



**STRATEGY  
RESEARCH  
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**UNITED STATES AND THE SPRATLY ISLANDS:  
SIX ACTORS, WHICH STAGE?**

**BY**

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USAWC STRATEGY RESEARCH PROJECT

**United States and the Spratly Islands: Six Actors, Which Stage?**

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## ABSTRACT

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This paper explores the current United States policy toward the Spratly Islands and analyzes the pros and cons of maintaining this policy. Additionally, it explores/analyzes at least two other policy options that the United States might take toward the islands, in light of current events within the region.

Methodology: Research the national interest of the six nations that claim ownership of this area and the national interest/strategic importance of the six nations to the United States. The focus is whether the United States should enter the squabble and if so, on whose side. The paper includes a brief background on the Spratly Islands (location, natural resources, and historical claims of ownership.) Following this is an analysis of why each of the six nations claiming ownership feels these uninhabited islands are important to their national interest. The analysis also looks at why and/or how these Asia-Pacific relationships, between each other and with nations outside of the region, affect the national interest of the United States.

The conclusion recommends a United States strategy including ends, ways, and means to support its national interest in these islands and one or more of the nations claiming ownership.

**TABLE OF CONTENTS**

**ABSTRACT .....iii**

**LIST OF ILLUSTRATIONS.....vii**

**UNITED STATES AND THE SPRATLY ISLANDS: SIX ACTORS, WHICH STAGE? .....1**

**BACKGROUND ..... 1**

**HISTORY.....2**

**COUNTRY ANALYSIS:.....3**

    BRUNEI DARUSSALAM (BRUNEI)..... 3

    CHINA ..... 6

    MALAYSIA..... 8

    THE PHILIPPINES..... 10

    TAIWAN..... 13

    THE SOCIALIST REPUBLIC OF VIETNAM..... 15

**IMPORTANT CHALLENGES TO UNITED STATES POLICY ..... 18**

**REVIEW UNITED STATES POLICY .....21**

**UNITED STATES OPTIONS .....24**

**CONCLUSION.....26**

**RECOMMENDATION.....26**

**ENDNOTES .....29**

**BIBLIOGRAPHY.....33**

## LIST OF ILLUSTRATIONS

FIGURE 1 SPRATLY ISLANDS.....	3
FIGURE 2 BRUNEI.....	4
FIGURE 3 CHINA.....	6
FIGURE 4 MALAYSIA.....	9
FIGURE 5 PHILLIPINES.....	11
FIGURE 6 TAIWAN.....	13
FIGURE 7 VIETNAM.....	15

**LIST OF TABLES**

TABLE 1 TERRITORIAL CLAIMS IN THE SPRATLY AND PARCEL ISLANDS.....20

TABLE 2 MILITARY CLASHES IN THE SOUTH CHINA SEA OVER THE PAST TWO  
DECADES\* .....23

## UNITED STATES AND THE SPRATLY ISLANDS: SIX ACTORS, WHICH STAGE?

### BACKGROUND

The South China Sea region is the world's second busiest international sea-lane. Half of the world's supertanker traffic passes through these waters. Additionally, the South China Sea region contains oil and gas resources strategically located near large energy-consuming countries<sup>1</sup>. Within this region lies the Spratly Islands, a group of uninhabited islands, atolls, and reefs claimed by six countries--Brunei, China, Malaysia, Philippines, Taiwan, and Vietnam of Southeast Asia. The islands are important for strategic and political reasons, because ownership claims to them bolster claims to the surrounding sea and its resources.

The United States recognizes peace and stability in East Asia and the Pacific as a fundamental prerequisite of United States security. Nearly one-half the world's people live in countries bordering the Asia-Pacific region, and it is home to over half of all economic activity in the world. Four of the world's major powers occupy northeast Asia and some of the most strategically important waterways on the globe flow through Southeast Asia. The United States is as much a Pacific nation as an Atlantic one. The United States maintains a sizeable military presence in the region in an effort to preserve stability and deter future conflicts. Roughly 100,000 forward-deployed forces, and a network of mutual security alliances with Australia, Japan, the Philippines, the Republic of Korea, and Thailand form the bedrock of United States regional security policy<sup>2</sup>.

The United States-Japanese security treaty is the foundation of United States engagement in Asia. It recognizes the essential role that the United States-Japanese partnership plays in maintaining regional peace and stability<sup>3</sup>. An alliance with the Republic of Korea (ROK) also remains a crucial component of United States security policy in the region. A force of 37,000 United States troops in South Korea and a close, cooperative relationship with South Korea has been the foundation of peace on the Korean Peninsula for 50 years<sup>4</sup>. The United States and South Korea see eye-to-eye on a policy towards North Korea's commitment to the Four Party peace process. North-South dialogue is an important means of reducing tensions on the peninsula.

United States relationships with three other treaty allies in the Asia-Pacific region are similarly in good stead. The United States reaffirmed its alliance with Australia in 1996. They enjoy a cooperative relationship across a broad spectrum of bilateral, regional, and multilateral issues. Australia is a staunch supporter of a strong United States presence in the region, and

works closely with the United States in the Asia Pacific Economic Cooperation (APEC) Forum, Korean Peninsula Energy Development Organization (KEDO) and the Association of Southeast Asia Nations (ASEAN) Regional Forum (ARF<sup>5</sup>)

The Philippines has been a close friend since its independence in 1946, and a valued alliance partner. The recently approved Visiting Forces Agreement (VFA) with the Philippines strengthens the security relationship between the United States and the Philippines. The agreement establishes the foundation for joint military exercises and United States ship visits to Philippine ports, thus providing a framework for promoting increased defense cooperation between the two countries.

Thailand supported United States efforts in the region from the Korean War up through the present day. Thailand and the United States maintain a close military-to-military relation that provides the United States access, as needed, to strategic air bases. The Thai have been critical partners in regional counternarcotics efforts. Security relations among the states in the region are fluid. A new generation of national leaders is coming to power in Asia. Many bring a new nationalism.

The area is not however without conflict and the United States is committed to monitoring and ensuring peaceful solutions to regional issues. The Spratly Islands lie at the center of one of these continuing conflicts and is the primary focus of this paper. The paper will look at the Spratlies and the six countries claiming ownership of them or the resources of their surrounding waters.

## **HISTORY**

The Spratly Islands, see Figure 1, are located in Southeastern Asia and can best be described as group of reefs and island in the South China about two-thirds of the way from southern Vietnam to the southern Philippines. The Spratlies have a Coastline of approximately 926-km with extreme elevations from 0 m at the lowest point, the South China Sea to a high of 4 m at an unnamed location on the southwest cay<sup>6</sup>. Typhoons and numerous reefs and shoals are serious natural hazards to shipping and habitation. Strategically located near several primary shipping lanes in the central South China Sea; the Spratlies are made up of numerous small islands, atolls, shoals, and coral reefs. There are no indigenous inhabitants but there are scattered garrisons occupied by personnel of several claimant states. Economic activity is limited to commercial fishing. The proximity to nearby oil and gas producing sedimentary basins suggests the potential for oil and gas deposits, but the region is largely unexplored, and there

are no reliable estimates of potential reserves; commercial exploitation has yet to be developed. There are no ports or harbors, but claimants have developed three airports to support the

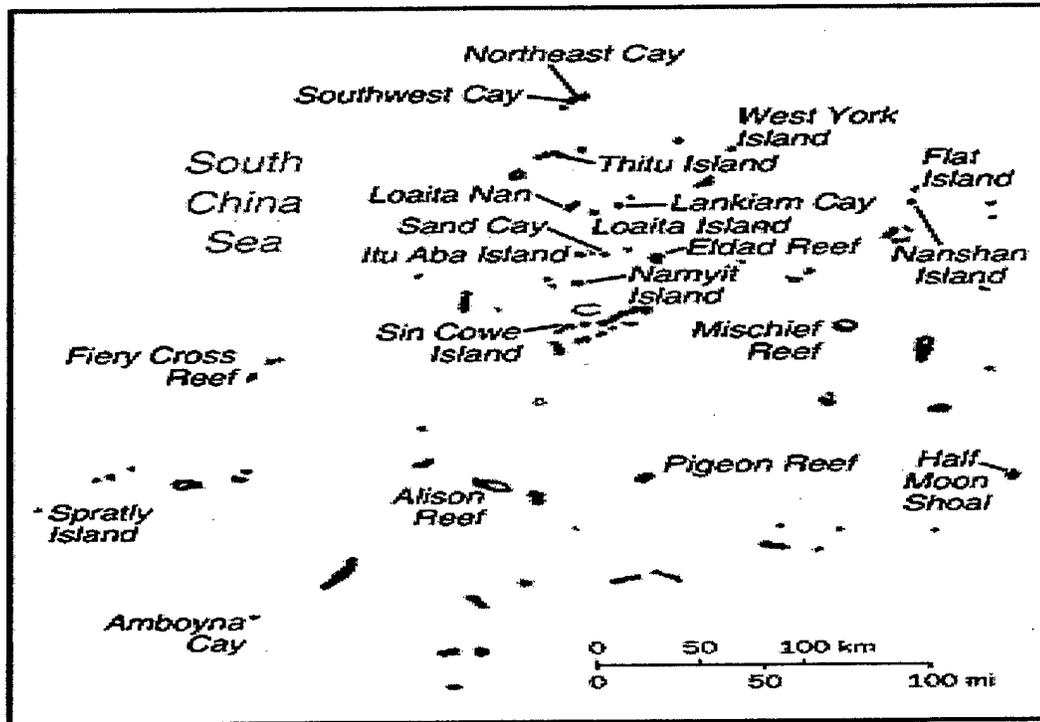


FIGURE 1 SPRATLY ISLANDS

garrisons and fishing stations located among the islands. Only one of these airfields is longer than 914 m.

The Spratly Islands consist of more than 100 small islands or reefs, claimed and occupied by Brunei, China, Malaysia, the Philippines, Taiwan, and Vietnam. Because of the multiple claims disputes over fishing, mineral rights and shipping are frequent. Most are settled peacefully but there have been several military conflicts particularly between China and Vietnam. China, Taiwan, and Vietnam claim all of the Spratly Islands and parts of them are claimed by Malaysia and the Philippines. In 1984, Brunei established an exclusive fishing zone, which encompasses Louisa Reef in the southern Spratly Islands, but has not publicly claimed the island.

#### COUNTRY ANALYSIS:

##### BRUNEI DARUSSALAM (BRUNEI)

Brunei, see Figure 2, is an Independent state approximately 5,769 sq. km. (2,227 sq. mi.) in size or slightly larger than Delaware. The population in 2001 was estimated at 344,500

with an annual growth rate of 2.2%. The primary religion is Islam. Brunei is governed by a Malay Islamic Monarchy with executive and judicial branches. The Sultan is both head-of-state and prime minister, presiding over a nine-member cabinet and the executive branch. The judicial



FIGURE 2 BRUNEI

branch (based on Indian penal code and English Common law) has magistrate's courts, High Court, and a Court of Appeals. The

Judicial Committee of the Privy Council (sits in London)<sup>7</sup>. In fiscal year (FY) 2000, the Brunei economy had a Gross Domestic Product (GDP) of \$4.65 billion with a growth rate of 3.0%. Brunei's natural resources are oil and natural gas. Primary trade supporting the economy is the export of oil, liquefied natural gas, petroleum products, and garments to the major markets of Japan, Korea, Association of Southeast Asian Nations (ASEAN), and the United States.

Records of Brunei history date back to the seventh century AD when an ancient trading kingdom known to the Chinese as Po-ni existed at the mouth of the Brunei River. Controlled by the Sumatran and Java based Majapahit Empires for several centuries the Brunei Empire reached its golden age from the 15th to the 17th centuries. During this time, it exercised control over all of the island of Borneo and north into the Philippines. The fifth sultan, Bolkiah (1473-1521) briefly captured Manila and the ninth sultan, Hassan (1605-1619) developed a Royal

Court structure. Elements of which remain today. Under influence of European colonial powers and internal strife over royal succession, a period of decline followed Hassan's rule. James Brook, a British adventurer, arrived in 1839 and helped the Sultan put down a rebellion. During this same period of time the British North Borneo Company was expanding its territorial control in the region. In 1888 Brunei became a protectorate of the British, retaining internal control and subject to British control for external matters. In 1906, Brunei relinquished a further measure of sovereignty when executive power transferred to a British resident leaving the native ruler control over only local custom and religious matters. In the 1950's and 1960's the Brunei government began to evolve. A new constitution in 1959 declared Brunei a self-governing state. An attempted overthrow of the new government was defeated in 1962. On January 4, 1979, Brunei and the United Kingdom signed a new treaty of friendship and cooperation, and on January 1, 1984, Brunei became a fully independent state. Under Brunei's 1959 constitution, the Sultan is the head of state with full executive authority, including emergency powers. The Government assures continuing public support for the current form of government by providing economic benefits such as subsidized food, fuel and housing, free education and medical care, and low-interest loans for government employees.

Brunei's economy is almost totally supported by exports of crude oil and natural gas. The government uses its earnings in part to build up its foreign reserves, which at one time reportedly reached more than \$30 billion. The country's wealth, coupled with its membership in the United Nations, ASEAN, the Asia Pacific Economic Cooperation (APEC) forum, and the Organization of the Islamic Conference give it an influence in the world disproportionate to its size. As the third-largest oil producer in Southeast Asia, production averages about 200,000 barrels a day, its natural gas reserves make it the fourth-largest producer of liquefied natural gas in the world. Japan has traditionally been the main customer of Brunei's oil exports, and in 1999 took in about 50.3% of Brunei's export production. Brunei's oil exports to the United States accounted for 13.9%, Korea 13.5% and Thailand 13.3% of the total exported. Over 82% of Brunei's LNG produced is sold to Japan under a long-term agreement renewed in 1993. Brunei's proven oil and gas reserves are sufficient until at least 2015, and planned deep sea exploration is expected to find significant new reserves.

The Brunei Government actively encourages foreign investment. New enterprises that meet certain criteria can receive pioneer status, exempting profits from income tax for up to 5 years, depending on the amount of capital invested. Recently the government announced plans for Brunei to become an International Offshore Financial Center as well as a Center for Islamic Banking.

The Sultan is both Minister of Defense and Supreme Commander of the Armed Forces (RBAF). All infantry, navy, and air combat units are volunteers. There are two infantry brigades, equipped with armored reconnaissance vehicles and armored personnel carriers and supported by Rapier air defense missiles and a flotilla of coastal patrol vessels armed with surface-to-surface missiles. Brunei has a defense agreement with the United Kingdom, under which a British Armed Forces Gurkha battalion is permanently stationed in Seria, near the center of Brunei's oil industry. The RBAF has joint exercises, training programs, and other military cooperation with the United Kingdom and many other countries, including the United States.

Relations between the United States and Brunei date from the 19th century. On April 6, 1845, the USS Constitution visited Brunei. The two countries concluded a Treaty of Peace, Friendship, Commerce and Navigation of 1850, which remains in force today. The United States maintained a consulate in Brunei from 1865 to 1867.

## CHINA

The People's Republic of China, see Figure 3, covers a geographic area of approximately 9,596,960 sq. km. (about 3.7 million sq. mi.) populated by 1.261 billion according to FY 2000 estimates. China has a population annual growth rate of 0.93%. China officially represents its people as atheist but there are cells of Taoism, Buddhism, Islam, and Christianity throughout

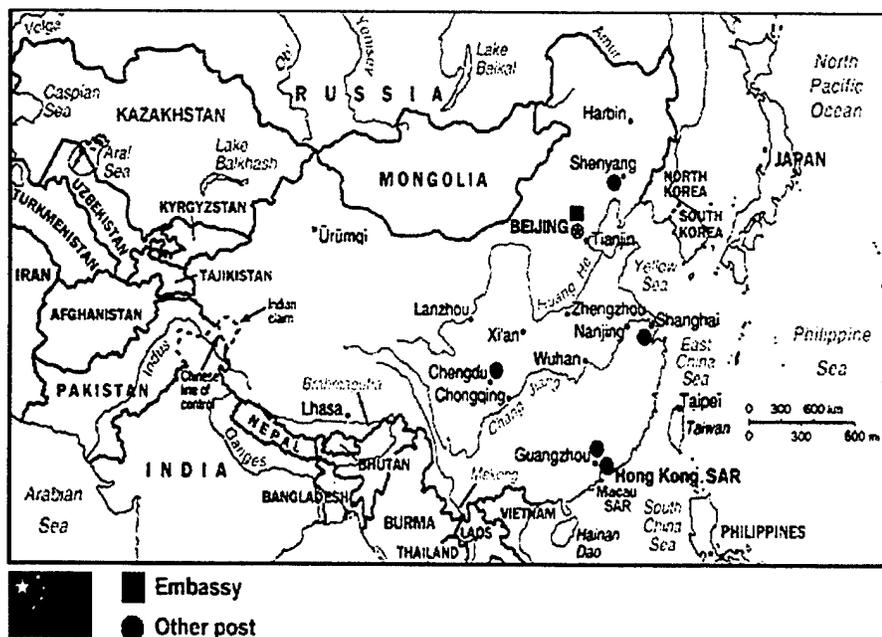


FIGURE 3 CHINA

China<sup>8</sup>. The government is State lead by the Communist party and includes an Executive Branch-president, Vice-president, State Council, premier; Legislative Branch-unicameral National People's Congress and a Judicial Branch-Supreme People's Court.

China's GDP in 1999 was \$991.2 billion (exchange rate based) with a growth rate of 7.1%. Natural resources of coal, iron ore, crude oil, mercury, tin, tungsten, antimony, manganese, molybdenum, vanadium, magnetite, aluminum, lead, zinc, and uranium are plentiful and China has the world's largest potential for hydropower production. Exports totaling \$194.7 billion are comprised of textiles, garments, electrical machinery, furniture, foodstuffs, chemicals, footwear, and minerals. China's major markets are Hong Kong, Japan, United States, South Korea, Germany, Singapore, and the Netherlands.

As the oldest continuous major world civilization China has records dating back 3,500 years. A system of bureaucratic controls developed by successive dynasties and strengthened by the Confucian state ideology and a common written language form the foundation for China's long survival. Early conquerors of China adopted the ways of the higher civilization and staffed the bureaucracy with Chinese. Through out the Ming dynasty and into the Qing dynasty control was gained over many border areas including Tibet, Mongolia, and Taiwan. The 19th century saw China loosing the Opium Wars with Britain and other western powers including the United States taking concessions. In 1842 China ceded Hong Kong to Britain and in 1898 Britain executed a 99 year lease on the territories. The 20th century began in a state of turmoil. In the 1920's under Sun Yat-sen the Chinese Nationalist People's Party (KMT) came to life. A new leader, Chiang Kai-shek, broke the KMT from the Chinese Communist Party (CCP) in 1927. The KMT and CCP battled continuously throughout the Japanese invasion (1931-1945) and eventually Kai-Shek fled with his followers to Taiwan and established the Republic of China.

Mao Zedong in 1949 proclaimed the founding of the People's Republic of China in Beijing. He had been supported by the Soviets in his overthrow and subsequent control of the CPP. In 1958 he broke with the Soviets. The Cultural Revolution began in the 1960's and lasted into the 1970's until Mao's death in 1976. The post Mao era saw a short revolution followed by a new government emphasizing economic development. Numerous incidents and conflicts including Chinese support to North Korea, humanitarian issues, suppression of individual rights, and on and on have marked China's struggle to today.

The next five years represent a critical period in China's existence as it makes a bid to join the World Trade Organization. China represents a vast market, however there is still concern over the human rights issues. A positive response by the Chinese Government to these concerns will improve cooperation with other countries. During the 1990s China began

reforming its legal system. The 1994 Administrative Procedure Law allows citizens to sue officials for abuse of authority and malfeasance. Significant changes were also made to the criminal law system affecting written laws and procedural policy. Fundamental human rights and due process are provided for in the Chinese Constitution but are often ignored. The government restricts freedom of assembly, expression, and the press and represses dissent.

The People's Liberation Army includes strategic nuclear forces, army, navy, and air force units supported by a modern military system of recruitment and manpower, strategy, education and training. The Chinese military is transforming from a large land based force to a smaller, agile and deployable, high-tech force capable of operating beyond its coastal borders. The power projection capability of the Chinese force continues to grow but is plagued by 1960s vintage technology and equipment in its air force and navy. China has purchased advanced weapons systems, destroyers, submarines, and aircraft from Russia, but the mainstay of the force is from the 1960s.

The United States senate approved legislation granting Permanent Normal Trade relations with China in September 2000. In April 2001, a Chinese fighter and a United States EP-3 collided over international waters. The Chinese plane was lost and the EP-3 made an emergency landing on China's Hainan Island. Even with this incident compounding the United States accidental bombing of the Chinese Embassy in Belgrade (May 1999) relations continue to improve.

## MALAYSIA

Malaysia, see Figure 4, at 329,749-sq. km. (127,316-sq. mi.) is slightly larger than New Mexico. It has a population of 23.3million with an annual growth rate: 2.4%. Numerous religions are practiced by the Malaysian people including Islam, Buddhism, Confucianism, Taoism, Christianity, Hinduism, Sikhism, and Baha'I faith<sup>9</sup>. Malaysia has a federal parliamentary Democracy with a monarch. Government Branches include the Executive-"Paramount ruler" Head of state referred to as king with ceremonial duties, Legislative-bicameral Parliament, and Judicial-Federal Court, Court of Appeals, High Court, magistrate's courts, sessions courts and juvenile courts. Syariah courts hear cases involving Muslims.

Malaysia's GDP in FY 2000 was estimated at \$82 billion with an annual growth rate: 8.3%. Natural resources include petroleum, liquefied natural gas, tin, and minerals. Export Merchandise totaling \$98.2 billion are made up of predominately electronics, palm oil, liquefied natural gas, petroleum products, and natural rubber. Major markets are the United States buying 20.5%, Singapore 18.4%, and Japan 13.1% of Malaysia's exports.

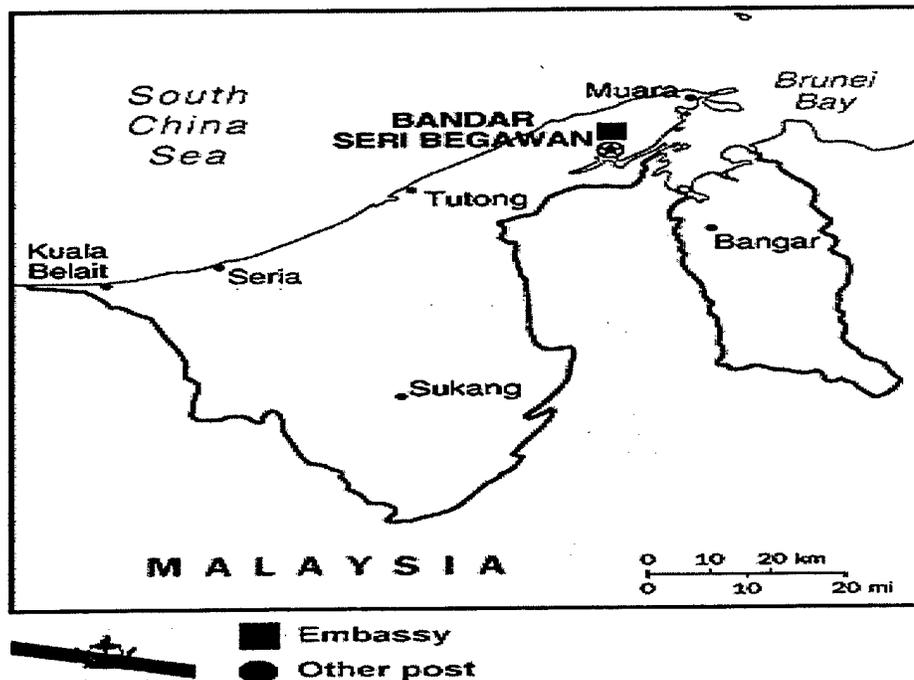


FIGURE 4 MALAYSIA

Like other countries of the Asia-Pacific region, Malaysia's history began near the first century AD and developed from seapower and maritime trade. Expansion came in the 14th and 15th centuries which included the introduction of Islam to the area. Malaysia has been occupied through the centuries by the Portuguese, Dutch, British and Japanese. The British can be credited with having established a well ordered system of public administration and government in the 1800s. In 1957 the British ruled territories of Peninsula Malaysia negotiated independence from the United Kingdom. The British colonies of Singapore, Sarawak, and Sabah (North Borneo) joined the Federation of Malaysia in 1963.

Malaysia is a constitutional monarchy, nominally headed by the Yang di-Pertuan Agong (paramount ruler), customarily referred to as the king. Kings are elected for 5-year terms from among the nine sultans of the peninsular Malaysian states. The king is also the leader of the Islamic faith in Malaysia. Executive power is vested in the cabinet led by the prime minister. The federal government has authority over external affairs, defense, internal security, justice (except Malays or other Muslims), citizenship, finance, commerce, industry, communication, and transportation.

Malaysia's economy suffered greatly following the regional financial crisis of 1997-99. The annual growth rate dropped from 8.7% to near zero. With the infusion of additional export

dollars from the United States, for mainly electronic products, the economy has rebounded to 8.3% in 2000. During the first half of 2001, United States exports to Malaysia totaled \$4.9 billion while the United States imported \$11 billion from Malaysia. The Malaysian Government encourages foreign investment and according to Malaysian statistics in 1999, the United States ranked first among foreign investors providing \$1.37 billion of the total \$5.2 billion invested over all. The United States has a total investment in Malaysia exceeding \$10 billion of which 60% is in the oil, gas, and petrochemical sectors.

In the 1990s, Malaysia undertook a program of military modernization. They obtained new aircraft from the United States until 1997 budget constraints slowed military purchases. The revitalized economy has allowed a resumption of military sales to Malaysia by the United States. In 2000, the Defense Minister announced a national review of military policy. This review addresses new security threats such as the kidnappings from resort Islands located off the East Malaysian State of Sabah.

Friendly relations have existed between the United States and Malaysia since Malaysia's independence in 1957. The United States and Malaysia have a solid record of cooperation in trade, investment, defense, counter-terrorism, and counter narcotics. As evidenced by the number of Malaysian students studying in the United States, now approximately 14,000 and one of the largest foreign student groups enrolled in United States colleges and universities, cultural and educational exchanges continue to be fruitful for both countries. The United States is currently Malaysia's largest trading partner and investor.

## THE PHILIPPINES

The Philippines, Figure 5, land area covers approximately 300,000 sq. km. (117,187 sq. mi.) and houses a population of 76.5 million. The annual growth rate is 2.36%. There are three primary religions in the Philippines Catholic 83%, Protestant 9%, Muslim 5%, Buddhist and others 3%. The government is a republic with three branches, Executive-president and vice-president, Legislative-bicameral legislature, and Judicial-Independent<sup>10</sup>.

The GDP in FY 2000 was \$74.7 billion, with a growth rate of 4.0%. Natural resources include timber, copper, nickel, iron, cobalt, silver, and gold. In FY 2000 exports totaled \$37.3 billion and imports were \$30.4 billion. There are four distinct periods of history for the Philippines, the pre-Spanish (before 1521), the Spanish (1521-1989), the American (1898-1946), and independence. During the first period the Philippines were inhabited by Negritos from Borneo and Sumatra, Malays and Chinese in the ninth century, followed by the Arabs in the 14th century who brought Islam to the Islands. The Spanish came in the 16th century and

controlled the Philippines for 377 years until the defeat of the Spanish fleet in Manila Bay by the Americans in 1898. The Philippines declared independence from Spain on June 12, 1898.



FIGURE 5 PHILLIPINES

The Spanish ceded the Islands to the United States under the terms of the Treaty of Paris December 10, 1898. An insurrection by the Filipinos against United States rule began in 1899. The capture of the Filipinos' leadership in 1902 ended hostilities and resistance gradually died out. The United States always intended for its influence and control over the Philippines to be temporary and developed a plan to establish an infrastructure to support a democratic government. These efforts began with domestic support, public education, and a judicial system. Philippine independence was again thwarted by the Japanese invasion and World War II. When the Philippines were free of Japanese control on July 4, 1946 the islands became the independent Republic of the Philippines. The Philippines now sought to expand its ties with its Asian neighbors, implement domestic reform, and develop and diversify the economy. Through struggles with corruption and favoritism and popular and unpopular leaders the Philippines have grown. In May 1998, they elected their third president, Joseph Ejercito Estrada, in a process of

democratic succession, which began in February 1986 with the ouster of then President Marcos. In January 2001 Gloria Macapagal-Arroyo assumed the Presidency following Estrada's impeachment on corruption charges.

The Philippines has a democracy modeled on the United States system and its 1987 constitution re-established a presidential system of government with a bicameral legislature. The government remains confronted with both Muslim and communist insurgencies. In May 2000 the government stepped up its military campaign against the Muslim-separatist Moro Islamic liberation Front. In April 2000 a kidnapping by the Filipino Muslim rebel group, Abu Sayyaf, created an international hostage incident. This same group kidnapped a group of Americans in May 2001. The anti-insurgency campaign is a drain on government resources and hampers developmental efforts even though they do not fundamentally threaten the country's stability. The United States is working with the Philippine Government and has promised military assistance in the battle against the insurgents.

The Philippine Defense Force is felt by its new president to be adequate to combat the adversaries of her government. Filipino forces are prepared to defend the country and eliminate the base of operations for the Muslim insurgents. President Arroyo has made it clear that the Filipino forces will conduct all combat operations but there will be request for United States military support in other areas.

Relations are based on a shared history and commitment to democratic principles and economic ties. There have been recent test of the strength of these relations beginning with the December 6, 1991 Philippine order to withdraw all United States military forces within one year. Successfully accomplished within the specified timeline the United States turned over \$1.3 billion in assets to the Philippine Government including an airport and ship repair facility. Since this time relations have improved and in 1998 negotiators concluded the Visiting Forces Agreement (VFA) and opened the way for increased military cooperation under the Mutual Defense Treaty. Under the VFA the United States exercises an active program of ship visits and has resumed large military exercises with the Philippine forces. Two-way trade with the Philippines annually has exceeded \$17 billion for several years and in 2000 it amounted to nearly \$22.7 billion. The United States investments in the Philippines are more than \$3 billion making the United States the largest foreign investor.

## TAIWAN

Taiwan, see Figure 6, is an island nation of 14,000-sq. mi. about the size of West Virginia and a population of 22.2 million. The annual growth rate is 0.67%. Of the 11.2 million religious believers 75% are Buddhist or Taoists. There are also 600,000 Christians in Taiwan.

The government is a Multi-party democracy with Executive, Legislative, Judicial, Control, and Examination branches. Taiwan's 1999 GDP was \$288.7 billion and a growth rate of 5.7%. Natural resources are coal, natural gas, limestone, marble, and asbestos. Exports in 1999 were

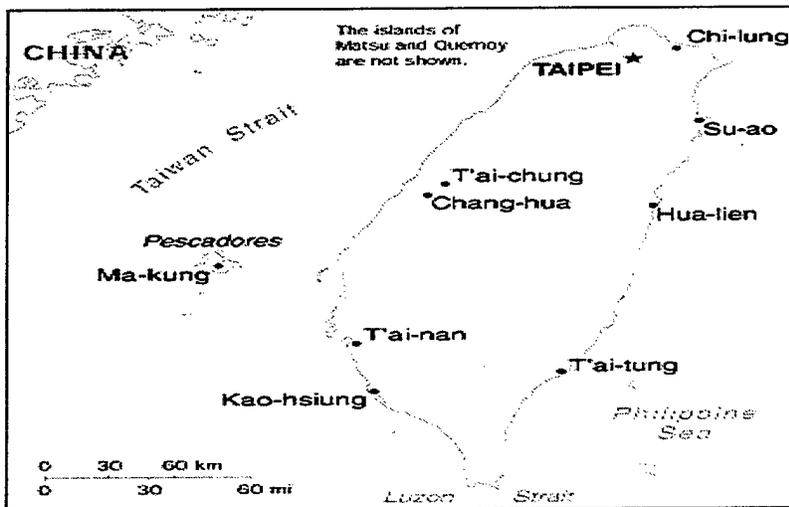


FIGURE 6 TAIWAN

\$121.6 billion to major markets of the United States \$30.9 billion, Hong Kong \$26 billion, and Japan \$11.9 billion. Imports totaled \$110.7 billion, from Japan \$30.6 billion and the United States \$19.7 billion<sup>11</sup>.

Migration from the Chinese mainland began as early as 500 AD. During most of the 17th century the Dutch and Spanish controlled Taiwan. In 1664 a Chinese fleet led by Ming Loyalist from the mainland occupied Taiwan expelling the Dutch rulers of that time. The Qing Dynasty gained control in 1680 and ruled Taiwan until 1887. The 19th century saw a weakened China and in 1895 Taiwan was ceded to Japan under the Treaty of Shimonoseki. Japan ruled Taiwan and forced the people to take Japanese names and adopt Japanese customs. Following the end of World War II Taiwan reverted to Chinese rule. In the 1930s, Mainland China was in the midst of a civil war between Kai-Shek's KMT Government and the Chinese Communist Party led by Mao Zedong. With the civil war's end in 1949 two million refugees fled to Taiwan. In October, 1949 the People's Republic of China was founded. Kai-Shek had earlier formed a provisional capital in Taipei. Under the KMT authorities implemented a land reform program on Taiwan. The KMT and refugee businessmen together managed Taiwan's transition from an agricultural to a commercial/industrial economy.

The government on Taiwan claimed to be the sole legitimate government of all China from 1949 until 1991. In 1991 they abandoned their claim of control and recognized the fact that the People's Republic of China controls Mainland China. The president of Taiwan serves as the leader, with authority over the five administrative branches of government, and commander in chief of its armed forces. Despite their differences contacts between the Chinese on both sides of the Taiwan Strait have grown over the last decade. Taiwan trade with Hong Kong which includes the People's Republic of China now exceeds \$22.5 billion annually. The leaders are pleased with the development of economic ties and exchanges in spite of Beijing's mixed view of these developments. Domestic political liberalization on Taiwan and subsequent talk of Taiwan's future, to include possible independence, continues to irritate Beijing. Beijing is strongly opposed to Taiwan's independence. Taiwan's economy is export oriented and is vulnerable to downturns in world economy due to its reliance on open world trade. Industrial goods comprise 98% of Taiwan's exports with electronics being the most important. Taiwan is the world's largest producer of computer monitors and is a leader in personal computer manufacturing. Taiwan imports most of its energy needs. The United States takes 25% of Taiwan's exports and provides 17% of its imports. Two-way trade in 1999 amounted to \$54.3 billion.

Taiwan has a large military accounting for 15.5% of the central budget in FY 2001. The military's primary mission is the defense of Taiwan from aggression by the People's Republic of China. To defend against this predominant threat Taiwan maintains a force of 430,000 and a reserve of 3.87 million. Forces are projected to be scaled down to approximately 400,000 by the end of FY 2001. Taiwan's main weapons supplier is the United States. Taiwan has stated that it does not intend to produce nuclear weapons.

In 1979 the United States in a joint communiqué with the People's Republic of China announced a change in United States diplomatic recognition from Taipei to Beijing stating that there was but one China and Taiwan was a part of China. The United States canceled its Mutual Defense Treaty with Taiwan following the de-recognition. However, they continue the sale of appropriate military equipment in accordance with the Taiwan Relations Act, which provides for such sales and declares that peace and stability in the region are a United States interest. The United States intends to maintain relations with the People's Republic of China and Taiwan because they are important for the United States' global position and for peace and stability in Asia.

## THE SOCIALIST REPUBLIC OF VIETNAM

Vietnam, see Figure 7, 329,560 sq. km. (127,243 sq.mi.) equivalent To Ohio Kentucky, and Tennessee has a population of 77.3 million with an annual growth rate: 1.37%. The religions of Vietnam are Buddhism, Hoa Hao, Cao Dai, Christian (predominantly Catholic), animism, and Islam. Vietnamese government is a Communist party dominated constitutional republic with four branches; Executive-president, prime minister, Legislative-National Assembly, Judicial-Supreme People's Court, and the Prosecutorial-Supreme People's Procuracy. The 1999 GDP was \$28.6 billion with a growth rate of 4.8%. Natural resources are coal, crude oil, zinc, copper, silver, gold, manganese, and iron. Vietnam exports (\$11.5 billion) to major markets in Japan 16%, China, Singapore, Australia, Taiwan, and Germany. It imports (\$11.6 billion) from the same countries and additionally from South Korea, Hong Kong, and Thailand<sup>12</sup>.

Vietnam's identity shaped by long-running conflicts, both internally and with foreign forces began Beginning in 111 BC, Chinese dynasties ruled Vietnam for 1,000 years. In 939 AD, Vietnam achieved independence under a native dynasty. While Vietnam's emperors reigned ineffectually, powerful northern and southern families fought civil wars in the 17th and



FIGURE 7 VIETNAM

18th centuries. In 1858, the French began their conquest of Vietnam starting in the south. They annexed all of Vietnam in 1885. In the early 20th century, French-educated Vietnamese intellectuals organized nationalist and communist-nationalist anti-colonial movements. Japan's occupation of Vietnam during World War II further stirred nationalism. After Japan stripped the French of all power in March 1945, Ho Chi Minh announced the independence of the Democratic Republic of Vietnam on September 2, 1945. France's post-World War II unwillingness to

leave Vietnam led to failed talks and an 8-year guerilla war between the communist-led Viet

Minh on one side and the French and their anti-communist nationalist allies on the other. Following a humiliating defeat at Dien Bien Phu in May 1954, France and other parties, including Britain, China, the Soviet Union, and the United States convened in Geneva, Switzerland for peace talks. On July 29, 1954, an Agreement on the Cessation of Hostilities in Vietnam was signed between France and the Democratic Republic of Vietnam. The United States observed, but did not sign, the agreement. French colonial rule in Vietnam ended.

The 1954 Geneva agreement provided for a cease-fire between communist and anti-communist nationalist forces and the temporary division of Vietnam at approximately the 17th parallel. In December 1961, at the request of South Vietnamese President Ngo Dinh Diem, President Kennedy sent United States military advisers to South Vietnam to help the government deal with the Viet Cong campaign. In early 1975, North Vietnamese regular military forces began a major offensive in the south, inflicting great damage to the south's forces. The communists took Saigon on April 30, 1975, and announced their intention of reunifying the country. The Democratic Republic of Vietnam (north) absorbed the former Republic of Vietnam (south) to form the Socialist Republic of Vietnam on July 2, 1976.

Vietnamese leaders thought that reunification of the country and its socialist transformation would be condoned by the international community, this did not happen. Vietnam's internal practices, the Vietnamese invasion of Cambodia in 1978 and its growing tight alliance with the Soviet Union confirmed International suspicions that Vietnam wanted to establish hegemony in Indochina. Vietnam's invasion of Cambodia increased tensions between Vietnam and China. Beijing, backed the Khmer Rouge regime in Cambodia and retaliated in early 1979 by initiating a border war with Vietnam. A new state constitution was approved in April 1992, reaffirming the central role of the Communist Party in politics and society, and outlining government reorganization and increased economic freedom.

The most important powers within the Vietnamese Government--in addition to the Communist Party--are the executive agencies created by the 1992 constitution: the offices of the president and the prime minister. The National Assembly has more voice in exercising authority over lawmaking. The 15-member Politburo, elected in April 2001 and headed by Communist Party General Secretary Nong Duc Manh, determines government policy, and the nine-person Secretariat oversees day-to-day policy implementation. Vietnam's economic stance following the East Asian recession has been a cautious one, emphasizing macroeconomic stability rather than growth. The country has shifted toward a market-oriented economy, but the Vietnamese Government continues to hold a tight rein over major sectors of the economy, such as the banking system, state-owned enterprises, and areas of foreign trade.

On July 13, 2000, the United States and Vietnam signed a Bilateral Trade Agreement (BTA). This is a significant milestone for Vietnam's economy. Vietnamese-Chinese relations deteriorated significantly after Hanoi instituted a ban in March 1978 on private trade, affecting Sino-Vietnamese trade. Following Vietnam's December 1978 invasion of Cambodia, China launched a retaliatory incursion over Vietnam's northern border. Vietnam did not begin to emerge from international isolation until it withdrew its troops from Cambodia in 1989. Following the 1991 Paris Agreements, Vietnam established diplomatic and economic relations with ASEAN as well as most of the countries of Western Europe and Northeast Asia. China and Vietnam reestablished full diplomatic ties in 1991 and the two countries concluded a land border demarcation agreement in 1999.

In 1988 a confrontation, between China and Vietnam killed more than 70 people; see Table 2, over China's assertion of control over the Spratly Islands and the entire South China Sea. The territory border between the two countries is being definitively mapped pursuant to the Land Border Agreement signed December 1999, and an Agreement on Borders in the Gulf of Tonkin signed December 2000. Vietnam and Russia declared a strategic partnership March 2001 during the first visit ever to Hanoi of a Russian head of state, largely as an attempt to counterbalance the P.R.C.'s growing profile in Southeast Asia.

After 20-years of severed ties, President Clinton announced the normalization of diplomatic relations with Vietnam on July 11, 1995. Subsequent to this announcement, in August 1995, both nations upgraded their Liaison Offices to embassy status. As diplomatic ties between the nations grew, the United States opened a Consulate General in Ho Chi Minh City, and Vietnam opened a Consulate in San Francisco. Reflecting the growing diplomatic relations between the two nations, economic relations between the United States and Vietnam have changed dramatically over the past decade. In February 1994, following substantial Vietnamese cooperation on POW/MIA issues, President Clinton removed the longstanding trade embargo on Vietnam. On July 13, 2000, the United States and Vietnam signed a Bilateral Trade Agreement which will fundamentally change Vietnam's trade regime and help liberalize its economy. In October 2000, President Clinton paid the first visit of a United States President to Vietnam since the end of the war. He was met by enormous crowds of well-wishers lining the routes of his visits in both Hanoi and Ho Chi Minh City.

Increased trade between the United States and Vietnam, and United States investment in Vietnam, evidence the maturing United States-Vietnam economic relationship. In 1999, Vietnam exports to the United States totaled \$655 million and imports were \$291 million.

Similarly, United States businesses continue to invest directly in the Vietnamese economy with 1999 seeing more than \$120 million, the seventh-largest foreign investment in the country.

### **IMPORTANT CHALLENGES TO UNITED STATES POLICY**

The four most important challenges to United States security policy in the region involve Korea, China, Maritime disputes and the economic stability of the region following the 1997 regional financial crisis<sup>13</sup>. Having already covered these areas in more detail during the country discussions, a brief review of each will follow.

Korea as the first regional issue has three specific areas of interest, first the United States continues to confront a serious military threat on the Korean Peninsula and deterrence remains our top priority, second the food crisis in the north can not go un-addressed, and third is Korea's nuclear proliferation.

China as the second regional issue to United States security policy is complex and challenging. The strategy of comprehensive engagement toward China is based on the promise that it is in the United States interest to work toward the emergence of China as a major power that is stable, open, and non-aggressive. The United States wants to help develop a China that embraces political pluralism and international rules of conduct to build a secure international order as well as peace and stability in the Asia-Pacific region<sup>14</sup>. In terms of regional security, engagement with China is paying dividends. China worked with the United States to bring North Korea to the negotiating table, and now sits with United States at the Four Party talks in pursuit of a permanent peace. China is aggressively addressing the humanitarian crisis in North Korea through food and fuel donations. Beijing announced at the 1995 ARF its intention to ratify the Law of the Sea convention, and committed itself to the peaceful resolution of the South China Sea territorial disputes.

Recognizing that China remains a major producer of nuclear, chemical, and missile-related equipment, materials and technology, the United States continues to have concerns about reports of missile equipment and technology transfer to Iran and Pakistan. No analysis of security issues involving China would be complete without a discussion of Taiwan. In March 1996, cross Strait tensions rapidly and dangerously escalated. The United States policy on P.R.C.-Taiwan relations remains unchanged: the United States supports peaceful resolution of the Taiwan question, and believes that cross-Strait dialogue provides the most promising mechanism through which to defuse tensions. Any deterioration in Beijing-Taipei relations along the lines of what took place in 1995-1996 would be costly and counter-productive for both sides, as well as dangerous to the stability of the entire region.

The third major regional security issue is that of unresolved territorial disputes in the East and South China Seas<sup>15</sup>. The disputes in the South China Sea are extraordinarily complex. Numerous islands and reefs, including the Spratly Islands, are the subject of overlapping claims among six disputants - China, Vietnam, Taiwan, the Philippines, Malaysia and Brunei<sup>16</sup>. Having achieved no progress toward a diplomatic resolution of the numerous disputed claims, Table 1<sup>17</sup> tensions persist.

Country	Claim
Brunei	Does not occupy any of the islands, but claims part of the South China Seas nearest to it as part of its continental shelf and Exclusive Economic Zone (EEZ). The boundary lines are drawn perpendicularly from 2 outermost points on the Brunei coastline. In 1984, Brunei declared an EEZ that includes Louisa Reef.
China	Refers to the Spratly Islands as the Nansha islands, and claims all of the islands and most of the South China Sea for historical reasons. These claims are not marked by coordinates or otherwise clearly defined. China also claims the Parcel Islands (referred to as the Xisha Islands), and includes them as part of its Hainan Island province. Chinese claims are based on a number of historical events, including the naval expeditions to the Spratly Islands by the Han Dynasty in 110 AD and the Ming Dynasty from 1403-1433 AD. Chinese fishermen and merchants have worked the region over time, and China is using archaeological evidence to bolster its claims of sovereignty. In the 19 <sup>th</sup> and early 20 <sup>th</sup> century, China asserted claims to the Spratly and Parcel islands. During World War II, the islands were claimed by the Japanese. In 1947, China produced a map with 9 undefined dotted lines, and claimed all of the islands within those lines. A 1992 Chinese law restated its claims in the region. China has occupied 8 of those islands to enforce its claims. In 1974, China seized the Parcel Islands from Vietnam.
Indonesia	Not a claimant to any of the Spratly Islands. However, Chinese and Taiwanese claims in the South China Sea may extend into Indonesia's EEZ and continental shelf, including Indonesia's Natuna gas field.
Malaysia	Its Spratly claims are based upon the continental shelf principle, and have clearly defined coordinates. Malaysia has occupied 3 islands that it considers to be within its continental shelf. Malaysia has tried to build up one atoll by bringing soil from the mainland and has built a hotel.
Philippines	Its Spratly claims have clearly defined coordinates, based both upon the proximity principle as well as on the explorations of a Philippine explorer in 1956. In 1971, the Philippines officially claimed 8 islands that it refers to as the Kalayaan, partly on the basis of this exploration, arguing that the islands: 1) were not part of the Spratly Islands; and 2) had not belonged to anyone and were open to being claimed. In 1972, they were designated as part of Palawan Province, and have been occupied.
Taiwan	Taiwan's claims are similar to those of China, and are based upon the

	same principles. As with China, Taiwan's claims are also not clearly defined. Occupies Pratas Island in the Spratlies.
Vietnam	Vietnamese claims are based on history and the continental shelf principle. Vietnam claims the entire Spratly Islands (Truong Sa in Vietnamese) as an offshore district of the province of Khanh Hoa. Vietnamese claims also cover an extensive area of the South China Sea, although they are not clearly defined. In addition, Vietnam claims the Parcel Islands (the Hoang Sa in Vietnamese), although they were seized by the Chinese in 1974. The Vietnamese have followed the Chinese example of using archaeological evidence to bolster sovereignty claims. In the 1930's, France claimed the Spratly and Parcel Islands on behalf of its then-colony Vietnam. Vietnam has since occupied 20 of the Spratly Islands to enforce its claims.

TABLE 1 TERRITORIAL CLAIMS IN THE SPRATLY AND PARCEL ISLANDS

Future conflicts could erupt in the absence of preventive measures promoting resolution to these disputes. There have been several periods of heightened tensions in these waters, including Vietnamese patrol boats escorting Chinese research vessels out of disputed waters off the coast of southern Vietnam, and Vietnamese troops garrisoned on Pidgeon/Tenant Reef opening fire on a nearby Filipino fishing vessel. The United States has a clear and abiding interest in keeping the South China Sea free from such conflicts. This strategic passageway through which oil and other commercial resources flow from the Middle East and Southeast Asia to Japan, Korea and China serves as an operating area for the United States Navy and Air Force, and a transit point between military bases in the Pacific and those in the Indian Ocean/Persian Gulf. Freedom of navigation and open sea lines of communication in these waters is vital interests for the United States<sup>18</sup>. Taking no position on the legal merits of individual claims to sovereignty over the various islands and waters, the United States consistently supports regional efforts on managing potential conflict in the South China Sea to address the disputes. No country in the region currently possesses the military capacity to impose its claims, and no claimant has discovered commercially viable quantities of oil or natural gas<sup>19</sup>.

The fourth and final issue is regional financial stability created in large part by the 1997 financial crisis. China is a growing economic power that has been able to achieve impressive overall economic growth and poverty reduction at the same time it tackles the challenges of transition from a command to a market based system<sup>20</sup>. The other countries of the region that are in conflict over the Spratlies are also emerging from the crisis but with much more help needed. The United States is helping them through:

- Supporting economic reforms.
- Maintaining strong United States growth with open markets for the region's exports.
- Promoting an open international trade and financial system.
- Supporting economic assistance to the countries hit by the financial crisis, and
- Providing a military security umbrella that contributes to the confidence needed to expand international business<sup>21</sup>.

The ASEAN formed in 1967 by Indonesia, Malaysia, the Philippines, Singapore, and Thailand to promote political and economic cooperation and regional stability<sup>22</sup>, APEC was established to promote economic integration around the Pacific Rim and to sustain economic growth. APEC currently has 21 members: Australia; Brunei Darusalam; Canada; Chile; People's Republic of China, Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Republic of the Philippines; Russia; Singapore; Chinese Taipei; Thailand; United States; and Vietnam<sup>23</sup>. With such diversified expansion the region is well on its way to economic recovery and stability, therefore; other than protection of its government a private investments the United States is achieving its economic goal in the region through reliance on free enterprise.

## **REVIEW UNITED STATES POLICY**

It is apparent from the historical relationships between the United States and the countries involved in the Spratly Islands disputes that there is no one easy answer to peace and stability in this region. That is not to say that it is not achievable, but only that it will take time, effort, and cooperation. Before an analysis of potential actions, and United States positions, it is important to review the more recent conflicts. All of the Spratly Island claimants have occupied some of the Islands, and/or stationed troops and built fortified structures on the reefs, except Brunei, which does not claim any of the Spratlies and has not occupied any of them, but did declare an Exclusive Economic Zone that includes Louisa Reef<sup>24</sup>.

Filipino Malampaya and Camago natural gas and condensate fields are in Chinese-claimed waters. China has not voiced a specific objection to the development of these fields. Many of Malaysia's natural gas fields located offshore Sarawak also fall under the Chinese claim, and China has not specifically objected to their development. Vietnam and China have overlapping claims to undeveloped blocks off the Vietnamese coast. The inability to resolve these disputes has prevented further exploration. In addition, Vietnam's Dai Hung (Big Bear) oil field is at the boundary of waters claimed by the Chinese<sup>25</sup>. Assisting in the monitoring and

settlement of these disputes is the United Nations Law of the Sea. Under this international law developed during the 1982 convention are several clarifications important to the South China Sea area.

The 1982 convention created a number of guidelines concerning the status of islands, the continental shelf, enclosed seas, and territorial limits. Relevant to the South China Sea are:

1. Article 3, states that "every state has the right to establish the breadth of its territorial sea up to a limit not exceeding 12 nautical miles";
2. Articles 55 - 75 define the concept of an Exclusive Economic Zone (EEZ), as an area up to 200 nautical miles beyond and adjacent to the territorial sea. The EEZ provides coastal states "sovereign rights for the purpose of exploring and exploiting, conserving and managing the natural resources, whether living or non-living, of the waters superjacent to" (above) "the seabed and of the seabed and its subsoil...".
3. Articles 76 defines the continental shelf of a nation, as comprising the seabed and subsoil of the submarine areas that extend beyond its territorial sea throughout the natural prolongation of its land territory to the outer edge of the continental margin, or to a distance of 200 nautical miles.
4. Article 77 allows every nation to exercise "over the continental shelf sovereign rights for the purpose of exploring it and exploiting its natural resources".
5. Article 121, states that rocks that cannot sustain human habitation or economic life of their own shall have no exclusive economic zone or continental shelf.

The establishment of the EEZ created the potential for overlapping claims in seas such as the South China Sea. Nations can extend claims by establishing a settlement on the islands in the region. South China Sea claimants have clashed as they have tried to establish outposts on the islands (mostly military), Table 2<sup>26</sup>, in order to conform to Article 121. The Law of the Sea Convention states that countries with overlapping claims must resolve them by good faith negotiation.

Date	Countries	Military Action
1974	China, Vietnam	Chinese seized the Parcel Islands from Vietnam, with 18 of its troops killed in clashes on one of the islands.
1988	China, Vietnam	Chinese and Vietnamese navies clashed at Johnson Reef in the Spratly Islands. Several Vietnamese boats were sunk and over 70 sailors killed.
1992	China, Vietnam	Vietnam accused China of landing troops on Da Luc Reef. China seized almost 20 Vietnamese cargo ships transporting goods from Hong Kong from June - September.
1994	China, Vietnam	China and Vietnam had naval confrontations within Vietnam's internationally recognized territorial waters over Vietnam's Tu Chinh oil

		exploration blocks 133, 134, and 135. Chinese claim the area as part of their Wan' Bei-21 (WAB-21) block.
1995	China, Philippines	China occupied Philippine-claimed Mischief Reef. Philippine military evicted the Chinese in March and destroyed Chinese markers.
1995	Taiwan, Vietnam	Taiwanese artillery fired on a Vietnamese supply ship.
1996	China, Philippines	In January, Chinese vessels engaged in a 90-minute gun battle with a Philippine navy gunboat near Capones Island.
1997	China, Philippines	The Philippine navy ordered a Chinese speedboat and two fishing boats to leave Scarborough Shoal in April; the Philippine navy later removed Chinese markers and raised its flag. China sent three warships to survey Philippine-occupied Panata and Kota Islands
1998	Philippines, Vietnam	In January, Vietnamese soldiers fired on a Philippine fishing boat near Tennent (Pigeon) Reef.
1999	China, Philippines	In May, a Chinese fishing boat was sunk in a collision with Philippine warship. In July, another Chinese fishing boat was sunk in a collision with a Philippine warship.
1999	China, Philippines	In May, Chinese warships were accused of harassing a Philippine navy vessel after it ran aground near the Spratly Islands.
1999	Philippines, Vietnam	In October, Vietnamese troops fired upon a Philippine air force plane on reconnaissance in the Spratly Islands.
1999	Malaysia, Philippines	In October, Philippine defense sources reported that 2 Malaysian fighter planes and 2 Philippine air force surveillance planes nearly engaged over a Malaysian-occupied reef in the Spratly Islands. The Malaysian Defense Ministry stated that it was not a stand-off.

TABLE 2 MILITARY CLASHES IN THE SOUTH CHINA SEA OVER THE PAST TWO DECADES\*

In tailoring deterrence, defense planners must consider a broad range of countries that are potential strategic adversaries, and address each specifically. Understanding the power structure of any regime is important in knowing whom to deter. The elements of state control may include the national leader or leaders and the military and elites<sup>27</sup>. A second question for planners is: what does the United States want to deter a country from doing<sup>28</sup>? Offensive actions range from information operations, conventional, chemical, and biological attacks to nuclear strikes; there are gradations each category. A question more difficult to answer definitively is: by what means does the United States deter an action against itself or an ally? In the future security environment, the United States will need to broaden its conception of deterrence to include defensive means designed to persuade potential adversaries that the likelihood of success is too low to make an attack worth the price of United States retaliation against highly valued assets<sup>29</sup>.

There must be some application of methodology to research and analysis of this type. This paper evaluated three important elements, they were:

1. To improve United States capabilities/relations carefully consider the range of strategic regional situations the United States may face and how it would deter or respond to each.
2. Identify and correct weaknesses in United States and allied positions/capabilities.
3. Develop appropriate plans and structures to increase United States flexibility to respond to the fluid environment of international politics and economics.

Forward-deployed forces and a network of mutual security alliances is the cornerstone of United States security policy in Asia. Over a relatively short period, multilateral organizations such as ASEAN/APEC<sup>30</sup> have become an important feature of the regional security architecture. The most important multilateral forum the ASEAN Regional Forum has contributed toward promoting dialogue, encouraging transparency, expanding cooperation, and defusing tensions.

An examination of recent events and current regional trends that could affect relations of the United States with or among the six nations in dispute over rights to the Spratlies follows. Chinese claims to the areas of Malaysia's oil fields, Islamic connections in the region and recent kidnappings are all ripe for conflict.

China is the only nation steadfastly holding to the belief that there are significant oil reserves in the Spratlies. This presumption may be enough to cause China to take action that is more aggressive to enforce its claims of ownership. The United States has only recently reestablished normal relations with China and must weigh carefully any overt action that projects an image of support to a Chinese adversary. Open support to other countries, especially our continued relations with Taiwan and revitalized interests in Vietnam, militarily or economically, could bring United States credibility into question by the Chinese.

The September 11, 2001 terrorist attack on the United States by suspected Islamic terrorists, and the United States desire to find and punish those responsible for participating in and/or having provided aid and comfort to the enemy may eventually strain some international relationships. Brunei, Malaysia, and the Philippines have become targets of opportunity for Islamic terrorists through investments, establishment of training camps, and international terrorists incidents such as the kidnappings of foreign tourists for ransom. The United States might consider freezing assets or stronger actions if it finds that terrorist resources were flowing through these Islamic economies. The Philippines has already requested military assistance by the United States to assist in the capture and or expulsion of these terrorists.

## **UNITED STATES OPTIONS**

With Brunei and Malaysia having sufficient oil reserves to last until 2015, China possibly doubling its consumption between now and 2020, disputes of ownership of the Spratlies are

likely to become an international issue. Besides this, there are other United States interest in the region such as assistance and support to Taiwan in its dealings with China, the recent United States move to re-establish normal relations with Vietnam, and the need for deepwater ports in the region. If China pursues further development of oil exploration or forcefully enforces its claim to the Spratlies such action might force the United States to choose sides to protect its interest, national and fiscal, in the region. Options to the United States are unlimited in this region, but I will now present the four most feasible options.

First, the United States could not act and continue with its existing policy since it presently has good relationships within the region overall. All of the countries are enjoying bountiful trade relations with the United States and there are presently no diplomatic disputes between them and the United States. The United States fiscal interests in the region provided through private corporate investments and our national interests continue to be, stability of the local governments and the protection of the oil and gas reserves. Evidence that terrorist have invested or laundered money through the region is not yet an issue because everyone is supporting the United States in its war against terrorism and all of the countries have publicly condemned the attacks of September 11.

Increased dominance by China over its claims of vast oil reserves in the area could affect regional stability. The positive here is that the United States and the ASEAN/APEC members enjoy excellent relations within the region and these should continue to the mutual benefit of all. On the negative side is the potential outrage by the American public if a link to the terrorist attack on the United States is established against any of these countries. If the United States continues on the same track of friendly, relationships without any visible sign of retribution it will loose support at home. This does not seem likely at this time in light of the active role that the Philippines and others are taking to irradiate the Islamic fundamentalist that are causing the trouble.

The second option is for the United States to increase diplomatic dialogue with China to find a solution to China's growing energy consumption and desire to be self-sufficient. Early intervention could be positive for all. Brunei and Malaysia gain new revenue through exports to China and benefit most from the United States intervention. On the downside, getting too friendly with China could drive a wedge between the United States and Taiwan. More friendly and cooperative actions with China may have a negative effect on United States/Russian relations as well.

The United States might consider encouraging additional private investments in the region as a third option in order to justify military action to protect United States interest if

Malaysian/Philippine kidnappings continue. An increase in the amount of investments by United States citizens and increased civilian travel provide the leaders of the United States additional justification for military presence as a preventive to hostile action against United States interests. All of the countries in the region strictly control foreign investment so we would be strengthening United States ties with each government as we increase our investments. The negative side is the possible perception by the American public that we are transferring too much of America's production overseas which compounds the economic impact that working class Americans are already feeling since the September 11, 2001 attacks.

A fourth option is a complete United States pull-out of all military presence and State Department advise against further investment and travel, should a conflict in the Spratlies escalate. With so much already invested by United States businesses in the region, this further complicates United States economic conditions at home. It also seriously affects United States credibility within the region and leaves the West Coast of the United States open for exploitation by China, in a worst case scenario.

## **CONCLUSION**

Of the four options just presented, maintaining the status quo is the more desirable course for the United States at this time. Since no threatening military action exists among these nations, a military strategy is not of paramount importance. Correct diplomatic action and continued economic relations with these countries will serve as the best instrument of power for the United States between now and 2010. We enjoy good diplomatic relations and economic prosperity through bi-lateral trade. A continued United States diplomatic and economic presence in the region reflects United States interests and deters Chinese encroachment thus enhancing continued regional stability. This paper provided an examination of United States relations with countries claiming rights to the Spratlies and possible courses of action by the United States should conflict escalate. The importance of the Spratly Islands to Asian-Pacific stability of oil and gas production and their essential role geographically are not questionable.

## **RECOMMENDATION**

The courses of action review and my subsequent recommendation is to maintain the status quo of United States involvement in the region. The basis for development of National security strategy is a snap shot in time to anticipate future scenarios. The viability of a national strategy lies in the credibility of its development, its anticipation of future events and its flexibility to adapt to the changing times. My research, based on current events and near term to midterm

possibilities for a major regional conflict, supports the existing United States diplomatic, economic and military policy in the region.

Total words 9,914



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