

# **NO SAFE HARBOR**

## **Countering Aggression in the East China Sea**

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Center for a  
New American  
Security

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## About the Asia-Pacific Security Program

The Asia-Pacific Security Program seeks to inform the exercise of U.S. leadership in Asia by analyzing how the United States can rebalance its priorities, shape a rules-based regional order, modernize traditional alliances, build the capacity of new partners, and strengthen multilateral institutions and respect for the rule of law. From exploring rising maritime tensions in the region, to crafting ways to renew key alliances and partnerships, to articulating strategies to extend and enhance U.S. influence, the program leverages the diverse experiences and background of its team, deep relationships in the region and in Washington, and CNAS' convening power to shape and elevate the conversation on U.S. policy across a changing Indo-Asia-Pacific.

## Key Insights & Recommendations

### KEY INSIGHTS

The problem of deterring hybrid, irregular, and gray-zone challenges meant to stay below the threshold of outright conflict is expected to keep rising in maritime Asia, as a confident and more powerful China seeks to restore its historic position in the region.

The ultimate importance of the Senkaku Islands is that they are a bellwether for how well China can exploit gray-zone situations and a shifting balance of power that one day may allow Beijing to pull the trigger on the use of force in a decisive change of fortunes.

Despite strong U.S.-Japan alliance cohesion, there are potential seams that could open during a crisis in the East China Sea. Among areas requiring alliance focus are:

- Reconciling divergent estimates of Chinese intentions as tensions rise
- Determining which ally should take the lead in responding to China
- Allowing for America's more "strategic" and Japan's largely "legal" approach to decisionmaking
- Determining how Article V of the U.S.-Japan Treaty of Mutual Cooperation and Security applies to ambiguous scenarios
- Ensuring readiness to confront new technologies such as cyberwarfare and the use of unmanned vehicles, especially unmanned underwater vehicles (UUVs).

An overriding challenge for both the United States and Japan is balancing the need to impose costs on China with the need to de-escalate tensions in the event of an East China Sea scenario.

- China may seek to exploit the speed of its decisionmaking process as an advantage
- The alliance may derive benefit from avoiding tit-for-tat responses by shifting the domain of confrontation to another type or place of competition other than the use of military forces at the point of tension.

### RECOMMENDATIONS

- Clarify and deepen America's Article V security commitment to Japan regarding gray-zone challenges.
- Establish an information operations center within the U.S.-Japan alliance
- Maintain a sufficient deterrent force to respond to low-level provocations and challenges
- Prepare for China to deploy new technologies in ambiguous situations
- Address cyber vulnerabilities, especially within Japan but also across the alliance.

## Introduction

China is challenging America's and Japan's long-standing ability to uphold a peaceful order in the Asia-Pacific region. This is particularly true in the East and South China Seas between the Asian mainland and maritime Asian nations. An increasingly assertive China seeks to revise the postwar security system from which all nations have derived benefit. China's inroads into the South China Sea have encountered relatively few impediments, but in the East China Sea a strong U.S.-Japan alliance has blunted Beijing's efforts to rewrite unilaterally the rules of the road. The problem of how the U.S.-Japan alliance preserves stability when confronted with low-level challenges and provocations in the East China Sea prompted the Center for a New American Security to analyze three defense planning scenarios centered on the Senkaku Islands. This report presents the key findings from the tabletop exercise held in December 2017.

In maritime Asia, China advances its power and influence through limited exertions of sovereignty beneath a threshold of armed force.<sup>1</sup> Despite occasional steps by China, Japan, and the United States to reduce tensions and the risk of inadvertent conflict, these so-called gray-zone situations are likely to increase in the decade ahead.<sup>2</sup> Indeed, as Chinese leaders gain confidence and their ambitions swell, Beijing's heretofore incremental and indirect approach may become more risk-acceptant, to the point of seeking to provoke a direct confrontation.<sup>3</sup>

### **An increasingly assertive China seeks to revise the postwar security system from which all nations have derived benefit.**

Thus far, however, China has not needed to resort to the use of force to achieve its basic aims. Despite a landmark 2016 judgment by the Permanent Court of Arbitration in The Hague, China has physically backed, through military and paramilitary presence, excessive rights to a "nine-dash line" area covering most of the South China Sea, including areas claimed by at least four other countries, plus Taiwan.<sup>4</sup> Similarly, although Japan has administered the Senkaku Islands in the East China Sea since their reversion from the United States nearly half a century ago, China often conducts provocative maritime and air maneuvers near the islands to affirm what it contends is a historic entitlement to sovereignty.<sup>5</sup> The CNAS exercise sought to determine whether Japan and the United States are on the right course to head off

further gray-zone challenges in the years ahead: Are they acquiring the right capabilities, integrating the capabilities within Japan and across the alliance, and anticipating the range of innovations China may employ to change the status quo?

### **Defining the Challenge**

Defense of the Senkaku Islands in the East China Sea illustrates a multilevel contest facing both Japan and the U.S.-Japan alliance. The issues are at least threefold:

- Japan's domestic law-enforcement and self-defense capabilities with respect to protecting and administering its remote islands.
- The U.S.-Japan alliance's political will and ability to deter aggression, especially against gray-zone challenges short of resorting to military attack.
- The postwar Asian order's durability when faced with China's mounting unilateral challenges to the status quo.

In the aftermath of World War II, vanquished and occupied Japan was forced to expunge the sources of militarism and accept democratization. But the drafters of the postwar constitution deliberately preserved Japan's right of self defense. Japanese politicians imposed additional strictures on how to define self defense, created barriers between domestic security and external security, and constrained the right to participate in collective security arrangements.<sup>6</sup> Although the 1991 Persian Gulf War, periodic threats from North Korea, and wars in Afghanistan and Iraq raised questions about Japan's constitutional limits, the dramatic rise of China has done much to galvanize Prime Minister Shinzo Abe's push for a more "proactive" Japanese defense capability. Only in recent years has Japan had to contend with the prospect of having its domestic law-enforcement institutions, especially the Japan Coast Guard, outmatched in number and capability by an external actor. This imbalance and challenges to control of the Senkaku/Diaoyu Islands raise elementary questions about Japan's future ability to defend territory under its administration.

U.S. security guarantees have played a major part of Japan's postwar national defense posture. Only recently, however, has the United States felt the need to reaffirm repeatedly Article V of the bilateral defense treaty, which states that "Each Party recognizes that an armed attack against either Party in the territories under the administration of Japan would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional provisions and processes."<sup>7</sup>



As a part of this affirmation, on a trip to Tokyo in 2014, President Barack Obama openly declared that U.S.-Japan treaty obligations cover the Senkaku Islands.<sup>8</sup> President Donald Trump repeated the commitment during his first month in office and together with Abe pledged to safeguard security in the East China Sea. The two leaders underscored that “The United States and Japan oppose any attempt to assert maritime claims through the use of intimidation, coercion or force.”<sup>9</sup> But the fact that China has continued to press its claims through coercion has raised questions about the alliance’s resolve, in reality and perception, going forward.

**Although China poses the most formidable long-term challenge to the existing order, it is by no means alone, and how the United States and Japan manage this particular challenge will be closely watched.**

Finally, China’s assertiveness threatens the regional order. Although China poses the most formidable long-term challenge to the existing order, it is by no means alone, and how the United States and Japan manage this particular challenge will be closely watched. The 2018 U.S. *National Defense Strategy* describes an intensifying strategic competition in gray-zone situations in the following context: “Both revisionist powers and rogue regimes are competing across all dimensions of power. They have increased efforts short of armed conflict by expanding coercion to new fronts, violating principles of sovereignty, exploiting ambiguity, and deliberately blurring the lines between civil and military goals.”<sup>10</sup>

In East Asia and the Pacific, the U.S.-Japan Treaty of Mutual Cooperation and Security remains the linchpin to deterrence and security.<sup>11</sup> But with so much rapid change in the regional and global balance of power, will Japan be able to muster a sufficient self-defense capability, even if backed by the U.S. alliance? And thus can the United States and Japan prevent irregular, hybrid, gray-zone challenges from eroding the regional order over time?

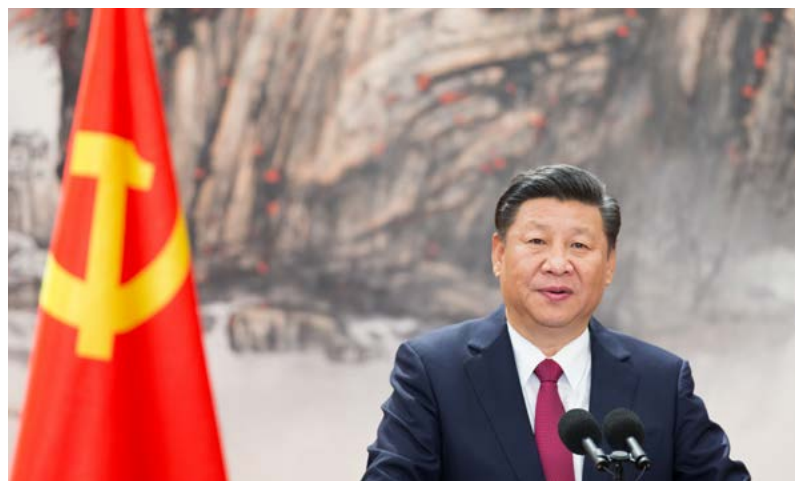
To test this question, last year the Center staged a tabletop exercise to examine allied strategy and defenses against an array of threats against Japan’s most remote islands – the most likely Sino-Japanese flashpoint.

## Setting the Context

The mounting contest over the East China Sea concerns both physical control and rule-making power. Five uninhabited islands at the end of the Ryukyu Island chain are arguably the most incendiary flashpoint where the maritime and air forces of the world’s three largest economies are apt to clash. Geographical realities dominate: They make it difficult for two large Asian powers to have sufficient room to secure their defenses and interests, and the island chain forms a natural set of chokepoints that underscore China’s long-standing fear of encirclement.

As China’s growing economy has enabled a massive expansion of military power, an increasingly capable China has also become more confident and assertive.<sup>12</sup> At the 19th Party Congress of the Chinese Communist Party (CCP) in October 2017, Chairman Xi Jinping called for a restoration of historic Chinese sovereignty and centrality in regional and world affairs. Meanwhile, Japan is shedding its postwar pacifist constitution, and Abe is determined to leave a legacy legitimizing the role and expanding the power of the Japanese Self-Defense Forces (JSDF). The United States, tied to Japan through a treaty alliance and in broad strategic vision in calling for a “free and open Indo-Pacific,” has repeatedly asserted its commitment to the defense of Japan, including remote islands administered by the country.

While tensions surrounding the Senkaku Islands magnified beginning in 2012, the context of any growing crisis also needs to be viewed through a longer historical prism. Even as China and Japan sought to fend off Western powers in the 19th century, an age-old



*Xi Jinping, seen here addressing the 19th Party Congress of the Chinese Communist Party, has called on China to use its military and economic power to establish Beijing as a leader in regional and global issues. (Lintao Zhang/Getty Images)*

struggle for control of Korea sparked the Sino-Japanese War of 1894–95. By the Treaty of Shimonoseki in 1895, China ceded Taiwan, the Pescadores, and the Liaodong Peninsula to Japan.<sup>13</sup>

At the same time, Japan assumed physical and legal control of the Senkaku Islands, which had been uninhabited for about a decade and thus were considered *terra nullius* (“nobody’s land”) by Tokyo.<sup>14</sup> For the next half-century, until the end of World War II, Japanese lived on the islands. Tokyo’s unconditional surrender resulted in the United States’ gaining provisional control of all Japan, including the Senkaku Islands.

In recent years, Beijing has claimed that Japan stole the islands, known as the Diaoyu Islands to the Chinese, and that the wartime conferences in Cairo in 1943 and Potsdam in 1945 committed Japan to returning all confiscated lands to China.<sup>15</sup> Despite conflicting interpretations of intrawar diplomatic promises to China and Taiwan, in the war’s aftermath some 48 nations agreed that the Senkaku Islands were part of Japan as part of the San Francisco Peace Treaty of 1951.<sup>16</sup>

Accordingly, the United States formally gained administrative control over the islands until jurisdiction shifted back to Japan as part of the 1971 Okinawa Reversion Treaty.<sup>17</sup> Since then, Japan has held administrative

control of the five islands as Okinawa Prefecture territories. Also, by the U.S.-Japan security treaty, the United States remains committed to the defense of both Japan and territories under its administrative control.<sup>18</sup>

When China and Japan normalized relations in 1972, Beijing agreed to put aside the territorial issue of the Senkaku/Diaoyu Islands. But within a few years Chinese fishing activity around the islands prompted Japanese concern. In 1988, Japanese right-wing nationalists erected a lighthouse on Uotsuri-jima, the largest of the Senkaku Islands. In February 1992, Beijing enacted a new Territorial Water Act, designating the islands an integral part of China.<sup>19</sup> The next month, Chinese activists landed on Uotsuri-jima but were apprehended and deported.

Tensions around the islands simmered but spiked elsewhere in the East China Sea: namely, along the median line where China and Japan both coveted rich gas fields beneath the sea. A few months after Japan announced permission to drill in the Kashi gas field, the People’s Liberation Army Navy (PLAN) dispatched five destroyers to signal China’s protest. In June 2008, Japan and China reached an accord on joint development of natural gas in the East China Sea, a confidence-building measure that has done little to reduce nationalist tensions in either country.



China and Japan both lay claim over the Senkaku/Diaoyu Islands, pictured here. Japan gained clear administrative control over the islands from the United States as part of the Okinawa Reversion Treaty that went into effect in 1972. But the islands have served as a flashpoint for tensions between Japan and China in recent years. (Al Jazeera English/Wikimedia Commons)

Ironically, in December 2008, a few months after Beijing and Tokyo settled their dispute over the gas fields, China conducted its first government maritime patrol inside the 12-nautical-mile territorial waters around the Senkaku/Diaoyu Islands. In September 2010, Sino-Japanese emotions ran high after a Chinese fishing trawler captain rammed two Japan Coast Guard vessels, and China then exerted economic and diplomatic pressure to compel the captain's release from detention.<sup>20</sup>

### Mounting Gray-Zone Intrusions

In March 2012, a Chinese surveillance ship entered the territorial waters of the Senkaku Islands, and in July multiple Chinese Fisheries Law Enforcement Command vessels intruded into the waters around the islands. Around the same time, the nationalist governor of Tokyo, Shintaro Ishihara, announced plans to purchase three of the islands from a private citizen who held the land titles. In August, Hong Kong protesters landed on Uotsuri-jima, and once again the Japan Coast Guard apprehended and deported them.

The Senkaku/Diaoyu Islands have seen a marked power contest and military and paramilitary buildup since 2012. Hoping to keep the islands out of both private hands and local municipal control, Japan announced in September 2012 that it would purchase the islands.<sup>21</sup> Beijing denounced the nationalization of the islands as “totally illegal and invalid,” and ever since then Chinese maritime and air patrols and activities around the islands have occurred on a routinely assertive basis.<sup>22</sup>

Challenges only continued to mount in the following year. In April 2013, a flotilla of eight Chinese ships intruded into the territorial waters of the islands; in August, four vessels remained in island territorial waters for 28 hours; in September, a drone flew nearby for the first time; and in November, Beijing declared an air defense identification zone (ADIZ) that significantly overlapped with Japan's.<sup>23</sup> These actions were joined with growing military modernization and more assertive military operations, including a spike in fighter aircraft sorties and naval maneuvers that included the first circumnavigation of the Japanese archipelago.

Occasionally such incidents threatened to escalate. For example, in January 2013 a Chinese vessel locked its fire control radar on a Japan Maritime Self-Defense Force (JMSDF) destroyer, and in June 2016 a People's Liberation Army (PLA) Air Force fighter aircraft conducted a dangerous, high-speed approach on a U.S. Air Force reconnaissance aircraft over the East China Sea.<sup>24</sup>

China's intimidation tactics have also included other military powers as well as the heavy reliance on

paramilitary forces. Hence, in May 2014, Russia joined China in a maritime military exercise in the East China Sea.<sup>25</sup> Additionally, in December 2015, a China Coast Guard vessel armed with cannon sailed into the territorial waters surrounding the Senkaku Islands for the first time. There has also been a step-by-step increase in Chinese pressure, as evidenced by a gray-hulled Chinese naval combatant entering the contiguous zone near the islands for the first time in June 2016.

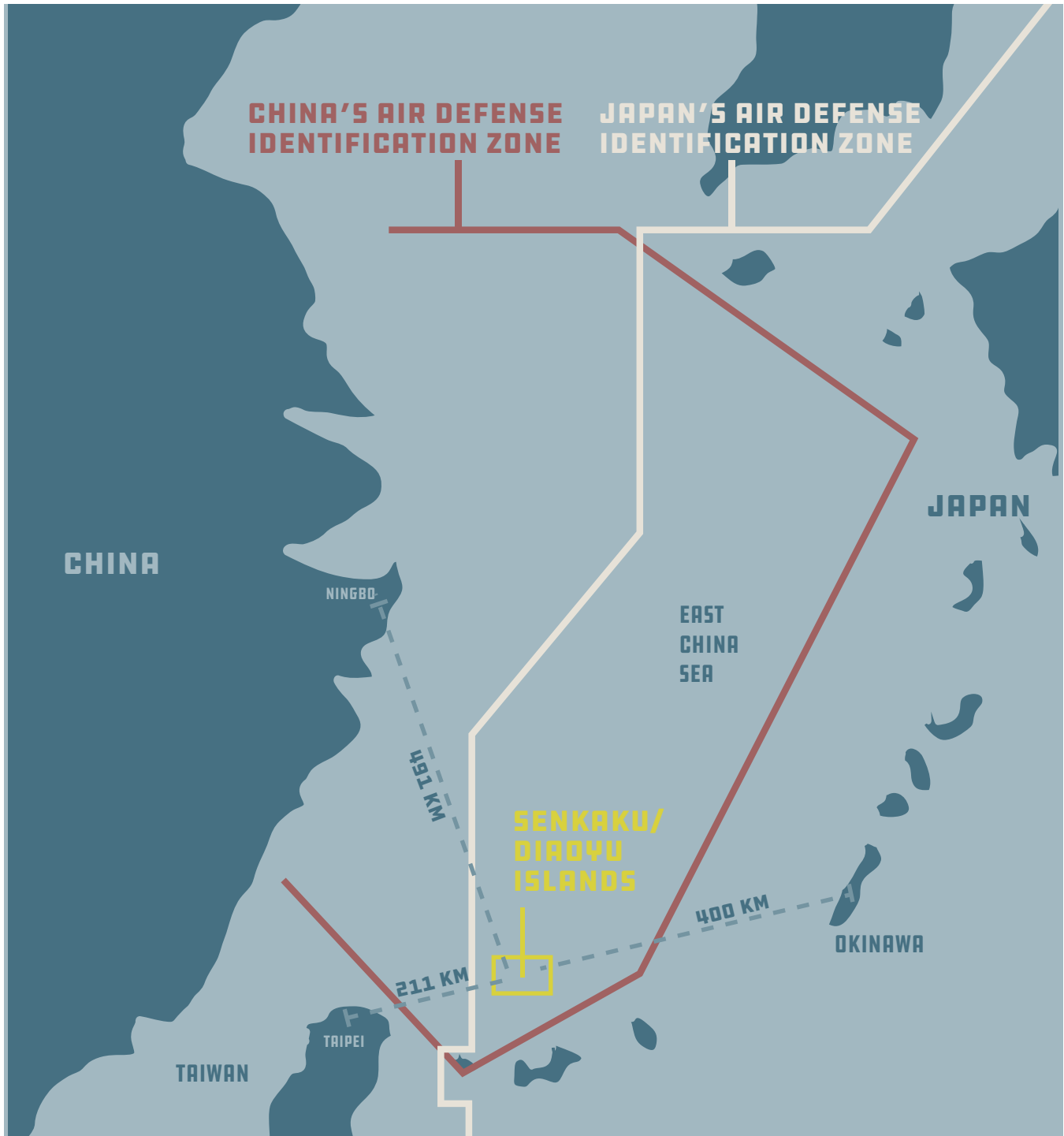
Stepping aside from the tit-for-tat description of challenges and counterchallenges in recent years, there remain basic questions about how the alliance should deal with gray-zone challenges in its maritime domain at a time when China is building a blue-water navy and associated defense and enabling forces.

U.S.-Japan alliance management requires constant effort, something former Secretary of State George Shultz once likened to tending a garden. In past decades, basic tensions in the U.S.-Japan alliance have centered less on strategy than on the division of labor, burden sharing, the conduct of visiting forces, the safety of military training and operations, different legal frameworks and cultures, and close consultation and clear communications. The binary relationship based on overlapping but not identical interests leads to a push-pull dynamic, in which one ally may urge the other to invest greater effort in a particular area and the other resists being pulled too far in that direction. After the collapse of the Soviet Union, the United States pushed Japan to reduce its focus on the defense of the north and focus more on North Korea and out-of-area operations.

In the past decade, Japan has pushed the United States to reassure Japan and give airtight security guarantees over the Senkaku Islands, while also telling Washington that the defense of remote islands is a mission that Japan can handle. The United States and Japan remain determined to work together to uphold international law and defend their respective interests from encroachment, and yet both find it difficult to fashion an effective unconventional strategy for imposing costs on bad behavior and deterring micro acts of aggression. The debate over accepting greater risk is occurring more within each country than within alliance management mechanisms. For instance, Japan is debating the acquisition of so-called offensive strike weapons, and the United States is pondering its regional force posture, if not also the possibility of establishing a joint operational command. Yet the core issue may be the degree of shared political will to tolerate greater risk.

China seeks to unilaterally change the status quo through coercion – using pressure to establish control

REGIONAL AIR DEFENSE IDENTIFICATION ZONES



over the islands, in the first instance by disputing administrative control over them, even though Japan has indisputable administrative control. But as suggested above, China may become more risk-acceptant in the future and willing to use limited force to reinforce and accelerate what it believes is the rightful restoration of its sovereignty and paramount position in regional affairs.

Chinese leader Hu Jintao elevated maritime power in 2004 when he declared that new historic missions for the PLA Navy included sea lines of communication (SLOCs), and recent CCP meetings – including both the 18th and 19th Congresses – have made clear that China fully intends to achieve greater sea control, both in its near seas and outside of the first and second



island chains. China's 2015 defense white paper presented at the 18th Congress states that, "among the goals to be obtained are the ability to protect SLOCs and control key chokepoint, naval power projection into the far seas such as the Indian Ocean and A2/AD [anti-access and area-denial] capabilities. Beijing is demonstrating that it will no longer be submissive to Washington in the maritime areas close to its territory and is determined to assert its control."<sup>26</sup>

It is against this background of history, geopolitics, and force employment in and around the Senkaku Islands that No Safe Harbor was constructed. The subsequent sections of this report describe the exercise to test allied defenses in the East China Sea in three gray-zone scenarios circa 2022; highlight challenges such as imposing costs on Chinese coercion while seeking ways to de-escalate crises; and suggest recommendations for strategy, forces, and operations.

### POTENTIAL CHOKEPOINTS FROM CHINA'S PERSPECTIVE



China's two-ocean strategy aims to overcome the challenges presented by natural geographical chokepoints. This map illustrates those chokepoints from China's perspective.

## The Exercise: No Safe Harbor

On December 5–6, 2017, the Center hosted a high-level tabletop exercise, called No Safe Harbor, premised on a near-future crisis in the East China Sea. The exercise was conceived as a tool to examine where the United States and Japan align or differ in their analyses of a rising China, how their approaches to a hypothetical contingency could be integrated, and to what extent each of the allies felt it had the necessary tools – from strategic concepts to next-generation technologies – to forcefully rebut gray-zone coercion around the Senkaku Islands while still deterring all-out conflict.

### Simulating Three Nations

CNAS designed a setting and series of moves to explore these questions while enlisting three “national” teams staffed by premier policymakers and thinkers. Sixty such participants were divided among the United States, Japan, and China. The U.S. and Japan (the latter of which was Japanese-led) teams were composed of former senior government officials and accomplished scholars (the latter of which was Japanese-led); Beijing-watchers intent on generating novel, dynamic challenges led the China team.

Over the course of two days, the teams faced aggressive gray-zone coercion delivered by unmanned systems, confronted a cyberattack and electronic warfare incident that carried with it civilian collateral damage, and, finally, reckoned with the dangerous mixture of high tensions, worryingly close naval assets, conflicting intelligence, and the chaos of a deadly accident.

Within each move, teams planned their responses, engaged in strategic communications, and selected a course of action they hoped would achieve their country’s goals while avoiding – best as they could – both war and the loss of international credibility. Central to this dynamic was the allies’ desire to de-escalate while preserving other national interests.

The game began with a near-future premise designed to extrapolate forward existing trends while controlling for as many variables as possible. Set in late 2022, No Safe Harbor began with the assumption of increasing tensions in the Indo-Pacific, especially the East and South China Seas. The United States has continued to invest in military systems intended to offset Chinese advances in anti-access and area denial capabilities, a handful of which have been deployed in significant numbers in the Western Pacific.

Politically, we set the stage for a plausible trajectory of confrontation. The exercise assumed that Chinese

President Xi by 2022 only further cemented and extended his power. Beijing also continued to expand its military presence in the South China Sea and, as the game opens in September 2022, is also conducting a major naval force projection exercise in the Philippine Sea focused on practicing power projection.

In Tokyo, Article 9 of the Japanese Constitution has been amended to boost the legitimacy of pre-emptive self defense and the strength of its Self-Defense Forces. In response to increasingly coercive Chinese behavior in the region, Japan and the United States have begun a major annual naval, air, and ground exercise east of Okinawa called Blue Sword, which is also underway at the start of the game – eliciting denunciations from Beijing. To restrain the exercise’s complexity, the scenario also assumed an admittedly optimistic nuclear deal with North Korea, freezing testing of both nuclear devices and intercontinental ballistic missiles.

### Three Shades of Gray

The game comprised three moves set over the course of a few weeks, each of which posed an ascending degree of difficulty.

In Move 1, Japan Coast Guard vessels patrolling the Senkaku Islands found themselves in a gray-zone scenario complicated by recent technological advancements. An unmanned ocean glider operating within 12 nautical miles of Uotsuri-jima, the largest of the Senkakus, caught the Japan Coast Guard’s attention and the vessels pursued, only to be confronted with a swarm of small unmanned drones with unclear – potentially hostile – intent soon thereafter.

Because most Japanese C4ISR (command, control, communications and computers, and intelligence, surveillance and reconnaissance) assets were otherwise committed in the Blue Sword exercises with the United States, the move required the two allies to make decisions with incomplete intelligence under the shadow of thinly stretched strategic capacity. Further, it explored the procedural limitations of joint operations between the Japan Coast Guard and the Maritime Self-Defense Force in events where the lines separating law enforcement from geopolitical coercion became quickly and dangerously blurred.

Move 2 confronted the participants with a next-generation provocation that brought with it unexpected complications – for both the targets and the provocateur. As tensions continued to rise in the Western Pacific, an unknown actor corrupted GPS data in the vicinity of the U.S.-Japanese Blue Sword exercises, resulting in collision at sea injuring seven Japanese sailors. As fingers began

pointing at Chinese cyber or electronic warfare activities, authorities learned that the GPS data corruption had also resulted in collateral damage; two commercial airliners flying within a few hundred miles of the exercise were guided by bad GPS data into intersecting air routes, resulting in a near miss.

This incident prompted a full cyber forensic review across U.S. and Japanese military facilities – a review that also uncovered malicious code seemingly designed to erode electrical grid reliability around those bases that would have coordinated a Senkakus contingency operation. Whether Chinese state or non-state actors intended it or not, electronic provocations unexpectedly accelerated the depth of the crisis – and provided an opportunity to compare whether both the United States and Japan would similarly interpret such actions as a prelude to offensive action by Beijing.

Move 3 examined how the United States and Japan would approach information sharing, intelligence analysis, and alliance coordination in such a crisis. Already tense conditions reached a boiling point when a Japanese surveillance craft observing the Chinese naval

from differing perceptions of China, distinct styles of decisionmaking, and a lack of internal clarity regarding triggers for invoking Article V of the Mutual Security Treaty. The exercise also illuminated the likely dynamics of an escalating crisis pitting the United States and Japan against China. Key insights here included the challenge of imposing costs on Beijing while finding off-ramps to avoid war; the need to shift domains to regain the strategic initiative; the potential for cyber activities to cause escalation; and China’s aggressive use of information operations.

### U.S.-Japan Cohesion

The Center designed the No Safe Harbor exercise to explore potential seams in the U.S.-Japan alliance and maximize opportunities for China to drive wedges during a cascading series of incidents in the East China Sea. To the extent possible, the deck was stacked against the U.S. and Japan teams – for example, by providing them with conflicting intelligence regarding Beijing’s intentions. The China team capitalized on this and attempted to sow division between Washington and Tokyo.

## The exercise demonstrated the alliance’s likely coherence under pressure, while also revealing potential areas of divergence.

force projection exercise in the Philippine Sea collided with a Chinese carrier air patrol during an unsafe midair encounter. Washington and Tokyo then received conflicting intelligence about Chinese intentions as China Coast Guard vessels surged aggressively around the Senkaku Islands. Was it a gesture to save face after the death of a Chinese pilot – or the prelude to a fundamental revision of the regional status quo after a series of provocations? The teams had no choice but to act under this uncertainty.

The Center deliberately sought not to over-script the actors and participants in No Safe Harbor. As the next sections on insights and recommendations suggest, the resulting dynamic and creative interaction among experts yielded a great deal for policymakers to ponder.

### Key Insights

The No Safe Harbor exercise uncovered insights – both positive and negative – relating to the U.S.-Japan alliance’s capacity to weather a series of evolving challenges in the East China Sea. It above all demonstrated the alliance’s likely coherence under pressure, while also revealing potential areas of divergence stemming

Despite the exercise’s structure and the China team’s reinforcing efforts, daylight never emerged between the United States and Japan regarding Beijing’s objectives. In multiple moves, the two allies opted to immediately share sensitive intelligence, thereby enabling the U.S. and Japan teams to develop a shared understanding of likely Chinese motivations. The United States and Japan also regularly consulted before either met with China to ensure they spoke from the same script.

The impressive level of U.S.-Japan coherence in No Safe Harbor is partly rooted in reality. Given that many participants on the U.S. and Japan teams have held senior positions in their respective governments, we are confident that the level of alliance solidarity displayed during No Safe Harbor extends beyond the confines of the exercise. Nonetheless, the exercise could not replicate real challenges to alliance coordination, such as foreign disclosure rules governing the release of sensitive intelligence and the need to align two large and sometimes ponderous national security bureaucracies. In an actual crisis, senior leaders in Washington and Tokyo could not reasonably expect the level of intelligence sharing that occurred in No Safe Harbor. Nor could they bypass their respective bureaucracies, particularly when

implementing complex crisis response options that encompass both military and economic elements. Areas of short-lived confusion between the U.S. and Japan teams during the exercise could in an actual confrontation with China translate into seams in the alliance.

### Potential Alliance Seams

Despite the breadth and depth of U.S.-Japan alliance cohesion, there are potential seams that could open during a crisis in the East China Sea.

#### *Dissimilar Perceptions of China*

Divergent U.S. and Japanese perceptions of China could well emerge in a real crisis, as Beijing has every incentive to telegraph different information to the two allies to slow down their response and weaken resolve. Disagreements between Washington and Tokyo over whether Beijing merely seeks to save face or aims to change facts on the ground could prove particularly damaging in an East China Sea contingency, giving China the time it needs to create a *fait accompli*. In *No Safe Harbor*, the China team attempted to create these divisions but failed due to rapid information sharing between the U.S. and Japan teams. This type of near-immediate exchange of highly sensitive intelligence is not necessarily feasible in the real world.

#### *Divergent Decisionmaking Styles*

Differences in U.S. and Japan decisionmaking styles could inhibit an effective alliance response to a crisis in the East China Sea. The U.S. team's approach was largely driven by strategic considerations of maintaining credibility, upholding the alliance with Japan, imposing costs on China, and avoiding war. Legal considerations rarely entered the team's calculus. By contrast, particularly in Move 1 of *No Safe Harbor*, which featured a Chinese unmanned underwater vehicle incursion into the Senkaku Islands, domestic legal matters occupied much of the Japan team's focus. While the U.S. team in most moves settled upon a course of action relatively quickly, legal discussions tended to slow the Japan team's speed of decision. This dynamic – which participants agreed would likely occur in the real world – could become a source of friction between the two allies.

#### *Uncertainty Over Which Ally Should Lead*

During *No Safe Harbor*, the United States and Japan exhibited differing preferences over which ally should take the lead in responding to China. The U.S. team at the outset of the exercise firmly believed that Japan should take the initiative. American participants feared that a

too-prominent U.S. role would transform an East China Sea crisis into a confrontation between Washington and Beijing and make de-escalation more difficult. The Japan team was somewhat conflicted. Participants wanted Japan to exert leadership and viewed the U.S. role early on as largely providing diplomatic and limited military support, but in practice, they sometimes deferred to approaches put forward by the U.S. team. This in part reflected divergent speeds of decisionmaking but, as the exercise progressed, also stemmed from capability disparities. For example, in Move 2, which revolved around Chinese cyber activities, Tokyo's relative lack of capabilities in this domain compounded the Japan team's inclination to defer to the United States.

#### *Lack of Clarity on What Triggers Article V*

Both the U.S. and Japan teams in the exercise lacked certainty in how Article V of the Mutual Security Treaty would apply to ambiguous scenarios. Under Article V, "Each Party recognizes that an armed attack against either Party in the territories under the administration of Japan would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional provisions and processes."<sup>27</sup> Yet during the exercise, Chinese actions in the gray zone between peace and armed conflict raised questions

## The exercise made amply clear the need for the alliance to quietly determine what Chinese actions would warrant a response under Article V.

in both teams about whether and when to invoke Article V. This was evident in both the first and second moves. The persistent presence of Chinese UUVs near the Senkaku Islands did not constitute a military attack in the traditional sense. Likewise, Chinese GPS spoofing and cyberpenetration – but not disruption – of power grids serving U.S. and Japanese bases also fell short of a kinetic assault. The exercise made amply clear the need for the alliance to quietly determine what Chinese actions would warrant a response under Article V.

#### *Unreadiness for Unmanned Vehicles in the Gray Zone*

The exercise demonstrated that the United States and Japan have given inadequate attention to China's future use of unmanned systems—especially unmanned underwater vehicles or UUVs—in the gray zone. While participants easily understood their potential options for



addressing a surge of China Coast Guard vessels into the vicinity of the Senkaku Islands and the escalation that followed – Move 3 of No Safe Harbor – they initially struggled when confronting the presence of Chinese UUVs. This reflects that U.S. and Japanese policymakers and national security experts have until now largely defined gray-zone maritime challenges in terms of Beijing’s use of fishing fleets and China Coast Guard. Yet as China continues to invest in a diverse array of unmanned systems, it will almost surely begin to leverage them to advance its maritime interests, including in the East China Sea.<sup>28</sup> As the United States and Japan plan for this, a key question is whether such capabilities pose a challenge to Tokyo’s administrative control over the Senkaku Islands. In the exercise, the U.S. and Japan teams differed on this point. American participants viewed a persistent presence of Chinese UUVs as a significant challenge to Japanese administrative control; the Japan team was less concerned, in part because the UUVs were not visible to the public.<sup>29</sup>

### **Crisis Dynamics Involving China**

Hybrid warfare and gray-zone challenges are particularly difficult to deter. An overriding task for both the United States and Japan is balancing the need to impose costs on China with the need to de-escalate tensions in the event of an East China Sea scenario. China may seek to exploit the swiftness of its autocratic decisionmaking. The alliance may derive benefit from avoiding tit-for-tat responses by shifting the domain of confrontation to another type or place of competition other than the use of military forces at the point of tension.

#### *Tension Between Cost Imposition and De-escalation*

Throughout the exercise, a supreme allied challenge was how to penalize aggression without unduly risking escalation. That is, both the U.S. and Japan teams wanted to impose costs on China while finding avenues to de-escalate tensions in the East China Sea. When striking this balance, the U.S. team tended to err on the side of cost imposition. This reflected a conscious recognition that Washington had failed to prevent Beijing’s construction and militarization of artificial islands in the South China Sea and that the United States could not afford a similar failure in the East China Sea. During the exercise, the U.S. team displayed a preference for clear red lines and decisive action – for example, offering the Chinese 24 hours to withdraw their UUVs from the vicinity of the Senkaku Islands in Move 1 and establishing a U.S. no-fly zone over the Senkaku Islands in Move 3. The Japan team was somewhat more cautious in how it managed the

balance between cost imposition and de-escalation. This caution was well-justified, as the China team’s approach throughout the exercise – and likely Beijing’s calculus in the real world – was to pressure Tokyo into making uncoordinated, escalatory choices that created friction with Washington and isolated Japan internationally.

#### *Change Domains to Regain the Initiative*

No Safe Harbor revealed that shifting domains could enable the United States and Japan to regain the strategic initiative. The China team in the exercise sought to use the speed of its decisionmaking process as an advantage. This could mirror Beijing’s approach to a real-world crisis, while the United States and Japan – due to their democratic governments, obligations to consult each other, and commitment to upholding the status quo – could easily fall into a reactionary posture. The U.S. team in the exercise avoided an action-reaction cycle by shifting domains. In Move 2, American participants imposed massive financial penalties on Beijing after its cyber induced GPS spoofing in the East China Sea and penetration of power grids serving U.S. and Japanese bases. This unexpected choice put the China team on the strategic back foot and communicated a willingness by Washington to hold the larger U.S.-China relationship at risk even without taking military action.

#### *Escalatory Potential of Cyber Options*

The exercise highlighted that Chinese cyber activities could fuel significant escalation when set against the backdrop of an East China Sea crisis. In Move 2, China’s GPS spoofing affected not only operations by the U.S. Navy and the Japan Maritime Self-Defense Force but also civilian airline flights transiting the East China Sea. No air collisions occurred and there was no evidence that China had intended the GPS spoofing to interfere with civilian flights. Yet the U.S. team treated this incident as a major provocation. Later in Move 2, the U.S. team viewed the existence of dormant Chinese malware in power grids attached to U.S. and Japanese bases as a clear and imminent threat. The U.S. team responded by escalating in kind – hacking China’s military network and making this known – and by changing domains and imposing massive financial penalties.

#### *Expect Aggressive Chinese Information Operations*

No Safe Harbor also demonstrated that China would likely employ its full suite of information operations capabilities in an East China Sea confrontation. As tensions mounted, the China team aggressively worked to sow confusion, divide the U.S. and Japanese publics,

and sway international opinion toward Beijing. In Move 1, the China team played up the benefits to the American people of Chinese investment in the U.S. economy and tried to politically activate Chinese nationals living abroad in “United Front” operations. After the midair collision of a Japanese maritime patrol aircraft and a Chinese fighter jet that resulted in the loss of the jet pilot in Move 3, the China team released a doctored video to cast blame on Tokyo and extended an offer to CNN to interview the pilot’s grieving family. In the context of the exercise these efforts proved unsuccessful, in part because the CNAS control team had no way to adjudicate the potential impact on public opinion. However, it is easy to imagine how China might successfully set the narrative in an unfolding East China Sea crisis and complicate decisionmaking in democratic capitals.

These insights emerging from the three moves of game play in turn suggest a broader array of recommendations with respect to strategy, force structure, and force employment, which is the focus of the next section of this report.

A military simulation or tabletop exercise is better at illuminating questions and possible directions than precise policy prescriptions. Nonetheless, combining the game’s insights with the Center’s ongoing research, it is possible to create a list of priority areas that policymakers in the United States and Japan should address.

### Recommendations for Strategic Priorities

The 2017 *National Security Strategy* and 2018 *National Defense Strategy* highlight the growing challenges of both major-power competition and indirect and hybrid threats. No Safe Harbor underscores the urgency of developing both national and alliance strategies for safeguarding important security interests in the East China Sea – and within the First Island Chain, too. Gray-zone challenges such as the ones tested in this tabletop exercise will persist and only become more sophisticated and complex.

A core idea emerging from the exercise is the need to be able to shift domains to gain strategic advantage. This presupposes a clear understanding of a challenger’s intentions and capabilities. Thus, the United States and Japan should deepen the level and scope of alliance intelligence sharing regarding China. Additionally, this shared intelligence assessment should cover both China’s intentions and its comprehensive capabilities – including information, civilian and paramilitary forces, emerging technologies, and cyberspace.

## The No Safe Harbor exercise underscored the urgency of developing both national and alliance strategies for safeguarding important security interests in the East China Sea – and within the First Island Chain, too.

Not only do the United States and Japan need a shared intelligence estimate and strategy for China. They also need a more focused mechanism for adjudicating conflicting perceptions of China’s motives during a period of heightened tensions, as China will likely attempt to convey different signals to Washington and Tokyo to slow their response. In a crisis, the United States and Japan should establish a dedicated channel to quickly reconcile potentially divergent perceptions of China.

Beyond the ability to shift domains in a contest and to develop a better, shared intelligence assessment, there are other basic building blocks that could form part of a strong alliance strategy to preserve peace, deter gray-zone challenges, impose costs on bad behavior, and create the flexible means for responding to a rapidly changing set of crises. These elements include but are not limited to the following: narrative and information or influence operations; a common operating picture; risk-reduction mechanisms; a joint and combined force capability; Article V security guarantees; readiness and training for contesting gray-zone situations; and escalation control. The steps that the United States and Japan should consider to counter the growing threat of gray-zone challenges in the East China Sea and elsewhere can be briefly enumerated as follows:

- Devise a compelling narrative and educational campaign to counter China’s influence campaign and use of both soft and hard power to displace U.S. power, isolate Japan, and unilaterally alter regional norms and security arrangements
- Sharpen shared situational awareness, including a real-time common operating picture, as well as a joint intelligence and operational fusion and center – thereby moving from the current consultative mechanism for crisis management to more integrated decisionmaking
- Negotiate additional bilateral and multilateral risk-reduction rules and mechanisms and otherwise using diplomacy to avoid unnecessary crises and de-escalate crises when they do occur

### CHINA'S DEFENSIVE LAYERS AND EASTERN THEATER



Sources: U.S. Department of Defense, Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2017 (May 15, 2017), 80, [https://www.defense.gov/Portals/1/Documents/pubs/2017\\_China\\_Military\\_Power\\_Report.PDF](https://www.defense.gov/Portals/1/Documents/pubs/2017_China_Military_Power_Report.PDF); U.S. Office of Naval Intelligence, The PLA Navy: New Capabilities and Missions for the 21st Century (2015), 8, [http://www.oni.navy.mil/Portals/12/Intel%20agencies/China\\_Media/2015\\_PLA\\_NAVY\\_PUB\\_Print.pdf?ver=2015-12-02-081247-687](http://www.oni.navy.mil/Portals/12/Intel%20agencies/China_Media/2015_PLA_NAVY_PUB_Print.pdf?ver=2015-12-02-081247-687).

- Combine and integrate Japan-U.S. capabilities, whether in the form of a standing joint and combined force or at least a latent joint and combined force adequately trained for responding to real-world crises
- Clarify and tighten the U.S. Article V security commitment to Japan to strengthen deterrence, while ensuring Japan continues to carry the bigger burdens within the alliance for the defense of its territory
- Exercise and test alliance capabilities to operate in contested areas and to respond swiftly without triggering open conflict
- Refine alliance options for limited escalation and de-escalation of a local crisis.

### Recommendations for Alliance Forces and Other Investments

Some of the foregoing elements of strategy intersect questions of alliance forces, innovative means of employing those forces, as well as other steps that the United States and Japan could take to address the type of gray-zone challenges exercised in No Safe Harbor. Each of the points below fleshes out a recommendation for improving alliance force capability and posture, as well as other investments that might be considered to improve future responses to gray-zone scenarios.

#### *Maintain a Sufficient Deterrent Force*

China appears to seek the ability to press its sovereignty claims in the East China Sea, in large measure by being able to challenge Japan's uncontested administrative control over the Senkaku Islands. The Japan Coast Guard has the leading role in defending the islands, including the territorial waters and air space. However, it is the latent power represented by Japan's Coast Guard and Self-Defense Forces, backed by credible U.S. support (via Article V of the Mutual Security Treaty) and a sufficient U.S. force posture, that makes this defense a formidable one. Detering the military and paramilitary forces of a more assertive, confident, and capable China in the future will require a credible, combined force in being, ideally comprising a Standing Joint Task Force, which might consist of one or more U.S. Navy ships and several JMSDF ships ready for a combined crisis response. Deterrence will rest on sufficient forces that are ready and equipped with flexible but clear rules of engagement.

#### *Establish an Information Operations Center Within the U.S.-Japan Alliance*

In a future confrontation in the East China Sea or elsewhere, China will likely employ its full suite of information warfare capabilities to sway international opinion in its favor and sow divisions within the U.S. and Japanese publics. The United States and Japan should create an information operations center – potentially under the umbrella of the Alliance Coordination Mechanism (ACM) – that can be activated rapidly at the outset of a crisis. To ensure the center's effectiveness, the United States and Japan should agree on a pre-planned counternarrative and identify likely avenues by which China will seek to shape the information environment during a period of heightened tension in the East China Sea.

#### *Prepare for China to Deploy Unmanned Vehicles in the Gray Zone*

The United States and Japan have devoted considerable time and resources to addressing China's use of Coast Guard vessels and fishing fleets to advance its interests in the gray zone between peace and armed conflict. However, neither is prepared today for China's deployment of unmanned vehicles to the vicinity of the Senkaku Islands – particularly unmanned underwater vehicles. Now is the time to develop the rules of engagement to clarify in advance how the alliance might respond to a UUV incursion. In addition, international laws and norms need to be strengthened to allow lawful responses to trespassing drones.

#### *Address Cyber Vulnerabilities*

One domain that cuts across military and civilian operations, and will only grow in importance, is cyberspace. Japan and the United States are both vulnerable to cyberattacks, and Japan in particular lacks both critical capabilities and experience to deal with cyberthreats. Japan also needs to consider the threat of information warfare more seriously. Threats include Chinese cyberattacks on the Japanese military system, the power grid, and infrastructure. Specific recommendations include addressing the following areas: electromagnetic warfare capabilities; interoperability and integration across alliance forces in air, land, sea, space, and cyberspace; Japan's offensive cybercapabilities to provide options workable under the constitution for self-defense; Japan's ability to take independent action if the United States is too slow to act on strategic information, cyberthreats, and strike capability; and shared threat intelligence on advanced cyberthreats.



## Conclusion

The ultimate importance of the Senkaku Islands is that they are a bellwether for how well China can exploit gray-zone situations and a shifting balance of power that one day may allow Beijing to pull the trigger on the use of force in a decisive change of fortunes. At the same time, maintaining a peaceful, rules-based system throughout the Indo-Asia-Pacific will be far more arduous a challenge if the United States and its strongest and richest ally cannot avoid incremental and unilateral changes to the status quo from turning into a conflict that they either lose or cannot win.

**For there must be no safe harbor for coercion and the arbitrary use of power in and around the vital sea lanes of the region, and particularly those areas already under the able supervision of America's allies.**

Exercising a wider regional strategy for maintaining a free and open Indo-Pacific region would be

a logical follow-on step to the No Safe Harbor exercise. After all, there is a shared set of interests and values on which to forge an effective collective security strategy, backed by the combined capabilities of like-minded nations. For there must be no safe harbor for coercion and the arbitrary use of power in and around the vital sea lanes of the region, and particularly those areas already under the able supervision of America's allies. This exercise helped to highlight both the types of challenges that could emerge in the near term, as well as some of the important steps that could and should be taken to arrest what appears to be a deteriorating set of regional trends. A strong and able alliance is the surest remedy for bolstering a more favorable regional order.

As the United States and Japan seek to forge a common strategy and associated capabilities for deterring adventurism, coercion, and conflict in the East China Sea and throughout the Indo-Asia-Pacific, they will continue to be confronted with a series of escalating challenges in gray-zone situations centering on the postwar maritime, air, and land boundaries. They will not be able to enjoy unquestioned sea and air control within the First Island Chain; but together and with others they should be able to fashion defenses that are effective against incremental, coercive steps or sudden military actions. This is one of the daunting challenges confronting democracies seeking to uphold a peaceful order based on the rule of law.

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