

DECISION MAKING IN THE SOUTH CHINA SEA

Examining Chinese Alternative Choices

John Beard and Hewei Feng
Decision Making in a Complex Environment

TABLE OF CONTENTS

Abstract.....	1
Introduction.....	1
Methodology.....	3
Data.....	4
Analysis.....	11
Sensitivity.....	12
Conclusion.....	14

ABSTRACT

The purpose of our project was to determine the best alternative choices for China in regards to the South China Sea territorial dispute. As we learned in class, in any dispute or negotiation it is important to understand the strategic goals and aims of any negotiating counter party. While much is known of the American perspective on the dispute, comparatively little coverage is given to China's strategic interests and goals in the region. Our project analyzes the South China Sea dispute from a Chinese perspective and focuses on the best outcomes for China given the alternatives of Overt Military Action, Covert Military Action, No Action, Partial Capture and Trade Based Bargaining.

INTRODUCTION

Since the 1940's a simmering dispute over the fate of a few seemingly non consequential islands has existed between South East Asian nations. Low in intensity and vigor, this dispute was mainly diplomatic and all parties acted with restraint in asserting their claims. However, this dispute has taken center stage in global diplomatic relations over the last 10 years as what was a simmer threatens to boil.

At stake is a resource rich and strategically important area. A successful legal claim or capture of the South China Sea islands would give any nation the exclusive economic zone of 80 nautical miles. This 80 miles would severely restrict the maritime boundaries of some disputing claimants while greatly expanding those of other nations. As such, increased activity and assertion of claims has given rise to nervousness and angst amongst claimant nations and increased the intensity of the dispute.

Legal claims in relation to the islands by most parties are spurious. Countries have pointed to ancient maps, legal scrolls, historical customs and inhabitation by historically unrecognized tribal minorities to assert their legal rights. Along with a mess of bewildering justifications for legal claims goes equally vague and confusing international maritime law that gives rise to legal disputes across the world. With legal resolution to the dispute unlikely, parties have turned to other means to resolve the dispute.

The United States position in the dispute is clear. China has little legal justification for claiming the islands and is operating as an oppressive neighbor. With China routinely threatening their neighbors through coercive military action and intimidation, the United States has felt compelled to come to the

diplomatic aid of their strategic partners in the region. The United States has issued multiple warnings, rebukes and statements on China's activity in the region and has made their position clear. China will not be allowed to bully their way to possession of the islands.

Furthermore, since World War II, the United States has acted as a rule maker and enforcer throughout the world. As a chief crafter of the modern framework of diplomacy, the United States has a keen interest in the preservation of the current world diplomatic framework. After all, organizations like the United Nations, World Trade Organization and the North Atlantic Treaty Organization have increased world stability and help predict and restrain the actions of governments according to the United States. From the United States perspective, this predictability and stability has created a peaceful world focused on the betterment of humanity and economic growth. The United States also sees this diplomatic framework as a potential constraint to unchecked Chinese power projection and views the inclusion of China in the international order as a key strategic goal.

While much is known of the United States view on the dispute, comparatively little is known of the Chinese perspective in the Western world. While some may see this as a straight resource grab, the implications for China are far greater and more complex. Correctly resolving the dispute has the potential to curtail American influence in the region, establish ASEAN's role as an economic partnership, continue the "String of Pearls" development and establish control over one of the most travelled shipping lanes in the world. For China, this dispute is far more important than a few barrels of oil.

It should be noted that while the South China Sea dispute gets relatively low media play in the United States, it is widely covered in China. This has led to an increase in domestic pressure to find a solution that protects China's territorial integrity. Historical antagonisms between claimant nations are high and when they are coupled with a virulent and growing Chinese sense of nationalism urgency grows. Domestic, party and leadership stability is of course crucial to the continued growth and internal stability of China.

The South China Sea dispute affects China domestically, economically, politically and militarily. It is crucial for China to correctly assess alternative actions in the face of world pressure and make a decision that maximizes benefits and opportunities while minimizing risks and costs. Our model attempts to provide a framework for that decision making.

METHODOLOGY

Five possible alternatives for Chinese action were considered. They are:

1. Overt Military Action
2. Covert Military Action
3. No Action
4. Partial Capture
5. Trade Based Bargining

Overt Military Action

Overt military action covers military to military engagement in the South China Sea or South East Asian region. While a declaration of war is possible and covered in this scenario, this would also include embargos, directed missile launches and long term military occupation of the islands.

Covert Military Actions

Covert military action is largely what is taking place now. Covert military actions exclude the participation of uniformed military personnel but utilize government agents in coercive tactics to assert claims. The Chinese coast guard has actively patrolled the disputed areas and seized the “fishing boats,” of rival nations. “Fishing boat,” activity is a common coercive practice in establishing economic rights in the region. Many international news sources doubt the presence of actual fishermen and assume the men masquerading as mere fishermen are paid government agents. Also, many nations have government personnel of some sort inhabiting the uninhabitable islands. A key portion of UNCLOS (United Nations Law of the Sea Conventions) centers around economic rights only being given if the islands are uninhabitable and sustainable. All claimant nations are engaged in some sort of covert military action at this time.

No Action

No Action represents a de-escalation of current conduct. No action involves the dropping of claims to the island and in China’s case, no action is likely to result in the seizure of the islands by rival claimant nations. It is also likely to produce increased international goodwill, faith in China’s “Harmonious Rise,” proposition and better relations with claimant states.

Partial Capture

Partial capture is deal making for the ownership of the islands. It would establish state rights and economic privileges for any islands included in the deal and would likely entail China capturing the Northern Spratley Islands while other nations accepted capture of the southernmost islands. Partial capture is diplomatic in nature and precludes the use of any force..

Trade Based Bargaining

Trade based bargaining involves any deal to exploit the resources in the area jointly but not establish any state ownership of the islands.

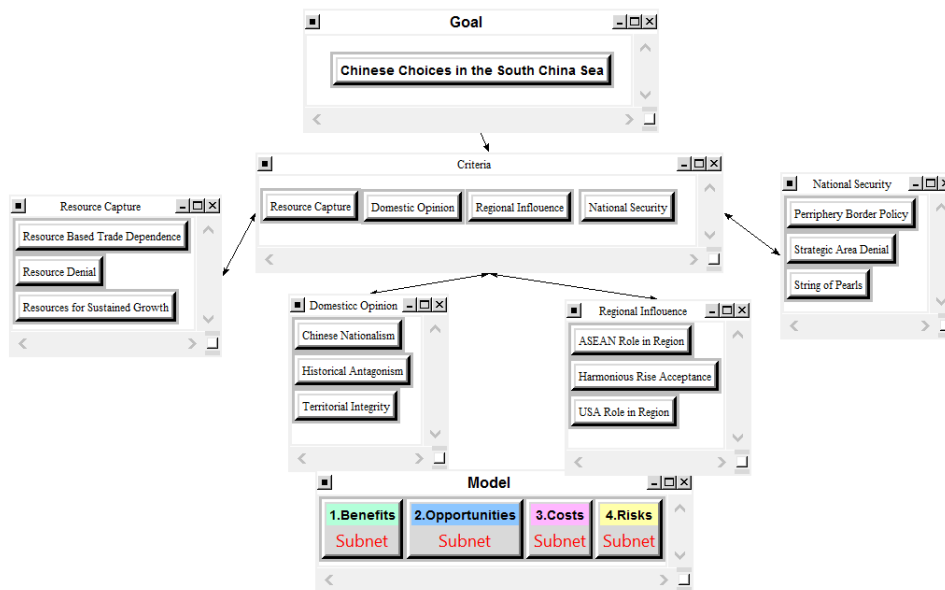
The model utilizes the BOCR model of 4 sub-networks consisting of Benefits, Opportunities, Costs and Risks. Each sub-network is related to the alternative choices at the base level and funneled into the overall decision making priorities established at the top level. The construction of the sub network involved extensive subject research and the establishment of key influencers within the decision making framework. The top level decision making criteria are as follows:

- Resource Capture
 - Resource Based Trade Dependence
 - Resource Denial
 - Resources for Sustained Growth
- Domestic Opinion
 - Chinese Nationalism
 - Historical Antagonisms
 - Territorial Integrity
- Regional Influence
 - ASEAN Role in the Region
 - Harmonious Rise Acceptance
 - USA Role in the Region
- National Security
 - Periphery Border Defense
 - Strategic Area Denial
 - String of Pearls

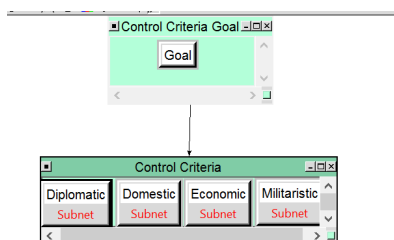
The BOCR merits were assessed against these criteria and rated according to a custom scale consisting of 3 choices (Hi, Medium and Low).

DATA

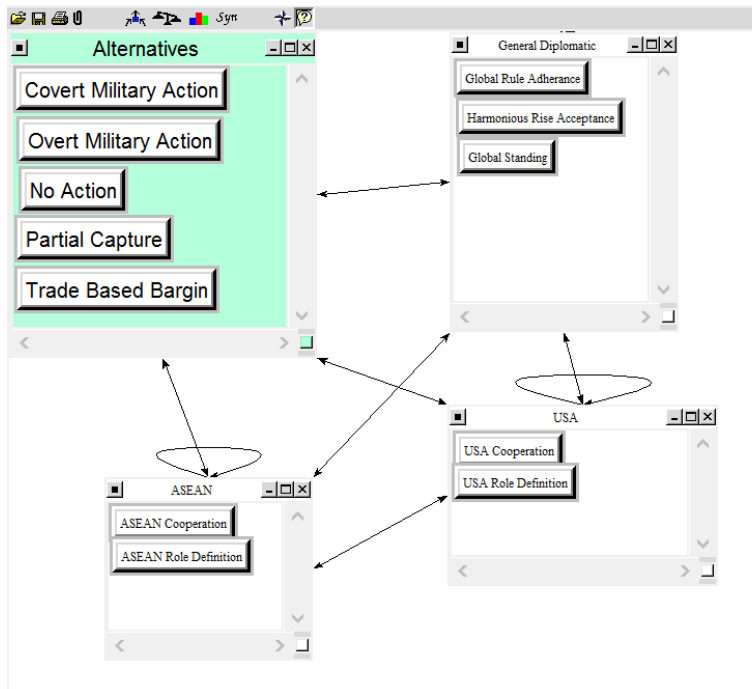
Strategic Criteria and Structure (as outlined above):



Within the lower levels of our BROC model, alternatives were measured against the control criteria of Diplomatic, Militaristic, Domestic and Economic effects of alternative actions. We choose to assign all lower level control criteria the same priority in each subnet. While it commonly assumed that Chinese decision making is efficient due to one party rule and collective thought implications of that type of government, in reality it is much more complicated. Shadowy vested interests and entrenched pools of power reside in almost all corners of government. These power pools have significant influence and can drive governmental decision making. These interests are largely anonymous and operate outside of the public view. With that in mind, it is difficult to prioritize considerations on the bottom level accurately.



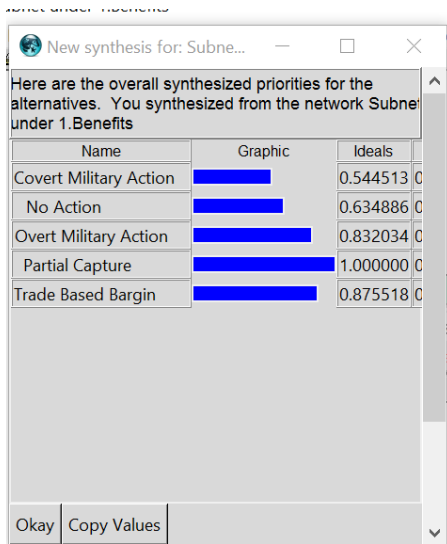
Benefits Subnet Example and Result: Diplomatic Benefits



Top Priorities

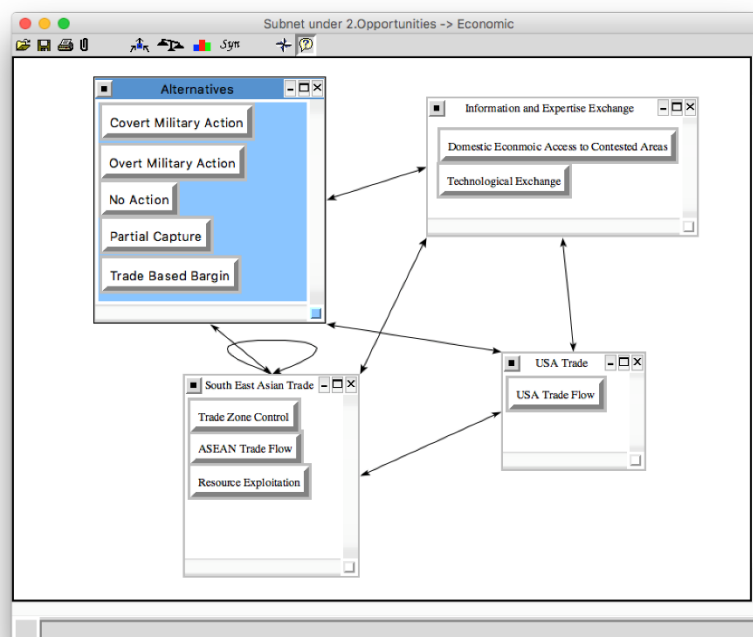
1. ASEAN Cooperation .67
2. USA Cooperation .65
3. Harmonious Rise Acceptance .45

Within the Diplomatic-Benefits framework, we believe that ASEAN and USA cooperation will yield the most benefits. As ASEAN is a near neighbor and important trading partner, China can reap great rewards from effective diplomacy. Neighboring countries need to diplomatically deal with a range of economic, strategic and security related challenges. Good diplomatic relations will yield better results. The same reasoning applies to USA cooperation but as the Pacific Ocean separates the countries, some challenges that ASEAN and China face do not exist. Finally, “Harmonious Rise,” is China’s growth proposition to the world. While China grows ever more mighty, they have encouraged the world to view this growth as not threatening but rather beneficial to all states. The continued perception of this growth helps fend off hostile acts by nations that feel threatened by Chinese might.



The overall Benefits section favors Partial Capture. This result makes sense. Partial Capture involves intergovernmental cooperation, the semi accomplishment of some military objectives and the capture of resources which are clear goals. While there are domestic tradeoffs like heightened historical antagonisms or decreased power projection, they are outweighed in the priorities.

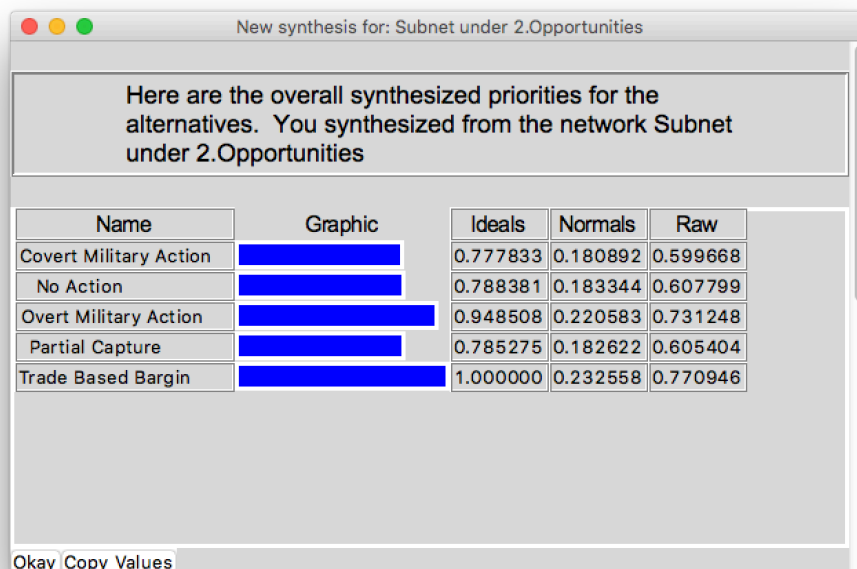
Opportunities Subnet Example and Result: Economic Opportunities



Top Priorities

- 1). Domestic Access to Contested Areas .43
- 2). USA Trade Flow .40
- 3). Trade Zone Control .37

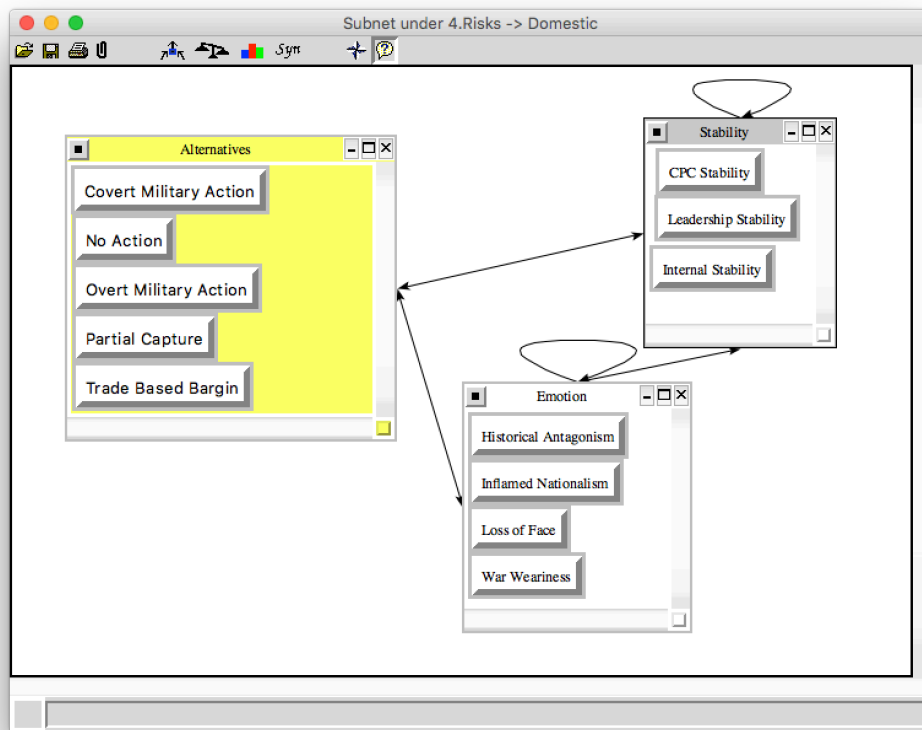
From an economic perspective it is crucial China have access to the contested areas of the South China Sea. They are rich in natural resources and commercial fishing is an important industry for southern China. As China's largest trading partner and an important export market, USA trade flow opportunities could help keep China's domestic growth numbers strong. This has implications for internal stability. Finally, the opportunity to control the South China Sea corridor would be hugely economically beneficial. China has major ports in Guangzhou and Shenzhen and would like siphon trade away from Singapore.



From an opportunities perspective, trade based bargaining and overt military action score the highest. Trade based bargaining would increase Chinese diplomatic influence and guarantee access to the contested resources. Overt military action would also guarantee access to the resources but not have the added on diplomatic effect.

Risks Subnet Example and Result:

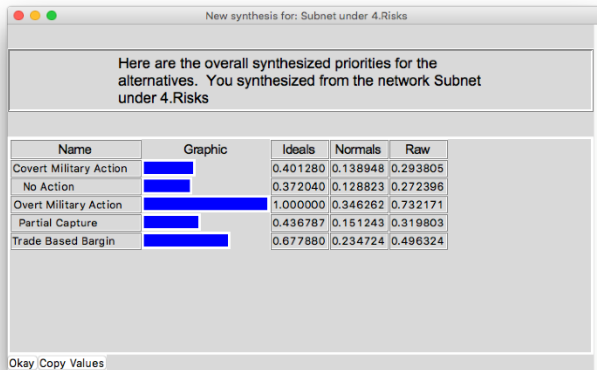
Domestic Risks



Top Priorities

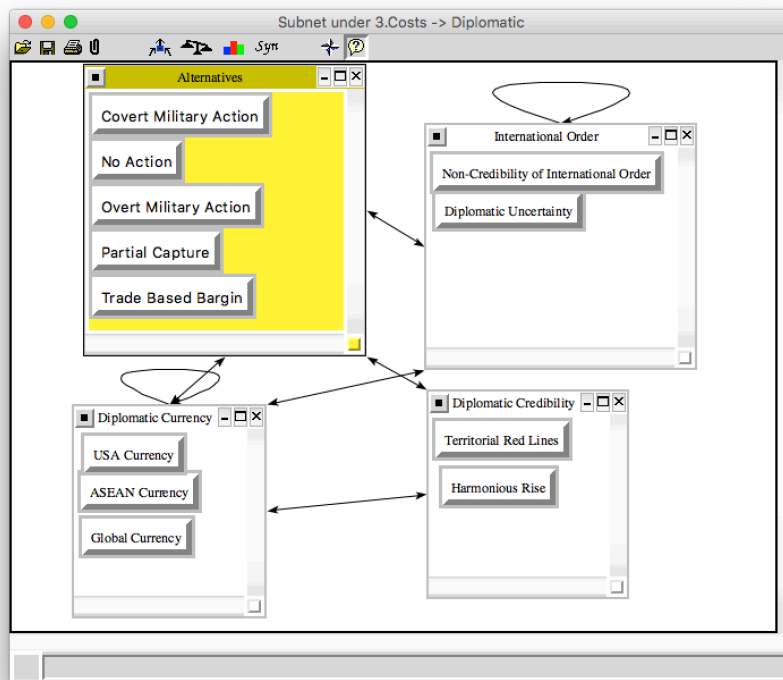
- 1). War Weariness .39
- 2). CPC Stability .38
- 3). Leader Stability .35

Internal stability is of paramount importance to the Chinese government. The domestic emotional factor that presents the largest risk is war weariness. Loss of life, equipment and treasure could turn a docile public into a riotous one. That would have an effect on the communist party itself and its leadership.



By a great deal, overt military action is the most risky alternative for China. China risks drawing in hostile world powers, war weariness, the destruction of military capability and uncertain outcomes in a direct confrontation between militaries.

Costs Subnet Example and Result: Diplomatic Costs

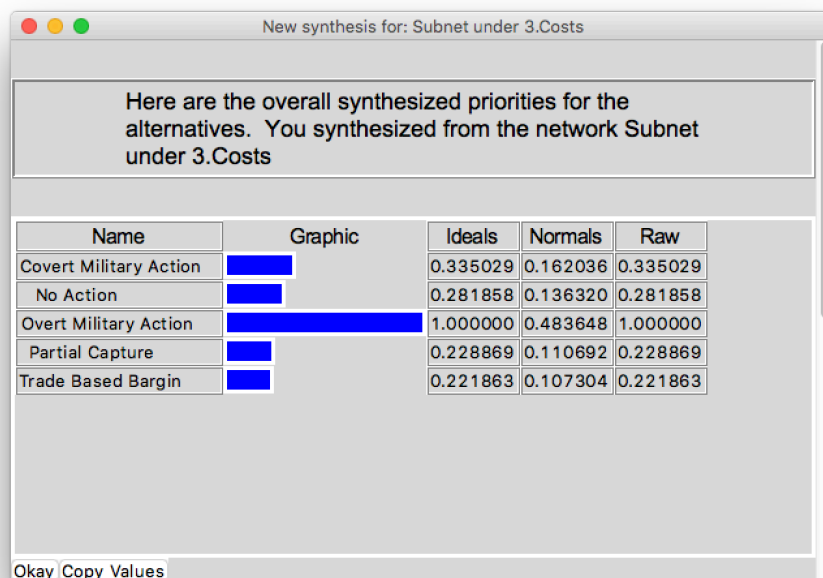


Top Priorities

- 1). Non-Credibility of International Order .66
- 2). Territorial Red Line Credibility .57

3). USA Diplomatic Currency .50

While China has been reticent to join the community of nations, it does rely on the system of rules and policies in place to create stability and an optimal environment for economic growth. It merely does not want to bare the weight of all the rules and regulations required to do so. China's acceptance to the WTO is a prime example. For nearly 30 years China aspired to be a WTO member but refused to cooperate on intellectual property issues, manufacturing protection tariffs and export rules. One admitted, China has chafed under the rule and enforcements regimes that pervade the organization. However, their stake in the credibility of these organizations is important to ensure growth. Their non-credibility would be an extreme cost. Also, the territorial red line establishment has allowed China to expel foreign interests from interfering in internal issues. China has many restive regions, Xinjiang, Tibet, Liaoning to name a few. It is paramount to Chinese interests that the territorial red line remain in place and hugely costly if it does not.



From a cost perspective, overt military action would be enormously costly. China is sure to lose manpower, equipment, capability, diplomatic currency and the perception of harmonious rise.

ANALYSIS

The final analysis is determined by measuring out top alternatives in each subnetwork against the higher level criteria using the ratings method.

Benefits: Partial Capture

Opportunities: Trade Based Bargain

Costs: Overt Military Action

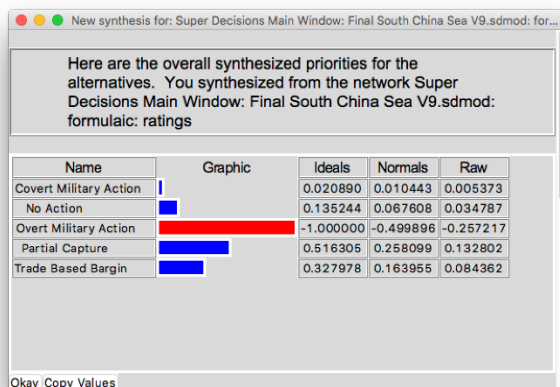
Risks: Overt Military Action

	Priorities	Totals	Territorial Integrity 0.153388	Periphery Border 0.107258	Strategic Area Den 0.240332	String of Pearls 0.035900	ASEAN Role in Re 0.028624	Harmonious Rise A 0.094516	USA Role in Regio 0.052014	Resource Based Tr 0.039966	Resource Denial 0.021994	Resources for Sust 0.072622
1.Benefits	0.246810	0.468037	Lo	Hi	Med	Med	Hi	Hi	Med	High	Great	Great
2.Opportunities	0.151047	0.286436	Lo	Med	Lo	Lo	Hi	Hi	Lo	High	Tad	Significant
3.Costs	0.320644	0.608061	Hi	Lo	Hi	Lo	Med	Lo	Lo	Low	Moderate	Moderate
4.Risks	0.281499	0.538820	Med	Med	Hi	Med	Med	Lo	Lo	High	Extreme	Tad

That results in a model synthesis of:

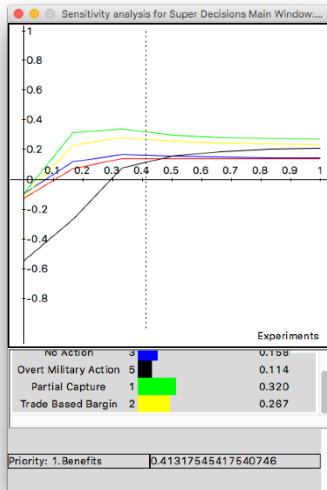
Additive Negative:

The South China Sea dispute has been on-going for more than thirty years. It is unlikely a conclusion is imminent. Thus the additive negative process was used as it yields the best long term results.

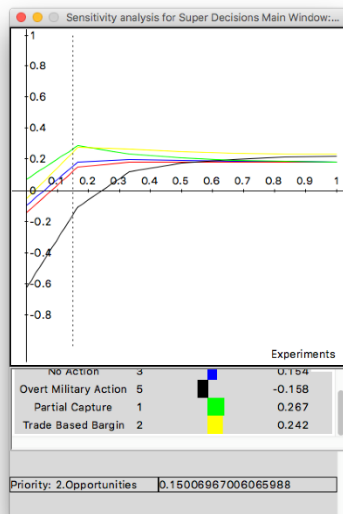


Sensitivity

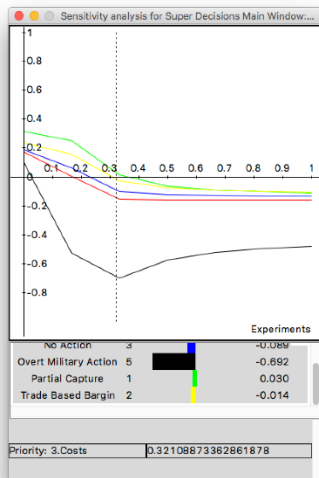
Our sensitivity analysis revolved around changing the priorities placed on our lower level subnets. As previously discussed, Chinese governmental decision making can be controlled by strategic and vested interests. As those interests ebb and flow, different outcomes are affected. A firm like Sinopec, the state owned oil giant, may be able to encourage decision making that values economic values. Conversely, the military may want to minimize Military risk. Below are our results:



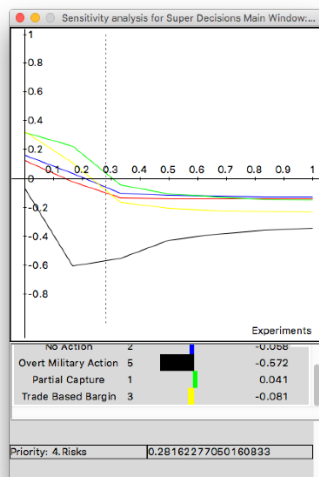
Partial capture is always the best choice regardless of what priority level of priority is given to benefits. In all scenarios it yields the best result.



When Opportunities are weighted at 15%-20% trade based bargaining yields to partial capture. This is a suspicious result. Sensitivity with very low range and pattern probably indicates some inconsistencies in our rating methods.

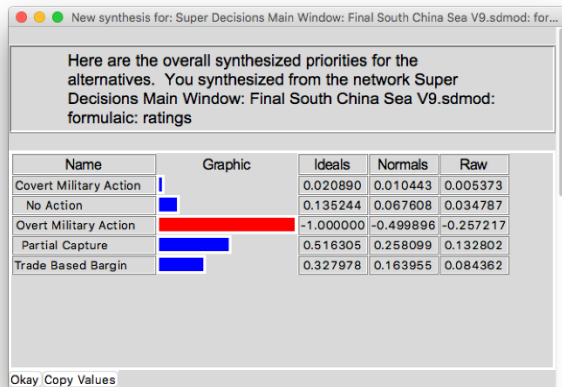


At 81% importance, partial capture is no longer the least costly option. Rather, trade based bargaining becomes the better choice.



Only around 2% do we trade based bargaining outperform partial capture in terms of Risks.

CONCLUSION



The final result accurately interprets the potential benefits, opportunities, risks and costs of China's alternatives in the South China Sea. From an opportunity and benefit standpoint partial capture and trade based bargaining allow China to ensure good diplomatic relations, resource capture and a presence in a strategic region that has military significance for the nation. While it does little to define the role of ASEAN or the USA in the region, it does show a commitment to international standards of conduct in relation to disputes. That will in turn reinforce the concept of "Harmonious Rise," and ensure unfettered Chinese growth for years to come.

Overt military action is fraught with risk and cost. With varying levels of American defensive pacts with the Philippines, Taiwan, Japan and other Pacific nations, it is truly difficult to assess the potential costs and risks of military action beyond saying they are tremendous. Global stability itself would be at risk and potential doomsday scenarios would be in play. It is of paramount importance that China not engage its neighbors militarily.

Of some peculiarity is the fact that China's current strategy, Covert Military Action, did not receive a good alternative choice score. While China is currently pursuing this strategy, it should be interpreted as a means to an end. It is unlikely that China wishes to antagonize its neighbors for an extended period of time. This would result in increasing tension and alienation as detailed in our subnetworks. However, covert and coercive action does have the potential to sweeten the terms of any long term deal. It establishes a presence and capability in the region and cements the South China Sea as a place of strategic importance and a territorial red line.

While this option is fine in the very short term, China should be strategically pivoting to more inclusive options that yield better results.

