

1 Embedding China's maritime disputes in generic IR research

When the US president telephoned, he was told that his call has come too late. It is now impossible to recall the military forces on their way to invade the islands. This situation has come about because, as the voice at the other end of the telephone line explains, protracted negotiations have been unproductive. This counterpart leader feels that his country has been “strung along” for years by delaying and evasive tactics. Various concessions to woo the islanders have evidently failed to change their mind. Now his government has lost patience. It hopes and expects the US to adopt a neutral position in the impending military showdown. In planning their invasion project, this leader and his colleagues have calculated that they would achieve an easy and quick victory and that their opponent would concede rather than resist. These beliefs turn out to be mistaken. The US decides not to stay on the sideline but instead intervenes on behalf of their opponent, who fights back to evict the invading force after considerable bloodshed. This outcome on the battlefield, however, does not resolve the underlying dispute about sovereignty. It continues to fester and to cause recurrent political tension and military strain.

These words are not about an imaginary scenario intended to conjure up what could possibly come to pass if the impasse across the Taiwan Strait were to come to blows. They describe what actually happened in the 1982 war between Argentina and Britain over the Falklands/Malvinas. This war occurred even though neither side had wished for it – indeed, Buenos Aires and London would have much preferred a negotiated settlement, even a face-saving one, to a military confrontation. The contested islands had but a small population, few resources (although rumors abound that the surrounding seas hold large oil reserves), and little strategic value. In the words of the poet Jorge Luis Borges, this war over a small, barren, wind-swept archipelago in a far corner of the world reminds one of two bald men fighting over a comb (Ellyatt 2013).

Yet Argentina and Britain did go to war. Moreover, despite intense US efforts to mediate a settlement between its two allies, war happened

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nonetheless. Although the islanders (the Kelpers, whose number was about 2,500 in 2013 but only about 1,800 in 1982) have declared their wish to continue as a British Overseas Territory in a March 2013 referendum, the status of this contested territory is still very much in limbo as Argentina, supported by its South American neighbors, has refused to accept the current state of affairs. Even though Britain had prevailed in the 1982 war, it finds itself in a situation that is hardly sustainable in the long run, politically, militarily, and economically (notwithstanding possible royalties from oil exploration and production in the surrounding seas – a prospect that will face considerable practical and legal difficulties in the face of Argentine opposition). Because of their geographic location (being barely 300 miles away from Argentina), the future of the Falklands/Malvinas is inevitably tied more to Argentina's economy than Britain's and these islands are within closer range of the former country's military force. In contrast, Britain suffers from the disadvantage of being located 8,000 miles away.

Although it is common to characterize interstate conflicts as a zero-sum game, the situation involving the Falklands/Malvinas is more accurately described as negative sum. There are no winners, as all concerned parties have borne heavier costs without additional benefits after the 1982 war. Even for the Kelpers, whose right to self-determination was supposed to have been London's reason for going to war, a negotiated accommodation with Buenos Aires would have surely improved some important aspects of their lives, such as those relating to travel, communication, and commerce. The deadlock on clashing sovereignty claims has a significant opportunity cost, in terms of not only imposing heavier defense burdens and transaction costs for the disputants (money that could have gone to other worthwhile purposes) but also the foregone benefits of peaceful interstate relations such as those that could have been gotten from profitable exploitation of the ocean's resources. Political risks and legal uncertainties tend to frighten away business investments with promising socio-economic returns.

The Falklands/Malvinas conflict and other maritime disputes have much to teach us about China's ongoing relations with Taiwan and its other sovereignty claims in the East and South China Seas, claims that are being contested by several of its neighbors that are formal or tacit US allies. I am interested in introducing a broader comparative context to inform inquiries about these disputes as most extant analyses have tended to focus on the more specific and even idiosyncratic aspects pertaining to Beijing's pronouncements, decisions, and moves. They have therefore generally missed an opportunity to learn from historical parallels or precedents offered by other countries' experiences. These studies have also

by and large bypassed a large and cumulative body of empirical evidence developed by quantitative research of past episodes of militarized interstate disputes (MIDs) or research based on comparative case studies, especially variables that have played a significant role in the occurrence, persistence, and termination of enduring rivalries.

In writing this book, I intend to draw on these research approaches and to benefit from various strands of international relations (IR) theorizing such as bargaining theory and extended deterrence. By offering the pertinent cross-national evidence and generic explanations, I hope to broaden the study of China's foreign relations beyond the domain of country specialists, and to situate this study as a part of international relations inquiry in general. Reciprocally, I hope that the latter inquiry can be enriched by insights from China's perspective and experience. In advancing this agenda, I obviously believe in the value of empirical generalizations, the importance of *not* treating China as *sui generis*, and the analytic priority of trying common (i.e., generic) explanations before appealing to particularistic ones (i.e., before appealing to case-specific or idiosyncratic factors) – notwithstanding personal assets in language proficiency, research contacts, and life experience in undertaking the idiographic approach.

Bargaining as a general perspective

Misperception and miscalculation certainly contributed to the escalation of the Falklands/Malvinas conflict (e.g., Lebow 1985). I contend in this book, however, that the tragedy of this conflict and others like it is more deeply embedded in the nature of the situation that confronts the leaders of the disputing countries. I therefore apply a rationalist perspective which asks what people with common sense would have generally done if they found themselves in similar circumstances. This rationalist perspective does not assume that people are infallible in their judgments, but rather takes as its starting premise that people are strategic in the sense that they try to formulate their policy and adjust their action in anticipation of how others are likely to react to their behavior. We thus need to first of all identify and grasp those structural conditions that shape the incumbent officials' perceptions and calculations. Only after we have gained a more sound understanding of the influence of the pertinent structural conditions can we begin to explain their policy choices and to recommend strategies intended to defuse or resolve their disputes.

As in the case of the Falklands/Malvinas, China's ongoing maritime disputes involve to varying extent the issues of contested sovereignty, competing regime legitimacy and popularity, complicated historical

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legacies, and an aroused sense of past grievances and popular appeals to national solidarity and ethnic identity. Freedom of navigation, ocean resources, geostrategic rivalry, and the dynamics of alliance politics are also engaged. In 1982, budgetary stringencies, economic hardship, and fractious domestic politics (e.g., the miners' strike in Britain, the military junta's brutal suppression of leftists in Argentina) characterized the decision context on both sides of the Atlantic. Today's Asia Pacific faces a somewhat different situation even though the reverberations from increasingly pluralistic politics (if not necessarily democratization in China) and deep global recession (2008–12) have had their own not inconsequential effects. There was in 1982 a widely shared perception that Britain was in decline and anxious to trim its military commitments outside of its obligations to the North Atlantic Treaty Organization (NATO). Today it is almost impossible to discuss China's maritime disputes without an obligatory reference to regional power shifts resulting from "China's rise" (e.g., Raine and Le Miere 2013). In both situations, Washington has been *the* critical third party, one that has the wherewithal to affect the bilateral balance of capabilities and incentives between the direct contestants.

I apply the general theory of bargaining to study China's maritime disputes. In broad terms, this theory is about how states try to communicate with each other in their efforts to reach a mutually acceptable deal (e.g., Fearon 1995, 1997). Various obstacles, such as deliberate misrepresentation and private information, stand in the way of concluding this settlement (for important emendation to this generalization, see Kirshner 2000; Slantchev 2010). States therefore sometimes find themselves fighting a war which they would have preferred to avoid. Bargaining theory calls attention to the challenges of undertaking effective communication whether the intended audience is foreign or domestic. They are relevant to attempts to persuade foreigners about one's intentions and capabilities such as in demonstrating one's resolve to stand firm and to fight if pushed too far. They also involve efforts to reassure foreigners about one's limited objectives and one's commitment and capacity to carry out the terms of a deal if a bargain is struck (foreigners are unlikely to waste their political capital if they believe that one is unable to deliver on a negotiated deal – that is, if one cannot overcome domestic opposition to a negotiated deal). The intense US domestic debate on whether to ratify the nuclear deal negotiated by President Barack Obama with Iran (a deal that has also involved five other major states as negotiation partners) highlights this latter concern.

Officials may also feign doubts and weaknesses in order to extract more generous concessions from foreigners in negotiating the terms of a

settlement or, alternatively, in order to abet foreigners' complacency and overconfidence so that they can be exploited by a strategic surprise. The latter consideration in turn presents a dilemma: should a state communicate its resolve by undertaking highly visible and credible actions which, however, can also have the effect of tipping off the other side about its intention to escalate and therefore inviting this counterpart to undertake counteraction to prepare for a possible showdown? That is, there is a trade-off between demonstrating one's resolve to deter a counterpart and forfeiting the advantage of strategic surprise should this deterrence fail and a war have to be fought. Efforts to enhance one's deterrence credibility during the pre-war period can diminish one's capabilities in fighting a subsequent war should deterrence fail. Bratislav Slantchev (2010) points to China's intervention in the Korean War as an illustration.

As just mentioned, bargaining and signaling do not "stop at the water's edge." The metaphor of two-level games (Putnam 1988; Evans *et al.* 1993) suggests that incumbent officials must negotiate not only with their foreign counterparts, but also with their own domestic constituents (including the political opposition) so that whatever deal is reached with foreigners will have the necessary domestic support or at least the acquiescence of important stakeholders. Therefore, bargaining theory encompasses efforts to reassure, mobilize, or otherwise communicate to domestic audiences. Former US Secretary of Labor John Dunlop is said to have remarked that every bilateral deal requires three agreements, one across the table and one on each side of the table (Putnam 1988: 433).

Because democracies obviously have more veto groups that can block a deal with a foreign adversary, their negotiators will be more constrained in making concessions to the latter (they will have a smaller win set or bargaining space to negotiate with their foreign counterpart). Conversely, because authoritarian leaders will have more control over the policy process and are less likely to face a divided government, they face less domestic opposition and have more room to negotiate. This latter consideration in turn implies that they are less able to argue that their hands are tied by their domestic constituents, and they are therefore less able to use this argument credibly to resist foreign demands for concession and are more likely to be "pushed around" to make concessions. A corollary of this inference is that autocracies will have an easier time in trying to reach a deal with a foreign adversary than democracies and that democratization can actually make it more difficult for countries caught in disputes to reach an accord. The more authoritarian former Soviet republics, namely Kazakhstan and Tajikistan, were able to reach border accords with Beijing more quickly and with less fuss than the less authoritarian Kyrgyzstan (Chung 2004: 138). India's democratic institutions

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and vocal political opposition have often caused problems for government officials who might have preferred a softer line in negotiating with China in these countries' border dispute (Chung 2004: 151).

Interstate and intrastate communication in bargaining situations can involve both verbal and nonverbal means. Public declarations and military displays offer ways for a government to signal its resolve. This resolve can be communicated by other means such as economic sanctions, nuclear tests, regime-sponsored mass protests, and even deliberate shocks administered to financial markets. Naturally, politicians do not just engage in such disclosures, they also often try to disguise their intentions, hide their country's capabilities, and mislead both their domestic constituents and foreign allies (not to mention their adversaries). Or they can choose to be intentionally vague, declining to be locked into a pre-determined position. Finally, they can be purposefully inconsistent, conveying different messages to different audiences in different forums and on different occasions (e.g., through official statements, private reassurances, tacit acknowledgments, informal accommodation, and messages delivered by intermediaries). Bargaining theory thus pertains to both formal negotiations and tacit exchanges. It opens the analytic door to various other theories – such as power transition, democratic peace, and diversionary war – to inform us, for example, about how the shifting power balances among states, rising tides of economic interdependence and nationalism, and evolving elite solidarity and regime popularity can facilitate or constrain officials' efforts to reach a negotiated settlement.

Such a settlement, as already noted, requires ratification in the sense of support, approval, or at least indifference by important veto groups both at home and abroad (Cunningham 2011; Tsebelis 2002). The relevant “abroad” includes multiple states with a direct or indirect stake. Thus, for example, the reunification of Germany took a multilateral deal involving not just the two German sides and their respective domestic constituencies, but also the US, the USSR, France, Britain, and Poland (among others) and their respective internally negotiated pacts (Stent 1999). With respect to China's various maritime disputes, the US clearly looms large as a significant other. Its role in these disputes has been prominently featured whether in the discourse on pivotal deterrence or that on extended deterrence (e.g., Crawford 2003; Huth 1988a), topics that I will discuss in more detail later.

Just as my analytic style and approach tend to depart from the mainstream of scholarship on China's foreign relations, my substantive conclusions also differ from those reached by perhaps most other colleagues. In my judgment, the impression conveyed by most current analyses, especially those published in the more popular media, tends to be too

pessimistic and even alarmist. Predictions of impending armed clashes, even a large military conflict between the US and China, appear to be too dire. They overlook ongoing trends, such as increasing economic interdependence and political de-alignment, which offset the effects of territorial disputes and competitive rivalry. One may even argue that precisely because relations among Asia Pacific countries have reached a more stable and peaceful situation, they should feel less restrained to quarrel loudly because they realize that the risk of a run-away escalation has now been greatly reduced. This logic would argue analogously that because democracies rarely, if ever, go to war against one another, these countries should be more disposed to enter into disputes of lower intensity because compared to their authoritarian counterparts, they can be more assured that such quarrels would not affect their fundamental friendship and that their disagreements would be resolved long before reaching the point at which blows are exchanged. Conversely, when states find themselves in a dangerous hair-trigger situation, their leaders should be more cautious so that their actions will not produce an unwanted confrontation or escalation.

This line of reasoning illustrates my earlier point about people being strategic and being capable of planning their moves in anticipation of others' reaction. The example introduced above also provides an unusual interpretation that disagrees with conventional wisdom. In the analyses that follow, I offer other inferences and conjectures, such as those about the prospects of US military intervention in the Taiwan Strait, the danger of China's resort to armed forces in its maritime disputes, and the probable effects of democratization on Beijing's foreign policy. These inferences and conjectures often offer unorthodox propositions. These propositions could of course turn out to be wrong. Whether they do, or do not, is an empirical matter – to be settled by history's verdict. Falsifiable prediction provides one (albeit an important) criterion for judging the validity of our analysis. Being explicit rather than vague in stating one's propositions is an analytic virtue, and even if a proposition is contradicted by subsequent events it is helpful for advancing our knowledge. What the readers of this book will not encounter is an "echo chamber" that repeats much of the received wisdom featured in many extant studies of China's foreign relations. What is sometimes taken as a matter of fact reflects rather constructed reality and common interpretation shared by members of particular communities. An unnamed Wall Street pundit has been quoted saying, "I get scared when everyone gets to one side of the boat." Irving Janis (1982) has coined the phrase "group-think" to describe the tendency for people, even very smart ones, to jump on the conveyor belt of conventional and consensual thinking.

What about cognitive and affective factors?

Rationalist explanations attend to the common structure of decision making faced by all incumbent officials regardless of their national origin. This perspective introduces generic considerations – rather than turning to cognitive and affective factors that influence the views and motivations of particular leaders, organizations, or cultures – as the first order of business for empirical inquiry. This analytic disposition suggests that we should consider common structural properties in attempting to understand decision choices before resorting to those variables pertaining to lower levels of analysis.

Certainly, motivated biases and just plain ignorance have contributed to distrust and miscalculation in interstate disputes. It is, however, usually difficult for analysts to make such causal attributions when they lack good access to classified archives disclosing the pertinent officials' actual perceptions and true reasoning (retrospective memoirs and even contemporaneous documents may suffer from well-known validity problems due to their authors' natural desire to bolster their political position and protect their reputation). We know that officials often disguise their real intentions and issue statements that later turn out to be false or misleading. I argue in this book that in many situations, one does not necessarily have to invoke perceptual or judgmental errors (or for that matter, divergent cultural dispositions) in order to explain the occurrence or escalation of interstate disputes. In advancing this argument, I do not mean to suggest that these variables are irrelevant or unimportant. Rather, their analytic purchase should be judged by the extent to which they are able to address that which has not yet been accounted for by generic rationalist explanations. One should consider the more general or commonly shared factors in proposing explanations before introducing others that are less so.

This analytic posture raises the possibility that dispute impasse and conflict recurrence may be due to common, even understandable, reasons that are inherent in the nature of interstate relations. As in the game of poker, deliberate misrepresentation (i.e., deception intended for the very purpose of inducing misperception and causing misjudgment) and imperfect information (in the sense that one lacks access to observe a foreign counterpart's decision processes) are an integral part of the nature of interstate interactions (what is the point of playing poker if bluffing is not allowed or if the players can see others' "hole cards"?). As Mark Twain reportedly quipped, "what makes a horse race is a difference of opinion." The same goes for poker games and interstate disputes – and as I will argue later, these differences of opinion are not necessarily a result

of psychological biases or cultural misunderstanding. It is also pertinent to note that as the reference to horse races (or other such comparable situations, for example stock transactions and sports matches such as the games of the National Football League; Kirshner 2000) suggests, a difference of opinion can exist even when complete information is publicly available to all the participating actors.

War is a costly business. The belligerent countries expend money, lives, time, and political goodwill on their fight, resources that could have otherwise been used for other purposes. War is also a risky proposition because it can end badly for these countries, sometimes ending in their military defeat and foreign occupation. The leaders of the vanquished can suffer not only the loss of their political power but also their personal demise (e.g., Adolf Hitler, Benito Mussolini, Hideo Tojo, and Saddam Hussein). If the leaders of the opposing sides had reached an agreement to settle their dispute peacefully, they would have spared themselves the costs and risks associated with fighting a war. They could not reach such an agreement because they did not have 20/20 foresight about how a military conflict would eventually turn out. What factors then stand in the way of their ability to anticipate this outcome? Even though leaders realize that wars are inefficient in the sense just described, they still often decide to fight instead of coming to a negotiated settlement. This phenomenon presents the central analytic puzzle that scholars of bargaining theory try to explain (Blainey 1973; Fearon 1995; Gartzke 1999; Wagner 2000).

As the proverbial saying goes, it takes (at least) two to tango. To state the obvious, the persistence of China's maritime disputes with the other claimants is a result of their discordant expectations. When the parties continue to carry on and even escalate their dispute, they evidently believe that their behavior will gain for them a better deal than their counterpart is currently willing to accept in a negotiated settlement. When they choose war to settle their differences, both belligerents must believe that they hold a stronger hand than they are given credit for by their opponent (Fearon 1995). A resort to arms thus becomes a way for both sides to communicate their greater resolve or stronger capabilities that in their view should entitle them to a more favorable settlement (they use military displays and actual fighting to do the "talking" for them just as poker players rely on their betting to communicate or represent the strength of their hand). Typically in such situations, the costlier and riskier the signals to a sender (costs whether in terms of tangible resources or intangible reputation, and risks in the sense of Schelling's 1966 advice of following policies that deliberately leave something to chance), the more likely that this sender is sincere and not bluffing (even though he/she can still be wrong). This is so because insincere actors (i.e., those

who are just pretending) would not have accepted the high costs and great risks that a sincere actor is willing to take on in order to demonstrate his/her seriousness. The fact that the contestants evidently disagree about the terms of a possible settlement does not necessarily imply that cognitive and affective distortions are responsible for this disagreement. This disagreement can also stem more fundamentally from the inherent structure of their relationship. Both contestants cannot be correct in their discrepant anticipation of how a protracted dispute or military confrontation (or horse race) will turn out, and in that sense there must be miscalculation by at least one and perhaps even both sides.

It also stands to reason that when a dispute results in a standoff and negotiation is at an impasse, the parties are likely to have different expectations about what the future holds. If both sides had shared the same expectation of the future, they could and would have settled on the basis of that common anticipation, thereby sparing themselves the costs of a gridlock in the meantime. In other words, one strong plausible reason for holding out is if one believes that the prevailing trends and also one's own ongoing efforts can make a difference in changing the future in one's favor – or more accurately, in demonstrating or enhancing one's bargaining position to a greater extent than the other side is currently willing to acknowledge and concede. Again, both sides cannot be right even though they can both be wrong in continuing a deadlock – unless of course delaying a deal into the future will somehow make both sides better off (which of course begs the question of what is preventing them from reaching this deal now).

Playing for time may make sense if the costs of accepting and ratifying an agreement are expected to abate in the future. These prospective costs very much include calculations about domestic partisan politics (such as anticipated hostile popular reaction to reaching an accommodation with a foreign adversary and criticisms from domestic lobby groups, opposition parties, and dissident elite segments). Thus, for example, several US presidents were said to have professed a readiness to initiate supposedly controversial policies, such as ending a foreign war (e.g., Vietnam, Afghanistan) or conciliating with an adversary (e.g., China, Cuba), after having secured for themselves a second term in office. Significantly, this formulation points to a potential principal-agent problem: the chief negotiator (e.g., the president) and the country he/she is representing may not have identical interests, so that the chief negotiator may postpone or veto a foreign deal even if it may be politically feasible and in the country's objective interest (Putnam 1988). Another important implication of this perspective is that officials may put off reaching a deal if they expect that their foreign counterpart's next administration will be more