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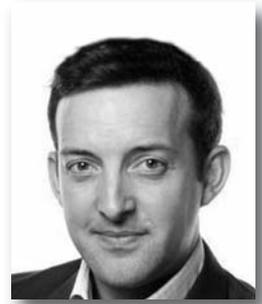
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China's activities and interests in the South China Sea

an address¹ to the Institute on 25 August 2015 by
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Professor Brown reviews China's recent activities in the South China Sea, including land reclamation on Fiery Cross and Mischief Reefs, within the broader context of strategic competition between China and the United States. He examines why China is taking this approach, despite it undermining China's other external relationships; and concludes by documenting Australia's response to these developments.

Key words: China; United States; Japan; Malaysia; Singapore; Philippines; Australia; South China Sea; Fiery Cross Reef; Mischief Reef; land reclamation.

In the South China Sea today, the littoral nations – China, Taiwan, Vietnam, Malaysia, the Philippines, Indonesia and Brunei – are in dispute over conflicting claims to various islands and reefs. These claims have been confused by historical claims arising from Taiwanese, Japanese, French and Vietnamese periods of occupation; and, in some instances, conflict with current United Nations Law-of-the-Sea conventions. The presence of suspected undersea oil and mineral wealth is another strong motivator.

Further, China is now intent on becoming a great maritime power as evidenced in its recent (May 2015) defence white paper which directs a shift in priorities from the land to the sea. As the Peoples' Liberation Army Navy (PLA Navy) has become more capable, there has been a concomitant change in Chinese maritime techniques and patrolling by submarines in the Indian and Pacific Oceans, fuelling the tension which already exists between rule of might and the rule of law.

Significance of the South China Sea²

Trade: Trade passing through the South China Sea is valued at some \$5 trillion per annum. Overall, traffic in the South China Sea, specifically passing through its three major choke points – the straits of Malacca, Sunda, and Lombok – accounts for approximately 50 per cent of the world's merchant fleet tonnage.

Critical Choke Point: The South China Sea is a critical choke point for natural resources flows, accounting for 33 per cent of the world's crude oil and over 50 per cent of global liquefied natural gas. In 2011, it was estimated that 4.5 million barrels of crude oil and 0.6 trillion cubic feet of liquefied natural gas were transported daily through the South China Sea alone.

Oil and Gas Reserves: The South China Sea is thought to contain immense oil and gas reserves, with its most valuable resource potentially being its hydrocarbon reserves. China alone is expected to account for approxi-



Southeast Asia, showing the South China Sea, its Paracel and Spratly Islands, and the southern choke points through which it is accessed – the straits of Malacca, Sunda and Lombok
[Source: CIA World Factbook at www.middlebury.edu/~scs].

mately 26 per cent of global energy demand by 2035 and 36 per cent of the world's net increase. The Chinese National Offshore Oil Company has estimated that the South China Sea contains undiscovered reserves of 125 million barrels of oil and 500 trillion cubic feet of natural gas. In turn, the United States Energy Information Administration estimated the proven reserves to be 11 billion barrels of oil and 190 trillion cubic feet of natural gas. Despite these considerable quantities, however, the sensitivities surrounding exploration leave these projections unproven. A lot of incidents have been spurred by exploration for oil and gas reserves (e.g. Vietnam 2009/2010).

¹This paper is a *précis* of Professor Brown's address.

²Data used in this section are from the Centre for Strategic and International Studies, Washington DC.

Protein: The South China Sea ranks fourth on the list of the world's richest fishing zones. In terms of capacity, it is estimated that there are 7.5 tonnes of protein per square kilometre per year in the waters around the Spratly Islands. Every year, the South China Sea produces over 8 million tonnes of live weight in marine fish. This accounts for approximately 10 per cent of the total world catch and about 23 per cent of the Asia-Pacific catch. For context, China's fishing export revenue in 2009 was US\$10 billion, and it was the sixth largest fishery importer, amounting to approximately US\$4.9 billion. Vietnam was the fourth largest fishing exporter – export revenue US\$4.3 billion. The South China Sea is also a vital source of protein, holding 25 per cent of the day-to-day consumption for some 500 million people in the surrounding states.

Strategic importance: Given the foregoing, the South China Sea inevitably has become central to the strategic competition between the United States and China. China is seeking to extend its naval reach and influence from within the First Inland Chain³ to and beyond the Second Island Chain; as well as gain more room for its ballistic missile submarines.

Recent Developments in the South China Sea

Land reclamation has been, and continues to be, undertaken by several claimant states in the South China Sea, but the pace and scale of China's activities outweigh all the others. The term 'land reclamation' implies that land was once there, but the term is also used for the creation of new islands from previously permanently-inundated shallow reefs. Two prominent reclamation examples are Fiery Cross Reef and Mischief Reef, both in the Spratly Islands, an archipelago in the southern portion of the South China Sea.



The South China Sea, showing the six littoral states laying claim to various South China Sea islands and the location of the Balikatan annual United States-Philippines combined military exercise. "The Nine-Dashed line" indicates the extent of China's assumed claim [Map: Wikimedia commons].

Fiery Cross Reef has been occupied by China since 1987 against Taiwanese, Vietnamese and Filipino protests. China has established a UNESCO weather station on the reef and, since 2014, has created an island on which it has built a port which is suitable for military operations, and a 3km-long airfield (similar in length to the Darwin airfield), at a cost of some US\$12 billion. Manned by Chinese troops, it is now a self-sufficient colony with fresh water generators,

solar power and greenhouses, but it lacks shade and is regarded as a hardship posting.

China also is developing facilities further to the east on Mischief Reef, which is closer to the Philippine coast.

In May 2014, the state-owned China National Offshore Oil Company deployed an oil drilling platform, the Haiyang Shiyou 981, in disputed waters in the Paracel Islands in the northern portion of the South China Sea. A consequence was Vietnamese efforts to prevent it establishing a fixed position. A 'three-ring circus' resulted, as fishing vessels, coast guard patrol boats and naval ships from both sides jostled in the vicinity of the rig. China claimed its security presence was justified to maintain a 500m safety zone around the rig vide UNCLOS⁴ Article 60 as the safety zone was being ignored.

Since the beginning of 2015, there have been several developments of strategic significance in the South China Sea. With China seeking to 'change the facts on the ground', there has been a strong response from the United States; the Philippines has referred its claims against China to arbitration; Vietnam has shown a marked tilt to the West away from China; and there seems to be a new geostrategic dimension to the activities of Japan and India in the South China Sea.

China and the United States

In April, images released by the *New York Times* showed extent of Chinese reclamation activity at Mischief Reef. There was the beginning of a tighter and firmer United States response, with the United States and the Philippines conducting Exercise Balikatan east of the Spratly Islands (see Map 2).

In May, the United States began freedom-of-navigation operations in the South China Sea, during which a United States Navy P-8A Poseidon long-range maritime patrol aircraft was issued eight warnings by a Chinese military dispatcher to vacate airspace over the Spratly Islands.

The IISS Asia Security Summit (Shangri-la Dialogue)⁵ was also held in May. In his address, United States Secretary of Defence, Ashton Carter, issued what has been described as a 'strong and reasoned' criticism of Chinese activities in the South China Sea.

Seemingly in response, China returned the oil drilling platform, HY-981, to the South China Sea in June; and in August conducted its largest maritime exercises ever in the South China Sea.

Philippines and China

The Philippines' case against China is being arbitrated under UNCLOS. In July, the Philippines opened its case before an UNCLOS arbitration tribunal.

³The first island chain refers to the first chain of major archipelagos out from the East Asian coast and includes the Kuril Islands, Japan, the Ryukyu Islands, Taiwan, the northern Philippines, and Borneo then across to the Malay Peninsula. It encompasses the Sea of Okhotsk, the Sea of Japan, the East China Sea, and the South China Sea. The second island chain is the next chain of archipelagos to the east and includes the Bonin Islands, Marianas Islands and Caroline Islands – from Honshu to New Guinea – and encompasses the Philippine Sea.

⁴United Nations Convention on the Law of the Sea

⁵The Asia Security Summit is a 'Track One' inter-governmental security forum held annually at the Shangri-la Hotel, Singapore, by an independent think tank, the International Institute for Strategic Studies (IISS). It is attended by defence ministers, permanent heads of ministries and military chiefs of 28 Asia-Pacific states.

Vietnam

The Vietnamese Communist Party Chairman, Nguyen Phu Trong, visited Washington DC to meet with President Barack Obama – the first occasion a Vietnamese president had ever visited Washington, indicating a distinct tilt by Vietnam to the West.

Japan and India

India: In June, Indian navy vessels, INS *Ranvir* and INS *Kamorta* deployed to the South China Sea and made port in several states including Malaysia and Australia. In July, India agreed to 'trilateralise' its Malabar exercises with the United States to include Japan and with portions to be conducted in the South China Sea.

Japan: In June, during Japan-Philippine exercises, a Japanese P3-C long-range maritime patrol aircraft conducted patrols over the South China Sea. In July, the chief of the joint staff of the Japanese Self Defence Force, Admiral Katsutoshi Kawano, openly suggested that Japan is exploring the possibility of sustained patrols in the South China Sea. In August, Japan explored the possibility of gifting the Philippines three maritime surveillance vessels (TC-90) or one P3-C aircraft; and it gifted a patrol vessel, the *Hayato*, to Vietnam. Japan also joined United States-Philippines exercises in Subic Bay.

The Broader Strategic Context

The United States and China are engaged in strategic competition. China, on the one hand, is asserting its right as a great power to pre-eminence in its neighbourhood. The United States, on the other hand, is conceding ground reluctantly in an area in which it has been paramount since World War II. There are some bright spots in the bilateral relationship, however, with China and the United States co-operating on climate change.

There has clearly been a change in the public view of China in the United States, evidenced by a growing, if grudging, respect for China's cyber capabilities amongst other things.

This strategic competition, coupled with the growing concern for China in the United States, has underpinned a global rebalancing of United States military forces over the last few years. This redistribution has seen the relative weight of United States forces in the Western Pacific greatly increased at the expense of Europe and the Middle East.

China's Possible Motivations

These developments raise questions as to why China is flexing its muscles in the South China Sea and who is making policy in China.

Opinion among strategic analysts and sinologists varies. Bill Hayton Glaser considers that it is a deliberate strategy based on long-held Chinese claims and owned at the highest level of the Chinese administration. Jakobson, though, is more of the view that the policy is an outcome of bureaucratic infighting.

Factors in China which seem to be influencing the internal debate include domestic nationalism, coupled with a belief that current international law and systems should not supplant traditional (historic) Chinese interests and claims. While the United States argues in favour of the rules-based global order established after World War II, the Chinese counter that current international law (rules-based global order) is skewed towards United States interests.

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Also involved is a strong element of bureaucratic opportunism. Strategic factors, too, are playing a part in the calculus, including the need to preserve the South China Sea for Chinese nuclear ballistic missile submarine patrols.

Gary Roughead, a former United States chief of naval operations, considers that China is looking to use its artificial islands to build maritime infrastructure, with a view to enhancing its power projection capabilities, and establishing information nodes to improve its surveillance of the region.

Other observers opine that what is occurring is a classic application of the Chinese 'cabbage strategy', which involves China surrounding an island with so many boats of different types – fishing, fishing administration, maritime surveillance, coast guard, naval – that the disputed island is progressively wrapped up like the layered leaves on a cabbage plant. This strategy is often linked to the Chinese strategy of 'salami slicing', under which a succession of small actions are taken, each one in itself too small to justify an armed response, but which collectively add up to a significant change in the strategic *status quo*. In short, there is an emerging view that this is a co-ordinated series of incremental actions designed to establish control.

In contrast, at the Shangri La Dialogue in May, Chinese Admiral Sun stressed that China's land reclamation activities in the Spratly Islands were designed to better enable China to provide international public services (scientific measurements, maritime surveillance, search and rescue, and the like) in the South China Sea. To this end, China had invested US\$12 billion at Fiery Cross Reef. In the light of the opposition that it had received, China was showing great restraint. President Xi was driving China forward to become a great maritime power. He noted that Beijing does not recognize arbitration under UNLCOS; and he accused the United States of militarising the region.

Clearly, China is undertaking a series of incremental actions in the South China Sea which conform to a co-ordinated strategy. China's explanations, though, especially its search and rescue justification, are not convincing. Nevertheless, Beijing claims a right to undertake its actions and insists that any negotiation of disputes be on a one-to-one basis, not collectively through international bodies.

Issues Arising from China's South China Sea Activities

China's activities in the South China Sea are paradoxically undermining other aspects of China's relationships, particularly with its neighbours. It is also sharpening the discourse on China in the United States, as evidenced during the current debates among Presidential candidates. Indeed, there is increasing sharpening and unity of language on the China issue in the United States. Some examples follow.

Ashton Carter, United States Secretary of Defence: "The United States opposes militarisation and the creation of tensions in the South China Sea, even though we are not a claimant to the South China Sea ... No actions by any party will change the United States' behaviour. We will fly and sail and operate wherever international law permits, and that will remain unchanged" (Hanoi, 1 June 2015).

John Kerry, United States Secretary of State: “Freedom of navigation and overflight are among the essential pillars of international maritime law ... Despite assurances that these freedoms would be respected, we have seen warnings issued and restriction attempted in recent months. Let me be clear: the United States will not accept restrictions on freedom of navigation and overflight, or other lawful uses of the sea” (Kuala Lumpur, 6 August 2015).

Barack Obama, United States President: “We think that land reclamation, (and) aggressive action by any party in that area are counterproductive ... China is going to be successful. It’s big, it’s powerful, its people are talented and they work hard, and it may be some of their claims are legitimate. But, they shouldn’t just try to establish that based on throwing elbows and pushing people out of the way” (Washington DC, 1 June 2015).

In short, China’s actions are concerning its partners in the region; they are threatening to undermine international norms on the use of force and freedom of navigation; and notably they are causing Japan to get nervous.

Australia’s Response

Where is Australia in all of this? We are certainly engaged with our Southeast Asian partners and are now developing our relationship with Vietnam. We are also maintaining our long-standing operations in the South China Sea, most notably Operation Gateway. This operation, Australia’s contribution to regional security and stability in Southeast Asia, involves the Australian Defence Force providing maritime surveillance patrols in the North Indian Ocean, the Malacca Strait and the South China Sea, in part to counter people smuggling in the region.

The views of individual Australian cabinet ministers and senior officials also are instructive.

Kevin Andrews, Minister of Defence, in response to China possibly establishing an Air Defence Identification Zone in the South China Sea: “Our view is, as a matter of principle, that international transit passages whether on the sea or in the air should remain free and open for access to any country to legitimately use that, particularly for trade purposes ... In what we regard as international waters which we have conventionally used for transit or passage, we would continue to do that” (Shangri-La Dialogue, 1 June 2015).

Julie Bishop, Minister for Foreign Affairs: “I believe that the United States and China have a very good understanding of how catastrophic it would be for there to be a conflict that engaged those two powerful nations” (Lowy Institute, 10 June 2015).

Tony Abbott, Prime Minister: “We take no side in the territorial disputes but we certainly deplore any unilateral alteration of the *status quo*. We think it should be resolved peacefully and, like Singapore, we uphold freedom of navigation on the sea and in the air” (Singapore, 29 June 2015).

Dennis Richardson, Secretary of Defence: “It is not constructive to give the appearance of seeking to change facts on the ground without any clarification of claims ... the speed and scale of China’s land reclamation on disputed reefs and other features does raise the question of intent and purpose” (Royal United Services Institute, 27 May 2015)⁶.

Peter Varghese, Secretary of Foreign Affairs and Trade: “[The South China Sea dispute is a] serious issue because the potential for [it] to develop into a major security concern is clearly there ... all parties should refrain from actions which are provocative or coercive or unilateral in their implementation” (Australian Senate Estimates, 2 June 2015).

Michael Thawley, Secretary of the Department of Prime Minister and Cabinet: “China won’t help you produce a solution ... China will get in the way or get out of the way” (Crawford Leadership Forum, 1 July 2015).

These various statements are marginally different. Australia needs a stronger position based on our own national interests. To this end, it will be important that the language be corrected, refined and crystallised into a common form in the forthcoming defence white paper.

Conclusion

The South China Sea is vital to Australia’s trade with China, but not only China, it is equally vital to our trade with our other trading partners in Southeast and Northeast Asia too. China’s coercive activities in the South China Sea, perhaps drawing on the Ukraine playbook, are not in anyone’s interests, including those of China. A miscalculation could easily lead to conflict. Australia needs to walk a fine line between reinforcing the view that China is being persecuted, and being very clear (and communicating clearly) what we are prepared to do in order to stop the South China Sea becoming an issue of force.

The Author: Associate Professor James Brown is director of the United States Studies Centre’s Alliance 21 Project, which is examining the Australia–United States relationship. Between 2010 and 2014, he was the military fellow at the Lowy Institute for International Policy where he co-ordinated the MacArthur Foundation Asia Security Programme. He studied economics at the University of Sydney and strategy at the University of New South Wales, before becoming a captain in the Australian Army. He saw operational service commanding a cavalry troop in southern Iraq; on the Australian headquarters in Baghdad; and attached to Special Forces in Afghanistan. He writes a regular column on Australian foreign policy for *The Saturday Paper*, and is the author of *Anzac’s long shadow: the cost of our national obsession* (Black: Melbourne; 2013), which was reviewed in *United Service* 65 (2), 47 (June 2014). [Photo of Professor Brown: United States Studies Centre].

⁶Richardson, Dennis (2015). The 2015 Blamey Oration: The strategic outlook for the Indo-Pacific Region. *United Service* 66 (3), 9 – 12.