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The U.S.-China power transition is approaching a critical juncture. The rapid economic influence and naval capabilities in East Asia has challenged the East Asian security order and long-standing U.S. regional security interests. And as the gap in U.S.-China maritime capabilities continues to narrow, the challenge of maintaining regional stability and great power peace will grow. In these rapidly changing strategic circumstances, the demand for moderate and judicious U.S.-Chinese leadership is especially acute.

Power transitions are always difficult and the U.S.-China power transition is no exception. As a rising power, China is expected to seek greater security in East Asia. It cannot be satisfied with a regional order that was established when China lacked naval capabilities and that grants the United States unchallenged access to naval and air force facilities in its allies and security partners in Peninsula to the Malaccan Strait. The mere presence of the superior periphery challenges Chinese economic interests and its maritime interests. Since the collapse of the Soviet Union, challenge to this order is the expected ambition of a rising power.

But it has been difficult for the United States, East dominant and status-quo maritime power to acquiesce to a revised regional order that would present the United States

with reduced security. American

Partnership. Chinese participation in regional trade agreements contributes to its greater relative economic influence in Asia, especially in the aftermath of the U.S. withdrawal from the U.S.-sponsored Trans-Pacific Partnership.

trade power is reflected in its growing tendency to use economic sanctions to compel U.S. security partners to accommodate Chinese interests.¹ Chinese economic sanctions against South Korea, Japan, and the Philippines, in retaliation against their

The recent [redacted] is as impressive as the rise of Chinese economic power. China now possesses a large and growing number of many classes of modern naval ships, including highly capable submarines, destroyers, frigates and fast-attack craft.² Its submarines can obstruct US naval access to [redacted] internal seas. Its surface ships are equipped with advanced cruise missiles that can target U.S. surface ships throughout the region. And its land-based ballistic missiles extend Chinese targeting capabilities to the furthest reaches on the South China Sea and to U.S. facilities on Guam. Moreover, China is modernizing its aircraft industry, making progress toward production of advanced indigenous aircraft and reducing its dependence on Russian aircraft production. Altogether, the naval and air capabilities [redacted] increasingly

The result of military modernization program and its land reclamation activities is that China is no longer simply a rising military power. It is now a naval great power in East Asia. U.S. advanced technology, experience, and training have enabled the United States to retain regional military supremacy, but the gap between China and the United States has narrowed considerably; China is now an East Asian power competing with United States for strategic influence and the alignment of the smaller countries throughout East Asia. The Chinese leadership has acknowledged that China

Predictably, Philippine policy elicited strong Chinese resistance. The Chinese cordoned off the lagoon inside the disputed Scarborough Shoal, preventing Philippine boats from entering traditional Philippine fishing waters. With vessels of hovering nearby, Chinese coast guard boats also harassed Philippine boats fishing in disputed waters near Scarborough Shoal and elsewhere in the South China Sea. At the same time, Chinese sanctions against Philippine banana exports to China weakened the Philippine economy. Moreover, the Philippines found itself isolated in Southeast Asia. Other Southeast Asian countries, with the partial exception of Vietnam, understood the minimal economic value of the disputed territories and waters and the costs of challenging Chinese sovereignty claims; they maintained their distance as the Philippines contended with China both at the Permanent Court of Arbitration and in Southeast Asian diplomacy.

Given the high costs and questionable benefit to Philippine interests in cooperating with the United States to challenge Chinese sovereignty claims, it was perhaps just as predictable that President Rodrigo Duterte would reverse Philippine policy.⁴ He distanced

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Philippine dispute and that the dispute was best ignored, rather than negotiated. He reduced U.S.-Philippine naval cooperation in disputed waters and expanded Chinese naval access to Philippine

and it allowed Philippine fishing boats to return to Chinese-claimed waters in the South China Sea.

Vietnam has also reevaluated cooperation with the United States. In 2012 Hanoi welcomed Secretary of Defense Leon Panetta to Vietnam. Panetta reported said that U.S. access - Obama administration lifted the ban on U.S. arms sales to Vietnam and in 2015 it agreed to expand U.S. exports to Vietnam of military equipment and technologies, provided aid to Vietnam to purchase U.S. ships, and included Vietnam in its Southeast Asia Maritime Security Initiative, helping Vietnam bolster its maritime intelligence, surveillance, and reconnaissance capabilities. In 2018, a U.S. aircraft carrier anchored off the Vietnamese coast near Danang.

But, in a manner similar to South Korea and the Philippines, Vietnam adjusted its policy to accommodate Chinese interests. After heightened maritime tension in 2011 2012, Vietnam jailed anti-Chinese nationalists, restrained its support for the Philippines in its dispute with China, and assured China that it would not involve the United States or international law in its dispute with the PRC. In 2014, when Chinese oil drilling in disputed waters led to a maritime confrontation and to anti-Chinese demonstrations in Hanoi, Vietnamese leaders expressed regret for the protests and assured China that it would not challenge the status quo in the South China Sea. In 2017, Vietnam ended its joint oil drilling operations with the Spanish energy company Repsol in Chinese-claimed waters inside the Vietnam-claimed special economic zone.

China has also expanded defense cooperation with Southeast Asian countries. In 2015 China and Malaysia held their first joint military exercise and in 2017 they established a high-level defense committee to expand cooperation. In 2017 China and ASEAN agreed to hold their first region-wide naval exercise and in 2018 Chinese and Southeast Asian naval forces staged

their first computer-simulated drills to enable joint responses to maritime emergencies. Chinese-led naval exercises pale in comparison to the size and sophistication of U.S.-led exercises, but they are part of a larger trend of growing region-wide security cooperation with China.

The American Response to Rising China

All of these developments in Chinese policy present clear challenges to the U.S.-dominated post-World War II Asia-Pacific regional security order. They challenge the stability of American cooperation with its allies and security partners in East Asia and the security of U.S. naval operations throughout maritime East Asia. And they have elicited a strong U.S. response aimed at constraining Chinese naval expansion and at maintaining the stability of U.S. alliances in maritime East Asia.

Expanded U.S. Naval Presence in East Asia in East Asia

The Obama administration decided that the rise of China required the U.S. Navy to deploy a larger percentage of its fleet in the waters of East Asia and the Western Pacific, and the Trump administration has developed what it calls the Indo-Pacific strategy. Faced with Indo-Pacific strategy promotes naval cooperation with Japan, India and Australia. Those states can provide access to air and naval facilities that are far from China's missile and submarine bases. The United States is also expanding the range of its aircraft to enable power projection into the South China Sea from facilities in India and Australia.

As China has challenged the East Asian security order, Washington has increased the size and the frequency of its high-profile naval operations in East Asia to signal its commitment to maintaining the regional order. Its freedom of navigation operations (FONOPS) aim at more than simply reinforcing the U.S. commitment to international legal principles. Rather, high-profile and frequent FONOPS in close proximity to Chinese reclaimed territories in the South China Sea seek to make clear, to both Beijing and security partners, that the United States will resist Chinese challenges to the maritime status quo and that it will fulfill its commitments to defend its allies. During the Obama administration, the U.S. Navy carried out highly publicized operations within twelve miles of Chinese reclaimed islands and Chinese-claimed islands and reefs. With the Trump administration, the frequency and scale of these operations has increased.

U.S. Naval Build-Up .

The U.S. response to China naval expansionism has also focused efforts to strengthen U.S. naval capabilities. The U.S. Navy is developing longer-range ship-based anti-ship missiles and longer-range modern navy and missile systems. It is developing capabilities to contend with the threat of attacks on U.S. naval vessels by Chinese ships. It is also developing directed energy and long-range anti-ship hypersonic railgun technologies. Most significant, the Navy is focused on developing large quantities of drones as its cost-effective and long-term response to the rise of China power. It is developing undersea anti-submarine and anti-mine drones, miniature reconnaissance drones that can allow simultaneous targeting of multiple Chinese platforms, carrier-based attack

drones and refueling drones, air-launched electronic warfare drones, and unmanned surface vessels for minesweeping operations.⁵

U.S. economic policy has also suggested its determination to resist the rise of China. The ill-advised opposition to Investment Bank signaled Beijing that Washington opposed even the most benign Chinese initiatives. And protectionist trade policies signals China and suggests to the entire region U.S. intention to weaken the Chinese economy and reverse the rise of China.

Challenges of the Power Transition

The U.S.-China relationship is approaching a critical stage. The power transition in East Asia has accelerated, and the gap between American and Chinese capabilities has significantly narrowed. This trend has challenged the regional order and has contributed to a significant escalation in U.S.-China strategic competition. Maritime tension in the South China Sea, in particular, is increasingly worrisome. Moreover, the power transition will likely intensify over the next decade. This trend in U.S.-China relations can undermine regional stability and it will heighten the risk of U.S.-China maritime hostilities.

Thus far, both U.S. diplomacy and Chinese diplomacy have contributed to increased great power tension, rather than to constrained power-transition competition. Chinese observers routinely accuse the United States of trying to prevent the rise of China. Regardless of actual U.S. intentions, Washington has signaled China that this is its intent: Trump's rapid escalation of

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Systems (Short Versio <https://assets.documentcloud.org/documents/4486563/Navy-UxS-Roadmap-Summary.pdf> last accessed September 27, 2018).

the U.S.-China trade conflict, high-profile exercises in the South China Sea, U.S. insistence on deployment in South Korea of a radar system for THAAD that can cover Chinese land-based missile sites, its effort to develop a strategic presence in neighboring Vietnam, and the rhetoric in U.S. government reports all suggest uncompromising opposition to increased Chinese strategic presence in East Asia.

But, regrettably, Chinese diplomacy has signaled its intent to oust the United States from East Asia. Since 2012, China has carried out a succession of coercive economic sanctions against U.S. allies South Korea, Japan and the Philippines; its ships have forcefully challenged Japanese and Philippine maritime claims; it declared an air defense identification zone for the East China Sea; it began drilling for oil in disputed waters in the South China Sea; it engaged in extensive construction of artificial islands in the South China Sea and then conducted a rapid military build-up on these maritime platforms. It should not be a surprise that the United States, as well as many East Asian countries, have become suspicious of Chinese intentions.

In this context, it is worrisome that U.S. and Chinese military ships and aircraft now operate in close proximity to each other with increasing frequency. They routinely shadow each other, and Chinese ships now challenge U.S. ships conducting FONOPS in Chinese-claimed waters. Despite the development of the U.S.-China Code for Unplanned Encounters at Sea (CUES) and other conflict-management agreements, close encounters at sea frequently occur and accidents can happen.⁶

⁶ See, for example, Steven Lee Myers, "American and Chinese Warships Narrowly Avoid High-Seas Collision," *New York Times*, October 2, 2019, at <https://www.nytimes.com/2018/10/02/world/asia/china-us-warships-south-china-sea.html> last accessed on October 2, 2018).

There have been earlier post-Cold War incidents in U.S.-China relations, including the 1999 U.S. bombing of the Chinese Embassy in Belgrade, the 2001 collision between U.S. and Chinese military aircraft over the South China Sea, and the 2009 encounter in the South China Sea, during which the surveillance ship USS Impeccable sprayed an approaching Chinese ship with its fire hose. In each of these cases, the United States and China acted with restraint. China

They thus cooperated to deescalate quickly the conflicts and restore cooperative relations. But in the future, as the power transition approaches a critical stage in which American and Chinese power is more evenly distributed, it is not at all clear that either China or the United States will be able to exercise similar restraint. During a crisis, Chinese political and military leaders may

leadership acknowledgement that Taiwan cannot be an independent country;
that actively seeking sovereign independence is detrimental to Taiwan security and economic
interests and is no longer an option for Taiwan

of military decision-making. They will also have to resist nationalist pressures from society and/or from political opposition either for military approaches to conflicts of interests or, at moments of acute tension, for crisis escalation. Nationalism has been a significant factor in many prior power transition conflicts.⁷ Constructive U.S. and Chinese conflict management will require U.S. and Chinese leaders to resist such nationalist pressures and the temptation to use nationalist diplomacy to enhance their domestic legitimacy.

During this era of rapidly transforming great power relations, the United States and China share unique leadership and responsibilities for the maintenance of East Asian peace and stability. Given current trends in U.S. and Chinese diplomacy, the prospects for maintaining great powers of

Nonetheless, bilateral and global cooperation will not be a substitute for Chinese restraint in its use of its improved maritime capabilities or for U.S. accommodation to its reduced role in regional affairs. In great power relations, it is all too common for security interests to drive heightened instability and crisis escalation, despite extensive cooperation in other areas.

The course of U.S. China relations will depend on whether or not U.S. and Chinese leaders can develop policies of patience, restraint, and accommodation as they both adjust to China's rising capabilities. Accommodating a new power into the international system is perhaps the most difficult challenge for diplomacy. But this is the challenge that confronts both American and Chinese leader. Given current trends in both Washington and Beijing, there is reason for concern that leaders in neither country are up to the task.