



SAGE Intelligence Brief –

CHINA'S RISING INFLUENCE AND THREAT IN THE INDO-PACIFIC REGION

Dr. John Bruni
SAGE International
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Executive Summary: Since 2017, China's assertive actions in the Indo-Pacific region have raised significant concerns among international observers. The People's Republic of China (PRC), under the leadership of Premier Xi Jinping, has pursued an aggressive agenda, marked by territorial disputes, economic coercion, cyber-espionage, and military posturing. This analysis examines key aspects of China's strategic behaviour, its historical context, and the evolving geopolitical landscape.

Historical Context and Economic Foundations: China's transformation from a peasant-based agrarian economy to an industrial powerhouse began with Deng Xiaoping's "Opening" in 1978. Foreign investments and the relocation of Western industries fuelled China's economic miracle, laying the groundwork for its subsequent military advancements. Unlike historical hegemonic powers, such as Imperial Japan, China's rise is characterised by economic interdependence with the West, particularly in manufacturing and trade.

Military Build-up and Island-building in the South China Sea: By 2012, China, under Xi Jinping, began professionalising and modernising its military, triggering concerns in Western capitals. The island-building program in the South China Sea, starting in 2013, raised alarm, with President Obama's administration failing to formulate a robust response due to distractions in the Middle East. The Trump administration witnessed increased Sino-American tensions, including a trade war and strategic aggression in the South China Sea.

Deteriorating Relations: The onset of the COVID-19 pandemic further strained Sino-American relations, with Australia also becoming embroiled due to Prime Minister Scott Morrison's call for an international investigation. Retaliatory measures from China, including sanctions and cyber-attacks, intensified the rift. Despite recent attempts to mend relations by Australia and the United States, covert Chinese support to Russia in the Ukraine conflict and efforts to undermine American economic dominance through BRICS complicate contemporary diplomatic efforts at thawing relations.

Strategic Importance of Taiwan: China's escalated military activities around Taiwan, coupled with its reunification ambitions, pose a significant threat to global stability. Taiwan's position as the world's leading producer of advanced semiconductors adds a critical dimension. The Biden administration's Chip Act underscores the strategic importance of semiconductor

technology, and a potential Chinese takeover of Taiwan could disrupt global semiconductor supply chains, impacting AI and green technology development.

Limited Alliances: The PRC, unlike the United States or even the former Soviet Union, has no network of formalised strategic alliances that could assist the country in building a larger international footprint. The only formal alliance the PRC has is with North Korea (signed in 1961), a country that it does not enjoy close, fraternal relations with due to major differences in national priorities between the Kim dynasty and the Chinese Community Party (CCP). While some have suggested that Cambodia might host a major Chinese military presence in Southeast Asia, and the China-Myanmar and China-Pakistan Economic Corridors may bring these two states into China's orbit, neither of these ambitious China-led programs seem close to completion. Currently the only known overseas Chinese base of operations is a small naval detachment in Djibouti, on the Horn of Africa, where it shares port access with the United States, France, Italy, and Japan for anti-piracy duties in the adjacent Arabian Sea.

Implications for Global Power Dynamics: China's ambition to challenge American economic and military dominance is evident through its involvement in the BRICS (Brazil, Russia, India, China & South Africa economic grouping) and aggressive military posturing limited to the East China Sea (ECS), the Taiwan Strait and the South China Sea (SCS) – China's 'near seas' is an important consideration. Strategically this shows that China has an essentially 'defensive' posture since much of its surface fleet and airpower are expected to operate under the country's Anti-Access/Area Denial A2AD shield deployed along the Chinese mainland coast.

Conclusion: China's rise as a global power, marked by assertive actions in the Indo-Pacific, especially provocative military exercises near Taiwan & the Philippines presents multifaceted challenges. Balancing economic interdependence, strategic competition, and potential military conflicts require a comprehensive and adaptive international response. As tensions persist, the evolving dynamics in the region demand continuous monitoring and strategic recalibrations to maintain stability in the face of China's growing influence.

This analysis is subject to evolving developments in the region, and further updates may be warranted.

About SAGE International:

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