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CHINA'S CHALLENGE TO U.S. INFLUENCE IN EAST ASIA

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JCSP 44

Exercise Solo Flight

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CHINA'S CHALLENGE TO U.S. INFLUENCE IN EAST ASIA

The United States is arguably the leader of the World economy, but is this position soon to be challenged by a rising competitor in the Pacific? The position the U.S. found itself in after the Second World War was of economic and military leadership. This leadership position remained unchallenged throughout the Cold War and until the beginning of the 21st Century. As free-trade and world economies blossomed with the end of the Cold War, the U.S. was in a position to reap the benefits of the growing economic interaction amongst the countries of the World. While the U.S. was enjoying increased access to World markets, other blossoming economies began to mature. Most notably, Chinese manufacturing and growth rapidly developed into a major influence upon the world and U.S. markets. The reexamination of communism and the control of government economies by the communist states in the Pacific region helped spur this new-found growth. Inexpensive labor and access to natural resources fueled growth in the Asia and Pacific region (hereby referred to as the Asia-Pacific region). The communalities of the European market with the U.S. market helped maintain U.S. focus on high-end developments and technologies in the Euro-American sphere of influence. The Asia-Pacific, specifically China, paired its low manufacturing costs, large domestic market, massive labor force, and abundant natural resources to develop a powerful and influential economic position.

As the Chinese economy has grown, so have Chinese world aspirations. The Chinese economic gains have led to an assumption by Chinese leadership that military force and capability must grow as well. The military and economic growth by China is now becoming an issue with regional and world actors. The projection of Chinese hard power to neighboring shoals and island chains is concerning China's neighbors and displays a more assertive and

aggressive China than seen in previous years.¹ This essay will discuss the recent changes in the Pacific region mainly from the U.S. and Chinese spheres of influence. This paper argues that the U.S. needs to acknowledge the importance of Pacific region stakeholders and refocus the use of its “instruments of national power” (diplomatic, informational, military, and economic) to compete with a growing and aggressive China.²

The essay will first discuss the importance of the Pacific region and the current relationship amongst the key players. Second, the need for U.S. involvement will be discussed in the frame of diplomatic, informational, military, and economic influences. The next discussion will consist of an analysis of the President Barack Obama era “pivot” and how this approach needs to be revised in order to deal with a rising China. The essay will conclude with the strengths and opportunities of a strong U.S. focus on the Pacific and the weaknesses and threats of U.S. involvement. To note, monetary amounts will be expressed in 2016 U.S. dollars (USD) unless otherwise specified. The timeframe of this essay will predominantly reference the last 20 years, (1997-2018), but include other times as necessary and highlighted by current events. Any references to “China” will be meant as the People’s Republic of China.

China’s Growth

The Pacific region is home to a large majority of the World’s population, gross domestic product (GDP) and trade flow. While a multitude of countries and states make up the region, for the purpose of this essay the following countries will be discussed and considered: China,

¹ “Hard power” in the essence defined by Joseph Nye

² Ashley J. Tellis, Rand Corporation and Arroyo Center, *Measuring National Power in the Postindustrial Age*, Vol. MR-1110 (Santa Monica, CA: RAND, 2001), p. 44.

Russia, Japan, South Korea, The Philippines, Vietnam, Indonesia, Malaysia, and Australia. Together, these countries account for \$23.03 trillion worth of world GDP and 2.21 billion people, which is 30.42% percent of the world population. When combined with the GDP and population of the United States, the population and GDP are 2.541 billion, and \$42.39 trillion (34.32% and 53.27%) respectively.³ The international trade that flows into and out of the Pacific via sea lanes is carried on approximately 70,000 ships a year.⁴ The trade flow between the United States and China alone is approximately \$622 billion.⁵ These amounts of people and money make the Pacific an incredible important region. Figure 1 (below) shows a snapshot of the amount of cargo vessels operating in the Pacific Ocean on April 11, 2018.

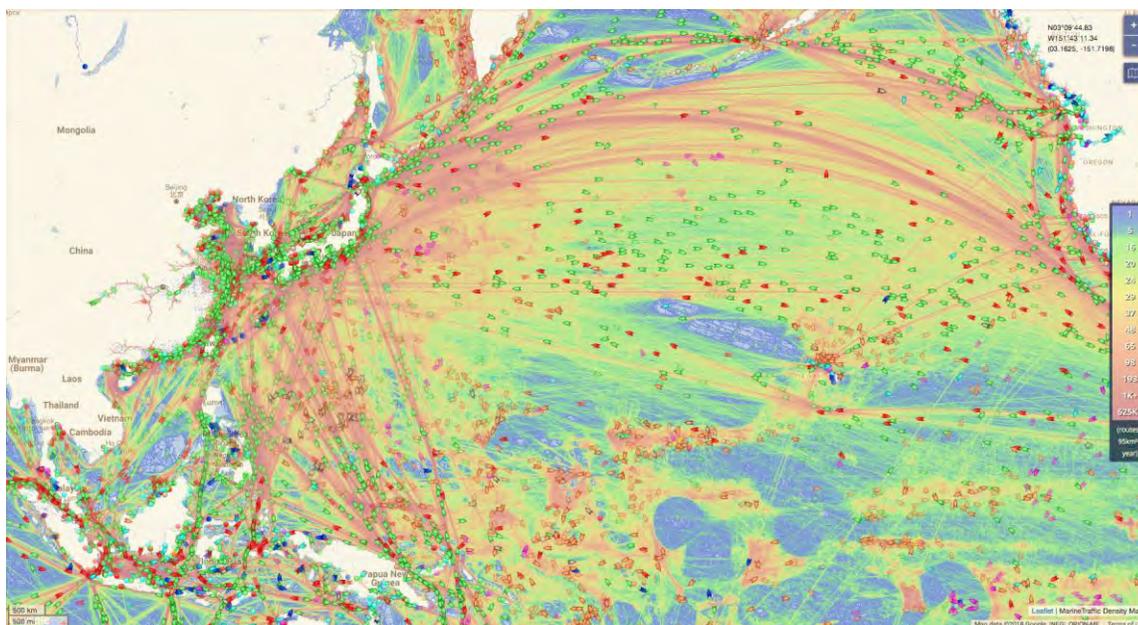


Figure 1 – Pacific Ocean Maritime Traffic Heat Map

Source: MaritimeTraffic, <https://maritimetraffic.com>

³ Central Intelligence Agency, “The World factbook,” Last accessed 24 April 2018, <https://www.cia.gov/library/publications/the-world-factbook/>.

⁴ The Economist, “Galleons and gunships,” *The Economist*, last accessed 24 April 2018, <https://www.economist.com/news/special-report/21631796-pacific-history-has-been-defined-bullies-enforcing-their-rules-galleons-and-gunships>.

⁵ Euromonitor International, A Market Research Provider, “Imports and Exports,” *Euromonitor Passport Database*, Statistics retrieved 24 April 2018, <http://euromonitor.com>.

To fully understand the growing importance of China to the region, one must examine the economic changes faced by the country over the last two decades. China has increased exports to regional trading partners by an exponential amount. Chinese trade with South Korea has seen an increase in exports to and imports from South Korea by 1174% and 1176% respectively.⁶ The equivalent data in regard to China and Japan is 320% exports and 399% imports.⁷ These numbers are contrasted by the U.S. exports to and import growth from South Korea and Japan of 58%, 199% (South Korea) and -7%, 11% (Japan).⁸ Trade data alone, China has shown sufficient growth over the last two decades.

Economic power is not only limited to the trade flows between countries. The amount of influence, both socially and economically of tourism is another important consideration to take into account with regards to Chinese influence within the region. Chinese tourism increased by 342.50% to South Korea between 2011 and 2016.⁹ Japan has seen an increase of 510.88% of Chinese visitors.¹⁰ The increase in Chinese tourism has vastly offset the U.S. in this subject. The increase in the number of U.S. tourists going to both South Korea and Japan combined is 71.82%.¹¹ The economic, social, and political effects of tourism cannot be discounted. The psychological effect on tourist hosting persons in Japan and South Korea is an important consideration as these people make up an influential and voting contingent of the population of

⁶ Euromonitor International, A Market Research Provider, "Imports and Exports," *Euromonitor Passport Database*, Statistics retrieved 24 April 2018, <http://euromonitor.com>.

⁷ *Ibid.*

⁸ *Ibid.*

⁹ Korea Tourism Organization. "Korea, Monthly Statistics of Tourism," accessed 29 October 2017, <https://kto.visitkorea.or.kr/eng/tourismStatics/keyFacts/KoreaMonthlyStatistics/eng/inout/inout.kto> AND JTB Tourism Research & Consulting Co. "Japan-bound Statistics," accessed 29 October 2017, <https://www.tourism.jp/en/tourism-database/stats/inbound/#annual>.

¹⁰ *Ibid.*

¹¹ *Ibid.*

these two democratic nations.¹² The export of people by the means of tourism has given China access and influence over voting blocs it did not previously enjoy.

The increase in Chinese tourism is not only limited to Japan and South Korea. Other nations have seen a significant increase in visits from Chinese tourists. The number of Chinese tourists to the United States has increased from 1996 to 2016 from 441,044 to 2,972,264, a 574.9% change.¹³ Regionally, the number of Chinese tourists to the Kingdom of Thailand increased from 2012 to 2016 from 2.7 million to 8.8 million, a 225.93% change.¹⁴ The same period (2012-2016) for Australia saw an increase of 92.34% from 628,200 to 1,208,300.¹⁵ The massive increase in Chinese tourism throughout the entire region demonstrates a strong push of soft power influence on the hearts and minds of the regional populations.

China's manufacturing capabilities have provided it an ample source of low-cost goods which it heavily exports. The amount of Chinese exports to the regional economic powers of the discussion (U.S., South Korea, and Japan) is significant, especially when viewed against the United States. The main Chinese export partner is the United States, which accounts for 18.2% of the Chinese export market.¹⁶ With the exception of Hong Kong (which for the purpose of this essay is considered part of China), Japan and South Korea are China's next largest trading partners at 6.1% and 4.5% respectively.¹⁷ These are not insignificant percentages as each

¹² Daniel J. Stynes, *Economic Impacts of Tourism*. Missouri State University, last accessed 13 April 2017, <https://msu.edu/course/prr/840/econimpact/pdf/ecimpvol1.pdf>

¹³ U.S. Government, National Trade and Tourism Office, *Statistics*, last accessed 13 April 2018, <https://travel.trade.gov/view/m-2016-I-001/table5.asp>.

¹⁴ Jon Fernquest, *Thailand Tourism: New Record Set in 2012*, Bangkok Post Online, last accessed 13 April 2018, <https://www.bangkokpost.com/learning/learning-news/333064/thailand-tourism-new-record-set-in-2012>. And Kingdom of Thailand, Ministry of Tourism and Sports, *Tourism Statistics 2017*, last accessed 13 April 2018, http://www.mots.go.th/mots_en57/more_news.php?cid=336.

¹⁵ Tourism Australia, *International Visitor Arrivals*, last accessed 13 April 2018, <http://www.tourism.australia.com/en/markets-and-research/tourism-statistics/international-visitor-arrivals.html>.

¹⁶ Central Intelligence Agency, "The World Factbook," accessed 17 April 2018, <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>

¹⁷ *Ibid.*

equates to \$400.3, \$134.2, and \$98.9 billion worth of Chinese exports (U.S., Japan, and South Korea).¹⁸ Over a quarter of Chinese exports have destinations within the Pacific region.

To fuel the Chinese export machine, fossil fuels are in high demand and are a major commodity imported into China. China's thirst for oil and natural gas well exceed the production and refining capacity of the country. In 2016, China produced 3.9 million barrels of crude oil (bbl) while importing 6.2 million (crude oil exports were negligible at 32,000 bbl).¹⁹ China's refined petroleum product consumption exceeded production by almost a million barrels a day in 2016.²⁰ Natural gas production provided 65.8% of the natural gas requirement demand per day and required 75.1 billion cubic meters of natural gas to be imported in 2016.²¹ Coal, the other main fossil fuel, provided 72.6% of the fuel required for energy production, and hydroelectric sources accounted for 18.6%.²² When tallied, China's resource hungry economy and people are highly reliant on foreign imports of oil, gas, and coal. With China's thirst for energy products, a local and non-foreign source may be required. The South China Sea is estimated to be rich with oil and natural gas reserves.²³ With its close proximity to the Chinese mainland and abundant resources, the area is strategically important to a growing China. The oil and gas reserves and scattered shoals throughout the sea are contested and numerous states along the perimeter of the sea stake competing claims to potential wealth under the water.²⁴ The importance of the South China Sea is further heightened as "more than a half of the worlds

¹⁸ The World Bank Open Data. "China World Bank Data", last accessed 14 April 2018, <https://data.worldbank.org>. (2018 U.S. dollars).

¹⁹ Central Intelligence Agency, "The World Factbook."

²⁰ *Ibid.*

²¹ *Ibid.*

²² The World Bank Open Data. "China World Bank Data".

²³ Tim Daiss, *Why the South China Sea has more oil than you think*, Forbes, last accessed 17 April 2018, <https://www.forbes.com/sites/timdaiss/2016/05/22/why-the-south-china-sea-has-more-oil-than-you-think/#5f76e01ddd8f>.

²⁴ *Ibid.*

annual merchant fleet tonnage passes through [South China Sea]....”²⁵ The Sea’s importance to China not only stems from the merchant tonnage sailing through, but it is also the route for 80% of China’s crude oil imports (figure 2).²⁶

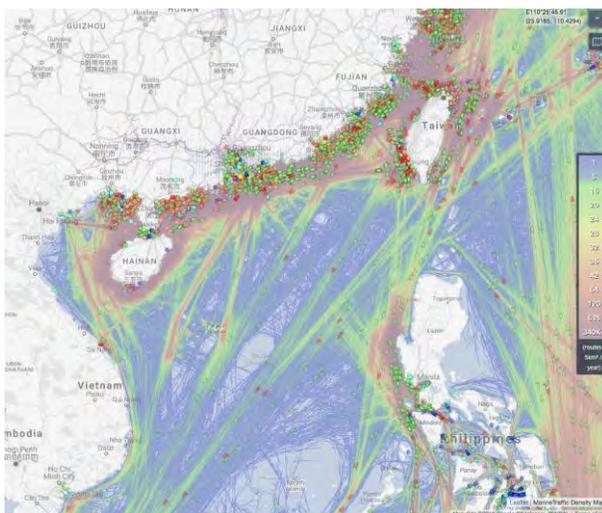


Figure 2 – South China Sea Maritime Traffic Heat Map
Source: Marine Traffic, <http://marinetraffic.com>

China’s major investments in Africa are linked to the South China Sea as well due to shipping lanes. In 2015, China invested approximately \$60 billion in economic development projects on the African continent.²⁷ Energy requirements and foreign investments show that the South China Sea will increase in importance to the rapidly growing China and will be an issue in the years to come. The close proximity of the South China Sea to the Chinese mainland provides an easy and fairly secure alternative to foreign energy imports.

²⁵ Robert D. Kaplan, *Why the South China Sea is so crucial*, Business Insider – Australia, last accessed 17 April 2018, <https://www.businessinsider.com.au/why-the-south-china-sea-is-so-crucial-2015-2>.

²⁶ *Ibid.*

²⁷ Amy Jadesimi, *How China’s \$60 Billion For Africa Will Drive Global Prosperity*, Forbes, last updated 14 March 2017, <https://www.forbes.com/sites/amyjadesimi/2017/03/14/how-chinas-60-billion-for-africa-will-drive-global-prosperity/#88a807338a37>.

China has started an aggressive movement to secure its claim to the South China Sea. The U.S. has taken note of the increased Chinese presence and territorial claims in the South China Sea. As the major naval power in the Pacific, the U.S. maintains a strong and overt presence in the area. The U.S. Navy routinely conducts freedom of navigation enforcement actions, often at the complaint of the Chinese government.²⁸ In addition to the increased naval presence by the Americans, air assets are often involved in patrolling and presence missions in the area.²⁹

The danger in the U.S. forward presence is that Chinese naval presence is aggressive. The two nations' air and maritime assets come into close proximity on a relatively routine bases. The close proximity of naval vessels and military aircraft is an area of concern for both countries and can potentially lead to increased hostilities.

The rapid growth of the Chinese economy and thirst for energy should be watched closely. The aggressive military expansion and force posturing is a warning to all countries involved. The South China Sea is an obvious target to fuel the burgeoning energy market within mainland China.

Regional Insecurity

The United States has publicly acknowledged a renewed and invigorated approach to the Pacific region. The focus of the upcoming paragraphs will be on the antagonists to the U.S. in the region and their growing importance and effect on U.S. policies. The military and economic data

²⁸ Sam LaGrone, *China Chides U.S. Over Latest South China Sea Freedom of Navigation Operation*, USNI News, 11 Oct 2017, available at <https://news.usni.org/2017/10/11/china-chides-u-s-latest-south-china-sea-freedom-navigation-operation>.

²⁹ Jim Gomez, *US carrier Roosevelt displays capabilities in disputed South China Sea*, Associated Press, last accessed 20 April 2018, <https://www.navytimes.com/flashpoints/2018/04/10/us-carrier-roosevelt-displays-capabilities-in-disputed-south-china-sea/>.

applicable to the U.S. “pivot” will be discussed in the matter of trade and military might. The data will show that the actual pivot was in fact a lessening of U.S. military and economic power and subsequently a pivot away from the Pacific.

President Barack Obama’s 2011 administration noted the growing importance of the Pacific region. He stated the U.S. would shift focus from the Middle East to the Pacific.³⁰ President Obama outlined the trade and military importance of the region in a speech before the Australian parliament. This speech is known widely as the point at which the U.S. made a “pivot” back to the Pacific. While the U.S. has for many years been involved in the Pacific region, the U.S. president’s statements and administration reinvigorated the country’s outlook on the region.

The lessening of U.S. influence in the Pacific, has left a vacuum to be filled by growing powers. As previously discussed, the growing influence of China throughout the region will be further detailed. China’s focus on military growth, and territorial expansion, by the creation of militarized islands within the South China Sea and aggressive claims to disputed islands near Taiwan will be presented. The other key issue of the Pacific regarding stability and state security is North Korea. Both the United States and China have a vested interest in North Korea and issue remains fluid to this day (May 2018). The recent meeting by the U.S. Central Intelligence Agency (CIA) director with the North Korean leader, Kim Jong Un, in early April 2018 is a scenario one could not have imagined even a year ago.³¹ The proposed meeting between President Trump and Kim Jong Un in the upcoming months is a historic and possible revolution

³⁰ Barack Obama, “Remarks By President Obama to the Australian Parliament.” The White House, President Barack Obama, last modified 17 November 2011, <https://obamawhitehouse.archives.gov/the-press-office/2011/11/17/remarks-president-obama-australian-parliament>.

³¹ BBC News, *Mike Pompeo: CIA Chief made secret trip to North Korea*, BBC News website, last accessed 18 April 2018, <http://www.bbc.com/news/world-asia-43792658>.

in the relations between the two states. While the aspects of U.S. – North Korea talks may be positive, it should be noted that North Korea has not been reliable in previous promises and suggestions and the end of the tensions between the states is likely far from over.³²

In light of current events, the issue of North Korea must be discussed in order to understand and conceptualize the interests of both China and the United States. Chinese soft and hard power are ever present in the North Korean situation faced by both countries (“both countries” will be the U.S. and China unless otherwise specified). China accounts for 85.6% (in 2016) of North Korea’s exports valued at \$2.555 billion.³³ On the matter of imports, China provides 85.6% (\$2.55 billion) to North Korea.³⁴ The trade between the two countries is the lifeblood of the unstable and shallow North Korean economy. The estimated percentage of the North Korean GDP that is dependent on Chinese imports is 9.13%.³⁵ With a stagnant GDP growth (1% in 2014, and 1.1% in 2015) valued at only \$28 billion (2013 estimate) and an unemployment rate of 25.6% (a 2013 estimate) the North Korean economy relies desperately on Chinese trade to stay afloat.³⁶ The importance of this relationship is emphasized by China’s continued statements that it must be involved in any discussion between the U.S. and North Korea.³⁷ China has long maintained its relationship with North Korea and celebrated their close ties in Communism and shared war experience during the Korean War.³⁸

³² *Ibid.*

³³ Central Intelligence Agency. “The World Factbook,” accessed 14 April 2018, <https://www.cia.gov/library/publications/the-world-factbook/geos/kn.html>.

³⁴ *Ibid.*

³⁵ Central Intelligence Agency. “The World Factbook,”...

³⁶ *Ibid.*

³⁷ Ben Blanchard, *In state media, China Presents itself as crucial to U.S.-North Korea talks*. Reuters, last updated 10 March 2018, <https://www.reuters.com/article/us-northkorea-missiles-china-analysis/in-state-media-china-presents-itself-as-crucial-to-u-s-north-korea-talks-idUSKBN1GM06Y>.

³⁸ *Ibid.*

The Chinese are also concerned with preventing a conflict on the Korean Peninsula. While trade between the two nations may be minimal on a grandiose scale for China, the country enjoys having a buffer zone from the U.S. influence in South Korea.³⁹ Additionally, China aims at preventing potential North Korean refugees from flooding into China in the event of a conflict between the U.S. and North Korea.⁴⁰

When discussing China, and North Korea for that matter, one must keep in mind that the data provided by the government may be manipulated and inaccurate. This is particularly the case for North Korea which remains a very closed and isolated society. China does provide state-controlled information to the public. The information from the Chinese government should be taken with the proverbial “grain-of-salt.”⁴¹ The difficulty in discerning accurate data from China is further exacerbated by the suppression of dissent within the Chinese public and government officials. The gains seen in the 1980s as China began to open to the World have been suppressed increasingly since the 1989 Tiananmen square massacre and even more so with the recent assumption of power by Xi Jinping.⁴² Even the closed session meetings of Chinese academics and political leaders that provided a forum to spur growth and ideas by hearing voices of dissent have been suppressed by the new leadership.⁴³

The suppression of ideas, information, and manipulation of data make China a challenging country to benchmark with United States. The Chinese environment of suppressed

³⁹ The Economist, *North Korea has brought America and China closer*, The Economist Print Edition, 30 September 2017, last accessed 14 April 2018, <https://www.economist.com/news/united-states/21729742-next-it-will-push-them-apart-north-korea-has-brought-america-and-china-closer>.

⁴⁰ *Ibid.*

⁴¹ Jacob N. Koch-Weser, U.S. Government, *The Reliability of China’s Economic Data: An Analysis of National Output*. U.S.-China Economic Security Review Commission and Staff Research Project. 28 January 2013, 4, available at <https://www.uscc.gov/sites/default/files/Research/TheReliabilityofChina%27sEconomicData.pdf>.

⁴² Nathan Vanderklippe, *Under Xi Jinping, China is increasingly silencing sources of dissent*. The Globe and Mail, last updated 17 April 2017, <https://www.theglobeandmail.com/news/world/under-xi-jinping-china-increasingly-silencing-sources-of-dissent/article34274313/>.

⁴³ *Ibid.*

and manipulated information compared to the relatively free and open access to U.S. information creates a disadvantage for the U.S. This disadvantage ranges across negotiations, monetary amounts, and business dealings with the Chinese, especially in the realm of currency valuation.⁴⁴

The effects of China's currency valuation can be seen in the amount of foreign direct investment and even more objectively in the Toronto and Vancouver housing markets.⁴⁵ Chinese investment in Vancouver can likely be attributed to the 70% rise in the price of single family detached homes between 2013 and 2016.⁴⁶ Foreign direct investment outflow by Chinese entities from 1996 to 2016 has grown 6822% from \$2.7 billion to \$186.9 billion respectively.⁴⁷ Whereas the foreign direct investment inflow to China only increased by 156% in the twenty year period.⁴⁸ The tight control over Chinese economic information has led some sceptics to be very wary of possible currency overvaluation.⁴⁹

As discussed, the Chinese economy has grown rapidly over the twenty-year period. The military as well has shown exponential growth and modernization. The main focus of this growth is on “power projection, anti-access and area denial and operations in cyberspace...”⁵⁰ China's assertiveness and aggressiveness have become standard topics in U.S. media reporting. The Chinese have rapidly expanded their military and are seeking areas of influence outside their

⁴⁴ John Mauldin, *Chinese Currency Manipulation Could Become a Global Problem in 2017*, Forbes, last updated 12 Jan 2017, <https://www.forbes.com/sites/johnmauldin/2017/01/12/chinese-currency-manipulation-could-become-a-global-problem-in-2017/#6fbd11ad4fd9>.

⁴⁵ The Economist, *China and Currency Manipulation*, The Economist Print edition, 2 Mar 2017, last accessed 14 April 2017, <https://www.economist.com/news/finance-and-economics/21717997-government-has-been-pushing-price-yuan-up-not-down-china-and>.

⁴⁶ Marine Jimenez, *Canada's real-estate boom: a Chinese perspective*. The Star, last updated 23 December 2016, <https://www.thestar.com/news/world/2016/12/23/canadas-real-estate-boom-a-chinese-perspective.html>.

⁴⁷ Euromonitor International, A Market Research Provider, “Imports and Exports,” *Euromonitor Passport Database*, Statistics retrieved 14 April 2018, <http://euromonitor.com>.

⁴⁸ *Ibid.*

⁴⁹ Shuli Ren, *Don't Rule Out a Yuan Devaluation*, Bloomberg Gladfly, last updated 10 April 2018, <https://www.bloomberg.com/gadfly/articles/2018-04-10/don-t-rule-out-a-yuan-devaluation-despite-xi-s-overtures>.

⁵⁰ Terri Moon Cronk, *DoD Report: China's Military Investments Continue*, DoD News, Defense Media Activity, 13 May 2016, available at <https://www.defense.gov/News/Article/Article/759522/dod-report-chinas-military-investments-continue/>.

traditional shores. The main effort of this expansion is in the South China Sea, but it is not limited to this location. The Chinese have also projected their power to the small African nation of Djibouti in the form of a naval support facility.⁵¹ The South China Sea expansion has consisted of building up shallow shoals and atolls into military support infrastructure to include fighter-aircraft capable airfields, air-defense installations, and radar facilities.

The physical effort of the Chinese military is evident in the creation of islands and building of war materials. The financing of the military growth is apparent in an examination of the rapid growth of Chinese gross domestic product (GDP) and the percentage of the GDP spent on their military. The amount spent by the Chinese government on the military has increased from 1996 to 2016 by 1379%.⁵² This percentage increase correlates with the Chinese increase in GDP over the same period of 1197%.⁵³ The actual increase in Chinese military spending by percentage of GDP has increased from 1.69% in 1996 to 1.92% in 2016, a 14% increase over the period.⁵⁴ The statistics for the United States over the same period (for comparison purposes) show only an increase of 125% for total amount spent on the military and a decrease of 2% in regards to the amount of GDP spent.⁵⁵ The U.S. GDP alone only grew 130% over the period.⁵⁶ The last twenty years have proven to be very fruitful for the Chinese economy and subsequently their military.

The Chinese military has exponentially grown in the last 20 years. The officially publicized growth of the Chinese military budget has grown per year at an average of 9.8%

⁵¹ *Ibid.*

⁵² The World Bank Open Data. "Countries and Economies", last accessed 14 April 2018, <https://data.worldbank.org>. (2018 U.S. dollars).

⁵³ *Ibid.*

⁵⁴ *Ibid.*

⁵⁵ *Ibid.*

⁵⁶ *Ibid.*

between 2006 and 2015.⁵⁷ The increased military budget has been allocated to multiple programs, many of which are focused on modernization and force-projection weapons systems and capabilities, including an aircraft carrier program.

While the Chinese have aggressively pursued a conventional powered (diesel-electric) aircraft carrier in the recent years, experts estimate that the Chinese Navy is also planning on beginning efforts to construct a nuclear-powered aircraft carrier.⁵⁸ In addition to advances in naval propulsion, the Chinese Navy is understood to be seeking advanced electromagnetic catapults to replace traditional steam catapults on the carrier decks.⁵⁹ New catapults and better propulsion would likely allow the Chinese to add more robust and heavier aircraft to their carrier aircraft capable inventory to include airborne early warning aircraft.⁶⁰ Better and more capable carrier based air assets will allow for further power-projection away from land-based support and allow for blue-water operations.

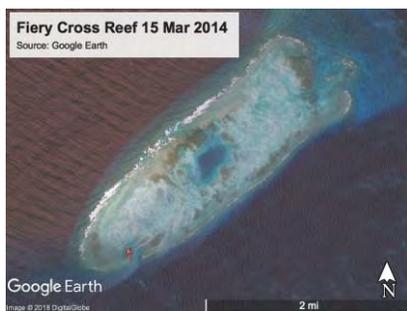


Figure 3
Source: *Google Earth*



Figure 4
Source: *Google Earth*

⁵⁷ Terri Moon Cronk, *DoD Report: China's Military Investments Continue*...last accessed 16 April 2018.

⁵⁸ Mike Yeo, *China to develop its first nuclear-powered aircraft carrier*, Defense news, last accessed 16 April 2018, <https://www.defensenews.com/naval/2018/03/01/china-to-develop-its-first-nuclear-powered-aircraft-carrier/>.

⁵⁹ *Ibid.*

⁶⁰ *Ibid.*

While the carrier modernization is focused on blue-water power projection, the Chinese government has been working diligently to militarize multiple islands in the South China Sea. This has been done by adding land mass to previously unoccupied reefs and islands and subsequently building up military facilities on the reclaimed land. The main “islands” of interest are the Spratly Islands and Fiery Cross Reef (figures 3 and 4), which are approximately 500 and 740 miles from mainland China respectively.⁶¹ It is estimated by the U.S. Government that between 2014 and 2017, seven islands have grown approximately 3,200 acres.⁶² Recently, military radars and fighter capable airfields have been developed on multiple man-made islands, further displaying the unacknowledged intent by the Chinese government to militarize the South China Sea.⁶³

The aggressive land grabs and territorial claims by the Chinese government have spooked many neighbors and tenants around the periphery of China. The rapid escalation of military might, power projection capability, and top-rate weapons systems should concern all members of the world community. The U.S. is the only nation with a military capability sufficient enough to pose a challenge to Chinese growth and future plans.

U.S. Power

The United States’ military hard-power has reduced its footprint in the Pacific over the last decade. The Obama administration’s aspirations of focusing on the Pacific have played out to be an actual withdrawal from the region. The current Trump administration’s Pacific policy

⁶¹ Eleanor Ross, *How and Why China is Building Island in the South China Sea*, Newsweek, last updated 29 March 2017, <http://www.newsweek.com/china-south-china-sea-islands-build-military-territory-expand-575161>

⁶² *Ibid.*

⁶³ Jamie Seidel, *Photos reveal China’s South China Sea island fortresses are complete*, News.Com.Au, last accessed 16 April 2018, <http://www.news.com.au/technology/innovation/photos-reveal-chinas-south-china-sea-island-fortresses-are-complete/news-story/776e1a695fb41ccb7e47a436594c1530>.

appears more aggressive than his predecessors (Obama) as the recent tariff and withdrawal from the Trans-Pacific-Partnership (TPP) indicate. The current rumors of a reconsideration of participation in the TPP by the U.S. has yet to be determined. The large allocation of U.S. military forces around the world have suffered from multiple years of constrained budgets and combat operations and the Pacific forces have borne the brunt of the constraints.⁶⁴

The U.S. has maintained a vigilant military presence in the Pacific since the end of the Second World War. This hard-power has been manifested in the forward-presence of the U.S. military bases in Japan and South Korea. Japan and the Okinawa are home to 85 U.S. military installations and as of 2016, approximately 39,000 military personnel.⁶⁵ In the later portion of 2011, when President Obama cited the need to rebalance, the number of U.S. personnel serving in Japan and Okinawa was approximately 48,000.⁶⁶ The reduction of personnel forward deployed to Japan was 18.43% from 2011 to 2016.⁶⁷ The reduction of U.S. personnel stationed on the Korean Peninsula was similar, with approximately 24,000 in 2016 compared with 28,000 in 2011 (16.83%).⁶⁸ These percentages exceed the overall reduction of U.S. military personnel serving on active duty which was reduced by 9.48% over the same period.⁶⁹ Outside of the Japan and South Korea, U.S. forces based in the state of Hawaii decreased by 12.1% over the period.⁷⁰ The minor U.S. presence (551 in 2011) in the Philippines was further reduced during

⁶⁴ Megan Eckstein, *CNO: Navy to Restore Readiness Levels by 2022 After Years of Insufficient Funding*, U.S. Naval Institute, last updated 19 April 2018, <https://news.usni.org/2018/04/19/cno-navy-restore-readiness-levels-2022-years-insufficient-funding>.

⁶⁵ Defense Manpower Data Center. "DoD Personnel, Workforce Reports, and Publications," accessed 1 November, 2017, https://www.dmdc.osd.mil/appj/dwp/dwp_reports.jsp and U.S. Forces Korea, "About USFJ", last accessed 15 October 2017, <http://www.usfk.mil/About-USFJ/>.

⁶⁶ Defense Manpower Data Center. "DoD Personnel."

⁶⁷ Andre Jonckheere, *U.S. Military and Economic Hard Power Towards East Asia Between 2011 and 2017*, Canadian Forces College, 2017, 4.

⁶⁸ Defense Manpower Data Center. "DoD Personnel."

⁶⁹ Andre Jonckheere, *U.S. Military*. 4.

⁷⁰ *Ibid*, 5.

the period (35 in 2016).⁷¹ In contrast, Australia saw an increase in the presence of U.S. forces as the temporary U.S. Marine Corps rotational force Darwin began seasonal deployments in 2012 (planned for 2,500 troops, but as of yet has not exceed 1,500).⁷² The U.S. Marine rotational force, while new to the region, does not make up for the reduction of personnel in both Korea and Japan.

The reduction of troops notwithstanding, the U.S. has recently placed advanced military systems in Japan and South Korea. These systems are publicly acknowledged to help counter the threat from North Korea's growing ballistic missile and nuclear programs. The reduction of troop levels may possibly be associated with cost savings. The cost of stationing and maintaining U.S. troops overseas far exceeds the amount to maintain the same forces within the United States. The cost of living allowance provided to troops living overseas amounts to over \$2 billion a year.⁷³ This \$2 billion does not include the expense of moving families and members approximately every three years.

The 2014 U.S. Quadrennial Defense Review (a four-year review and plan for U.S. force structure and focus) highlighted the need for U.S. forces to place an advanced anti-ballistic missile radar within Japan to better protect both the Japanese mainland (a potential North Korean missile target) and provide early warning to the continental United States.⁷⁴ In addition to the defensive radar in Japan, the U.S. has recently deployed and positioned its Terminal High-

⁷¹ Jon Emont, "The Limits of Rodrigo Duterte's Anti-Americanism", *The Atlantic* web site, 1 November 2016, <https://www.theatlantic.com/international/archive/2016/11/rodrigo-duterte-philippines-china-united-states/506108/>.

⁷² Tom Westbrook, "U.S. Marines arrive in Darwin for Australia, China exercises", *Reuters* web site, 17 April 2017, <https://www.reuters.com/article/us-australia-usa-defence/u-s-marines-arrive-in-darwin-for-australia-china-exercises-idUSKBN17K09N>

⁷³ Defense Travel Management Office, "Overseas Cost of Living Allowance", web site last accessed 1 November 2017, <https://www.defensetravel.dod.mil/site/cola.cfm>.

⁷⁴ U.S. Department of Defense, *Quadrennial Defense Review 2014* (Washington D.C: U.S. Government Printing Office, 2014), 32.

Altitude Area Defense (THAAD) anti-missile system in South Korea. While it can be argued that these systems replace some of the traditional boots-on-the-ground deterrence provided by U.S. troops, their strategic value to the region is a potential point of aggravation for some of the other regional actors (Russia and China).⁷⁵ The economic and physical impact of systems-based defense measures and deterrence is not an equal replacement for the human interactional aspects of foreign troops on host-nation soil.

U.S. force presence and hard-power cannot rely entirely on a systems-based approach. One of the main methods of influence the U.S. practices in the Pacific (and World for that matter) is the employment of Theater Security Cooperation Exercises. Theater Security Cooperation Exercises allow U.S. Forces to train with and teach regional militaries in bilateral and multilateral exercise environments. The multinational aspects of these exercises allow for military to military interaction, and military to civilian interaction. The host-nation governments promote the U.S. cooperation and training which builds solidarity between the participating nations. The presence of U.S. servicemembers reinforces and encourages interactions at multiple levels of government including foreign ministries and defense establishments.

The other ability that foreign-based U.S. servicemembers provide is the ability to rapidly react to contingency situations. While the main and most obvious aspect of this is a wartime situation, the most-common engagement of U.S. forces overseas is in humanitarian assistance and disaster relief operations (HADR). Pacific based U.S. forces routinely provide HADR support to Pacific nations in response to typhoons, earthquakes, or landslides. The U.S. response to the 2011 Japanese earthquake and subsequent tsunami in northern Japan, Operation *Tomodachi*, is an example of the rapid and large-scale ability of U.S. forces to assist and promote

⁷⁵ Tucker Reals, “Why THAAD is controversial in South Korea, China and Russia”, *CBS News* website last modified 2 May 2017, <https://www.cbsnews.com/news/why-thaad-is-controversial-in-south-korea-china-and-russia/>.

positive interstate relationships. Operation *Tomodachi* saw the employment of over 24,000 Pacific-based troops to the affected area and ranged from aerial resupply to nuclear response measures (due to the nuclear reactor issue in the Fukushima prefecture). Other examples of recent major U.S. HADR assistance include, but are not limited to, the response to the Nepal earthquake in 2015, and 2013 typhoon Haiyan in the Philippines.⁷⁶ These events provided the U.S. military opportunities to help the affected nations and demonstrate U.S. commitment and goodwill for the region. The events required boots-on-the-ground and human to human contact and coordination between the U.S. government and military to the host nations military and government. While high-tech defensive systems may counter rising threats, the human aspect involved cannot be replaced and is highly desired in the Pacific region to demonstrate goodwill and commitment.

The current economic relationship between the U.S. and China is in a state of flux. The current U.S. administration routinely makes public statements about the unfair and unbalanced economic U.S. relationship with Pacific nations. While this is a highly fluid topic and subject to change, the matter should be considered as an important and valuable aspect to current U.S. policy. The U.S. must continue to ensure its vital lifeblood of trade and exchange in order to maintain influence and prevent itself from being eclipsed by rapidly growing economic powers. While previous U.S. administrations acquiesced and allowed the trade deficit to grow, the current administration appears to be taking a different tone and pushing for a change in the balance of U.S. trade.

⁷⁶ U.S. Department of Defense, *Joint Task Force Activates for Nepal Earthquake Relief*, last updated 6 May 2015, <https://www.defense.gov/News/Article/Article/604582/joint-task-force-activates-for-nepal-earthquake-relief/>. AND Thomas Parker, Sean P. Carroll, Greg Sanders, Jason E. King, and Imes Chiu, *The U.S. Pacific Command Response to Super Typhoon Haiyan*, Joint Forces Quarterly 82, 3rd Quarter 2016, last accessed 18 April 18, http://ndupress.ndu.edu/Portals/68/Documents/jfq/jfq-82/jfq-82_54-61_Parker-et-al.pdf.

The U.S. maintains a significant trade deficit with China. The deficit grew from \$347 billion to \$375 billion between 2016 and 2017.⁷⁷ The current trade imbalance is not the only issue the U.S. sees as threatening to their economic position. China has recently begun to adopt a vision of producing more technically sophisticated and higher quality products to bring into the world market. This concept is highlighted in the Chinese policy “Made in China 2025.” The U.S., as the current leader in quality and technical hardware, views this policy as a threat to further increase the U.S.-China trade deficit.⁷⁸

The U.S. also maintains significant trade deficits with the other Pacific economic powers of South Korea and Japan. The deficit with South Korea has shown a gradual reduction between 2016 and 2017 by 17% (\$27.5 billion to \$22.9 billion).⁷⁹ The U.S. trade deficit with Japan has remained stable at approximately \$68.8 billion.⁸⁰ The last twenty-one years (1996-2017) have seen a major increase in the imbalance with the U.S. China and Japan, have increased their exports to and imports from the U.S. by 1050% and 244% respectfully.⁸¹ South Korea has changed from being a major U.S. product importer with a \$4 billion deficit with the U.S. to having a surplus of \$22.9 billion with the U.S. (a 484% change in favor of South Korea).⁸²

The United States has started to withdraw militarily and monetarily from the Pacific region. The large trade deficits may seem to provide the U.S. with a temporary advantage. This is due to the fiscal benefits it provides to the exporting nations. The benefit is offset by the

⁷⁷ U.S. International Trade Commission Database, *All Commodities: Total Exports FAS – General Imports Customs Value by Country Name, Trade Balance*, last accessed 20 April 2018, <https://dataweb.usitc.gov/scripts/prepro.asp>.

⁷⁸ Whitehouse Press Release, *What you need to know about President Donald J. Trump’s actions responding to China’s unfair trade practices*, 6 April 2018, available at <https://www.whitehouse.gov/briefings-statements/need-know-president-donald-j-trumps-actions-responding-chinas-unfair-trade-practices/>.

⁷⁹ U.S. International Trade Commission Database...

⁸⁰ *Ibid.*

⁸¹ *Ibid.*

⁸² *Ibid.*

rapidly growing consumer market in China. The withdrawal of military servicepersons stationed in Japan and Korea have an immediate fiscal benefit for the U.S. military budget. Consequently, the power projection capabilities and scale of influence is weakened in the theater.

Conclusion:

China is rapidly growing both economically and militarily. The massive increases in Chinese GDP and foreign trade exports demonstrate an economy that is injecting itself into the world markets and becoming critical for world economic relations. The growing economy has plentiful labor and resource availability but requires energy to continue its rapid growth. The energy hungry state has its eyes set on expansion of its economic markets and energy reserves. The Chinese have been flooding the local region and beyond with flocks of tourists that wield the powerful Renminbi (the Chinese currency). The growing Chinese influence is changing the power dynamics of the Pacific region. The aggressive actions by China in the South China Sea can easily be interpreted into a national thrust to acquire and safeguard energy resources. The development of anti-access, area-denial, and force projection military capabilities reinforce China's aggressive actions. The use of trade, tourism, and military power are all instruments of national power that are being applied to engineer a new and stronger China.

The United States has long maintained a dominant position in the world both economically and militarily but now a growing power is challenging that position in the Pacific. The Pacific Ocean has become a major conduit of world trade, home to economically developing nations, and the region now possesses a questionable nuclear power. An unstable and nuclear North Korea has focused U.S. attention on the Korean Peninsula. The North Korean buffer state has been enjoyed by China as both a trading partner and proverbial thorn in the side of the U.S.

Constant combat deployments and budget reductions have caused a reduction of U.S. troops in the Pacific. The lessening and diverted attached of U.S. influence in the Pacific has provided a void to be filled by the growing regional player, China.

The strengths of the U.S. economic and military capabilities must be further grown and nurtured to ensure trading partners and antagonists are confident in U.S. resolve. The opportunities for U.S. economic growth and cooperation will only be available if friends and enemies alike are influenced by a strong and committed United States. The weaknesses of the United States in regard to China are in numbers of people and potential. The Chinese labor force and growing middleclass market present a threat to the United States that is has yet to fully grasped or encountered in its history. The U.S. must examine the new economic and military reality of the Pacific region and tailor its military and economic policies accordingly to further grow and maintain its dominant position.

The U.S. must engage the economic markets in the Pacific and expand its military presence in the region to maintain relevancy and legitimacy within the region. The withdrawal of U.S. hard and soft power leaves only a vacuum is all but ready to be filled by the growing Chinese global powerhouse. The U.S. needs to acknowledge the importance of Pacific region stakeholders and refocus its diplomatic, informational, military, and economic capabilities to compete with a growing and aggressive China.

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