behavior wise, if individual leaders are what matters, then we should see that Xi Jinping, the supposedly more assertive Chinese leader, should use coercion almost exclusively. Yet what we observe in figure 1 in the

\textsuperscript{252} Interview, KZ-#24, Nanjing, December 29, 2015; Interview, KZ-#30, Haikou, January 6, 2015.
\textsuperscript{253} Interview, KZ-#26, December 30, 2015.
\textsuperscript{254} Interview, KZ-#25, Nanjing, December 30, 2015.
\textsuperscript{255} Ibid.
\textsuperscript{256} Interview, KZ-#29, Haikou, January 5, 2016; Interview, KZ-#35, Beijing, January 18, 2016.
\textsuperscript{257} Interview, KZ-#32, Haikou, January 7, 2016.
\textsuperscript{258} Interview, KZ-#34, Haikou, January 8, 2016.
introduction is that China used coercion in the 1990s, which was during Jiang Zemin’s period. Moreover, Chinese coercion in the 1990s, especially the Mischief incident in 1994 and 1995, was quite drastic. Besides, China started to use coercion again for South China Sea issues in 2007, which was during Hu Jintao’s second term. In this sense, all three Chinese leaders — Jiang Zemin, Hu Jintao, and Xi Jinping — used coercion for maritime disputes, which runs against the observable implications of the alternative explanation that individual leadership styles determine when coercion is used.

Interviews with official scholars from different regions in China also confirm that individual leadership is not the central factor explaining when and why China uses coercion. For instance, one scholar states that Chinese coercion decisions are generally rational behavior and that China has a general strategy of development, despite different leaders.259 Another scholar reconfirms the behavior observed in the above paragraph, that is, the more recent growing use of coercion for maritime disputes has already started since the second term of Hu Jintao’s reign.260 Hu Jintao and Xi Jinping act similarly in terms of responding to the need to establish credibility.261 Thus, individual leaders are not the crucial factor in explaining China’s use of coercion.

VII. Conclusion

This paper demonstrates that the cost balancing theory explains when, why, and how China uses coercion for disputes in the South China Sea. It is the balance of costs and benefits of coercion that affects China’s decisions to use coercion, as opposed to bureaucratic politics or individual leaders. When credibility benefit exceeds economic vulnerability cost, China uses coercion. Yet China tends to

259 Interview, KZ-#4, Beijing, September 15, 2015.
260 Interview, KZ-#7, Beijing, September 29, 2015.
261 Interview, KZ-#8, Beijing, September 29, 2015.
use non-militarized coercion because of the costs of geopolitical backlash and economic vulnerability. These findings have both theoretical and empirical implications.

Theoretically, states do calculate the costs and benefits of coercion, as pointed out by previous scholars. Yet these costs and benefits need further specification. China’s coercive behavior in South China Sea disputes indicates that external credibility, geopolitical backlash, and economic vulnerability are costs and benefits crucial to a state’s calculus. Rather than simply stating that “cost” matters, states balance specific kinds of costs and benefits. Credibility matters critically. Having capabilities but not demonstrating willingness to use them may lead to deterrence failure. In a sense, China is coercing to deter, blurring the line between coercion and deterrence. To quote a Chinese proverb many interviewees have used, it is killing the chicken to scare the monkey. Instead of a classic security dilemma, there might be a credibility dilemma — the need to demonstrate resolve pushes states to stand strong, leading to more coercion.

Moreover, China weighs credibility benefit as crucial, suggesting the centrality of credibility of in the calculus of the coercer. In particular, the salience – the degree of publicity and internationalization of a particular incident – is an important aspect in influencing whether the pressure to establish credibility is high from the perspective of coercers.

In addition, even though Daryl Press argues that adversaries do not take into account past actions when assessing military threats, it is clear from China’s coercion calculus that China did take into account U.S. credibility in the form of statements and actions when calculating geopolitical backlash cost – whether and how the United States will get involved in South China Sea disputes significantly affects China’s decisions regarding when and how to use coercion. For example, according

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262 In older literature, the distinction between deterrence and coercion seems sharper than they really are. Glenn Snyder, for example, states that deterrence is the negative aspect of political power and that it is the power to dissuade as opposed to the power to coerce or compel. Glenn Herald Snyder, Deterrence and defense: toward a theory of national security (Princeton: Princeton University Press, 1961), p. 9.

263 Wu Shicun states that there is a security dilemma in the South China Sea. See http://www.nanhai.org.cn/index.php/Index/Research/review_c/id/175.html#div_content, accessed September 20, 2016.
to U.S. scholars, the closing of Clark Air Base and Subic Bay produced not even a shiver of instability.\textsuperscript{264} Yet as seen from the Mischief Reef incident, China actually took advantage of this geopolitical vacuum and used coercion. Simply put, other countries – especially the United States – also have to appear credible in front of coercers such as China. Thus, the United States might benefit from “quiet rebalancing.”\textsuperscript{265} More actions and less talk on the part of the United States – strengthening alliances and more frequent FONOP while downplaying the publicity of disputes and FONOP – may increase China’s geopolitical backlash cost and reduce the credibility benefit for China to use coercion.

Empirically, China’s coercion for maritime disputes counters the simple story that power explains it all — China used coercion when it was weaker. China’s coercion in the South China Sea dispels the notion that China did not become assertive until the late 2000s. If anything, China has always been a risk-averse bully. China is calculative, because it picks on smaller targets attracting the most international attention, as opposed to larger targets threatening China’s interests in the South China Sea the most. It is also important to emphasize that China is opportunistic: even though China was reacting to the behavior of other target states, it was by no means the passive “victim.” In fact, Chinese scholars, government policy analysts, and former officials all noted that China also took other’s behavior as an opportunity to control land features, as seen in the Scarborough Shoal incident.\textsuperscript{266} China has been eager to take advantage of the geopolitical vacuum (\textit{zuan kongzi}) and use coercion to advance its own interests in the South China Sea.\textsuperscript{267} Even though China has been relatively peaceful in the past three decades, it does use coercion – albeit oftentimes non-militarized ones.

\textsuperscript{265}For similar thoughts, see http://warontherocks.com/2016/05/successful-signaling-at-scarborough-Shoal/
\textsuperscript{266}Interview KZ-#79, Shanghai, China, May 13, 2016; Interview KZ-#90, Guangzhou, China, May 25, 2016.
\textsuperscript{267}Interview KZ-#16, Guangzhou, China, November 30, 2015.