

SOUTH CHINA SEA: A SEA OF OPPORTUNITIES?

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INTRODUCTION

Geographical Area of South China Sea

The South China Sea is an area covering part of the Pacific Ocean stretching roughly from Singapore in the southwest to the Strait of Taiwan in the northeast. The area is covered by more than 200 small islands, rocks, and reefs with the majority located in the Paracel and Spratly Island chains. Many of these islands are partially submerged islets, rocks, and reefs unsuitable for habitation. These features also posed a hazard to the shipping communities due to the area being not well chartered. In recent years, claimant countries have built up the area and expand some of these reefs into islands where military garrisons and airstrips are placed to defend their claims.

The importance of South China Sea

There are several reasons as to why the South China Sea is of strategic importance:

- i. **Critical trade route:** Much of the trade between Europe and the Middle East and East Asia passes from the Indian Ocean through the Malacca

Strait, then up through the South China Sea to China, South Korea, and Japan. Japanese and South Korea defense planners in particular do not want this trade route dominated by China. Japan has shown a strong interest for guaranteeing the freedom of trade. This is due to the fact that Japan's trade and an overwhelming part of the oil Japan imports is transported through the South China Sea. It is in Japan's interest that no one party gets strong enough to control the trade throughout the region.

- ii. **Oil reserves and fishery resources:** The surrounding seas are believed to contain significant hydrocarbon resources. On 24 December 1989, China made public that it estimated the Spratley's contained 25 billion cubic meters natural gas, 105 billions barrels of oil, and 370,000 ton of phosphor. These resources should, according to Beijing then, help China to become a developed country. Along with China, the other smaller nation claimants; Taiwan, Malaysia, Philippines, Vietnam and Brunei also has great interest in the South China Sea as a source of revenue for its fast growing population.
- iii. **Geo-political strategy:** The strategic location of the South China Sea as an important sea-line-of-communications adjacent to choke points of Malacca and Singapore Straits is becoming a zone of competition between China and the United States. The Spratly area has military, economic, and strategic importance for all the parties in the conflict. Paracel and the Gulf of Tonkin have the same strategic importance for Vietnam and China. Should one party gain exclusive control over the area, that state would gain total control over the economic development and the trade routes in the region. Apart from that, China is seeking naval preponderance in the South China Sea as part of its bid to become a global naval power. This would include projection capabilities to the Indian Ocean. However, Beijing denies that it has a policy to fill

the power vacuum that was created after the departure of the United States. The United States is clearly trying to get back into South East Asian geopolitics after a decade of neglect by the Bush administration which focused more on Afghanistan, Iraq, and the wider Middle East. During this time, China stepped up its influence in South East Asia through increased trade, investment, and use of 'soft' power. The United States is weary of China's intentions and are taking steps to counter China's strategy.

CURRENT SCENARIO

The South China Sea dispute of late has gained momentum covering headlines on most news media. The assertiveness of China in pursuing her claims in the dispute have strained China's relations with South East Asian countries (ASEAN) and the United States. China on the other hand blames the other claimants for causing the increase in tension with their assertiveness in stating their claims and thus escalating the dispute.

Essentially, China has reiterated its long-standing claims over the whole of the South China Sea, including the Spratly and Paracel islands through its presentation of the "9 dotted line" map. What China calls their "historical waters" consists of the area in the South China Sea where the Chinese people consider themselves to have preferential rights and historical claims. The historical water is in the shape of a U and includes the Paracels, Gulf of Tonkin, and the Spratlys from China to the border of the Philippines, down to Malaysia and Indonesia. China's demands are still unspecified to a large extent, and it is unclear if China will demand EEZ, continental shelves, and the formations above and under the sea. This claim, widely figured as absurd, is disputed by Brunei, Malaysia, the Philippines and Vietnam, with

each claim part of the islands or the sea. Recently Singapore, which is not a claimant, called on China to clarify its claims “as the current ambiguity as to their extent has caused serious concerns in the international maritime community.” This is a constructive move and China should clarify her claims as the dotted lines are so vague.

In late July 2010, the United States entered the fray. US Secretary of State Hilary Clinton stated that the United States aligned firmly with South East Asia's approach to overlapping claims in South China Sea. She continued to state that the United States supports a collaborative diplomatic process by all claimants for resolving the various territorial disputes without coercion and opposes the use or threat of force by any claimant¹. This angered China which regards the South China Sea as an internal matter and its “core interest” of territorial integrity, alongside Taiwan, Tibet, and Xinjiang province². China lambasted unwarranted interference by United States in matters that do not concern it.

Sino-Vietnam conflict

Vietnam and China, who established formal ties in 1950, have had border differences that trace back to the 1950's. These disputes were deferred while Vietnam was battling a civil war, and the U.S. entry into the conflict tied Northern Vietnam more closely to Beijing. As the Vietnam war wound down territorial disputes began anew.

In 1973, Hanoi announced to Beijing its intentions to negotiate contracts with foreign firms for the exploration of oil in the Gulf of Tonkin, part of the South China Sea. The disputed islands in the South China Sea assume importance only after it is disclosed that they are near the potential sites of substantial offshore oil deposits. In January 1974, Chinese military units seized islands in the Paracels occupied by South Vietnamese Armed Forces

1 BBC News 3 Sept 2010

2 BBC News 3 Sept 2010

and Beijing claimed sovereignty over the Spratlys. In Spring 1975, South Vietnam occupied part of the Spratly Islands. In 1976, North and South Vietnam unified. In 1978, Vietnam's treatment of the Hoa people - an ethnic Chinese group - became an issue when Hanoi instituted a crackdown on the Chinese community because of its pervasive role in domestic commerce in the South and its alleged subversive activities in the North. Vietnam's actions forced an unprecedented exodus of thousands of Hoa across the border into China. In November 1978, Sino-Vietnam relations worsened when the Soviet Union and Vietnam signed a Treaty of Friendship and Cooperation that calls for mutual assistance and consultation in the event of a security threat to either country.

In 1988, China and Vietnam fought a naval battle just off the Spratly Islands whereby 70 Vietnamese sailors were killed. In December 2000, Vietnam and China signed two agreements to resolve a long-standing territorial dispute over the resource rich Gulf of Tonkin. The agreements demarcated territorial waters and exclusive economic zones, as well as outlining regulations for fisheries.

In May 2003, The Vietnamese Foreign Ministry issued a "sovereignty" declaration on the Chinese ban on fishing in the South China Sea, claiming that Vietnam had undisputed "sovereignty" rights over the Paracel and Spratly islands.

In May 25 this year, a Vietnamese ship had its cables cut by Chinese patrol boats while conducting an underwater survey off the South China Sea.

In June 9, 2011; Vietnam's foreign ministry stated a Chinese fishing boat supported by two Chinese naval patrol craft had cut a cable being used by a seismic survey craft operated by state-run energy company PetroVietnam.

In June 13, 2011; Vietnam held live-fire drills in the South China Sea

amid high tensions with China over disputed waters.

Sino-Philippines Dispute

In 1995, China's armed forces occupied the Philippine-claimed Mischief Reef, located 135 miles west of Palawan Island. In 1998, tensions further escalated when China destroyed the original structures built by Philippines on Mischief Reef and replaced it with a three-story concrete fortress . In 1995, Philippine President Fidel Ramos declared that the Spratlys had become a "litmus test" of China's Great Power ambitions, while his successor, Joseph Estrada, warned that the dispute was about "Southeast Asia's bottom-line security." Negative Philippine perceptions of the PRC were reinforced by a perceived lack of sincerity on Beijing's part to resolve the dispute.

When President Arroyo succeeded Estrada in 2001, her administration gave economic development top priority. Manila looked at the China market, Asia's fastest growing economy, to help pull the country out of its poor economic situation. Arroyo was determined to prevent the Spratlys dispute from hindering the development of bilateral ties, especially the goal of strengthening two-way trade and investment.

The signing of the 2002 Declaration on the Conduct of Parties between China and ASEAN was a also a factor behind improved relations and a potential breakthrough in the Spratlys dispute. As part of China's charm offensive toward the Southeast Asian region, Beijing has sought to reassure the ASEAN countries that its growing power does not pose a threat to regional stability. As a result, in 2002 China and ASEAN signed the Declaration on the Conduct of Parties in the South China Sea (DoC) which aimed to freeze the status quo and encouraged the disputants to pursue

confidence-building measures (CBMs) to ease tensions. The DoC paved the way for a landmark agreement between state-owned energy companies Philippine National Oil Company (PNOC) and China National Offshore Oil Company (CNOOC) to conduct joint seismic studies in the disputed waters of the South China Sea to assess the extent of the oil and gas deposits in the area. The agreement—known as the Joint Marine Seismic Undertaking (JMSU)—was signed in September 2004 during a state visit to the PRC by President Arroyo. Manila has characterized the JMSU as “marine scientific research,” one of the CBMs outlined in the DoC. Arroyo hailed the JMSU as a “historic diplomatic breakthrough for peace and security in the region,” while China lauded the agreement as the first step toward implementing Deng Xiaoping’s 1988 proposal to shelve the sovereignty dispute in favor of the joint exploration and extraction of resources.³

In early March this year, the Philippines Armed forces had to dispatch two aircraft to the disputed area of South China Sea to assist a call for help from a Philippine oil research vessel that was being confronted by two Chinese patrol boats⁴.

Malaysia and Brunei

Unlike Philippines and Vietnam, there has been no incident of clashes between Malaysian and Chinese forces nor Brunei and Chinese. There have been sighting reports of Chinese survey vessels and warships in the area of dispute, however, no untoward incident has happened.

OPPORTUNITIES ABOUND

In all its tension raising and insecurities and the worry the dispute might

³ People’s Daily dated March 18, 2005

⁴ The Wall Street Journal Asia dated 14 March 2011

lead to war, the South China Sea dispute provided various opportunities for stakeholders who are able to take advantage of the situation. Here are some of the plusses (depending on which side one is on) derived out of the dispute:

- i. **Greater cooperation.** China's assertiveness has pushed the weaker claimants to seek partnership as the imbalance of power forces weaker players to cooperate and amongst themselves to strengthen their position. As the majority of South China Sea claimants belong to Asean, Asean vehicle was used to engage China. As a result, the 2002 Declaration of Conduct of Parties was signed involving Asean members and China. United States also saw opportunities to be involved and play a role in the dispute after a long time absence in South East Asia under Bush's Administration. The United States have moved towards getting her position known through statements of intent by Secretary of State Hilary Clinton. China is perceived as the bully through her assertive acts against the weaker claimants. The United States in wanting to remain "influential" in Asia-Pacific area, has taken the opportunity to form alliances with countries previously reluctant to take sides especially Vietnam. The United States and Vietnam conducted joint naval exercises in the South China Sea, a sign of increasing military ties between the two former enemies. The week-long activities focus mainly on non-combatant exercises and are part of the 15th anniversary of diplomatic ties between Washington and Hanoi.

The dispute has also provided opportunities for closer military ties between US and Philippines. The United States has indicated that she will come to the assistance of the Philippines should the Philippines come under attack by Chinese forces as agreed under the United States-Philippines Mutual Defense Treaty. In what form the United

States will assist the Philippines in this territorial dispute is still unsure. However, it was reported that US Secretary of State Hilary Clinton in a meeting with the Philippines' Department of Foreign Affairs (DFA) Secretary Albert del Rosario at the US State Department on June 23 that the United States is determined and committed to supporting the defense of the Philippines, and that means trying to find ways of providing affordable material and equipment that will assist the Philippine military to take the steps necessary to defend itself," Clinton said in a statement cited by the Philippine embassy. A US official said, referring to the Philippine-US Mutual Defense Treaty signed in 1951 that "The Treaty continues to serve as a pillar of our relationship and a source of stability in the region,".

The port call of the aircraft carrier USS Carl Vincent and three other escort ships to the Port of Manila on 16th of May this year further strengthened ties between the two countries. This renewed visit is expected to open opportunities for further similar port calls by other US ships that has long made Philippine port calls a miss. It must be noted that a port visit by ships the size of an aircraft carrier and her escorts (a total of approximately 5000 personnel) to a port will create a sharp spike in the income of those traders involved in the visit and tourism.

On the 29th June 2011, the United States and the Philippines began a series of naval exercises in the South China Sea which is scheduled to last for 11 days amidst growing tension on the dispute. The exercise which is part of the annual CARAT exercise demonstrates US commitment to the security of the Philippines.

- ii. **Increased defense budget and procurement.** The territorial dispute provided opportunities for countries involved to increase their

defense budget. Fearing a situation that their armed forces might be blamed for any defeat, the military leadership invariably will ask for more allocation to increase and modernize their forces. Law makers have no choice but to adhere to the demands, albeit according to affordability, in order not to be accused of not supporting the war for national integrity.

China and some countries increased their defense budget. China announced an increase by 12.7% to 601.1bn yuan (\$91.5bn; £56.2bn) up from 532.1bn yuan last year⁵. Many analysts say China's actual spending on defense is far higher than the government reports.

China's People's Liberation Army (PLA) uses the issue of South China Sea and other territorial disputes in their defense strategy to increase military capability. Chinese leadership have to show to their people that they are not letting them down by backing their claims. In 1998, China purchased the Russian aircraft carrier *Varyag*, a multi-role aircraft carrier. Thirteen years after its purchase, it is reported that the carrier, will conduct her first sea trial in August 2011⁶. The carrier was initially purchased by a Chinese businessman to be turned into a casino. In its plan to have carrier-capable fighter aircraft, in October 2006, China signed a deal for the purchase of up to 48 Sukhoi Su-33 *Flanker-D* from Russia. In September 2008, the PLA announced the recruitment of 50 pilots to undergo specialized training on "ship-borne aircraft flight". For the time being, China's carrier will not pose a threat in the South China Sea dispute as it will take a long time before they will be able to operate the carrier as intended. Carriers do not operate alone. They require carrier battle groups to escort and PLA(Navy) is a long way to achieving this. China has the largest fleet of attack submarines

5 BBC News dated 4 March 2011

6 Focus Taiwan News Channel dated 30 June 2011

surpassing United States. China has 62 whilst the United States has 53.

China is reported to have plans to increase its maritime surveillance force to ensure that the country's maritime interests are being protected amid increasing disputes with its neighbors. By 2020, a total of 15,000 personnel, compared with 9,000 now, will serve in the China Maritime Surveillance (CMS) force under the State Oceanic Administration. The CMS air arm will be increased to 16 planes and the patrol fleet will have 350 vessels during the period of the 12th Five-Year Plan (2011-2015). The fleet will have more than 520 vessels by 2020.

China's increase in maritime law enforcement forces is seen as a wise move to reduce the use of military(warships) in areas of dispute. Law enforcement forces are regarded less hostile when deployed in areas of dispute and can help de-escalate a tense situation. The use of warships can be construed as “flexing of muscle” or a show of “gunboat diplomacy”.

Vietnam too has increased their maritime capability as well as air strike capability with the purchase of 8 Sukhoi SU-30 Mk2 fighter jets and 36 more on order. They are also purchasing 6 Kilo class submarines at a cost of \$ 2 bn⁷. The deals make Vietnam one of the key clients of the Russian arms industry. The weapons purchases come at a time when disputes over sovereignty are increasing in the South China Sea.

Taiwan has in her inventory eight US Perry Class frigates which were recently acquired. She also has six French La Fayette Class frigates and four refurbished Kidd Class guided missile destroyers. The announcement by President Bush in April 2001 that the United States would sell Taiwan up to eight conventional submarines did not make progress. However in December 2007, Taiwan's legislature approved funding to begin design process for the

7 BBC News 16 Dec 2009

the building of submarines with at least one US submarine builder.

THE WAY FORWARD

The focus on nationalism and sovereignty are major reasons why the South China Sea conflict is hard to resolve without creating a loser, which in turn could have severe political repercussion. If the estimates of the resources available in the South China Sea are correct, the economic and financial benefits would be significant for all parties involved. All the nations in the region are dependent on a fast and high growth economies, which demands cheap natural resources for energy. It would be a disaster for all parties to loose the economic possibilities that the South China Sea could contain.

All other nations in the region have similar problems where a rapid increase in the population cannot be supported without external or new resources being brought into the economy, or without a decreased economic development speed. A decreased development speed would create great problems when most regimes in the region base their political position on the grounds on rapid development. This is noted by all nations in the region and has been an argument for cooperation.

One should also take into account that the military build-up by claimants especially China has a negative impact on the negotiation process. There is a fear that the military built up could cause increased tension and possibly conflict since the military preparedness and seemingly willingness to use violence have increased.

There is a great need for Confidence Building Measures in the South China Sea and several researchers have pointed out that progress has been

made in that direction. However, more and deeper measures are needed to prevent the conflict from ending in a large-scale war. To this end, the following Confidence Building Measures are proposed:

- i. **Exchange of information.** Information sharing is particularly important for security cooperation in the disputed sea areas given the increased number of piracy and robberies happening in the South China Sea area. This can be achieved by establishing a shared database on maritime security in the South China Sea and an information exchange system. These cooperation mechanisms should not only confine to inter-governmental exchanges. It is also necessary to establish mechanisms for promoting exchanges between industries, think tanks, academics and non-governmental organizations.
- ii. **Agencies cooperation against maritime threats and disasters.** Opportunities should be created so that government agencies can work together against maritime threats such as piracy, terrorism, people trafficking, illegal fishing, smuggling etc. These threats are of common concern and can jeopardize security in the area. Another concern is that the South China Sea is an area of frequent disasters caused by typhoons and other tropical storms. Cooperation against maritime threats and disaster relief could be the building blocks for mutual security relationship between Asean states and China.
- iii. **Notification of activities.** It would be prudent, especially when there is heightened tension for claimants to notify each other of any exercises, maneuvers, naval operations and air operations outside of normal areas or near sensitive areas. This can alleviate any suspicion by the other party. Where possible and appropriate, observers should be invited to witness the maneuvers or exercises.

- iv. **Reduction of border tensions.** In order to reduce border tensions, claimants should agree on areas that are considered sensitive in which should be demilitarized. An agreement can be worked out so that certain weapons or certain specialized unit should be excluded from these sensitive areas. There should also be agreements on activities considered acceptable or otherwise.

China is reluctant to internationalize the conflict management and/or let a regional organ interfere as a negotiator/mediator. This is due to the fact that a multilateral conflict management would lessen China's advantageous position in any bilateral negotiation with the other regional actors, who are much weaker. China should accept the fact that the other claimants will not negotiate bilaterally with her and should stop pushing the idea. The ASEAN members still would like to handle the *intra-member* conflicts bilaterally and informally to avoid a split in the organization. All the parties in the conflict, except China, are today members of ASEAN, and would prefer a regional organ such as the ASEAN Regional Forum (ARF) to handle the conflicts that involve China. China can show leadership as a peace loving nation full of restraint towards its weaker neighbors. China should be less assertive in its claim especially on the 9 dotted lines which is difficult to be accepted by many countries.

The United States has offered to be the mediator to the dispute but was rejected by China who is suspicious of United States neutrality. There is a need for an honest broker or multiple parties to come forward to act as mediator to the dispute at least for the purpose of conflict avoidance. The mediator or mediators of course should be acceptable to all parties in the dispute.

The World Court (International Court of Justice) could also serve as a

conduit to resolve the territorial disputes. In order for the World Court to hear a case, however, all disputants must be willing to permit the Court to hear the case and render a binding decision.

Most claimants have agreed to work on joint development of the area in dispute. Each claimant is well aware that settlement of the dispute is a long way coming. The problem with joint development in the South China Sea is its large area of overlapping claim. It would be difficult to demarcate the area to be jointly developed. Perhaps the area to be developed should start small as a pilot project and in areas where the claims are less contentious. At the same time, the area to be jointly developed should not in anyway affect the claims of each claimant if ever the matter is to be resolved by the International Court of Justice(ICJ) in the future.

In moving towards mitigation of the conflict, the process must be a step-by-step building of functional co-operative arrangements that will eventually result in a web too politically costly to undo. If that can be achieved, the worries of an unavoidable war to break out will be diminished.

CONCLUSION

The South China Sea dispute is in many aspects a multilateral conflict that needs multilateral solutions. The multilateral conflict regarding the Spratly islands would be extremely difficult to solve in a bilateral way. If the parties are willing to solve the conflict, they need to increase the multilateral negotiations and agreements.

In this conflict, China is the primary actor; many believe that if China could be convinced to settle the conflict we would soon see the light at the end of the tunnel.

