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**CHINA IN THE SOUTH CHINA SEA: GENUINE
MULTILATERALISM OR A WOLF IN SHEEP'S
CLOTHING?**

by

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December 2005

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WOLF IN SHEEP'S CLOTHING?**

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ABSTRACT

The South China Sea claimants base their claims on ancient documentation and archeological evidence. However, they largely ignored the territories until the 1960s, when natural resources speculations began. The 1982 UNCLOS magnified interest as claimants hoped to extend exclusive economic rights from their claims rather than continental coastlines. Another possible factor behind Chinese claims is the theory that Beijing desires to establish Chinese hegemony in the region.

Beijing's shift from bilateral diplomacy and military aggression to multilateral diplomacy has created debate among Sinologists. Many argue China lacked the power necessary to assert its claims and now can finally attempt assertion again, thus the naval buildup. Others argue that natural resources drive China's SCS policy and still others believe bureaucratic infighting drives policy. Economic data shows a possible causal relationship between trade and China's political behavior. The 1996 U.S. Presidential campaign slogan, "It's the economy stupid," apparently applies to Beijing's SCS approach as well.

The U.S. approach to the disputes remains one of ambivalence. As long as the United States maintains freedom of navigation through the area, Washington should remain concerned but uninvolved. Beijing largely feels the same way, with the important addition of guaranteeing access to the region's natural resources.

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I. INTRODUCTION

While Chinese claims to the South China Sea territories remain constant, Beijing's approach to the disputed territories has changed over time. For centuries, China asserted its claims in the South China Sea through publicized proclamations of sovereignty and little else. After World War II (WWII), the Chinese approach shifted from legal proclamations to military occupations, then to diplomatic negotiations, and, most recently, to agreements for cooperative exploration efforts with other claimants, shelving the sovereignty issue for the foreseeable future.

The South China Sea issue centers around the Spratly Islands dispute, which involves six claimants – the People's Republic of China (PRC), the Republic of China (ROC or Taiwan), Vietnam, Malaysia, Philippines, and Brunei. Also important are the Parcel Islands dispute, which involves only the PRC, Taiwan, and Vietnam, and, the Natuna Islands dispute, involving a conflict between the southern tip of Chinese claims and Indonesia's claim to an Economic Exclusion Zone (EEZ).¹ The disputed islets in the South China Sea are not habitable nor even visible all of the time, submerged by the tides a large portion of the year. However, as China and Southeast Asian nations continue industrializing, the promise of petroleum and natural gas deposits regularly brings these territorial claims into the spotlight, particularly the Spratly Islands. Shortly after energy firms began speculating about the size of the resource fields, all claimants made or reiterated declarations of their claims and all but Brunei and Indonesia have deployed military forces to patrol "their" waters.

Five Asian armed forces currently occupy various portions of the Spratly Islands; the PRC occupies seven reefs, Vietnam 24 islets and reefs, Malaysia five reefs, the Philippines eight islets, and Taiwan has a garrison on one islet.² While the overlapping claims have existed for centuries, the clashes did not begin until after the initiation of the first surveys of potential oil and gas fields in the region in the 1970s. Over the past three decades, there have been 13 military clashes in the South China Sea region, nine of which

¹ Anton Nugroho, "The Dragon Looks South," *Proceedings*. vol. 126, no. 3 (Annapolis: United States Naval Institute. Mar 2000), 74-76.

² *Ibid.*

involved the PRC, although the region has been relatively free of military action between claimants since 1999. Consequently, it appears that until the year 2000, most of the claimants were willing to militarily assert and defend their claims to South China Sea territory. The most notable development in this apparent trend towards peaceful resolution is the 2002 “Declaration on the Conduct on Parties in the South China Sea,” the first multilateral security document between China and the Association of Southeast Asian Nations (ASEAN).

The logic behind these claims ranges from historical precedence, primarily based on ancient documentation, to claims of archipelagic status, and even abandonment and subsequent “re-discovery.” The legitimacy of all such claims to sovereignty is suspect at best. However, what is truly noteworthy is that the claimants’ approaches to these territories changed from mere declarations of sovereignty, to hotly contested exchanges that, over the past three decades included military clashes and casualties, and most recently, to diplomatic negotiations and cooperative exploration efforts. There are numerous explanations for why these nations continue to dispute others’ claims to this region. This thesis focuses primarily on the Chinese claims and assertions.

One explanation is that one or more actors have taken action to physically and politically validate their claims and that these actions began a chain reaction of similar assertions and counter-assertions. This explanation is particularly popular in Beijing, where the PRC government regularly declares that the other claimants, knowing full well that the South China Sea is Chinese sovereign territory, took advantage of a weak China in the early 20th century and that from the 1970s through the 1990s, Beijing merely acted to recover these “lost territories.”

This ties in with another explanation – that China strives to establish control over its South China Sea claims in order to establish a foothold to dominate the region, ostensibly to re-establish the purported patron-client relationship of earlier dynasties, or least to better protect China’s sea lines of communication (SLOCs). Proponents of this view argue that China’s continued economic and military rise pressures Southeast Asian nations to accommodate China and, consequently, we see some dispute resolutions that are arguably pro-Beijing.

The most frequently encountered explanation is that natural resources lie at the heart of these disputes. Those advocating this view argue that the territorial disputes remained on the back burner until Western energy companies began researching the region's petroleum and natural gas deposits.

Briefly, this thesis finds that all claims to sovereignty over these territories are equally suspect; it is unclear whether anyone held clear and recognizable sovereignty over them before WWII. Simply put, the assertion that China merely reacted to others does not withstand the weight of empirical evidence. Neither does the argument that China is actively seeking hegemony over the region. Chinese actions are not clearly hegemonic, though they are geared towards the pursuit and attainment of Chinese national interests, most importantly, access to natural resources and markets to facilitate China's continual economic growth. The thesis will show that China's rate of export clearly decreases following episodes of Chinese military aggression and argues that, in light of Beijing's continued prioritization of economic growth, this trend plays a large role in its acceptance of multilateralism.

The thesis will proceed as follows; Chapter II reviews the modern nature of the disputes and the explanations behind why China continues to dispute the other's South China Sea claims. The chapter briefly discusses the role of international law in the disputes and two explanations for the China's continued assertion of its claims; Beijing's desire to establish regional hegemony and its desire to guarantee access to the region's natural resources. What is clear is that over the past four decades, China's approach to the South China Sea territorial disputes has changed. China militarily asserted its claims in the Paracels, seizing several from South Vietnam in 1974. The 1980s and early 1990s yielded several sharp swings, from quiet diplomacy, to strong rhetoric, to military action, both offensive and defensive in nature. After the 1990s, the claimants shifted from military assertions to diplomatic negotiations with the most recent twist being China's acceptance of a multilateral declaration on conduct in the South China Sea in 2002.

Chapter III investigates the reasons behind this shift in China's approach to the disputes. First, the chapter identifies and reviews two clear trends from 1995 through today. There is a discernible decrease in Chinese offensive military actions in the South

China Sea region, a marked professionalization and modernization of the Chinese military, and an increase in the experience and quality of China's diplomatic corps. The latest change in Beijing's approach to the disputes is its acceptance of multilateral diplomacy. ASEAN members pressed the Chinese for this since the early 1990s, but Beijing rejected this approach, limiting negotiations to bilateral efforts only. However, in 2002, China signed the Sino-ASEAN "Declaration on the Conduct of Parties in the South China Sea." While not as legally binding as a code of conduct, the declaration is the first time Beijing agreed with all of the ASEAN claimants not to seize more territories in the region. This thesis addresses several reasons why China altered its approach, ultimately providing a possible answer to the larger question, what drives Chinese foreign policy in Southeast Asia?

Chapter III examines four possible factors: the effects of increased interaction with international diplomacy; the evolution of China's bureaucracy and government; differences in the current leadership vis-à-vis previous generations; and, finally, the effects of China's military actions on its economic trade and vice-versa. Constructivists argue that Chinese interactions with the international diplomacy regime reshape China's norms and behaviors to mimic the more peaceful, institutionalized methods often associated with the United States. China's approach to diplomacy since 2000 is certainly more peaceful than in previous decades. Another reason for this may be the evolution of China's diplomatic corps and government officials. Beijing has certainly increased the PRC's level of international interaction since it assumed China's representation in the United Nations and other international bodies from Taipei in the 1970s. However, this interaction may not be what drives China's adoption of "normal" preferences and actions – Beijing may merely have learned how to play the game. Yet another explanation for new approaches to Chinese foreign policy, specifically in the South China Sea region, is the changing nature of the perceptions held by China's leadership. Today's Chinese leaders, known as the "fourth generation," are vastly different from their predecessors, with dissimilar upbringing, educational opportunities, and environments. Ostensibly, these variations bred different leaders with different perceptions of themselves, their nation, and the actors and environment comprising the international system. Lastly, this thesis examines the relationship between Chinese military actions in the South China Sea

and its trade with ASEAN, the United States, and the industrial nations of Europe. This relationship may provide a potential validation of economic interdependence theory, and if so, would further serve to guide U.S. policy towards resolution of the South China Sea disputes.

In Chapter IV, the thesis examines the potential for U.S. involvement in a conflict over the South China Sea territories and finds that the potential remains low. However, the U.S. does have one formal defense obligation in the region, a mutual defense treaty with the Republic of the Philippines. Additionally, the United States signed a memorandum of understanding on defense cooperation with Brunei in 2004. The U.S. security relationship with Malaysia and Indonesia is less formal, and the Global War on Terrorism (GWOT) has both brought their governments closer to the United States while arguably driving a wedge between some of their people. U.S. national interests in the region demand some semblance of U.S. involvement. The United States is one of ASEAN's largest trading partners, importing almost U.S.\$85 billion from ASEAN in 2004, while ASEAN imported just over half that amount from the United States during the same year.³ However, over 220 million metric tons of goods and commodities sailed through the South China Sea in 2003, making continued freedom of navigation for U.S.-flagged vessels undeniably important.⁴ Also effecting the U.S. approach to the region and the territorial disputes, are several trends in Southeast Asia.

After over a decade of decreased continual military presence in the region, the United States is back. The GWOT has spurred a massive effort to boost U.S. interaction and coordination with Southeast Asian governments, militaries, and law enforcement agencies. However, while some welcome the U.S. return others remain unsure about, or even outright hostile to the United States. The resultant effect of these two forces is a roller coaster on which the United States must continuously monitor and manage its image in the region. Outside of cooperation regarding the GWOT, many ASEAN nations press politics and economics over military solutions to regional problems. This possible

³ International Monetary Fund, *Direction of Trade Statistics Yearbook*, (Washington, D.C.: IMF Publication Services, 2005), 515.

⁴ U.S. Department of Transportation, Bureau of Transportation Statistics. "Table 1-9 U.S. Waterborne Foreign Trade 2000," *Maritime Trade & Transportation 2002 BTS 02-01 2002*, http://www.bts.gov/publications/maritime_trade_and_transportation/2002/index.html. Accessed: 13 October 2005.

deviation from the historical balance of power approach to international relations means that the United States must evolve its approach as well. In light of the increased Sino-ASEAN engagement, the United States should at least review, if not adjust, its South China Sea policy. In the mid-1990s, China launched what some call a “charm offensive” in Southeast Asia, initially establishing several bilateral agreements, and in the early 2000s, agreements with ASEAN as a collective body on trade and investment. China’s response to the Asian financial crisis in 1996-97 appears to have changed the perception of several Southeast Asian governments regarding China’s rise, Beijing’s foreign policy, and the South China Sea territorial disputes. This changing environment directly affects the options for the U.S.-South China Sea policy and the successful pursuit and attainment of U.S. interests in the region.

The current U.S. policy is essentially a hands-off approach. Until the 1995 Mischief Reef incident, the United States had no official policy regarding the disputes and the rise of a Sino-Philippines row in the region elicited only a lukewarm statement regarding the sanctity of freedom of navigation. The possible alternatives for U.S. policy that this thesis assesses include: 1) staying the course, essentially doing nothing; 2) backing one of the claimants, specifically the Republic of the Philippines; 3) building a coalition against Chinese claims; 4) establishing a formal, regional body to address the disputes, possibly the ASEAN Regional Forum (ARF); and, 5) pressuring the claimants to settle the disputes through an International Tribunal for the Law of the Sea. This thesis recommends that the United States continue efforts to prevent any encroachment of its freedom of navigation throughout the region. For the short term, the United States should publicly and enthusiastically support the 2002 Sino-ASEAN declaration and emphasize its monitoring and enforcement, in the spirit of the UNCLOS, but not in full accordance with the UN convention. For the long term, the United States should continue pressing for a more binding code of conduct, which guarantees freedom of navigation through the South China Sea.

These disputes endure despite the increased globalization of the region’s economies, politics, and, to a degree, even their security. Chapter II briefly presents the modern history of the disputed claims and examines the reasons for this endurance.

II. REASONS FOR CHINA'S CONTINUATION OF THE SOUTH CHINA SEA TERRITORIAL DISPUTES

A. INTRODUCTION

The People's Republic of China (PRC), the Republic of China (ROC, Taiwan), Vietnam, Malaysia, Philippines, and Brunei assert sovereignty claims over some or all of the Spratly or Nansha (南沙) Islands; China and Vietnam both claim the Paracel or Xisha (西沙), and Indonesia claims the Natuna Gulf as part of its Economic Exclusion Zone (EEZ), which conflicts with the southern tip of Chinese claims.⁵ The continued industrialization of China, Taiwan and the Southeast Asian nations greatly increases their thirst for petroleum and natural gas, a thirst some believe the deposits these territories hold could help to quench. Armed forces from five Asian nations occupy different holdings in the Spratly Islands, while Indonesia is the only nation to occupy the Natuna Islands.⁶

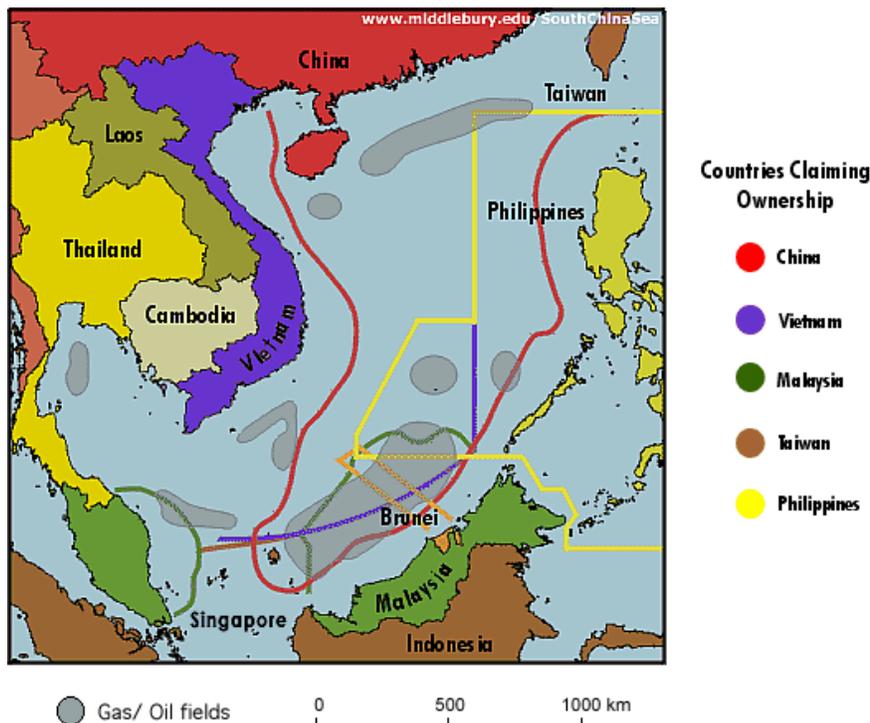


Figure 1. National Claims in the Spratly Islands ⁷

⁵ Nugroho.

⁶ Ibid.

⁷ South China Sea Virtual Library. "Territorial Claims – Outline," <http://community.middlebury.edu/~scs/maps/oilclaims.gif>. Accessed: 13 October 2005.

Some claimant governments maintain that they have held sovereignty over their South China Sea territories for centuries, in some cases even millennia, while others' claims are relatively recent, ironically based on the idea that the original sovereigns abandoned the islands and features allowing them to be "re-discovered." While some nations invoke archipelagic status and EEZs to legitimize their claims, others rely on historical documents and precedents, particularly in the Spratlys. This chapter briefly reviews the 1982 United Nations Convention on the Law of the Sea and argues that the convention is at least partly to blame for the Chinese and other claimants' island-grabbing campaigns in the 1980s and 1990s. However, these are not the only explanations for the endurance of the disputes or the cycles of military assertion and diplomatic maneuvering vis-à-vis the South China Sea territories.

This chapter also examines other two other potential factors in the disputes – China's desire to establish hegemonic power in the region; and its desire to control the region's natural resources. The two explanations are intertwined, as China's natural resource imports traverse the South China Sea. Consequently, they ensure not only access to the region's resources, but their safe arrival in China, Beijing must ensure the protection of its SLOCs. However, in order to do this, China need not establish a firm hegemony in Southeast Asia. Good diplomatic relations with its southern neighbors combined with a capable military capability in the South China Sea accomplish the same goals.

B. INTERNATIONAL LAW AND THE SOUTH CHINA SEA DISPUTES

History shows few political or military clashes over these rocky formations until the 1970s. Why the sudden increase in interest? Some suggest that nascent nationalism sparked an Asian variant of Manifest Destiny in China and that Beijing plans to establish a Chinese hegemony in the South China Sea region, if not to re-establish historical political boundaries and influence, then at least in order to establish some semblance of security for increasingly critical sea lines of communication (SLOCS) and trade routes. Most subscribe to the theory that natural resources play the largest role, thereby explaining the coincidence of the first survey missions and discoveries with the increase in publicly announced claims, occupations, and ultimately the increase in diplomatic and

military tensions. This chapter will examine all of these factors but begins with a look at the role that international law, in particular, the 1982 United Nations Convention on the Law of the Sea (UNCLOS), plays in the South China Sea territorial disputes.

Samuel S.G. Wu and Bruce Bueno de Mesquita state, “Three factors changed the previously disinterested behavior of countries bordering the South China Sea...(1) the islands’ strategic value...(2) the vast wealth of oil in the surrounding territorial waters; and (3) consideration of the [United Nations] Convention on the Law of the Sea.”⁸ The 1982 UNCLOS gave claimants the initial perception that the territories were useful in expanding their political boundaries well beyond their current demarcation as well as guaranteeing ownership of the natural resources within these new boundaries. The UNCLOS allows archipelagic states to draw straight baselines that join “the outmost points of the outermost islands and drying reefs of the archipelago.”⁹ Inside of these baselines, which can extend up to 125 nautical miles between the island base points, lay the archipelagic state’s “internal waters.”¹⁰ This definition of archipelagic waters as internal makes the state sovereign over these waters as if they were a river or lake on a continental state, allowing the state authorities to suspend innocent passage for the “protection of its security.”¹¹ However, the UNCLOS does not make it clear who can or cannot claim archipelagic status. The state may, but is not obligated to, establish sea-lanes and air routes through or over its archipelagic waters and the adjacent territorial sea.

The nation’s territorial sea extends 12 NMI beyond the archipelagic baselines and the state can extend its exclusive economic rights up to 200 NMI beyond these, known as an economic exclusion zone (EEZ).¹² Article 55 of the UNCLOS defines an EEZ as, “the area beyond and adjacent to the territorial sea, subject to the specific legal regime established in this Part, under which the rights and jurisdiction of the coastal State and the

⁸ Samuel S. G. Wu, Bruce Bueno de Mesquita, “Assessing the Dispute in the South China Sea: A Model of China’s Security Decision Making,” *International Security*, vol. 38, no. 3 (September 1994), 381.

⁹ United Nations, *United Nations Convention on the Law of the Sea, Part IV Archipelagic States*, 40. Online: http://www.un.org/Depts/los/convention_agreements/texts/unclos/unclos_e.pdf. Accessed: 20 November 2005.

¹⁰ Ibid.

¹¹ Ibid., 42.

¹² Ibid., 41.

rights and freedoms of other States are governed by the relevant provisions of this Convention.”¹³ In the event that two or more parties claim the same area, the UNCLOS calls for peaceful dispute resolution using a variety of mechanisms ranging from self-arbitrated agreements between claimants to rulings by the International Court of Justice (ICJ). The UNCLOS does not make it clear if a primarily continental nation, such as China, can claim archipelagic status. It is likely that the ICJ would not sanction such a move as it would go beyond the 125 mile limit set by the UNCLOS. Additionally, doing so would be tantamount to the United States claiming archipelagic status due to its political control of the Hawaiian Islands, thereby making a large portion of the Pacific Ocean U.S. internal waters. This example potentially explains why the UNCLOS states a 125 nmi range; however, the convention itself does not explain the logic behind this range, thereby allowing nations to continue claiming archipelagic status even when such claims fail the reasonable man test. However, it appears that all of the claimants share this author’s perception that the ICJ would not rule favorably for any of them, particularly when the claims do exceed this 125 nmi limit. No claimants have convinced the others to rescind their claims, nor have any garnered outside support from the major powers or international institutions.

A possible example of the ICJ’s desire to remain out of the natural resource debate is its 17 December 2002 decision regarding the sovereignty over Pulau Ligitan and Pulau Sipadan, two small islands off the coast of Borneo that previously were also claimed by Indonesia and the Philippines.¹⁴ The ICJ ruled in favor of Malaysia. However, while it is reasonable to infer from the UNCLOS that an ICJ decision regarding territorial disputes would include the region’s resources, the convention does not specifically state this is the case. Consequently, the ICJ was free to decide only on the islands themselves, leaving the maritime boundary of the Celebes Sea’s hydrocarbon-rich region in dispute.¹⁵ The next year Indonesia and Malaysia temporarily shelved the

¹³ UNCLOS, 43.

¹⁴ United Nations, *Press Release 2002-39: Sovereignty over Pulau Ligitan and Pulau Sipadan (Indonesia/Malaysia)*, Online: http://www.icj-cij.org/icjwww/ipresscom/ipress2002/ipresscom2002-39_inma_20021217.htm, (17 December 2002). Accessed: 19 November 2005.

¹⁵ Central Intelligence Agency, “Malaysia – Transnational Issues – Disputes: International,” *The World Factbook*, Online: <http://www.cia.gov/cia/publications/factbook/geos/my.html>, (01 November 2005). Accessed: 19 November 2005.

disputes by ending their gas and oil exploration activities in the offshore and deepwater sea beds but they have yet to agree that the matter should again be deferred to international adjudication.¹⁶ This apparent dissatisfaction with the 2002 ICJ result undoubtedly contributes to the disputes throughout the South China Sea region remaining unresolved.

However, despite this dissatisfaction, since the late-1990s, claimants have at least temporarily discontinued the sporadic practice of militarily asserting their claims. The multiple territorial claims, and their associated military, economic, and political attempts to assert them, create an often confusing, sometimes even contradictory collection of events. This thesis briefly examines the history of the claims and the actions taken by Beijing to assert them in order to discern any identifiable patterns of claimant behavior.

C. HISTORICAL BACKGROUND TO THE SOUTH CHINA SEA CLAIMS

This section briefly examines the South China Sea territorial claims from the early 20th century until present day. This examination finds two potential trends. The first occurs prior to 1995 and appears to link claimants' announcements of resource exploration and extraction and military conflict in the region. The second shows a possible linkage between diplomatic and economic agreements in the region.

China and Taiwan both claim virtually the entire South China Sea region, though official announcements and documents lack reference to any coordinate system. Beijing's and Taipei's claims, hereafter collectively referred to as "Chinese claims," are almost entirely based on "historical usage," claiming that Chinese ship captains routinely traversed the South China Sea starting 2,000 years ago and established regular navigational routes during the Han dynasty (206-220 A.D.).¹⁷ Like the Chinese claims, Vietnamese claims to the Spratly Islands are also historical, based on visits and alleged administrative actions. Ancient Vietnamese court documents from the King Le Thanh Tong regime (1460-1497) clearly indicate that the Vietnamese government considered both the Spratly and Paracel archipelagoes to be Vietnamese territory.¹⁸ However, these

¹⁶ Central Intelligence Agency, "Malaysia – Transnational Issues – Disputes: International."

¹⁷ Mark J. Valencia, Jon M. Van Dyke, and Noel A. Ludwig, *Sharing the Resources of the South China Sea*, (Honolulu: University of Hawaii Press, 1999), 20.

¹⁸ *Ibid.*, 30.

Vietnamese claims are as questionable as Chinese claims. In reality, very little administrative activity occurred, and fishermen from several states, not just Vietnamese sea goers, used the islands for navigation points and occasional anchorages.¹⁹ More importantly, the UNCLOS does not recognize either historical claims or intermittent administration as a basis for making territorial claims. Consequently, it is the modern history of the claims and assertions thereof, those activities occurring in the 20th and 21st centuries, that are the most relevant, particularly given the lack of action by other claimants until the late 1960s. Consequently, this thesis limits its scope to the modern era.

On 26 July 1933, the French formally annexed the Spratly Islands as an extension of their colonial holdings in what would later become modern Vietnam. This move prompted strong diplomatic protest from the Kuomintang (KMT) government in China the same month, though the Chinese navy was in no shape to counter the move militarily and its army was busy fighting an insurgent Chinese Communist Party (CCP) and an expanding Japanese occupation force.²⁰ Beijing uses this interaction with the French government as evidence of its pre-WWII claim to the South China Sea territories. There appear to be few, if any protests by the other South China Sea claimants, presumably because most of the current claimants did not exist as nation-states until the 1950s or later, and their colonial predecessors largely ignored these territories during their reign. The Japanese occupation of the South China Sea region during WWII marks the first undeniable interruption of sovereignty over the islands for whomever, if indeed anyone legally held it prior to that war. China, then still under the KMT, moved quickly to occupy Itu Aba Island in 1946, making it the first Asian power to take physical possession of any of the Spratly islands after the war ended, however, this move went largely unnoticed by the international community.²¹ The disputes settled down until 1951, when under Chapter 2, Article 2(f) of the Treaty of Peace, Japan renounced, “all

¹⁹ Valencia, et. al., 30.

²⁰ Lu Ning, *Flashpoint Spratlys!*, (Singapore: Dolphin Trade Press, 1995), 24.

²¹ Inventory of Conflict and Environment (ICE) Trade and Environment Database (TED), American University. “The Spratly Islands Dispute,” *ICE Case Studies*. Online: <http://www.american.edu/projects/mandala/TED/ice/spratly.htm>. Accessed 15 October 2005.

The 1960s were relatively quiet vis-à-vis the South China Sea territories with one notable exception. During this decade, North Vietnamese officials abrogated Vietnamese claims to the Parcel and Spratly Islands to China, ostensibly in return for Chinese assistance against the South Vietnamese.²⁵ The 1970s were significantly more eventful and North Vietnam's abrogation played a key role in China's justification of its military actions at the start of the decade. In 1973, South Vietnam took control of five Spratly islands, only to lose the Paracels to the PRC a year later as the Chinese used the distraction of Vietnam's ongoing civil war as an opportunity to grab these islands. However, after the PLA successfully seized the Paracels, government officials in both North and South Vietnam cried foul; the South claiming they had not relinquished their claims and the North arguing that in their weakened state, they had no choice and that such a move was temporarily required to secure the PRC as an ally during the war.²⁶ Vietnam bolstered its Spratly claims and established some semblance of military garrison at several formerly unoccupied features in the Spratly Islands group.²⁷ The region quieted again until 1978, when Ferdinand Marcos' presidential decree announced the Philippines claim to Kalaya'an, quite possibly in reaction to China's forcible occupation of the Paracels in 1974.²⁸ Beijing responded by increasing the number of territories it physically controlled in the region, taking six more features from Vietnam. In 1979, Malaysia announced its claims in the Spratlys – twelve islands and features in the South China Sea region, six of which it occupies in some way, shape, or form, three occupied by other claimants, and three which remain unoccupied by anyone.²⁹ Malaysia has yet to militarily clash with China over these territories and has only had military engagements with the Philippines.³⁰

²⁵ Valencia, et al., 32-33. They reference Ji Guoxing, *The Spratlys Disputes and Prospects for Settlements* 16 (ISIS, Malaysia, 1992): "Vice Minister Ung Van Khiem stated on June 15, 1956, to the Chinese Charge d'Affaires that 'According to Vietnamese data, the Xisha and Nansha Islands are historically part of Chinese Territory'" and "A formal note from Pham Van Dong to Chinese Premier Zhou Enlai stated: 'The Government of the Democratic Republic of Viet Nam recognizes and supports the declaration of the Government of the People's Republic of China on China's territorial sea made on September 4, 1958.'"

²⁶ Lu Ning, 24.

²⁷ Valencia, et. al., 31.

²⁸ Ibid., 34.

²⁹ Ibid., 36.

³⁰ Ibid.

Time	Diplomatic/Legal	Military Actions/Conflict	Economic
1930s		France occupies Spratly islands	
1934-1944		Japan occupies Spratlys	
1946		KMT forces occupy Itu Aba	
1951	Japan renounces all rights to Spratly Islands		
1960	North Vietnam abrogates Paracels to PRC		
1973		S. Vietnam seizes 5 Spratlys	
1974		PRC seizes the Paracel Islands	
1978	Philippines extends claim to Kalaya'an	PRC seizes 6 atolls from Vietnam	
1979	Malaysia makes its Spratly claims		
1982	Brunei claims exclusive fishing zone		
1988		Vietnam adds 15 features to claim; PRC & Vietnam clash at Johnson Reef; PRC seizes 6 isles	
Feb 1992	PRC Territorial Sea Law		
May 1992			Chinese exploration contract with Crestone, Vietnamese contract with Nopec
Jul 1992	Claimants agree to peaceful resolution	China occupies Da Lac Reef	
Sep 1992	Hanoi claims PRC violates agreement not to drill in disputed waters		PRC drills on Vietnam side of Gulf of Tonkin line
May 1993			Hanoi accuses PRC survey of interfering with BP
1994	Brunei extends claim to 200 NMI EEZ	PRC temporary blockade of VietSovpetro oil rig	Vietnam-VietSovpetro contract, PRC-Exxon contract N. Natuna Gulf,
Feb 1995		China seizes Philippine-claimed Mischief Reef	
Jan 1996		PRC & RP vessels clash near Capones Island	
Apr 1996			PetroVietnam & Conoco sign exploration deal
Mar 1997	Hanoi protests PRC drilling in Gulf of Tonkin;		PRC begins drilling within Vietnam's EEZ claim
Dec 1997	Vietnam protests Chinese ships in Wan'an Bei	Vietnamese navy escorts Chinese vessels from area	
May 1999		RP warship sinks PRC fishing boat; PRC harasses grounded RP naval vessel	
Dec 2000	China & Vietnam resolve Wan'an Bei dispute		
Dec 2001			ASEAN & China sign Free Trade Agreement
Nov 2002	ARF & PRC sign Declaration on Conduct		
May 2005			Sino-Viet-Filipino Exploration Agreement

Table 1. Chronology of Claims, Clashes, and Exploration in the South China Sea

The 1980s ushered in another Spratlys claimant, Brunei, the only claimant of the six to avoid military conflict over the territories thus far. The boundaries of Brunei's 1982 claim involve two reefs – Louisa Reef, also claimed by Malaysia, and Rifleman Bank – and exclusive fishing zone in their surrounding waters.³¹ Brunei publicly published its claims in 1988 by publishing a map clearly demarcating Rifleman Bank and Louisa Reef as Brunei territory.³² Also in 1988, Chinese military actions against the South China Sea territories flared up again when Beijing and Vietnam clashed over Johnson Reef. As former Chinese Ministry of Foreign Affairs (MFA) officer Lu Ning stated, “In the late 1980s, with Vietnam isolated by the collapse of the Soviet Union and the U.S.-led embargo, China began to press home its power advantage, occupying seven features, and, in March 1988, attacking and defeating Vietnamese forces near Fiery Cross Reef.”³³ By April 1988, Hanoi responded to the Chinese encroachment by expanding Vietnam's claims, but not its occupied territories, to encompass an additional 15 Spratly features, while Beijing concurrently occupied another six. From 1989 until 1992, the region calmed down again. In fact, all of the claimants except China, Taiwan, and Vietnam signed the “Manila” accord, agreeing to peacefully resolve differences and “avoid unilateral actions that would jeopardize the process.”³⁴ However, in 1992, the first series of political and economic battles began with Beijing's passing of its “Law on Territorial Waters and Their Contiguous Areas” in February of that year.

In May 1992, China went beyond speeches and political statements and took action, letting a concession to the U.S. based Crestone Energy Corporation for the exploration of a 7,347 square-nautical mile area between the Vanguard Bank and the Prince of Wales Bank.³⁵ This move sparked loud and critical responses from the other claimants and earned the title, “the most significant event [in the Spratlys]” from

³¹ Valencia, et. al., 38.

³² Ibid.

³³ Lu Ning, *The Spratly Archipelago: The Origins of the Claims and Possible Solutions*, (International Center for Development Policy: Washington, D.C., 1993), 115.

³⁴ Valencia, et. al., 78-79.

³⁵ Ibid., 27.

Valencia, Van Dyke, and Ludwig.³⁶ In the face of this negative press, Beijing again offered to negotiate the disputes and restated its assurances that it would not use force to assert its claims in the Spratlys.³⁷ The response from the other claimants was less than enthusiastic. In fact, Vietnam established a contract with the Norwegian company, Nopec, to conduct surveys in areas overlapping the Chinese concession to Crestone.³⁸ In July 1992, the Vietnamese also accused China of occupying Da Lac Reef, the feature nearest to the Crestone concession area.³⁹ China and Vietnam continued to periodically clash in the early 1990s. In 1992, Hanoi accused China of drilling on what it claims is the Vietnamese side of the Gulf of Tonkin line and in 1993, alleged a Chinese survey vessel interfered with work by British Petroleum conducted under a contract with Vietnam.⁴⁰ In 1994, Vietnam hired VietSovpetro to drill in the area that the PRC contracted to Crestone, undoubtedly adding to Beijing's irritation with the Vietnamese and spurring a brief Chinese blockade of the VietSovpetro drilling rig.⁴¹ However, the 1992 capture of Da Lac marks China's last forcible occupation of territory in the South China Sea already occupied by claimants.

After this latest Chinese clash with Vietnam in 1992, Beijing began attempts to quietly exploit features already under Chinese control, while at the same time covertly attempting to establish a presence on other, uninhabited and largely ignored features. One such endeavor was a contract with Exxon to explore the region just north of the Natuna Gulf, a region this chapter discusses shortly. Another effort is the now infamous occupation of Philippine claimed Mischief Reef. Presumably, Beijing interpreted the

³⁶ Valencia, et. al., 27.

³⁷ Ibid.

³⁸ Ibid., 31.

³⁹ Inventory of Conflict and Environment (ICE), Trade and Environment Database (TED), American University. "The Spratly Islands Dispute," *ICE Case Studies*. Online: <http://www.american.edu/projects/mandala/TED/ice/spratly.htm>. Accessed 23 October 2005.

⁴⁰ Energy Information Administration, U.S. Department of Energy, "South China Sea Tables and Maps – Table 3 Disputes over Drilling and Exploration in the South China Sea," (September 2003), Online: <http://www.eia.doe.gov/emeu/cabs/schinatab.html>. Accessed 23 October 2005.

⁴¹ Valencia, et. al., 31 and Mark J. Valencia, "Troubled Waters," *The Bulletin of the Atomic Scientists*, (January/February 1997), 52. China ended the blockade within a week or so of its initiation.

inattention by other claimants as an indication that the features were of little interest to them and presumably felt that Chinese actions would go at best unnoticed or at worst fail to spark a reaction from the other claimants.

However, at the foreign ministers' meeting in March 1995, the ASEAN foreign ministers issued a statement expressing their collective "serious concern over recent developments, which affect peace and stability in the South China Sea."⁴² The statement does not clearly identify Chinese actions but it set the stage for discussions during the second ARF meeting where members added the South China Sea disputes to the agenda despite Chinese Deputy Foreign Minister Wang Yinfan's vehement objections.⁴³

This turn of events aggravated Wang enough to hold a press conference to publicly protest the ARF's "interference in China's sovereign affairs," while the rest of the delegates debated the specific wording of the ARF statement.⁴⁴ Additionally, an Indonesian participant characterized the interaction between senior ARF members and Beijing as, "direct and quite unsettling to the Chinese."⁴⁵ While the 18 March 1995 statement and the chairman's statement from the second ARF meeting later that August⁴⁶ did not contain the stern language desired by Manila, they still mark the first instance of ASEAN members *collectively* voicing their concerns to China regarding the resolution of the South China Sea disputes.

Because of its growing military and economy, China had the capability to attempt coercing each claimant individually but not all at once, particularly considering the close ties of between the United States and some of the ASEAN members. China appears to have shifted tactics and the ASEAN nations responded to Beijing's diplomatic and economic overtures by offering a cautious yet peaceful acceptance, particularly since Beijing appeared to have limited its military actions in the South China Sea since 1996

⁴² ASEAN, "Statement by the ASEAN Foreign Ministers on the Recent Developments in the South China Sea," (18 March 1995). Online: <http://www.aseansec.org/2089.htm>. Accessed 02 December 2005.

⁴³ FBIS, *FTS19950524000181*, Transcript of Ignatius Stephen in Bandar Seri Begawan, "ASEAN Regional Forum Debates Spratlys Issue," *The Straits Times in English*, (24 May 1995), 2.

⁴⁴ Ibid.

⁴⁵ FBIS, *FTS19960614000629*, Transcript of Anurat Maniphan, "China Back Further Dialogue But Proves Wary About Change," *Bangkok Post in English*, 14 June 1996.

⁴⁶ ASEAN, "Chairman's Statement The Second ASEAN Regional Forum," (Brunei Darulsalam: 01 August 1995). Online: <http://www.aseansec.org/2106.htm>. Accessed 02 December 2005.

primarily to training exercises north of the Paracel Islands, a perception that continues today. Since 1996, all Chinese involvement in South China Sea clashes but one, mentioned later in this chapter, involve private vessels and fishing boats, not PLAN warships.⁴⁷

However, Mischief Reef was not the only Chinese action that raised alarm in the region in the mid-1990s. Beijing also published maps clearly indicating that Chinese claims included Indonesia's EEZ claim in the previously mentioned Natuna Gulf. One can imagine Jakarta's discomfort when the Chinese signed a contract with Exxon in 1994 to explore the northern Natuna Gulf. Interest in the area is understandable; it is the only proven resource field in the South China Sea region. Indonesia pumps 35,000 barrels of oil per day from its EEZ and estimates suggest there is at least 210 trillion cubic feet of natural gas in the northern part of the Natuna island chain, possibly the largest concentration of gas reserves in the world.⁴⁸ Despite some claims to the contrary, China has not approached its South China Sea claims incrementally – publishing new maps with “gradually expanding boundaries,” then acting to validate them.⁴⁹ As previously discussed, since at least the early 1950s, Beijing has insisted the South China Sea is a Chinese lake. However, Indonesia still claims that previously published maps did not show Chinese claims protruding into Indonesian claimed territory and that the 1995 maps do.⁵⁰ Despite the cartographical spats between China and Indonesia, the two nations have never had any military clashes over their disputed territories and despite the lack of resolution, their diplomats and leaders maintain a functional working relationship.

Relations between China and the Republic of the Philippines have been another story and the 1999 Sino-Philippine clashes added to the already tense situation in the South China Sea. Early in the year, a Philippine naval vessel collided with and sunk a Chinese fishing boat.⁵¹ A few weeks later, Manila reported that a PLAN ship “harassed”

⁴⁷ The accounts presented in the *ICE Case Studies*, the U.S. Department of Energy report, and *Sharing the Resources of the South China Sea* all corroborate this statement.

⁴⁸ Nugroho.

⁴⁹ Ibid.

⁵⁰ Ibid.

⁵¹ Energy Information Administration.

a Philippine naval vessel that accidentally became grounded near the Spratlys.⁵² The construction of a landing strip at Woody Island in the 1990s,⁵³ the improved capabilities of PLAN vessels, successful refueling and resupply exercises conducted underway in the summer of 2005, and the uncertain status of China's aircraft carrier program, appear to add credence to fears that Beijing may be planning a move on the resources in the Natuna Gulf.⁵⁴ China's new Su-30 FLANKER aircraft have a flight range of 1270 km when traveling at sea level, and even further at higher altitudes, making China's Natuna claims, located only 150 nmi NW of Borneo, within striking range from the Woody Island airstrip.⁵⁵ However, after 1999, the disputes calmed down considerably with China peacefully resolving the Wan'an Bei dispute with Vietnam in 2000, and signing two agreements with ASEAN – the Sino-ASEAN Free Trade Agreement in 2002, and the “Declaration on the Conduct of Parties in the South China Sea” with the ARF in 2002. It appears that the year 2005 was a busy one for China as well.

In November 2004, President Arroyo signed an agreement with China and Vietnam for a three-year seismic study of the Spratly Islands region.⁵⁶ Beijing and Manila reported that the seismic survey work, completed on 19 November 2005, was wildly successful, even prompting Eduardo Manalac, president of Philippine National Oil

⁵² Energy Information Administration.

⁵³ Bill Gertz, “China Builds Up Strategic Sea Lanes,” *Washington Times*, (18 January 2005), Online: <http://www.washtimes.com/national/20050117-115550-1929r.htm>, Accessed: 16 November 2005. Also see John C.K. Daly, “Energy Concerns and China's Unresolved Territorial Disputes,” *Association for Asian Research (AFAR) website*, (30 December 2004), Online: <http://www.asianresearch.org/articles/2437.html>, Accessed: 16 November 2005.

⁵⁴ Yihong Chang and Andrew Koch, “Is China Building a Carrier?” *Jane's Defence Weekly*, 17 August 2005. In the late 1990s, China purchased two aircraft carriers from Russia. Beijing had the first converted into a floating amusement park and claimed the second would become a floating casino. However, in August 2005, this carrier, the *Varang*, underwent a cosmetic transformation to sport PLAN markings and construction work was clearly underway. This *Jane's Defence Weekly* article revealing this has gone unanswered by the Chinese, leaving room for speculation of all sorts.

⁵⁵ Sukhoi Aircraft Corporation website, “Aircraft Performance: Su-30,” Online: <http://www.sukhoi.org/eng/planes/military/su30mk/lth/>. Accessed 01 December 2005.

⁵⁶ FBIS, *CPP20050302000059*, Transcript of “AFP Cites Xinhua: Philippines Say Dispute With China on Spratly Islands ‘Settled’,” *Hong Kong AFP in English* (02 March 05).

Company (PNOOC) Exploration Corporation, to state, “[the] Political tensions surrounding the South China Sea in the 1990s are history” and that the current multilateral approach is truly a “win-win” situation.⁵⁷

However, as the South China Sea appears to possibly be winding down, the East China Sea looked troublesome, albeit temporarily. Beijing faces another longstanding territorial dispute with Japan as both nations claim the Senkaku or Diaoyu (钓鱼) Islands, the Japanese and Chinese names respectively. The situation in the East China Sea heated up in 2005 as China and Japan began drilling near the Senkaku Islands, claimed by both Tokyo and Beijing. China responded to the Japanese drilling announcement by dispatching PLAN ships to the area “on a routine exercise” and releasing foreign ministry statement, “China has set up a reserve vessel squadron...in [the] East China Sea. The fleet is aimed to promote the capacities of [the] Chinese Navy on emergency handling, urgent mobilization, speedy grouping, maritime support and malfunction-resolving.”⁵⁸

While China has sent patrols through the South China Sea for ostensibly the same reasons, the navies in South East Asia are less of a threat to the PLAN than the Japanese Maritime Self Defense Force (JMSDF). Japanese forces are perceived to be the best equipped and trained sailors in the Asia-Pacific, with Christopher Twomey stating, “an adversary’s navy entering Japanese waters would suffer dearly, and all but the most capable navies would find themselves outgunned anywhere in the Western Pacific.”⁵⁹ However, despite this overwhelming naval capability, the Japanese have since agreed, at least in principle, to joint development, though the details of such a combined endeavor are still under negotiations.⁶⁰

While the situation in the East China Sea appears to be at least temporarily calming down, China’s actions could indicate a perception in Beijing that oil and gas

⁵⁷ FBIS, *CPP20051119063035*, Transcript of “China, Philippines And Vietnam Conclude Seismic Data Acquisition of South China Sea,” *Beijing Xinhua in English* (19 November 05).

⁵⁸ PRC Ministry of Foreign Affairs, “Foreign Ministry Spokesman Qin Gang’s Press Conference on 29 September 2005,” Online: <http://www.fmprc.gov.cn/eng/xwfw/s2510/2511/t214751.htm>. Accessed: 16 October 2005.

⁵⁹ Christopher P. Twomey, “Japan: A Circumscribed Balancer, Building on Defensive Realism to Make Predictions About East Asian Security,” unpublished paper, (Massachusetts: 22 December 1999), 24.

⁶⁰ Mark J. Valencia, email traffic with thesis author, 06 October 2005.

deposits are potentially worth ratcheting up military tensions, even against a modern and highly capable force such as the JMSDF. This chapter endeavors to demonstrate the validity of this assertion later. Such a perception may also explain Manila's shift from one of the loudest critics of Chinese actions in the region to one of the first claimants to share the responsibilities and benefits of the South China Sea with Beijing, though this thesis limits its investigation primarily to Chinese perceptions and actions, leaving the other claimants for future researchers.

As previously stated, the South China Sea territorial disputes are difficult to follow as claimants use a chaotic combination of legal, political, military, and economic means to assert their claims. As Table 1 illustrated earlier in this chapter, in the 1970s and 1980s, there is an apparent pattern of political and legal claims, followed by military actions to assert them, and limited claimant reactions, both diplomatic and military. The primary military players are, unsurprisingly, the two claimants with the most military power in the region at that time, China and Vietnam.

In the 1990s however, the economic factor enters and see a pattern of contract signing and exploration, followed by military actions, and finally diplomacy. In the first half of 1992, China and Vietnam signed exploration contracts, the PRC with the U.S. firm, Crestone and Vietnam with the European firm, Nopec. In July, while the rest of the claimants signed the "Manila Agreement" to resolve the disputes peacefully, China forcibly occupied Da Lac Reef. In September, China began drilling on what Vietnam claimed was its side of the "Gulf of Tonkin line," a demarcation not agreed to by Beijing. After diplomatic protests from Hanoi, China ended its drilling, though it is uncertain whether this was due to the protests or simply because they completed their planned work. While one can perceive Beijing's actions as hostile, it is unreasonable to completely discount the Vietnamese contract with Nopec as a potential catalyst for Chinese behavior. Additionally, the exploration and exploitation work by VietSovpetro under a contract with Hanoi in 1994 may have sparked the temporary Chinese blockade of the Vietnamese platform. It is logical to conclude that Beijing perceived this move at least as a threat to China's interests and at worst as a clear example that Vietnam was "stealing" Chinese resources.

For the first half of the decade 2000, there have been two large economic deals – the Sino-ASEAN Free Trade Agreement and the Tripartite Agreement on seismic data acquisition between China, Vietnam, and the Philippines – and two diplomatic progressions – the peaceful settlement of the Wan’an Bei dispute and the Sino-ARF “Declaration on the Conduct of Parties in the South China Sea.” In December 2000, Beijing and Hanoi peacefully resolved the Wan’an Bei dispute and a year later, ASEAN signed a Free Trade Agreement with China. This could be a coincidence but no evidence clearly discounts the possibility that Hanoi somehow linked Vietnamese support of the Sino-ASEAN FTA to a peaceful territorial settlement. Additionally, without the 2002 “Declaration on the Conduct of Parties in the South China Sea,” Vietnam, and the Philippines would ostensibly be less likely to draft a tripartite exploration agreement with China, let alone execute such an agreement.

The question remains, what drives these disputes and the attempts to settle or prolong them? This chapter now examines two explanations behind the disputes’ longevity and the claimants’ actions and reactions – that there is a Chinese desire to establish hegemony in the region; and that the region’s natural resources are driving a land/sea grab.

D. A NEW CHINESE HEGEMONY? – CHINA’S GROWING POWER VIS-À-VIS ITS SOUTHEAST ASIAN NEIGHBORS

China is putting forth great efforts to become a regional leader, attempting to regain a preeminence not seen since the middle of the 19th century before Western powers and Japan took advantage of a weakening China to colonize its "Middle Kingdom" system.⁶¹

Proponents of the “China threat” theory argue that one of the reasons behind China’s claims to the South China Sea territories is Beijing’s desire to reestablish the power and political dominance experienced by China’s ancient dynasties. These pundits are particularly critical of China’s seizure of Mischief Reef, noting that this and the recently upgraded airfield at Woody Island⁶² potentially allow the PLAN to “dominate the sea lanes out to the first island chain” and are a precursor to an alteration of the

⁶¹ Eric Teo Chu Cheow, “Asian security and the reemergence of China’s tributary system,” *Association for Asian Research (AFAR) website*, 24 October 2004. Online: <http://www.asianresearch.org/articles/2340.html>. Accessed 04 October 2004.

⁶² Gertz.

PLAAF's primarily defensive role to "attack readiness."⁶³ This hawkish view alleges that Beijing looks to the South China Sea territories to boost the PLA's capability to, "strike not only at shipping, but at all the countries that surround the South China Sea, including such U.S. allies as the Philippines, Brunei, and Thailand."⁶⁴ This view is absurd if for no other reason than the fact that none of the Spratly Islands are suitable to use as a base of operations.

Additionally, as the examination of trade between China, ASEAN, and the United States in Chapter III will show, such a view simply does not coincide with reality. Beijing depends on trading partners to purchase Chinese exports at a continually increasing rate. Additionally, even if Beijing's initial plans were to continue seizing territories through military action, the military modernization programs that the ASEAN nations embarked on in the 1990s⁶⁵ combined with the restoration of a noteworthy U.S. military presence after September 2001 effectively check any Chinese military adventurism in the region. Valencia's statement in 1999 still holds true today,

[The] results for the Chinese could be disastrous if they came up against a force armed with even a small number of "smart" weapons. Such a situation is almost certainly unavoidable since China's regional rivals are growing in both wealth and technological prowess...China is too calculating and preoccupied with domestic economic development to divert resources to such a regional conflict.⁶⁶

As the next section will discuss in more detail, an unsubstantiated amount of natural resources remain embedded beneath the region's floor. However, as Valencia states, "Oil...is just one factor in the Spratly dispute. The islands are also considered

⁶³ Steven W. Mosher, *Hegemon - China's Plan to Dominate Asia and the World*, (San Francisco: Encounter Books, 2000), 73.

⁶⁴ *Ibid.*, 73.

⁶⁵ Singapore's F-16 acquisition, Malaysia's MiG-29 and F/A-18 purchases and Indonesia's purchase of German warships are but a few examples of Southeast Asian modernization efforts during this period. These new platforms increased military capabilities and improved readiness over the systems they replaced. Several articles discuss the alleged Southeast Asian arms race of the 1990s, one well written examination is Desmond Ball, "Arms and Affluence: Military Acquisitions in the Asia-Pacific Region," *International Security*, vol. 18, no. 3 (Winter 1993/94), 78-112.

⁶⁶ Valencia, et. al., 85.

strategic bases for sea-lane defence, interdiction and surveillance.”⁶⁷ Beijing has made its perception that the Spratly and Paracel Islands bear a high strategic value widely known in a 1975 edition of the Chinese newspaper *Guangmingribao* (光明日報),

As it lies between the Indian Ocean and the Pacific, the South China Sea is a vital strategic area. It acts as a gateway to the outside world for the mainland and offshore islands of China. The [Paracel and Spratly] archipelagoes occupy a position central to *the shipping lands connecting Canton, Hong Kong, Manila and Singapore*. [Hence] their geographic position is extremely significant.”⁶⁸

While in all likelihood, this serves to further explain China’s seizure of the Parcels from Vietnam it may also have been a warning to other claimants not to pursue their competing claims. However, as early as 1974, China did over U.S.\$600 million of trade with Southeast Asia and U.S.\$1 billion with the United States and most of this traversed the South China Sea.⁶⁹ As the next section will discuss, Beijing views the South China Sea as the primary conduit for its oil imports and these same shipping lanes carry the bulk of China’s trade with the Middle East and Europe as well.

In addition to protecting China’s economic interests, establishing maintainable sovereignty over the South China Sea region would improve China’s military security, at a minimum allowing for earlier detection of incoming maritime and airborne threats. Failing that, China will likely invoke a right to freedom of navigation and increase its patrol of the waters, a function that the destroyers and submarines Beijing is purchasing are particularly well suited.

⁶⁷ Mark J. Valencia, “Energy and Insecurity in East Asia,” *Survival*, vol. 39, no. 3 (Autumn, 1997), 28. As quoted in Rabindra Sen, in *China and ASEAN – Diplomacy during the Cold War and After*, (Howrah, India: Manuscript India, 2002), 60.

⁶⁸ As quoted in Esmond D. Smith, Jr., “China’s Aspirations in the Spratly Islands,” *Contemporary Southeast Asia*, vol. 16, no. 3 (December 1994), 276. Emphasis added.

⁶⁹ International Monetary Fund, *Direction of Trade Statistics Yearbook*, (Washington, D.C.: IMF Publication Services, 1974).

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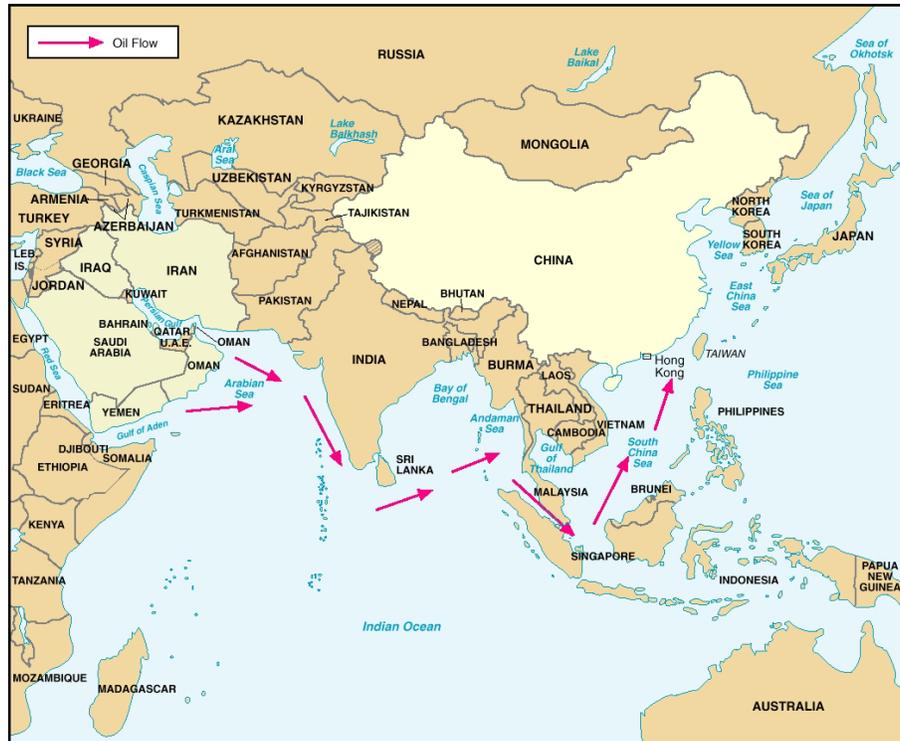


Figure 3. China's Critical Sea Lines of Communication⁷⁰

The security of Chinese SLOCs also plays a key role in Beijing's approach to the South China Sea disputes. As Chapter III will discuss, a large portion of China's trade is with, and travels through, Southeast Asia and a reasonable assertion could be that the PLAN modernization and expansion are an attempt to project Chinese power into this region in order to protect these trade routes. However, while the economic portion of the argument is undeniable, the latter portion is less concrete when one considers the Taiwan factor. Any arguments stating that Chinese military reform and modernization focuses on the South China Sea are equally applicable to the Taiwan Straits. Considering the virtually shelving of the Chinese aircraft carrier program, most of the recent PLAN acquisitions – DDGs, SSNs, and patrol boats – are currently more effective in the brown and green waters of the Taiwan Straits than in the South China Sea's blue waters.⁷¹

⁷⁰ Office of the Secretary of Defense, *Annual Report to Congress – The Military Power of the People's Republic of China 2005*. (Washington D.C., 20 July 2005), 34. Online: <http://www.dod.mil/news/Jul2005/d20050719china.pdf>. Accessed: 20 November 2005.

⁷¹ Consultations with several U.S. Navy Surface Warfare Officers during my studies at the Naval Postgraduate School (June 2004-December 2005) revealed a common and strongly held belief that China's current naval composition and ability makes the PLAN capable of only minimal blue water operations.

While not completely disproving the argument that China continues the territorial disputes because of a desire to establish a regional hegemony, this section does demonstrate that the argument is hardly ironclad. The protection of Chinese SLOCs does not require absolute sovereignty in the region and, as Chapter III will discuss, runs counter to the Chinese change in approach towards more diplomatic resolutions. Consequently, this thesis examines another possible cause, that the potential natural resources in the South China Sea drive China's continued claims of regional sovereignty.

E. ARE NATURAL RESOURCES DRIVING A "LAND/SEA GRAB" IN THE SOUTH CHINA SEA?

The 2005 Annual Report to Congress on the Military Power of the PRC stated, "As China's economy grows, its desire for markets and natural resources (e.g. metals and fossil fuels) will influence China's strategic behavior."⁷² In 2004, China imported 88 percent of its oil from the Middle East, Africa, and the Asia-Pacific and all of this traversed the Malacca Strait to get to China.⁷³ Ninety-five percent of China's oil imports arrive by sea, most coming through the Malacca Strait, making this waterway so important to Chinese leaders that they refer to it as, "China's seaborne oil lifeline."⁷⁴

In July of this year, Zhang Lijun, a researcher with the China Institute of International Studies, wrote in *Beijing Review*, "Energy security has become one of the focuses of China's diplomacy, with the aim to end competition on energy issues with neighboring countries and find ways to cooperate with them."⁷⁵ The March 2005 Agreement on Tripartite Marine Seismic Work between Beijing, Hanoi, and Manila, briefly discussed earlier in this chapter, provides further evidence of this approach.⁷⁶ Beijing appears willing to forgo resolving sovereignty of the disputed South China Sea

⁷² Office of the Secretary of Defense, 34.

⁷³ Zhang Lijun, "It's All About Energy -- In search of Energy Diplomacy Rules," *Beijing Review*, vol. 48, no. 30 (28 July 2005). Also available online: <http://www.bjreview.com.cn/En-2005/05-30-e/w-3.htm>. Accessed 18 October 2005..

⁷⁴ FBIS, "Liaowang Urges PRC Adoption of Maritime Strategy," *CPP20050719000107*, Beijing Liaowang in Chinese, Translation of Liu Jiangping and Feng Xianhui, "Going Global: Dialogue Spanning 600 Years," *Beijing Liaowang* (瞭望), no. 28 (11 July 2005), 14-19.

⁷⁵ Zhang Lijun.

⁷⁶ FBIS, "Xinhua carries 'Text' of China-Vietnam Joint Communiqué"

claims in order to gain increased access to the region's energy reserves.⁷⁷ Otherwise, China would not have signed the agreement on the trilateral exploration work, let alone cooperated with its execution. Zhu Weilin, vice-president of China National Offshore Oil Corporation (CNOOC), stated at the conclusion of the initial tripartite work in November 2005, "Mutual respect and trust between the three countries guaranteed the milestone development of joint exploration in the South China Sea."⁷⁸ The reason behind Beijing's cooperative attitude is simple. China is continually modernizing and the rapidly increasing industrial nature of the nation's industries necessitates an equally rapidly growing need for energy.

In the 1980s, China was East Asia's largest petroleum exporter; today it accounts for more than 30 percent of the world's growth in oil demand and is the second-largest oil importer.⁷⁹ Some estimates claim that unless China finds new oil reserves within its existing territories, by 2020 Beijing will have to import approximately 100 million tons of oil per year to meet the nation's petroleum requirements.⁸⁰

As Figure 4 shows, even by conservative accounts China's energy requirements will fast outgrow its domestic capacity. As previously stated, China is already the world's second largest petroleum exporter, with the United States as number one. By the year 2025, China's daily energy consumption will be at least 12 million barrels.⁸¹ To meet the demand that China's growing energy consumption entails, Beijing must either find an alternative fuel source, a task confounding even the United States, or find other sources of petroleum. The South China Sea is one possible answer to this dilemma.

⁷⁷ John C. K. Daly, "Energy concerns and China's unresolved territorial disputes," 30 December 2004. Accessed online: <http://www.asianresearch.org/articles/2437.html>. Accessed 18 October 2005.

⁷⁸ FBIS, *CPP20051119063035*, Transcript of "China, Philippines And Vietnam Conclude Seismic Data Acquisition of South China Sea," *Beijing Xinhua in English* (19 November 05).

⁷⁹ Zweig and Bi, 25.

⁸⁰ Nugroho.

⁸¹ Office of the Secretary of Defense, 10.

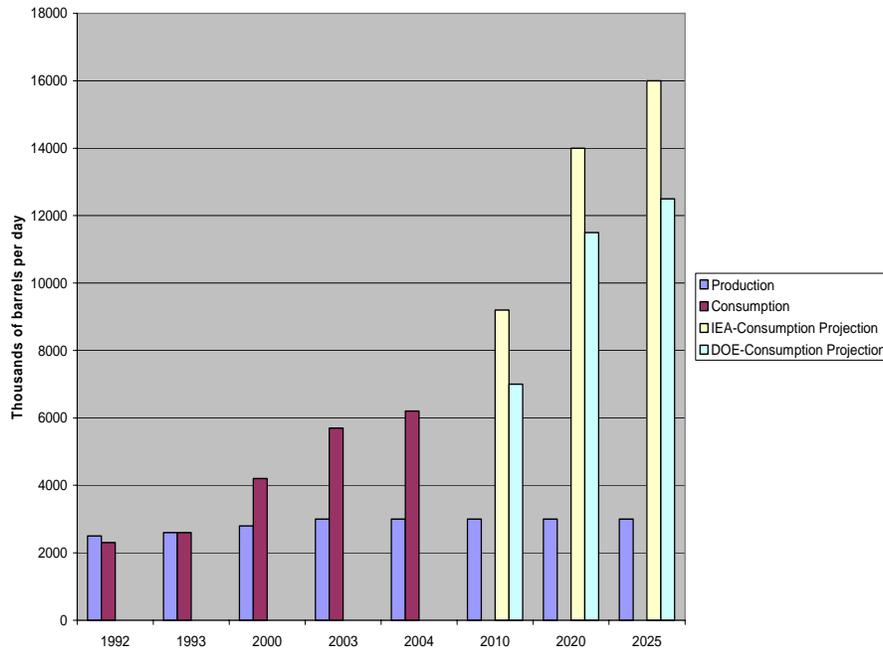


Figure 4. China's Energy Consumption⁸²

One of the more conservative Chinese projections of South China Sea oil reserves in the Spratly and Paracel Islands is over 100 billion barrels.⁸³ Other estimates from Beijing for the region are as high as 225 billion barrels of oil.⁸⁴ If Beijing could gain access to the resources today, and somehow hold consumption at the 2004 rate (6 million barrels per day), even using the using the low end Chinese estimate of the region's holdings (100 billion barrels) the region would provide China with petroleum for over a century. Using this same low end estimate of the amount of petroleum and the high end consumption estimate for 2025 (16 million barrels per day), the region would still meet China's 2025 energy needs for over 17 years. Considering the constant media predictions of a dwindling world oil supply, it is surprising that the military assertions have not continued. Chapter III explores some of the reasons for the shift in China's approach to the disputes, from military action to diplomacy.

⁸² Office of the Secretary of Defense, 10.

⁸³ Stephen J. Ruscheinski, *China's Energy Security and the South China Sea*, (Fort Leavenworth, KS: U.S. Army Command and Staff College, 2002),

⁸⁴ Valencia, et.al., 9.

F. CONCLUSION

Beijing, Taipei, and Hanoi include historical documents and archeological exhibits as part of the evidence supporting their South China Sea territorial claims and all of the claimants invoke questionably legitimate applications of international law regarding archipelagoes, abandonment and “re-discovery.” As a result, the disputes will remain hotly contested and unresolved until one or more claimants offers acceptable compromises. The reasons behind the territorial disputes involve nationalism, energy, economics, and security. A study of the clashes and their causes reveals no single instigator. However, what is clear is that, until the late 1990s, announcements of pending survey and drilling activities, and the subsequent execution of these plans triggered diplomatic and military responses from all of the claimants, particularly China and Vietnam. It is also a reasonable assertion that Beijing places a high strategic value of its SLOCs and may be willing to protect them with its increasing military power when necessary, as evidenced by the continued modernization of the PLAN and the establishment of a maritime reserve fleet in the East China Sea. However, the continuation of maritime trade through the region and the promise of access to its natural resources are goals that, so far, Beijing can obtain without using force. In fact, as the next chapter will demonstrate, China stands to gain more by not using its increasing military capabilities to settle the South China Sea territorial disputes. Consequently, the acceptance of the 2002 Sino-ASEAN “Declaration on the Conduct of Parties in the South China Sea” is a step towards ensuring the continuation of favorable economic and diplomatic relations between Beijing and ASEAN.

III. EXPLANATIONS FOR RECENT SHIFTS IN CHINESE POLICY VIS-À-VIS THE SOUTH CHINA SEA TERRITORIAL DISPUTES

A. INTRODUCTION

Recent shifts in China's South China Sea policy include a decrease in offensive military actions and an increase in its use of diplomacy in the region. This chapter briefly examines both of these shifts in an attempt to determine what, if any, causal explanations exist. The thesis presents three explanations – the effects of international diplomacy; shifts in the Chinese perceptions of themselves, their nation, and the international environment and actors; and finally, the impact that using the PLA offensively has on China's trade. This chapter looks at each of these explanations to determine which, if any, help explain the shift in China's approach to the South China Sea territorial disputes.

B. TRENDS IN CHINA'S APPROACHES TO THE SOUTH CHINA SEA SINCE THE 1990S

China specialists and U.S. policy makers have noted trends in PRC behavior, both in general and towards the South China Sea territorial disputes specifically, though since the year 2000, publications are considerably fewer regarding the latter. One clearly demonstrated trend is the virtual absence of Chinese military actions, blatant or covert, to acquire new territories in the South China Sea region since its occupation of Philippine claimed Mischief Reef in 1995. In the late 1990s, Beijing significantly increased its engagement with international institutions and diplomacy. It's "charm offensive" preceding and especially during the 1996-97 Asian Financial Crisis is still paying dividends today.

1. Decrease in Chinese Offensive Military Actions in the South China Sea

The last Chinese offensive actions to seize territory already occupied by another claimant were against Vietnam in 1992. While Chinese construction efforts on Mischief Reef enraged the Philippines and increased the suspicions of Southeast Asian and Western governments, the PLAN took control of the island without firing a shot and the Philippine government remained unaware of the Chinese presence until construction was well underway. Moreover, as previously mentioned in Chapter II, since the 1995

Mischief Reef incident, all but one of the Sino-Philippine clashes involved Philippine vessels engaging Chinese ships, not the other way around, suggesting a Chinese lack of aggression in the latter half of the 1990s, though the Philippine government claims their mere presence in disputed waters is an aggressive act. The one exception involved Chinese ships “harassing” a grounded Philippine navy vessel in March 1999. However, this incident occurred only a few days after a Philippine warship collided with and sunk a Chinese fishing boat.⁸⁵

One reason for this decrease in military actions is Beijing’s largely successful attempts to depoliticize the PLA, thereby greatly decreasing its role in policy decision-making compared to previous regimes. Since 1997, the overall size of the PLA has dramatically decreased, cutting over 400,000 personnel. Concurrently, the ships and aircraft of the PLAN and PLAAF have increased in quantity and capabilities. However, military activities outside of training and research and development are virtually nonexistent, particularly in the South China Sea region. China has shifted from continental defense to maritime defense “to account for future regional contingencies.”⁸⁶ While this could mean that the stakes of military conflict with the PLAN are higher, the professionalism of the PLA and the increased use of diplomacy by Beijing indicate that the risks of such conflict are indeed much lower.

a. The Rise and Fall of the PLA’s Political Influence

The revolutionary nature of the PRC’s creation necessitated the massive involvement of PLA officers in the Chinese government, comprising a majority of the Chinese Politburo and Politburo Standing Committee in the early years. The divisive effects of Mao’s Great Proletarian Cultural Revolution further compounded this phenomenon, allowing the PLA a continued presence and role in Chinese policy decisions.

The make-up of China’s bureaucracy and individual actor preferences appear to have a role to play in both the Chinese decision making process and its

⁸⁵ U.S. Energy Information Administration. “South China Sea Tables and Maps.” (September 2003), Internet: <http://www.eia.doe.gov/emeu/cabs/schinatab.html>. Accessed 21 October 2005.

⁸⁶ Alexander C. Huang, “The PLA Navy at War, 1949-1999: From Coastal Defense to Distant Operations,” in Mark A. Ryan, David M. Finkelstein, and Michael A. McDevitt, ed., *Chinese Warfighting: The PLA Experience Since 1949*, (London: M.E. Sharpe, 2003), 242.

subsequent results. From the PRC's inception through today, the PLA plays a role in government. In 1992, John Garver argued that high-ranking PLAN officers had a direct effect on what policies Beijing pursued as the Chinese navy fought for its piece of a shrinking budget during the 1970s and 1980s.⁸⁷ Garver points to the PLAN buildup during this period as evidence. In 1999, Ian Storey pursued Garver's argument regarding the role of the PLA in China's South China Sea policy, using Jiang Zemin's ascension to the "core" of China's leadership as evidence.⁸⁸ Storey argues that without Deng Xiaoping's support, Jiang reached out to the PLA leadership to consolidate his hold on central power. The argument continues that the price of PLA support was a "more assertive foreign policy vis-à-vis the United States, [and] the South China Sea."⁸⁹ Additionally, he updates Garver's 1992 work, arguing that since 1997, having solidified his leadership role, Jiang dramatically reduced the PLA's role in Chinese policymaking.⁹⁰

Indeed, Jiang Zemin continued Deng Xiaoping's work to significantly reduce the PLA's role in governance while adding funding for the build up that Storey and Garver use as evidence to support their domestic bureaucracy argument. In contrast to some who might predict a strong political role for the PLAN under Hu, today the entire military is playing less of a role in Chinese politics and policy decision making.⁹¹ Currently, the only military officers serving in the Politburo are two PLA ground officers, both with experience as political training officers and experience in the interior Chinese territories. China's behavior no longer fits its previous patterns as the PLA takes a back seat to the civilian dominant central government.

⁸⁷ John W. Garver, "China's Push Through the South China Sea: The Interaction of Bureaucratic and National Interests," *The China Quarterly*, no. 132, (December 1992), 999-1028.

⁸⁸ Ian James Storey, "Creeping Assertiveness: China, the Philippines and the South China Sea Dispute," *Contemporary Southeast Asia*, vol. 21, no. 1 (April 1999), 100-101.

⁸⁹ Ibid.

⁹⁰ Ibid.

⁹¹ Eric Heginbotham, "The Fall and Rise of Navies in East Asia," *International Security*, vol. 27, no. 2 (Fall 2002), 87. Heginbotham further argues that liberal regimes in Asia defer to their navies, offering both the lion's share of policy rewards, such as budget increases and senior level promotions, and the greatest influence on policy formation.⁹¹ His theory portends that liberal regimes support their navies, both politically and economically. Heginbotham bases this argument on historical evidence from China and several developing Southeast Asian nations and his argument holds together until the Hu Jintao administration. Under Hu, the PLAN is building ships at the fastest rate in China's modern history and the PLAAF is acquiring advanced aircraft, command and control systems, and aerial refueling capabilities all while PLA ground forces are shrinking.

Mulvenon's summation of the role of China's military leaders today supports this view: "The PLA's institutional and personal channels of influence decline...the institution continues to withdraw from non-defense-related interests to focus almost exclusively in military affairs and only the more core foreign policy issues."⁹² Consequently, it is reasonable to allow that the Hu administration's deviation from the expected behaviors presented by Garver, Storey, and Heginbotham decreases the ability of their bureaucratic interaction theory to accurately predict Chinese behavior.

Additionally, the civilian leadership's reliance on military support leading up to and during leadership transitions appears to be no longer necessary. The peaceful Jiang Zemin-Hu Jintao transition further shows the bureaucratic power of PLA and PLAN leaders continues to decrease as their involvement in policy decisions becomes increasingly institutionalized. The current Chinese leadership, dubbed the "fourth generation," finds strength in this institutionalization of Chinese policy making and thereby likely no longer sees the need to curry favor among the nation's military leadership. Consequently, the current crop of civilian leaders is free to explore other methods of pursuing China's national interests. One of the key elements allowing China's fourth generation to modify its approach to policy decision making is the professionalization of the PLAN.

b. PLAN Modernization and the South China Sea

While the PLAN's political influence is at least less formal than before, its role in defending Chinese territory and interests remains important. As previously stated, Beijing's acquisition and production of modern warships is increasing the Chinese maritime military capabilities. However, as Chapter II showed, the aggressive Chinese activities of the 1970s, 80s, and early 90s, are significantly fewer in the 21st century. Beijing acknowledges its massive buildup of maritime vessels but argues they are to upgrade Chinese capabilities to carry out "effective supervision in contiguous areas and exclusive economic zones" under the auspices of the Maritime Safety Administration of China's Ministry of Communications and are intended to improve "its maritime safety

⁹² James Mulvenon, "The PLA and the 16th Party Congress – Jiang Controls the Gun?," *China Leadership Monitor*, no. 5 (Winter 2003). Available online: <http://www.chinaleadershipmonitor.org/20031/jm.pdf>. Accessed 12 October 2005.

supervision capability.”⁹³ Some argue that Chinese military aggression in the South China Sea has decreased due to a lack of capability and that the military modernization efforts of Southeast Asian governments compound this problem. China’s efforts to increase its South Sea Fleet appear to support these arguments, particularly the increased number of destroyers, frigates, and submarines, purchased from Russia as well as indigenously designed and manufactured. However, the key capital ship to support theories of a Chinese desire for power projection, the aircraft carrier, remains absent and does so for several reasons.

The costs associated with the design, building, manning and fielding of an aircraft carrier are staggering. Additionally, for an aircraft carrier to be effective, most naval officers and analysts believe that the PLAN must possess and be proficient in complementary capabilities, such as combined fleet operations and off-shore patrolling, both difficult to exercise and master. Activities such as the Sino-Russian “Peace Mission 2005” exercise could provide the PLA, PLAAF and PLAN opportunities to do precisely that. The most recent Jane’s Defence Weekly article regarding Chinese aircraft carrier development provides images of the former Russian Kuznetsov-class carrier *Varyag*, anchored at the Dalian shipyard since 2000. The images show work underway, most noticeably a new PLAN color scheme and markings rather than the Russian markings and colors the *Varyag* held upon its arrival at Dalian.⁹⁴ This appears to discredit Beijing’s original claims that the carrier would become a floating casino and will undoubtedly cause concern in East and Southeast Asia. However, an interview with a U.S. Attaché to Beijing revealed that PLAN officers and the majority of the Chinese people want China to get an aircraft carrier but when asked why they answer it is for the purpose of national prestige. The officer further posited that a cargo ship equipped with helicopter launching and recovery capability might suffice for national pride. Additionally, when pressed, mid and staff level PLAN officers sheepishly reveal that the carrier’s purpose would be “to sail from port to port,” not to project power into the region.⁹⁵

⁹³People's Daily Online, “China Steps Up Maritime Surveillance,” Internet: http://english.people.com.cn/200507/15/eng20050715_196345.html. Dated: 15 July 2005, Accessed 12 October 2005.

⁹⁴ Yihong Chang and Andrew Koch, “Is China Building a Carrier?” *Jane’s Defence Weekly*, 17 August 2005.

⁹⁵ Interview with U.S. Attaché to Beijing.

Despite this, the PLAN forces are arguably more capable of militarily asserting China's claims now than ever before. However, there have been no military clashes between China and the other South China Sea claimants. What explains this change? The PLAN leadership, now removed from China's polity lacks a direct role in Chinese foreign policy decision making. Additionally, as Chapter III will examine in more detail, the Hu regime appears to continue a policy of peaceful diplomacy in lieu of direct military actions to pursue Chinese interests. The next section of this chapter briefly portrays the Beijing's increasing use of this diplomacy to address its challenges in the South China Sea region and the world.

2. Increase in Diplomatic Efforts

The Chinese appear to be learning from other nations' experiences how to speak softly while carrying, or at least developing, a large stick. Chinese leaders are increasingly optimistic that they will be able to continue operating in a peaceful external environment but realize they cannot afford any major disruptions in trade. Consequently, China's growing fleet serves to hedge bets in case multilateral diplomacy and economic interdependence fail to deliver continued, and as Beijing hopes, increased access to South China Sea trade routes and natural resources. However, more importantly, it appears that Beijing is learning the importance of national reputation in diplomacy and how increasing involvement in regional institutions can dramatically improve Southeast Asian perceptions of China while costing the regime very little.

A compilation of data from the *Yearbook of International Organizations* reveals a significant increase in China's participation in international organizations in the late 1990s. Prior to the 1990s, China's participation rate was well below that of comparably developed nations. This was most likely due to Beijing's perception that these institutions were merely back drops for great power politics. China regarded international institutions as "subject to manipulation by the United States."⁹⁶ However, as Figure 1 shows below, during the eight-year period from 1989 to 1997, the number of Chinese international organizational memberships nearly doubled from just over 30 to

⁹⁶ Avery Goldstein, *Rising to the Challenge – China's Grand Strategy and International Security*, (Stanford: Stanford University Press, 2005), 120.

over 50.⁹⁷ In his 2003 article “Is China a Status Quo Power?,” Alastair Iain Johnston statistically examined membership in international organizations, developing a mathematical methodology to predict membership as related to a nation’s state of development. While it slightly decreased from 1997 to 2000, China’s formal involvement in international organizations remains higher than Johnston’s predictions indicate it should be on the basis of its economic development. This strongly suggests that Chinese leaders understand the importance of being involved in international institutions.

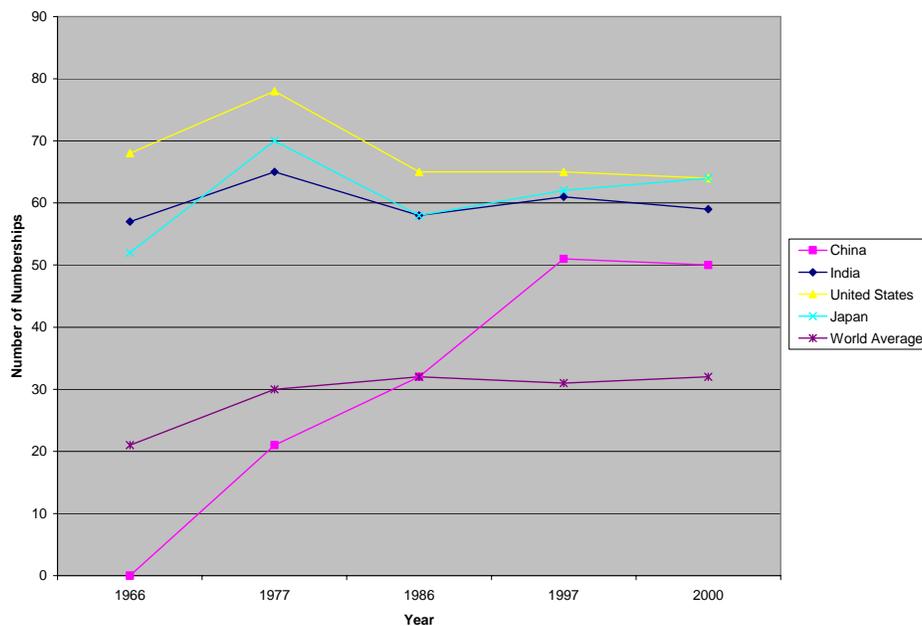


Figure 5. PRC International Organization Membership.⁹⁸

In March 2005, the U.S. State Department assessment of China stated, “Its [Beijing’s] moves to play a greater regional leadership role in Asia and, especially, the success of its “charm offensive” in Southeast Asia are examples of a new, more mature diplomacy that China has begun to evince.”⁹⁹ A key event leading up to this perception of a more diplomatically mature China is its acceptance of ASEAN’s demand for

⁹⁷ Alastair Iain Johnston, “Is China a Status Quo Power?” *International Security*, vol. 27, no. 4 (Spring 2003), 14.

⁹⁸ *Ibid.*, 13.

⁹⁹ Bureau of East Asian and Pacific Affairs, U.S. Department of State, “Background Note: China,” <http://www.state.gov/r/pa/ei/bgn/18902.htm>, March 2005, Accessed 12 October 2005.

multilateral negotiations, specifically when dealing with the South China Sea territorial disputes. On 4 November 2002, China signed a multilateral “Declaration on the Conduct of Parties in the South China Sea” with ASEAN, breaking Beijing’s long-standing demand to limit territorial disputes to bilateral talks. The document fell short of the more legalistic code of conduct originally called for by the Philippines. Manila wished for a clear ban and building up existing territorial holdings, such as Mischief Reef, but Beijing appears to have successfully lobbied the other ARF members to eliminate this language. On the other hand, the declaration is the first multilateral agreement signed by China prohibiting the seizure of additional territories in the South China Sea.

The 2002 “Declaration on the Conduct of Parties in the South China Sea” is a non-binding document stating that the signatories,

Undertake to resolve their territorial and jurisdictional disputes by peaceful means, without resorting to the threat or use of force, through friendly consultations and negotiations by sovereign states directly concerned, in accordance with universally recognized principles of international law...[and] exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability including, among others, refraining from action of inhabiting on the presently uninhabited islands, reefs, shoals, cays, and other features and to handle their differences in a constructive manner.¹⁰⁰

While Beijing has adhered to similar guidelines, such as the Five Principles of Peaceful Coexistence, in its bilateral agreements, this is the first multilateral agreement between China and Southeast Asia. Additionally, while not clearly establishing consequences for defection, there are now unmistakable reputational costs for doing so. Consequently, Beijing has allowed ASEAN to tie China’s hands, limiting Chinese expansion in the region at a time when the PLAN and PLAAF modernization, coupled with improved training, make military options more viable for Beijing than they were in the early 1990s. Additionally, as this thesis discussed in Chapter II, China’s growing energy requirements potentially increase its desire to make the South China Sea region a “Chinese lake.” Despite this, Beijing appears to be limiting itself to a soft power

¹⁰⁰ ASEAN Secretariat, “Declaration on the Conduct of Parties in the South China Sea,” Available online at <http://www.aseansec.org/13163.htm>, 4 November 2002, Accessed 12 October 2005.

approach, befuddling realists, delighting institutionalists, and allowing debates to continue for the foreseeable future regarding the true nature of China's grand strategy and what end state the nation's transformation will produce.

There are several explanations from current international relations theory one can reference to explain this shift in the Chinese South China Sea policy and diplomatic warming more generally.

C. REASONS FOR BEIJING'S ACCEPTANCE OF THE 2002 DECLARATION ON CONDUCT

This chapter now examines three explanations for China's acceptance of the 2002 ARF declaration – the effects of international diplomacy on Chinese decision making; shifts in the perceptions of Chinese leadership; and, the effects of China's use of military force on its international trade.

1. Effects of International Diplomacy

Evan Medeiros and M. Taylor Fravel correctly, although somewhat ominously state, “As China becomes more engaged, it is also growing more adept at using its foreign policy relations to serve Chinese interests. Today's China is certainly smarter and more sophisticated – but not necessarily kinder or gentler.”¹⁰¹ China clearly attempts to influence the foreign policies of other actors in the international system, but foreign policy interactions also affect China. As China opened up, its leadership and diplomatic corps appears to be coming to understand the intricacy and complexity of the international system. The clear-cut “us versus them” mentality of the ideological Maoist era no longer sufficiently serves Chinese decision-making. Instead, Beijing has to understand what drives other nation's policy decisions and how they interpret, or misinterpret, Chinese signaling.

By the late 1990s, Beijing seems to have learned both the adverse diplomatic effects and the potential economic repercussions of military aggression and coercion and consequently, Chinese leaders sheathed the PLAN in 1999. As Avery Goldstein wrote earlier this year, “Although a modernizing China was impressively increasing its capabilities during the 1990s, greater capabilities did not seem to be enhancing the

¹⁰¹ Evan S. Medeiros and M. Taylor Fravel, “China's New Diplomacy,” *Foreign Affairs*, vol. 82, no. 6 (November-December 2003), 27.

country's security because others were reacting with alarm to what China believed were simply efforts to ensure its own interests."¹⁰² Additional evidence that China's diplomatic approach is evolving is a pattern of "fundamental compromises that China has chosen to make in limiting its own sovereign interests for the sake of engagement in multilateral frameworks and pursuit of greater regional interdependence."¹⁰³ Today's Chinese leaders pursue the same general national interests as their predecessors, but their more nuanced use of diplomacy appears to be noticeably more effective than the occasionally ham-handed and contradictory practices of the Mao, Deng, and Jiang regimes. One of these compromises is China's acceptance of and increased involvement in multilateral institutions.

Between 1997 and 2001, Chinese leaders who initially perceived multilateral institutions to be puppets of the United States had, through firsthand experience realized that, "Washington tended to dismiss or ignore them."¹⁰⁴ Consequently, Beijing's perception of ASEAN shifted from a threat that China must remove, or at least counter, to a potential regional ally. Thus in 2002, the Beijing grasped an opportunity to mold the Southeast Asian region into one supportive of Chinese national interests. After the end of the Cold War, Beijing appears to have recognized that these institutions were not merely stages for superpower rivalries to play out in the region, but instead persistent entities that frequently dealt with issues impacting Chinese national interests. As Beijing hesitantly began attending meetings and summits, it increased China's engagement of these institutions, particularly in their formative stages, such as the ARF, when Beijing could best influence norms, rules, and procedures; ostensibly to prevent regional actors from acting counter to Chinese interests. Jianwei Wang states, "China's relations with ASEAN have gradually moved from dialogue cooperation to institutionalized cooperation," and that "Beijing has now become increasingly proactive, sometimes taking initiatives in promoting institutionalization of the China-ASEAN cooperation."¹⁰⁵

¹⁰² Goldstein, 48.

¹⁰³ David Shambaugh, "China Engages Asia – Reshaping the Regional Order," *International Security*, vol. 29, no. 3 (Winter 2004/2005), 70.

¹⁰⁴ Shambaugh, 69.

¹⁰⁵ Jianwei Wang, "China's Multilateral Diplomacy in the New Millennium," in Yong Deng and Fei-Ling Wang, ed., *China Rising: Power and Motivation in Chinese Foreign Policy*, (Lanham, MD: Roman and Littlefield, 2005), 168

As Beijing's approach to foreign policy evolves, its experiences with international diplomacy will likely have a direct effect on policy decisions. However, while Chinese elites "learn the game," they are not likely to forget domestic interests, particularly in the near-term as economic disparities continually threaten to emerge as a divisive force.

Of the many Chinese domestic interests, national sovereignty appears to reign supreme. In fact, Beijing seems obsessed with keeping China whole. While Mao Zedong's Great Leap Forward and Cultural Revolution are seen increasingly as disastrous periods in PRC history, the common people continue to see Mao as a positive actor in China's history. "He unified China" and "he is the father of modern China" are frequent responses to questions regarding Mao's continued good stature among the Chinese populace.¹⁰⁶ (However, adoration often stops there as Mao's ideological views and programs set Chinese economic growth back decades.) Today's Chinese leadership still perceives the growth initiated under Deng Xiaoping and continued today as essential to addressing the economic disparities that potentially create divisive undercurrents, thereby undoing the China's nearly complete consolidation into a stable nation state.¹⁰⁷ Though many claim the reforms are worsening these disparities, Beijing takes no stock in this view, opting to stay the course. Consequently, Beijing continues to pursue economic growth as the answer to continued domestic stability and national security.

The closure of the U.S. bases in the Philippines in the mid-1990s temporarily reduced the effectiveness of the U.S. security umbrella as the United States reduced its forward presence while facilities in Singapore meant to allow rapid redeployment to the region were not yet completed. While an essential component of China's economic growth, increased international diplomacy also constrains Beijing's use of coercive power. Recent Beijing Xinhua publications on the November 2005 CPC Central Committee and State Council central economic work conference indicate that China's leaders believe the international environment has a direct impact on China's economy.

¹⁰⁶ Interview, 20 July 2005. The author interviewed a couple who spent two weeks in July 2005 traveling China as a tourists and during their interactions with their tour guides and the 'man on the street,' had the opportunity to gain insight into popular Chinese views of Mao.

¹⁰⁷ While frequently praising the return of Hong Kong and Macau to PRC sovereignty, China's elites are painfully aware that Taiwan remains outside of Beijing's direct political influence.

In the near term or even for a considerable period of time to come, the international economic environment is generally favorable to our country's economic development. At the same time, we must fully assess unfavorable factors and possible challenges in the international environment. *We must take full advantage of the period of important strategic opportunities, seek advantages and avoid disadvantages, maintain sustained and fairly rapid economic growth, and continuously enhance our country's overall national strength and international competitiveness* ¹⁰⁸

From this statement, it is reasonable to assert that the fourth generation leaders do not think of “national strength” and “international competitiveness” merely in economic terms, but also in political terms. Such a belief would help explain their shift in foreign relations approaches. The disadvantages include the constraints that international diplomacy places on China. However, while diplomacy constrains China in some ways, it empowers it in others. Consequently, Beijing appears willing to work within the rules and norms of international arena in order to effectively use it to pursue Chinese interests. These boundaries have become increasingly acceptable to Chinese leaders as they evolve further from ideology and more towards normalcy, and the current administration is far better equipped to work within them than in previous regimes.

2. Shifts in Perceptions of Self, International Actors and Environment

As discussed earlier, Beijing historically viewed international institutions as puppets of the great powers meant to constrain other actors. However, after the Cold War, Chinese leaders saw a decrease in U.S. military assets in the Asia-Pacific, particularly in Southeast Asia. Simultaneously, as regional institutions formed to fill the void this withdrawal created, the United States appeared largely disinterested. Consequently, China's perception of both the United States and regional institutions changed. As Medeiros and Fravel state in their 2003 *Foreign Affairs* article, “Chinese leaders began to recognize that such [multilateral] organizations could allow their country to promote its trade and security interests and limit American input. Thus, starting in the

¹⁰⁸ FBIS, *CPP20051201057037*, Translation of, “(Current Events) Central Economic Work Conference Held in Beijing; Hu Jintao, Wen Jiabao Give Important Speeches; Wu Bangguo, Jia Qinglin, Zeng Qinghong, Huang Ju, Wu Guanzheng, Li Changchun, Luo Gan Attend Conference,” *Beijing Xinhua Domestic Service in Chinese*, (01 December 2005). Emphasis added.

second half of the 1990s, China began to engage with the Association of Southeast Asian Nations (ASEAN).”¹⁰⁹ As China’s development continued at a record pace, the leadership also shifted its view of the People’s Republic itself.

Within the last three years...the writings of Chinese strategists have begun to reflect a critical shift in their view of the international system and China’s role in it...major Chinese newspapers and journals [are] advocating that China abandon the long-held victim mentality (*shouhaizhe xintai*) [受害者心態]...Influential Chinese analyst have begun to promote instead China’s adoption of a ‘great-power mentality’ (*daguo xintai*) [大國 心態]. This emerging notion would replace Chinese victimhood with a confidence born of two decades of impressive economic growth.¹¹⁰

Having survived the Great Leap Forward and Cultural Revolution, emerged from the Cold War in tact, and successfully quelled dissent in both the hinterland of Tibet and the heart of Beijing, Chinese leaders have reason to feel confident. The current leadership in Beijing strongly feels the desire to attain great power status. The understanding of how the international community defines this status, garnered through increased diplomatic interaction, augments Beijing’s ability to attain it. This drives China’s attempts to increase what Chinese elites call “comprehensive national power” (CNP) or *zong he guo li* (綜合國力), a term increasingly seen in official Chinese media which essentially translates to the sum of China’s economic, political, and military strength. Chinese leaders remain primarily focused on economic growth but understand the important role that international politics plays in international commerce and investment, both key components of China’s economy.

The changes [in China’s foreign policy approach] represent an attempt by China’s recent leaders to break out of their post-Tiananmen isolation, rebuild their image, protect and promote Chinese economic interests, and enhance their security; they also demonstrate an attempt to hedge against American influence around the world. The prominence of this motivation varies in China’s public statements over time, but it remains a persistent influence in Beijing’s calculations.¹¹¹

¹⁰⁹ Medeiros and Fravel, 23.

¹¹⁰ Ibid., 26. Chinese characters added by author.

¹¹¹ Ibid., 23.

In a 2000 RAND study, Swaine and Tellis outline China's grand strategy in terms of three objectives: "the preservation of domestic order...the defense against persistent external threats to national sovereignty and territory...[and] the attainment and maintenance of geopolitical influence as a major, and perhaps primary, state."¹¹² Additionally, the two authors present their theory of China's "calculative" security strategy. They argue that Beijing pursues both weak and strong state actions, essentially applying international relations theory with Chinese characteristics, to produce a "weak-strong" state security strategy blending "strong-state" actions to control China's periphery and "weak-state" approaches focused on territorial defense and the preservation diplomatic maneuvering.¹¹³ Their approach supports this chapter's argument that the Chinese are learning diplomatic maneuvering as a means of pursuing Chinese national interests.

The Chinese government operates within its comfort zone, occasionally venturing into new and untested territory. Ian Storey posits, "The occupation [of Mischief Reef in 1995] may also have been aimed at testing the reactions of ASEAN and the United States to Chinese policy. One of the most significant aspects of the incident is that it was the first time that China had occupied territory claimed by an ASEAN member."¹¹⁴ This follows a trend in the PRC's approach to alliance testing, Beijing testing the U.S.-ROC relationship in the 1950s by shelling the Taiwanese structures on Quemoy and Matsu islands, and again in 1996 by conducting missile exercises in the Taiwan Strait to dissuade Taiwanese independence and U.S. "interference" in what Beijing regards as a domestic matter.

The PRC occupation of Mischief Reef sent a message to ASEAN members that bilateral agreements with China are ineffective.¹¹⁵ Chinese leaders perceived the organization as having a fractured view of China and thereby, was incapable of a unified response and ASEAN's unity over Mischief Reef, "surprised observers and most likely

¹¹² Michael D. Swaine, Ashley J. Tellis, *Interpreting China's Grand Strategy – Past, Present, and Future*, (Washington DC: RAND, 2000), x.

¹¹³ *Ibid.*, xi.

¹¹⁴ Storey, 101.

¹¹⁵ Storey, 101.

Beijing as well.”¹¹⁶ As discussed earlier in this chapter, ASEAN acted contrary to China’s desires by adding the South China Sea disputes to the ARF agenda at their second meeting. Beijing’s misperception of ASEAN cost it some political and diplomatic maneuvering room and taught Chinese diplomats and leaders that no matter how weak and divided an organization appears to be, its members can quickly unite when it is in their collective interest. A logical presumption from this lesson learned is that Chinese leaders must better understand the perceived national interests of other leaders, as this understanding increases their ability to better predict the reactions of these nations. These perceptions color how leaders view issues and subsequent decisions and failure to understand them can prove costly, as Beijing found out after Mischief Reef. Consequently, the next section of this thesis examines how differences between today’s Chinese bureaucracy and leadership from their predecessors potentially shape the perceptions and decisions of the fourth generation leaders.

a. The Evolution of the Chinese Ministry of Foreign Affairs

In his article, “China Engages Asia,” David Shambaugh recalls a June 2004 interview with Cui Tiankai, director general of Asian affairs in China’s MFA in which Cui stated, “It [international diplomacy] was a gradual learning process for us, as we needed to become more familiar with how these organizations worked and learn how to play the game.”¹¹⁷ Indeed, the MFA knew very little about international relations during the time that the KMT regime in Taiwan still held the majority of Chinese seats in international organizations and forums. Having no access to international institutions, early Chinese Communist Party (CCP) leaders saw little use in understanding them. Consequently, the MFA consisted of a handful of PLA officials who essentially held these jobs as additional duties to their Party and PLA roles. These “diplomats” had no formal training and likely paid little attention to the foreign affairs of non-communist nations, believing two things: first, that international institutions were merely theater for great power politics, and second, that communism would eventually overcome these

¹¹⁶ Allen S. Whiting, “ASEAN Eyes China,” *Asian Survey*, vol. 38, no. 4 (April 1997), 320.

¹¹⁷ As quoted in David Shambaugh, “China Engages Asia – Reshaping the Regional Order,” *International Security*, vol. 29, no. 3 (Winter 2004/2005), 70.

other powers, thereby making their norms, rules and even their approaches to foreign relations irrelevant. Additionally, as with all initial CCP leaders, MFA members tended to be older, proven revolutionaries.¹¹⁸

After Beijing assumed China's UN seat in 1971, its ability to interact with international organizations through "normal" diplomatic channels dramatically increased. Beijing found itself lacking the training and experience for nuanced diplomacy. Consequently, China's initial approach to diplomacy was notably coarse and wooden, usually containing at least echoes of revolutionary politics if not outright quotations of Marxist-Leninist or Maoist propaganda. The Chinese government, while maintaining its one party nature, is increasingly behaving like a "normal" national government, taking into account multiple interests when formulating domestic and international policies. Today's MFA is drastically different, employing approximately 4,000 personnel, most of whom studied international relations, comparative politics, and diplomacy at the university level.¹¹⁹ Additionally, members of the MFA have extensively studied modern political science and international relations theories. Consequently, as these theories and ideas proliferate throughout the Chinese government, they show up in policy decisions.¹²⁰

China's third generation leadership began elevating the role of diplomacy in the 1990s and the fourth generation has followed suit. The 1996-97 Asian Financial Crisis presented Beijing with an opportunity to either exploit its Southeast Asian neighbors or build its regional, and possibly global, reputation. In April 2001, the collision of a U.S. Navy EP-3 reconnaissance aircraft and a Chinese F-8 fighter presented Chinese leaders with another choice, flexing its military muscle or alleviating tensions through diplomacy. The terrorist attacks against the United States on 11 September 2001 presented another opportunity for nations to diplomatically engage the United States, an opportunity that Beijing took full advantage. Most recently, the aftermath of Hurricane

¹¹⁸ H. Lyman Miller, Chinese Foreign Policy lecture, Naval Postgraduate School, Monterey, Ca, Fall 2005.

¹¹⁹ FBIS, "PRC's Li Zhaoxing Praises Young Diplomats for Diligent Attitude, Patriotism," *CPP20050505000029*. Translation of Yuan Tiecheng. "An Exclusive Disclosure of a Little Known Story About Chinese Diplomats -- A Close Look at Young Chinese Diplomats," *Beijing Zhongguo Qingnian Bao (Internet Version-WWW) in Chinese*, 04 May 05.

¹²⁰ H. Lyman Miller, Chinese Foreign Policy lecture.

Katrina in the southern United States in August 2005 provided China with yet another unexpected prospect for fostering Sino-U.S. ties and improving its global reputation as a responsible member of the world community. This chapter now briefly examines each of events and the role that Chinese diplomacy played in them.

China's "charm offensive" in Southeast Asia during the later half of the 1990s and Beijing's adept handling of the Asian Financial Crisis of 1996 and 1997 are key examples of well-planned and executed Chinese diplomacy. China's decision during the Asian Financial Crisis not to devalue its currency, the *renminbi* (人民幣) and to contribute to the IMF's Southeast Asia recovery fund as well as to individual Southeast Asian governments is still paying off dividends today.¹²¹

The MFA is developing Chinese diplomacy to an art, most notably, having helped avoid a military clash with the United States in April 2001, after the collision of a PLANAF F-8 and a U.S. Navy EP-3. While the initial Chinese reaction was the PLA's heavy handed internment of the U.S. Navy aircrew, the MFA engaged in 11 days of "intensive diplomacy"¹²² with the United States setting on the following statement from the U.S. Ambassador to China,

Please convey to the Chinese people and to the family of pilot Wang Wei that we are very sorry for their loss. Although the full picture of what transpired is still unclear, according to our information, our severely crippled aircraft made an emergency landing after following international emergency procedures. We are very sorry the entering of China's airspace and the landing did not have verbal clearance, but very pleased the crew landed safely.¹²³

Despite calls for retribution from the Chinese populace and some senior PLA officials and a strong skepticism of the sincerity of the U.S. statement, the crisis quickly blew over. In the United States, many military members privately expressed

¹²¹ Denny Roy, "Southeast Asia and China: Balancing or Bandwagoning?," *Contemporary Southeast Asia*, vol. 27, no. 2 (August 2005), 309.

¹²² Peter Hays Gries, *China's New Nationalism: Pride, Politics, and Diplomacy*, (Berkeley: University of California Press, 2004), 108.

¹²³ Joseph W. Prueher, "Letter to Chinese Foreign Minister Tang Jiaxuan," dated 11 April 2001. As posted at <http://edition.cnn.com/2001/WORLD/asiapcf/east/04/11/prueher.letter.text/>. Accessed 23 October 2005.

outraged at the incident and it is reasonable to believe that members of the PLA felt the same way. However, in the end both nations' military leaders saluted smartly and deferred to the terms negotiated by the civilian bureaucracy.

The Chinese diplomatic corps also scored big with its response to the 11 September terrorist attacks on the United States that same year. On 12 September 2001, the PRC voted affirmatively on UN Security Council resolution 1368, marking the first time Beijing has ever voted in favor of the international use of force.¹²⁴ This drew the praise of then Secretary of State Colin Powell, who testified before the U.S. Congress in February 2002, "China has helped in the war against terrorism," while U.S. officials claiming that the level of support and intelligence sharing was "not specific enough" to be particularly useful.¹²⁵ These MFA efforts effectively averted, or at least postponed, the heavily predicted Cold War between the United States and China.

The coup de grace appears to be Beijing's response to the tragedy in the United States resulting from August 2005's Hurricane Katrina. This response highlights the apparent Chinese trend towards reaping positive returns from diplomatic actions. On 03 September 2005, China promised to send upwards of five million U.S. dollars in aid, including personnel to assist in "epidemic prevention," to the areas of the United States affected by the storm, a promise Beijing is keeping.¹²⁶ The U.S. Air Force reported receiving over 100 tons of humanitarian aid at Little Rock AFB, Arkansas less than a week after MFA's announcement with more expected.¹²⁷

The Chinese aid announcements themselves tell us something of the MFA's current approach to international diplomacy. Beijing's official Xinhua News Agency published remarks from the spokesperson for the MFA, Qin Gang, and the Vice

¹²⁴ U.S. State Department, "Africa, South Asia, and East Asia Overviews," *Patterns of Global Terrorism 2001*, 16 (marked page 40/204 in .PDF format). Online: <http://www.state.gov/documents/organization/10319.pdf>. Accessed 24 October 2005.

¹²⁵ Shirley Kan, *U.S.-China Counter-terrorism Cooperation: Issues for U.S. Policy*, (Washington, D.C.: Congressional Research Service, 12 May 2003), 2-3. Online: <http://www.fas.org/sgp/crs/row/RS21995.pdf>. Accessed 23 October 2005.

¹²⁶ FBIS, "PRC FM Spokesman: China To Give \$5 Million Relief Aid to US Hurricane-Hit Region," *CPP20050903000138*. Translation of Unattributed, "Chinese Government Provides Aid To US Hurricane Disaster Region," *Beijing Xinhua Domestic Service in Chinese* Dated: 0938 GMT 03 Sep 05.

¹²⁷ Technical Sergeant Arlo Taylor, "Little Rock welcomes China hurricane aid," Internet: <http://www.af.mil/news/story.asp?storyID=123011709>, 09 September 2005. Accessed 12 October 2005.

Minister of Commerce Ma Xiuhong.¹²⁸ The involvement of the commerce ministry demonstrates the importance that Beijing places on economics and trade and indicates the Chinese perception of a direct relationship between international commerce and international diplomacy. Additionally, Hu Jintao immediately agreed to postpone a scheduled meeting with President George W. Bush to allow the U.S. leader to focus on relief efforts in the effected region. Rather than demand an audience according to schedule, the Chinese president took a more diplomatic and pragmatic approach. By acknowledging the U.S. President's necessary shift in priorities, Hu Jintao showed increasing understanding of, and possibly even sensitivity to the domestic politics of the United States, and arguably other nations, that appears throughout recent Chinese foreign policy endeavors. The current crop of Chinese leaders appears to behave differently than its predecessors. The chapter now examines what makes these leaders different, and more importantly, whether these differences play a role in Chinese policy decision making.

b. China's Fourth Generation Leadership – Its' Not Your Father's CCP

The ascension of technocratic elites to the pinnacle of China's civilian leadership allows changes to the rest of the political and diplomacy bureaucracy as well and helps explain the changes in Beijing's perception of itself, China as a nation, and the international order in general. As previously discussed, some of these changes stem from lessons learned by the Deng and Jiang regimes, but others come from the differences in the fourth generation leaders themselves. This portion of Chapter III explains that while China's national interests remain largely the same as they have been for the past two decades, Beijing's perception of the best means to achieve them is different, and largely due to the different nature of the Hu Jintao regime.

As the Mao Zedong clique's strong ideology prevented the full implementation of economic reforms, the Hu administration's perceptions of China and the international environment enables the Chinese government to work with other nations in ways more in keeping with Westphalian-style diplomacy. H. Lyman Miller and Liu

¹²⁸ FBIS, "China To Remit \$5 Million in Aid, Send Supplies to Hurricane-Hit US Region," CPP20050904000122, Transcription of Unattributed, "China Ready To Offer Aid To Hurricane-Hit US Region," *Beijing Xinhua in English*, Dated: 04 September 05.

Xiaohong's contribution to Lampton's volume describes the emergence of these technocrats and argue that today's Chinese leadership acts differently because they are indeed very different from their predecessors. Mao Zedong and Deng Xiaoping represent the PRC's revolutionary period and their regimes performed accordingly while the Jiang Zemin regime served as a transition to today's government, one more in congruence with the "normal" international economic and diplomatic environments. Miller and Liu compare the Deng and Jiang administrations noting, "The differences between the present leadership around Jiang and the 1982 leadership around Deng Xiaoping are stark and dramatic."¹²⁹ They go on to compare the revolutionary experiences of the first and second generation leaders, most having been integral parts of the CCP victory over the KMT in 1949 while the third generation was in their childhood. Most members of the Hu administration, or fourth generation leadership, were not even born in 1949 and one can expect that their memories of the Great Leap Forward are vague at best. However, during the Cultural Revolution they were in high school or university and consequently, were the focus of Mao's attempts to revitalize the Chinese revolutionary spirit. This group swallowed more ideological propaganda than any other had, but they also witnessed firsthand the divisive effects of the Cultural Revolution as Chinese society slid into chaos, almost tumbling the nation into another civil war. While the differences between the Jiang and Hu governments are not as vast as those between Jiang and Deng, they are still significant.

The Hu administration includes some of the most well educated, with less than five members of the current Politburo lacking a university education and most holding degrees in technical fields such as engineering or the physical sciences, and well-traveled Chinese in modern history. During the last four years preceding their appointments, the latest members of the Politburo Standing Committee made over 40 overseas trips.¹³⁰ Conversely, during his entire life, Mao Zedong only left China twice and Deng Xiaoping made less than half the number of overseas trips during his tenure of nearly 20 years as Hu Jintao has during the mere three years from 2002 through today.

¹²⁹ H. Lyman Miller and Liu Xiaohong, "The Foreign Policy Outlook of China's "Third Generation" Elite," in David M. Lampton, ed., *The Making of Chinese Foreign and Security Policy in the Era of Reform*, (Stanford: Stanford University Press, 2001), 127.

¹³⁰ Medeiros and Fravel, 26.

Hu Jintao's appointment to chairman of the Central Military Commissions in September 2004 and March 2005, marked the first leadership transition in the history of communist governments in which the military played a minimal, if indeed any, role. Additionally the rhetorical exchanges and political maneuvering of the Mao and Deng eras were absent during this latest transition. While Deng and Jiang maneuvered PLA officers into various political positions to garner their support, Hu supported the PLA's depolitization and a firmer civilian control of the military. In the current administration, only two PLA members, General Guo Boxiong and General Cao Gangchuan, serve on the Politburo and neither of them are members of the Politburo Standing Committee. As a result, the PLA's direct and institutional role in Chinese policymaking is vastly smaller than it was during the conflicts with Vietnam during the 1970s and early 1990s.

Given the increased institutionalization of the Chinese government and depersonalization of its central leadership figures, we can expect the Hu Jintao regime to be even less oriented to using force in the South China Sea than the Deng or Jiang regimes. Considering his firsthand knowledge of the Cultural Revolution while a student at Qinghua University and his imposition of martial law in Tibet while serving as the regional Party Committee Secretary, it is reasonable to presume that President Hu is aware of China's economically disadvantaged interior regions and that his administration continually focuses on these potential flashpoints.¹³¹ Like the Deng and Jiang regimes, Hu Jintao and his surrounding leadership are supportive of continued economic growth and, consequently, continued economic reform.¹³² However, their regional origins and political experiences are very different from the Jiang and Deng leadership and this drives them to make different decisions.

Hu Jintao was born in the interior Anhui province and rose to power in Gansu, Guizhou and Tibet, none considered garden spots and all struggling with economic disparity vis-à-vis China's coastal regions. Consequently, it is no surprise that Hu's administration focuses more on domestic issues than the second and third generation regimes. As alluded to earlier, having experienced the folly of forced material

¹³¹ H. Lyman Miller, "The Succession of Hu Jintao," *China Leadership Monitor*, no. 1, part 2, (January 2002), 5-8.

¹³² This is a frequent theme in Beijing's official press publications, the most recent being the 01 December 2005 statement regarding the Central Economic Work Conference (see footnote 120).

redistribution during the Mao era, China's fourth generation leaders seem to believe that they can only solve economic disparity through continued growth and development, despite mounting opinion that this may not be the case. Essentially, trickle-down economics theory is alive and well in Hu's China, but as with all things, it has Chinese characteristics. Hu is pressing forward with incentives for Chinese and foreign investors to aid the development of the Chinese interior in the hopes that the resultant progress towards *xiaokang shehui* (小康社會) — “a harmonious society” and a “comfortable standard of living” — will help alleviate rising social pressures. To ensure this continuation of economic growth, the Hu government continues Jiang Zemin's efforts to integrate China into the international economic and diplomatic orders. Chinese actions, which on the surface appear to support constructivist or neoliberal institutionalist theories, are also easily explained by investigating the national interests Beijing perceives were at stake during the decision making process, thus possibly explaining the success of Bueno de Mesquita's expected utility theory. Beijing appears to approach its economic, political, and military policies from a balance of power logic, but it has also begun taking into account the perceptions and environments of other international players, thereby making the Hu Jintao administration primarily neorealist in orientation and actions, but also highly conscious of the perceptions and interests of domestic and international actors.

David Lampton sums up the fourth generation leadership well, “China's elite will show no less dedication to the PRC's interests in the future than in the past, but gradually, by fits and starts, even narrow calculations of national interest may produce progressively more cooperative behavior.”¹³³ China is beginning to see itself as a rising power and an international actor, the *daguo xintai* (大國 心態) mentioned earlier in this chapter. Consequently, Beijing understands the need to approach other nations in terms and within frameworks to which they can relate. This partially explains China's shift from military action to diplomacy. However, diplomacy serves another purpose, to

¹³³ David M. Lampton, “Introduction,” in David M. Lampton, ed., *The Making of Chinese Foreign and Security Policy in the Era of Reform*, (Stanford: Stanford University Press, 2001), 36.

ensure the continual increase in China's international trade, a key component to economic growth and, as previously stated, Beijing still perceives economic growth as the key to maintaining domestic political security.

3. Military Action and Chinese Trade

Many promoters of economic interdependence claim that Beijing adjusted its South China Sea policy away from military coercion in favor of peaceful diplomacy to maintain its international trade in general and trade with Southeast Asia specifically. David Shambaugh adds himself to list of proponents of an economic explanation by stating, "Over the next two decades, the principal challenge for the Chinese leadership will be to provide a range of public goods to the populace and improve the nation's quality of life."¹³⁴ Advocates of the economic interdependence theory argue that the trade required to maintain these necessary domestic improvements directly affects China's political behavior.

An analysis of data from the International Monetary Fund regarding Chinese trade indicates that fans of the economic interdependence theory may indeed be on to something. Throughout the 1990s, economic growth in Asia outstripped any other region.¹³⁵ This burgeoning market sector provides Beijing with many of the natural resources necessary to produce Chinese exports, a major sector of China's economy.

As Figure 6 shows, in 1989, the rate of increase for Chinese imports from the ASEAN 6 (Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand) and the United States dropped to half the 1988 rate and imports from Europe actually decreased. In 1990, Chinese imports from all three trading partners decreased by almost twenty percent. This timeframe correlates to Beijing's harsh suppression of the 1989 Tiananmen Square demonstrations; however, in December 1989, Beijing devalued its official exchange rate by 21.2 percent, accounting to the proportional decrease across the three trading partners.¹³⁶ A similarly proportional trend occurs in 1996, China's imports from the three again dropped by almost half. This could indicate their economic response

¹³⁴ Shambaugh, 98.

¹³⁵ Eng Chuan Ong, "Anchor East Asian Free Trade in ASEAN," *The Washington Quarterly*, vol. 26, no. 2 (Spring 2003), 58.

¹³⁶ Nicholas R. Lardy, *Integrating China into the Global Economy*, (Washington, D.C.: Brookings Institution Press, 2002), 49.

to the both Chinese buildup on Mischief Reef and the missile exercises in the Taiwan Straits. However, this also marks a period of economic retrenchment in China, as Beijing worked to “cool down” the overheating Chinese economy.

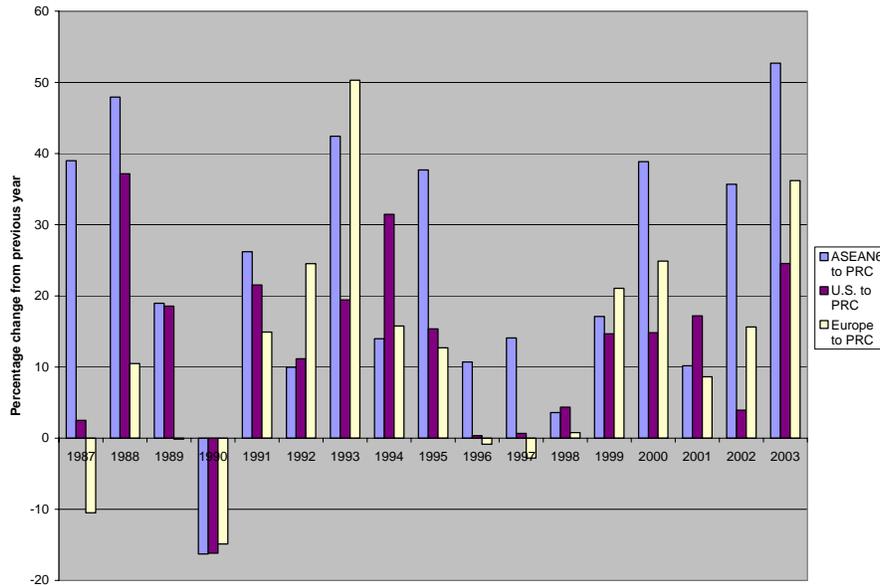


Figure 6. Percentage changes in PRC Imports 1987-2003.¹³⁷

An investigation of Chinese exports to the ASEAN 6 and the United States during the same period also shows a correlation to political tensions with China. However, while Chinese domestic economic policies explain the changes vis-à-vis PRC imports, the same logic cannot apply to exports. Exporting to China provides trading partners with a clear benefit, payment for the goods Beijing imports, obviously importing from China is the exact opposite scenario. While consumers of Chinese exports enjoy lower prices, their governments can easily decide temporarily higher prices are worth enduring

¹³⁷ International Monetary Fund, *Direction of Trade Statistics Yearbook*, (Washington, D.C.: IMF Publication Services, 1987-2004). The author compiled a spreadsheet using data from all volumes published from 1978, the earliest IMF records for China, until 2004. In the event of discrepancies, this author defaulted to the most recent data.

if such a policy can alter negative Chinese behavior. Additionally, consumers' personal perceptions can also reduce the demand for imported goods, be they from China or anywhere else, with France being a prime and recent example.¹³⁸

Slower rates of increase for PRC exports to the United States tightly correlate to 1989's Tiananmen Square incident, the 1996 Taiwan missile crisis, and the 2001 EP-3/F-8 collision. From 1995 to 1996, Chinese exports to the United States and Europe slowed from an increase of approximately 15 percent to 10 percent and from 27 percent to only six percent respectively, though exports to those regions still increased. More importantly, however, are PRC exports to the ASEAN 6 during the same period, which increased by 40 percent in 1995 but plummeted in 1996, decreasing by almost two percent only to return in 1997 to a healthy 23 percent increase. Beijing would not see such an incredibly large drop in exports to ASEAN again until the effects of the Asian financial crisis took full effect in 1998. However, in 1995 and 1996, the ASEAN economies were still vibrant, as demonstrated by the 1997 rebound, leaving little room for any other interpretation than ASEAN cut off Chinese exports in response to Mischief Reef and the Taiwan missile crisis.

¹³⁸ The perceived lack of French support for U.S. combat operations in Afghanistan and Iraq unleashed an unofficial U.S. boycott of French products. See Robert J. McCartney, "U.S. Boycott Being Felt, French Say: Wine Sales Off Sharply; Other Products Affected," *Washington Post*, (April 16, 2003), A32. Also online: <http://www.washingtonpost.com/ac2/wp-dyn/A33986-2003Apr15%3Flanguage=printer>. Accessed 24 October 2005.

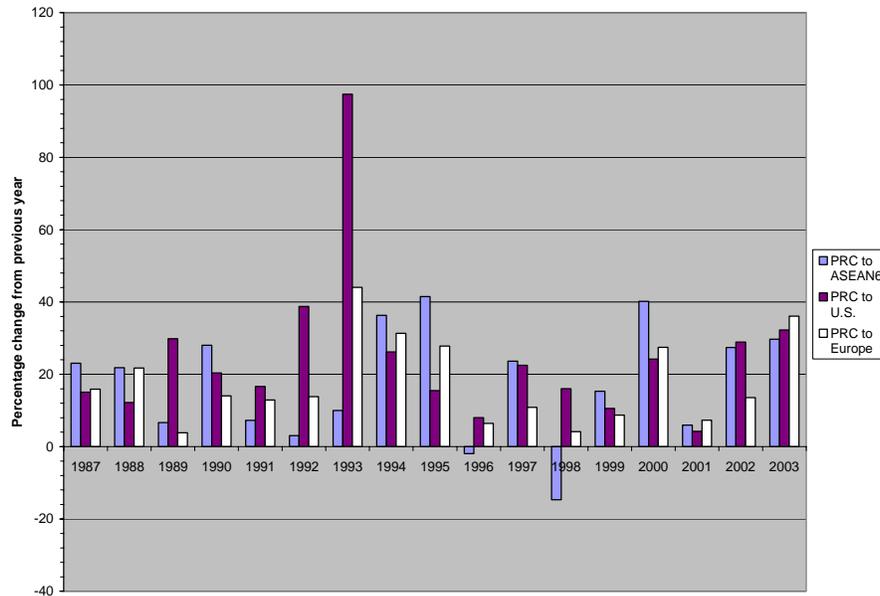


Figure 7. Percentage changes in PRC Exports 1987-2003.¹³⁹

Consequently, Beijing’s adoption of the 2002 Declaration on Conduct in the South China Sea is most likely a result of China’s need for ASEAN’s cooperation in implementing the China-ASEAN Free Trade Agreement signed in November 2001. ASEAN’s ability to maintain a united front regarding the seizure of territories in the South China Sea allows a linkage between China’s approach to the claims and other issues important to Chinese national interests, economic trade being the most important.¹⁴⁰ Consequently, this linkage effectively restricts Beijing from military asserting Chinese claims.

D. CONCLUSION

The changes [in China’s foreign policy approach] may have been slow and subtle, to be sure, but their significance is huge... Not only does China now accept many prevailing international rules and institutions; it is becoming a much more capable and adept player of the diplomatic game. When opportunities for cooperation exist, Beijing will bring much more to the table than in the past. But these developments also may have another result that American policymakers must not lose sight of: as China

¹³⁹ IMF.

¹⁴⁰ Leszek Buszynski, “ASEAN, the Declaration on Conduct, and the South China Sea,” *Contemporary Southeast Asia*, vol. 25, no. 3 (2003), 357.

expands its influence and refines its diplomacy, it will also get better at protecting its own interests – even when they conflict with those of the United States.¹⁴¹

Beijing's choices in the South China Sea remain constrained by economic, political, and security interests. China currently cannot seize its South China Sea claims militarily as the PLAN and PLAAF lack the power projection capability not only to obtain the islands and islets, but more importantly, to effectively patrol and defend them. While China continues to pursue these capabilities, most notably green or blue water naval ships, improved naval and aerial command and control, and aerial refueling capabilities, they remain a distant possibility and their acquisition is most likely focused on operations in the Taiwan Strait, not the South China Sea. Additionally, the last two displays of military aggression, the 1996 missile exercises against Taiwan and the 1989 suppression of anti-regime demonstrators in Tiananmen Square proved that such action greatly degrades China's reputation in the eyes of the world. While China has largely recovered from these events, Beijing cannot ignore the fact that world opinion matters, directly influencing diplomatic and political outcomes in ways counterproductive for the Chinese.

China could revoke its territorial claims but doing so is a gamble Beijing is, and should be, unwilling to take. Even within ASEAN, the other South China Sea claimants remain unable to resolve disputes amongst themselves, let alone the disputes between them and China, and Beijing's removal would far from guarantee continued Chinese access to the region or its resources should it become economically feasible to extract them. The allure of the South China Sea territories for Beijing is their role in maintaining unfettered access to trade routes and natural resources, both critical ingredients for continued China's economic growth and subsequently, the legitimacy of the CCP regime. Additionally, right or wrong, Beijing fears a snowball effect. Though the South China Sea territories are uninhabited, yielding them to the other claimants, or even to the realm of international waters, could still embolden Tibet, Xinjiang, and most importantly, Taiwan to attempt succession, all thoroughly unacceptable outcomes for Beijing.

¹⁴¹ Medeiros and Fravel, 22.

China could choose to do nothing, adhering to the calculative strategy described earlier in this chapter. Maintaining the status quo costs Beijing nothing and keeps all options open, including a reversion to military coercion and offensive actions should Chinese power projection become viable. Additionally, the continued diplomatic and economic interactions with the other claimants and interested parties allow Beijing to attempt socializing these players, enabling China to establish or adjust the region's norms and rules, or at least desensitize SEA nations to Chinese political and military maneuvering. From a Chinese perspective, the worst that this strategy produces is the continued postponement of dispute resolution while the best case is the peaceful acquisition of guaranteed Chinese access to the South China Sea's sea lines of communication and natural resources. China's acceptance of the 2002 "Declaration on the Conduct of Parties in the South China Sea" combined with its negotiation of joint resource explorations with Vietnam and the Philippines shows Beijing's clear preference for and implementation of this option.

In strong support of economic interdependence theory, Chinese military coercion appears to have a direct impact on trade with both ASEAN and the United States. Beijing's halt to military action in the region combined with its increased diplomatic engagement of ASEAN, specifically the ARF, and economic diplomacy during the Asian Financial crisis produced a shift in ASEAN's perceptions of China. The acceptance of the 2002 declaration on conduct shows an increasing mastery of China's diplomatic policy towards Southeast Asia, providing Beijing likely guaranteed access to a large portion of the region's natural resources. This evolution of China's approach to international relations will continue, as Beijing now knows that diplomacy can often pursue Chinese interests more cheaply than military coercion. However, China continues developing and enhancing its military capabilities, both as a trapping of great power status, and to hedge its bets should diplomacy fail.

IV. POTENTIAL FOR U.S. INVOLVEMENT IN A SOUTH CHINA SEA CONFLICT AND PRESCRIPTIONS FOR U.S. POLICY

A. INTRODUCTION

As this thesis previously discussed, the increasing volume of maritime trade through the South China Sea makes it an area of interest for all members of the global market economy. Throughout the 1980s and 1990s, many regarded the South China Sea region as one of the most conflict-prone regions in the world. However, the United States has paid little attention to the region's territorial disputes since the late 1990s. The past thirty years involved no less than 13 armed clashes in the region, clashes that, if a U.S.-flagged ship were to appear in the wrong place at the wrong time, had the potential to pull the United States into a regional conflict, at least diplomatically if not militarily. A worse scenario involves China successfully enforcing its archipelagic claims. Such a move would sharply curtail the legal status of U.S. ships.

The United States also faces an image problem in the region stemming from false perceptions that it abandoned the region after the Cold War and largely ignored the Asian financial crisis in 1996-97. Additionally, the increased Sino-ASEAN engagement threatens to limit U.S. influence in Southeast Asia, thereby potentially affecting the substantial amount of trade the United States conducts with the region. The claimants' approaches to the region appear to be converging on cooperative diplomacy and these negotiations to date have not involved the United States. Consequently, the United States must continually monitor the situation and have a variety of policy options readily available in case events disrupt the status quo. The United States has a handful of policy options it could pursue, ranging from doing nothing to dramatically revamping its security approach to the region. This chapter reviews these options, their pros and cons, and concludes with a recommendation for U.S. policy makers.

B. U.S. OBLIGATIONS

The United States has a formal defense treaty with only one of the South China Sea claimants, the Republic of the Philippines. Taiwan is on the other side of the political spectrum, having no official contacts with Washington, and conduct unofficial relations through the Taiwan Relations Act, which faces annual scrutiny by the U.S.

Congress and ostensibly only allows the United States to provide for the self-defense “of the people on Taiwan,”¹⁴² not Taiwanese claims in the South China Sea. Brunei recently entered a memorandum of understanding with Washington regarding defense cooperation, but this is a far cry from a U.S. security or defense obligation with the sultanate. The remaining claimants – China, Vietnam, and Indonesia – have diplomatic and economic relations with the United States and limited military exchanges, but nothing more. U.S. relations with this last group have historically swung as if on a pendulum ax, the speed and direction depending on the U.S. interests vis-à-vis those nations, the South China Sea region, and the world as perceived by the presiding administration.

1. Mutual Defense Treaties

The United States has a mutual defense treaty with only one South China Sea claimant, the Republic of the Philippines. The treaty, signed on 30 August 1951, is in accordance with the commitments of other U.S. defense treaties in East Asia. In August 1998, Philippine Foreign Affairs Secretary Siazon publicly stated that, the United States is bound to help the Philippines if attacked in the Spratly Islands.¹⁴³ However, this interpretation of the treaty is highly suspect. Article IV, “Action in event of armed attack,” of the Mutual Defense Treaty between the United States and the Republic of the Philippines states,

Each Party recognizes that an armed attack in the Pacific Area on either of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common dangers in accordance with its constitutional processes. Any such armed attack and all measures taken as a result thereof shall be immediately reported to the Security Council of

¹⁴² “Sec. 2 (b) (6),” *Taiwan Relations Act of 1979*, (10 April 1979). Online: <http://www.usconsulate.org.hk/ustw/geninfo/tra1979.htm>. Accessed 29 October 2005. The full paragraph reads “It is the policy of the United States – ... (6) to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan.” In order for this to apply to the defense of Taiwan’s (and consequently China’s) South China Sea claims, there would have to be a demonstrable link between Taiwanese sovereignty over these territories and the survival of Taiwan’s social and economic system. Given the fact that Taiwan currently maintains sovereignty only over Itu Aba Island, such a link to the rest of Taiwan’s claims is highly unlikely.

¹⁴³ FBIS, *FTS19980806000741*, Transcript of Ma. Cristina V. Deocadiz, “Siazon: US To 'Aid' Manila in Event of Spratlys Attack,” *Manila Business World (Internet Version)*, (06 August 1998).

the United Nations. Such measures shall be terminated when the Security Council has taken the measures necessary to restore and maintain international peace and security.¹⁴⁴

However, Article V, “Territorial applications,” limits the scope of the treaty to “an armed attack on the metropolitan territory of either of the Parties, or on the island territories under its jurisdiction in the Pacific or on its armed forces, public vessels or aircraft in the Pacific.” Manila did not declare its claims to Kalaya’an or any other South China Sea territories until its 1978 Presidential Decree, and its claim to Scarborough Reef was largely unknown before 1997.¹⁴⁵ Consequently, U.S. officials can, and in fact, in 1995 then U.S. Secretary of State Warren Christopher did, strongly infer that Filipino South China Sea claims are within the scope of the treaty.¹⁴⁶ However, Article V does mention attacks on Philippine armed forces, public vessels and aircraft, theoretically involving the United States in the Philippines’ seven South China Sea clashes. The failure of a U.S. response to go beyond carefully worded diplomatic statements indicates a definite preference for the limited interpretation and as China’s ability to project military power into the region improves, Washington is presumably less likely to involve itself in a Sino-Philippines spat. Manila appears to recognize this fact and consequently, in the early 2000s, agreed to pursue bilateral and multilateral survey agreements with China and Vietnam. These actions decrease the likelihood of future Filipino military clashes over the South China Sea territories.

U.S. defense relations with the other claimants are significantly less mutually supportive and certainly less institutionalized as the U.S.-Philippines treaty. In fact, there is only one other U.S. defense relationship, and that is a mere memorandum of understanding, far less stringent than a formal treaty.

¹⁴⁴ “Mutual Defense Treaty Between the Republic of the Philippines and the United States of America,” *Philippine Army Official Website*, (30 August 1951). Online: http://www.army.mil.ph/miscellaneous/Mutual_Defense.html. Accessed 26 October 2005.

¹⁴⁵ International Boundary Consultants, “American Defense Commitments and Asian Island Disputes,” *International Boundary Monitor*, (15 August 1998). Online: <http://www.boundaries.com/US-Asia.htm>. Accessed 26 October 2005.

¹⁴⁶ A. James Gregor, “Qualified Engagement: U.S. China Policy and Security Concerns,” *Naval War College Review*, (Spring 1999). Online: <http://www.nwc.navy.mil/press/Review/1999/spring/art3-sp9.htm>. Accessed: 22 November 2005. Gregor states, “The U.S. secretary of state, Warren Christopher, reminded the Chinese foreign minister that the United States had treaty obligations with the Philippines.” The article references *Indochina Digest*, 21 April 1995, p. 1.

2. Defense Cooperation Agreements and Understandings

The United States has no formal mutual defense treaties or agreements with Vietnam, China, or Taiwan.¹⁴⁷ In the early 1990s, Malaysia and the United States interacted through the foreign military sales program as Kuala Lumpur purchased F/A-18 HORNET and C-130 HERCULES aircraft from the United States as part of an effort to expand and modernize the Malaysian armed forces. However, later that decade the Malaysians also purchased MiG-29 FULCRUMs from Russia and in 2003, announced plans to buy a variant of the Su-27 FLANKER.¹⁴⁸ Clearly, the United States is under no defense obligations vis-à-vis Malaysian claims to the South China Sea territories.

The U.S. defense relationship with Brunei is a more formal arrangement, but only slightly so. In November 1994, the United States signed a memorandum of understanding (MOU) on defense cooperation with the Brunei government. Since then, the United States engages in joint exercises, training programs, and other military cooperation with Brunei's armed forces.¹⁴⁹ The largest scale interaction, called Cooperation Afloat Readiness and Training or CARAT, is part of “a series of bilateral exercises designed to increase U.S. Sailors' understanding of Southeast Asian cultures...enhancing regional cooperation; building friendships between the United States and nations involved.”¹⁵⁰ These nations include Malaysia, Indonesia, the Philippines, and Singapore. While certainly a good idea to gain influence in the Southeast Asian region, this is hardly a mechanism through which to involve the United States in a conflict over the South China Sea territories.

¹⁴⁷ The United States abrogated the U.S.-ROC MDT after shifting recognition from Taipei to Beijing on 01 January 1979. See the U.S. State Department Bureau of East Asian Affairs website, <http://www.state.gov/p/eap/ci/> for background notes on each of the South China Sea claimants. Accessed 26 October 2005.

¹⁴⁸ U.S. State Department Bureau of East Asian Affairs, “Background Note: Malaysia,” (September 2005), Online: <http://www.state.gov/r/pa/ei/bgn/2777.htm>. Accessed 26 October 2005.

¹⁴⁹ U.S. State Department Bureau of Political-Military Affairs, “III. DOS Foreign Policy Objectives -- East Asia and Pacific Region,” *Foreign Military Training: Joint Report to Congress, Fiscal Years 2003 and 2004*, (June 2004). Online: <http://www.state.gov/t/pm/rls/rpt/fmtrpt/2004/34216.htm>. Accessed 26 October 2005.

¹⁵⁰ GlobalSecurity.org, “Cooperation Afloat Readiness and Training (CARAT),” (Last updated 21 June 2005). Online: <http://www.globalsecurity.org/military/ops/carat.htm>. Accessed 26 October 2005.

The attainment and protection of national interests drives U.S. foreign policy and its relationships with all of the South China Sea claimants should augment this approach. These interests range from those essential to the nation's survival through interests whose influence on policymakers varies with domestic and personal preferences.

C. U.S. NATIONAL INTERESTS IN SOUTHEAST ASIA

The 2000 U.S. National Security Strategy (NSS) includes a description of the U.S. national interests, broken into three groups:

Vital interests...broad, overriding importance to the survival, safety and vitality of our nation... physical security of our territory...safety of our citizens...***economic well-being of our society***...protection of our critical infrastructures...from paralyzing attack.”

Important interests...affect our national well-being and the character of the world in which we live...for example, ***regions in which we have a sizable economic stake or commitments to allies.***

Humanitarian and other interests... our nation may act because our values demand it...The spread of democracy and respect for the rule of law helps to create a world community that is more hospitable to U.S. values and interests.¹⁵¹

The current U.S. NSS does not spell out U.S. interests so clearly but states,

Our goals on the path to progress are clear: political and economic freedom, peaceful relations with other states, and respect for human dignity...to achieve these goals, the United States will...***work with others to defuse regional conflicts***...ignite a new era of ***global economic growth through free markets and free trade***...¹⁵²

Bearing this in mind, any significant disturbance of the economic traffic to or from the United States harms U.S. interests.

1. U.S.-ASEAN Economic Ties

Total shipments through the South China Sea region exceed \$500 billion and make up approximately 15 percent of the world's trade.¹⁵³ In 2003, U.S. waterborne

¹⁵¹ The White House Office of the Press Secretary . “A National Security Strategy for a New Century,” Dated December 1999. <http://www.au.af.mil/au/awc/awcgate/nss/nss2000.htm>. Emphasis added. Accessed: 13 October 2005.

¹⁵² The White House. “The National Security Strategy of the United States of America,” Dated September 2002. <http://www.whitehouse.gov/nsc/nss.pdf>. Accessed: 13 October 2005.

¹⁵³ John C. Baker and David G. Wiencek, “Sat-Images Could be Spratlys’ Salvation,” *Jane’s Intelligence Review*. Vol. 11, no. 2 (01 February 1999).

trade with Asia was over 221 million metric tons, most of which traversed the South China Sea region.¹⁵⁴ Consequently, freedom of navigation through the South China Sea for U.S.-flagged ships and those of its trading partners has a direct impact on the economic well-being of our society and is therefore a vital national interest. The various claims and their associated disputes currently present few problems for the United States, as no one has used military force to address them in more than five years, allowing the United States and the world safe access to the region. However, as discussed in Chapter II, if one or more nations assert their claims, the South China Sea region could lose its status as international waters, instead becoming territorial or internal waters, allowing the claimant government(s) to invoke a long list of political, military, and economic restrictions on foreign-flagged ships.

2. Freedom of Navigation and Sea Lines of Communication (SLOCs)

The United States should not stand for having to obtain permission from a foreign government to traverse the South China Sea, especially given the vast amount of U.S. maritime trade that sails through the region on a daily basis.

a. International Law and Freedom of Navigating the Seas

As Chapter II explained, the 1982 UN Convention on the Law of the Sea (UNCLOS) addresses territorial seas and exclusive economic zones (EEZ). While addressing several different contingencies, the UNCLOS essentially defines territorial waters as the inclusive water area from a state's coastline or continental shelf out to 12 miles. Article 55 of the UNCLOS defines EEZs as, "the area beyond and adjacent to the territorial sea, subject to the specific legal regime established in this Part, under which the rights and jurisdiction of the coastal State and the rights and freedoms of other States are governed by the relevant provisions of this Convention." The UNCLOS limits EEZs to no more than 200 nautical miles from the baseline used to establish a state's territorial waters.

¹⁵⁴ U.S. Department of Transportation, Bureau of Transportation Statistics. "Table 1-9 U.S. Waterborne Foreign Trade 2000," *Maritime Trade & Transportation 2002 BTS 02-01 2002*, http://www.bts.gov/publications/maritime_trade_and_transportation/2002/index.html. Accessed: 13 October 2005.

In November 2001, Ambassador Sichan Siv, the U.S. Representative on the United Nations Economic and Social Council stated,

The United States has long accepted the UN Convention on the Law of the Sea as embodying international law concerning traditional uses of the oceans. The United States played an important role in negotiating the Convention...Because the rules of the Convention meet U.S. national security, economic, and environmental interests, I am pleased to inform you that the Administration of President George W. Bush supports accession of the United States to the Convention.¹⁵⁵

Ambassador Siv reiterated this position again on 16 November 2004.

b. U.S. Rights and Duties in Territorial Waters

The UNCLOS provides a long list of activities that, if performed in territorial waters, classifies foreign ships as “prejudicial to the peace, good order or security of the coastal State.” Article 19, “Meaning of Innocent Passage,” lists the threat or use of force against the coastal State, any exercise or practice with weapons of any kind, any act aimed at collecting information, any act of propaganda, launching, landing or taking on board of any aircraft, and the launching, landing or taking on board of any military device among these activities. The UNCLOS leaves the definition of these terms unclear, allowing for several interpretations; e.g., some could claim the mere presence of U.S. warships is a threat of force or an act of propaganda. The accusers would likely be proven wrong later but the damage would already be done. Admittedly, this is an extreme scenario, one that U.S. ships currently regard as a non-issue, but a remote possibility remains a possibility, and all possibilities require review, even if only perfunctory, by U.S. decision makers before declaring a national policy. Ostensibly, this is why the United States has signed only an agreement to the implementation of Part XI of the UNCLOS, and not the actual convention in its entirety.

c. U.S. Rights and Duties in EEZs

The UNCLOS articles regarding the rights and duties of other states in EEZs are less restrictive than those in territorial waters. States operating in EEZs must comply with the laws and regulations adopted by the coastal state and other rules of international law. While the rights of the coastal states in the EEZ are conversely

¹⁵⁵ Ambassador Sichan Siv, U.S. Representative on the UN Economic and Social Council, “Statement in the General Assembly on Oceans and Law of the Sea,” 27 November 2001. <http://www.state.gov/g/oes/rls/rm/6796.htm>. Accessed 13 October 2005.

more restricted in EEZs than in their territorial waters, UNCLOS Article 73 states that coastal states may take measures to maintain their sovereignty, including boarding, inspection, arrest and judicial proceedings, “as necessary” to ensure compliance with the laws and regulations. However, despite the legal provisions to take these actions, nations largely invoke them.

In addition, there are four major trends affecting U.S. interests in the South China Sea – the increased U.S. presence in Southeast Asia; a U.S. “image roller coaster” in the region; the decrease in regional military tensions; and an increase in Sino-ASEAN engagement.

3. Major Trends in the South China Sea Affecting U.S. Interests

The politics and security of Southeast Asia have a direct effect on the ability of the United States to pursue its national interests in the region. One possible factor in the reasons behind the increase in military assertion of the disputed claims during the 1990s was the virtual withdrawal of a U.S. military presence in the region following the closure of U.S. bases in the Philippines. Since the terror attacks on 11 September 2001, the U.S. military is back in Southeast Asia, though some U.S. officials state that the arrangement is not permanent. However, this increased presence is not welcomed by all Southeast Asians. The U.S. shift to unilateral action has potentially damaged relations, particularly with Muslim majority nations such as Indonesia and Malaysia. The U.S. image in the region continues to follow a sinusoidal pattern, essentially a political and diplomatic “roller coaster” ride. Also affecting U.S. policy options towards the territorial disputes is the decrease in military tensions, as claimants are regularly attending negotiations and are increasingly drafting and implementing bilateral and multilateral solutions. Finally, the drastically increased Sino-ASEAN engagement must factor into the U.S. decisions regarding these disputes and Southeast Asian regional issues in general. U.S. policy makers must take all of these trends into account when formulating and weighing options.

a. Increased U.S. Presence in Southeast Asia

Prior to September 11, 2001, many Southeast Asia nations perceived that the role and interest of the United States in the region was waning. In May of 1999, a Philippine naval vessel collided with and sank a Chinese fishing boat. A few weeks later, Manila accused the PLAN of “harassing” a Philippine navy ship that accidentally became

grounded near the Spratly Islands. ASEAN's lack of action against China or the Philippines during these incidents was partially based on an uncertainty about U.S. backing, as none of the ASEAN members would commit individually to confronting China without U.S. power behind them.¹⁵⁶ The Global War on Terrorism has brought back to Southeast Asia a significant U.S. military and diplomatic presence, with the region becoming more important to U.S. interests now than ever before. The resurgence of U.S. aid and bilateral and multinational military exercises in Southeast Asia seeks to establish an environment friendly to coalitions with the United States.

b. U.S. "Image Roller Coaster" in Southeast Asia

U.S. post-tsunami relief provided a much needed public relations boost for the United States, undermining some regional criticism of U.S. policies and helping repair the U.S. image in Southeast Asia. However, throughout much of Southeast Asia, right or wrong, strong perceptions persist that the United States consciously failed to assist the region during the 1996-97 financial crisis, that the administration is hostile to the region's vast Islamic population, and that the United States is willing and able unilaterally to "interfere" with sovereign governments when disagreements surface.¹⁵⁷ Strong nationalist sentiments in Southeast Asia clash with these perceptions of U.S. hegemony and interference, thereby complicating efforts to increase U.S. influence in the region.

c. Decreased Military Tensions

In 1998, the Philippines discovered that China was improving its "fishing shelters" on Mischief Reef in the Spratly Islands, essentially building concrete structures capable of housing PLAN landing craft and coastal patrol vessels. At the December 1998 ASEAN meeting, Manila's protests failed to spark the multilateral response they did during the 1995 Sino-Philippine confrontation. The regional economic crisis and the East Timor situation were the primary focus of ASEAN and their after shocks remain a primary ASEAN concern today, with the noted addition of anti-terrorism concerns and efforts. Additionally, the United States reiterated that its bilateral security agreement

¹⁵⁶ Michael McDevitt. "China and the South China Sea-A Conference Summary Report," *Pacific Forum CSIS*, No 15, Internet. <http://taiwansecurity.org/IS/IS-Pacnet-990416.htm> Dated: April 16, 1999. Accessed: 13 October 2005.

¹⁵⁷ I base this assertion on my observations from the "Survey of Asian Politics" course held at NPS during the summer of 2005. The writings of numerous authors studied and comments made by students from Southeast Asia during this course corroborate this statement.

with the Philippines did not cover its claims in the South China Sea. Finally, the surge of military upgrades and buildups throughout Southeast Asia in the early 1990s have slowed significantly since the 1996-97 financial crisis whether due to decreased military tensions and competition, or to a shift in economic policies.

d. Increased Sino-ASEAN Engagement

The PRC traditionally has been the perceived aggressor in the South China Sea. China's involvement in nine of the 13 military clashes lends credence to this perception. Additionally, until five years ago, Beijing insisted on settling the South China Sea territorial disputes through bilateral agreements, refusing the multilateral diplomatic approach of the ARF. However, in the late 1990s, Beijing began using its burgeoning economy to strengthen its ties with Southeast Asia, and Chinese assistance during the region's financial crisis is paying dividends. In addition to assisting ASEAN nations during the crisis, Beijing brokered major free trade agreements with ASEAN and East Asian nations. As previously mentioned in Chapter II, China and the ASEAN nations signed a "Declaration on the Conduct of Parties in the South China Sea," in November 2002 which expanded on the 1992 "ASEAN Declaration on the South China Sea," a.k.a. the "Manila Agreement," which the PRC had not signed. In addition to the contents of the 1992 declaration, the 2002 document adds recognition of the UNCLOS and cooperative activities including marine environmental protection, marine scientific research, safety of navigation and communication at sea, search and rescue operations, and combating transnational crime.¹⁵⁸

While publicly celebrated by ASEAN for being the first multilateral agreement between the association and China, the Declaration substantively accomplishes very little. Beijing successfully maneuvered ASEAN away from the binding Code of Conduct that some of its members demanded, driving the final text toward a loosely defined and essentially ignorable document. However, as Chapter III demonstrated, the fact the China was willing to sign the document, risking its newfound reputation as an upstanding regional and international citizen, indicates that Beijing's approach has changed. It appears China's economic strength and diplomatic prowess

¹⁵⁸ ASEAN. "Declaration on the Conduct of Parties in the South China Sea," 04 November 2002. ASEAN website: <http://www.aseansec.org/13163.htm>. Accessed: 13 October 2005.

may gain Beijing more in the future than Chinese military might has in the past. Riding the success of Beijing's economic assistance during the financial crisis, China's increased involvement in ASEAN and the ARF offers Beijing an opportunity to deter ASEAN nations from involving non-Asian states, most notably the United States, in regional matters.

The United States must take into account each of the aforementioned trends in the South China Sea while reviewing its policy regarding the territorial disputes, failure to do so risks making a policy decision that will at best be quickly overcome by events and at worst negatively affect U.S. interest in the region. This chapter now reviews some of the possible U.S. policies towards these territorial disputes.

D. PRESCRIPTIONS FOR THE U.S. POLICY ON THE SOUTH CHINA SEA TERRITORIAL DISPUTES

The current U.S. policy on the South China Sea territorial disputes is now a decade old and, with the warranted distraction of the Global War on Terrorism, has largely been neglected by the decision makers in Washington. The 2002 "Declaration on the Conduct of Parties in the South China Sea" should have served as a reminder that the United States must monitor the rapidly changing situation. Indeed, the U.S. attempts to deepen its involvement in the region's counter-terrorism and anti-piracy policies and efforts could provide ample opportunities to ensure the increasing number of agreements on the South China Sea territories do not jeopardize the ability of the United States to pursue its national interests.

1. Current U.S. Position

Until the 1995 Mischief Reef incident, the United States did not have an official position on the South China Sea territorial disputes and even then, it was limited to a statement regarding the sanctity of freedom of navigation.

Maintaining freedom of navigation is a fundamental interest of the United States. Unhindered navigation by all ships and aircraft in the South China Sea is essential for the peace and prosperity of the entire Asia-Pacific region, including the United States. *The United States takes no position on the legal merits of the competing claims to sovereignty over the various islands, reefs, atolls and cays in the South China Sea. The United States would, however, view with serious concern any maritime claim, or*

*restriction on maritime activity, in the South China Sea that was not consistent with international law, including the 1982 United Nations Convention on the Law of the Sea.*¹⁵⁹

While this statement makes it clear that the United States strongly prefers a resolution mechanism that guarantees freedom of navigation through the region, it does not address any of the regional trends identified earlier in this chapter. Consequently, the United States must review its policy regarding the South China Sea territorial disputes or risk the policy becoming ineffective, or worse, counter to U.S. interests in the region.

2. Possible U.S. Policy Options

The range of alternative U.S. policies towards the South China Sea disputes is wide but the number of options is somewhat limited. The United States could take sides, expanding its existing treaty with the Philippines to extend to its claims in the Spratly Islands. Washington could also attempt to build a coalition against Chinese advances in the region, though the 2005 Tripartite Agreement between Beijing, Hanoi, and Manila makes this largely unlikely. A third option is to do nothing at all, essentially waiting things out in the hopes that the regionally generated outcome does not adversely affect U.S. interests. A fourth, widely discussed approach is the establishment of a regional body, possibly through the ARF, to address the disputes. Finally, the United States could side with the UNCLOS solution of deferring the matter to the United Nations, specifically the International Tribunal for the Law of the Sea.

a. Expand the U.S.-Philippines Security Treaty to Include the South China Sea Territories

If successful, this policy could guarantee unfettered U.S. passage through the eastern half of the Spratly islands due to the cooperative history between Washington and Manila as opposed to the historical animosity between the United States and Vietnam or China. This policy would also provide the United States with a clear justification for increased U.S. presence in the region and could provide significant leverage over Manila regarding political and economic issues. Including offshore territories in its bilateral security agreements would tie U.S. security assistance to any encroachments on

¹⁵⁹ Statement by the Acting Spokesman U.S. Department of State, 10 May 1995 As quoted in Ralph A. Cossa, "Security Implications of Conflict in the South China Sea: Exploring Potential Triggers of Conflict," (March 1998) <http://www.csis.org/pacfor/opSChinaSea.pdf>. Emphasis added. Accessed: 13 October 2005.

Philippine claims in the South China Sea. This course of action could involve the United States in conflicts like the 1995 Mischief Reef incident; however, it could also help to deter similar instances from occurring in the future. While it is true that the Philippines' constitution bans the direct involvement of foreign military forces in operations on Philippine soil, exercises such as BALIKITAN show that when it perceives such actions would be in the Philippines' interest, Manila finds ways around this. To formalize this arrangement, could signal a U.S. sanctioning of inevitable Philippine actions to remove PRC forces, equipment and structures from the Spratly islands. These operations would undoubtedly provoke a negative response from Beijing, thereby risking a direct conflict between the United States and China. Additionally, this option risks an increased regional perception of the United States as interfering with regional affairs and potentially having hegemonic ambitions in Southeast Asia. Such a perception could damage, at least temporarily, U.S. ties with the other claimants in Southeast Asia, creating another downhill track on the "image roller coaster" discussed earlier. At a minimum, this course of action would involve increasing the U.S. naval presence in the region until Philippine forces could effectively assert their legitimized territorial claims. Given their current naval capabilities, this would mean a significant commitment of U.S. forces.

b. Consolidate Southeast Asia Support Against PRC Claims

While not backing specific claims, the United States could increase its interaction with the ASEAN members to resist Chinese claims in the South China Sea. This would likely involve an increased effort to the current U.S. program of providing arms, military training, and economic aid to its allies in the region. However, the United States would be hard pressed to convince ASEAN members to take this course of action. ASEAN's latest agreements with Beijing in 2002, establishing a free trade zone and the Declaration of Conduct in the South China Sea, may not be precisely what all ASEAN members desired, but they are indicative of momentum towards an ASEAN engagement policy with China, rather than containment. Additionally, the economic benefits derived from engagement come at a crucial time for ASEAN members, as few have fully recovered from the 1997 financial crisis. Consequently, ASEAN is unlikely to reverse

course, even if the United States offers lucrative military and economic incentives, especially in light of perceptions that the United States either ignored or exploited Asia's financial situation during the crisis.

c. *Wait It Out*

Given the current difficulties the United States is experiencing in inserting itself into sovereignty issues (Afghanistan and Iraq), this policy would receive significant public support domestically and internationally. However, this policy offers the United States no guarantee of continued access to the South China Sea region, let alone safe passage through the area as recognized sovereignty over the region would allow a foreign capital to restrict access and passage through blockades, quarantines and other political and military means. While this is certainly an extreme case, an ICJ decision breaking the South China Sea into a jigsaw of internal and territorial waters would greatly reduce the freedom of navigation that U.S.-flagged vessels currently enjoy in the region. The likelihood of such a decision is low, but it remains possible. Granted, as long as the 2002 declaration holds, there is little threat to U.S. interests, but this could quickly change if one or more claimants decide to deviate from the behaviors called for in the declaration. Currently, the United States could rapidly respond to such a scenario but without continued monitoring of the region and as well as continued political and military planning, one cannot guarantee that this will always be the case.

d. *Support a Multilateral Approach*

Recent literature suggests the establishment of a collective regional body to manage the South China Sea region and its resources.¹⁶⁰ Such an agreement would eliminate the territorial concerns while ensuring that all claimants received a portion of whatever natural resources lie in the region. Additionally, by avoiding any one nation having political authority over the South China Sea territories, the likelihood of maintaining freedom of access and navigation would be maintained at its current status, possibly improved. However, the watering down of ASEAN's Code of Conduct in the South China Sea to a mere declaration presumably stemmed from the inability of the ASEAN nations to put aside their differences to reach collective compromises. Meanwhile, Beijing adopted a "sit and wait" strategy in the hopes its willingness to hold

¹⁶⁰ Valencia, et. al., *Sharing the Resources of the South China Sea* is an excellent and widely referenced example.

out for a less restrictive agreement would outlast ASEAN's desire to tie China's hands. This allowed Beijing to firmly insist that the document avoid being specific regarding several key issues. The United States could, during normal diplomatic interactions, offer advice to the ASEAN members, pressing each towards a consolidated position that ensures continued freedom of access and navigation in the South China Sea region unofficially. Additionally, the United States could go as far as conditioning trade and economic and military aid packages on such behavior. This policy allows the United States indirect, but influential inputs into the outcomes of the disputes.

e. Pressure Claimants to Settle in Accordance with the 1982 UNCLOS

All claimants except Taiwan, which has no UN representation, are signatories to the 1982 UNCLOS. While each nation made declarations regarding the UNCLOS at the signing or during their respective ratification processes, none specifically mentioned its disputed South China Sea territories.¹⁶¹ By omitting geographical specifics, the claimants wished to avoid the conditions of the UNCLOS regarding the disputed South China Sea territories. However, while the vague verbiage of these declarations arguably makes the applicability of the UNCLOS to the South China Sea disputes questionable, it also does not specifically exempt these claims. The United States could press the claimants and the UN to, in the interest of regional peace and stability and international well being, address the South China Sea disputes in accordance with the UNCLOS.

The terms of international law still allow the claimants to settle the disputes through a multitude of bilateral and multilateral approaches, including arbitration by a third party. However, once international law is invoked, if the claimants cannot settle the disputes themselves, the International Court of Justice will ultimately settle the matter.¹⁶² Once the ICJ decides, there is little room left for interpretation and the United States will be obliged to support the decision, even if it negatively impacts U.S. interests, though the Malaysia-Indonesia ruling cited in Chapter II shows that the

¹⁶¹ United Nations, "Declarations or Statements Upon UNCLOS Ratification," Online: http://www.un.org/Depts/los/convention_agreements/convention_declarations.htm. Accessed 17 November 2005.

¹⁶² UNCLOS, Article 287.

ICJ does not always address the true cause of the disputes, in this case the region's natural resources. It is for this very reason that it remains unlikely that the claimants will agree to defer the South China Sea disputes to an international body, thereby reducing the viability of this approach.

While the intention of the UNCLOS clearly is to preserve the rights of both the coastal states and those states traversing foreign territorial waters and EEZs, the possibility exists that governments could abuse their UNCLOS rights. Foreign government could harass foreign-flagged ships in their territorial waters and EEZs. If the South China Sea became the internal waters of one or more claimants, this harassment could include frequent interceptions and boardings, targeting only ships of certain countries, e.g. the United States and its allies to the arrest of U.S. ship captains and crews. The UNCLOS does not state what evidence coastal states must present to warrant such activities, allowing for manufactured suspicions that U.S. citizens engage in activities harmful to that government's interpretation of its sovereign rights while in their internal or territorial waters. While an extremely unlikely scenario, this type of activity could significantly slow the maritime trade through the region, potentially impacting the economies of the United States and its trading partners.

f. Policy Recommendation

It is imperative that the United States maintain continued access to and passage through the South China Sea. Consequently, while non-interference is the most unselfish policy in the worldview, the United States simply cannot afford this approach. However, the United States also cannot afford to risk direct conflict with any of the claimants, particularly China. Accordingly, the United States must work to prevent any encroachment of freedom of navigation throughout the region. Instead, in the short term, the United States must publicly and enthusiastically support the 2002 ASEAN Declaration of Conduct while emphasizing monitoring and enforcement in the spirit of the UNCLOS.

The backing of the United States for this Declaration, while it continually presses for a more binding code of conduct that would guarantee freedom of navigation in the region, could be enough to raise the consequences of aggression and conflict to an unacceptable level for all parties. It will certainly check any Chinese ambitions to

occupy further disputed territories. However, by supporting a regional multinational convention, such as a Sino-ASEAN Code of Conduct, the United States avoids taking sides, instead showing public support for freedom of navigation in the region as well as allowing the ASEAN members and Beijing to approach the subject diplomatically but without Western powers or the UN having direct influence.

E. CONCLUSION

There is little potential for direct U.S. involvement in conflicts over the South China Sea territories. Despite some misguided interpretations of the U.S.-Philippines MDT, military actions against Kalaya'an or Mischief Reef are credibly excludable from the treaty and subsequently, not a U.S. problem. However, should Washington deem direct involvement is in the U.S. national interest, a vehicle to accomplish this is the reinterpretation of the U.S.-Philippine treaty, though this thesis does not recommend such action. On the other hand, involvement in regional conflict rarely serves U.S. interests. The continued flow of maritime trade through the South China Sea region and the need for a Southeast Asian perception of the United States as trustworthy and formally neutral in regional matters weighs heavily on what makes a policy approach to the territorial disputes politically, militarily, and economically feasible. Consequently, the best approach for the United States is to remain distantly and informally affiliated with the issue as long as military tensions remain low and maritime traffic continues to traverse the region unimpeded and duty free.

To ensure this remains the case, the United States should increase its attempts to indirectly influence Sino-ASEAN negotiations while encouraging deeper military-to-military ties and regional naval exercises among ARF members. Simultaneously, the United States should seek to increase its involvement in these regional exchanges and exercises. These opportunities for increased U.S.-ASEAN interaction can further develop U.S. ties with ASEAN leaders and personnel while providing the U.S. military experience in the South China Sea waters. Additionally, these events demonstrate the ability of U.S. forces to ensure the safe passage of merchant ships in the event that escort operations become necessary. Meanwhile, the United States must also exert gentle but sustained diplomatic pressure on all parties, including China, to

reach a collective agreement on the territorial disputes that includes clearly defined and supportable monitoring and enforcement mechanisms, but does not unnecessarily impinge on the freedom of navigation in what must continue to be international waters.

V. CONCLUSION

Despite a lack of compelling evidence, all of the South China Sea claimants continue to assert their claims to the region's land, water, and resources. They justify their claims with "historical" evidence, irrelevant under international law, and debatable interpretations of these same laws, interpretations that none of the other claimants, or the rest of the world for that matter, currently agree with. Regardless, the disputes continue and consequently, it appears that they will remain unresolved for the foreseeable future. As Chapter II presented, no particular claim initiated the rush to enforce claims, as each claimant government was largely uninterested in the territories until the late 1960s. There are two discernible patterns regarding claims and assertions in the South China Sea. First, plans and actions to unilaterally occupy, survey, or exploit the region spur negative responses, and often counteractions, from the other claimants. Second, as the data in Chapter III demonstrated, Beijing's attempts to militarily assert its claims and affect the region's politics through coercion negatively impact China's ability to export its goods.

This thesis demonstrates that China's attempts to assert its claims does not stem from a desire to establish, or as some would argue reestablish, hegemony over the South China Sea. ASEAN's continued refusal to recognize Chinese sovereignty over the region, even after Beijing's calculated generosity during the Asian financial crisis, shows that China is not bullying its Southeast Asian neighbors. Instead, China's claims stem from its requirements for energy resources and unfettered trade with, and shipping through, the South China Sea region. This argument also explains China's shift in approach to the disputes, from military coercion and aggression, to bilateral negotiations, and finally, multilateral agreements.

China, and perhaps all the claimants, shifted from military solutions to the South China Sea territorial disputes because doing so best served their national interests. China's primary interest is the continuation of a stable domestic order, which Beijing believes requires continued economic growth. To achieve this growth, China realized that it must vastly increase its trade with the global economic community and subsequently, must integrate itself with the international order. Essentially, China has

finally begun its version of Japan's Meiji Restoration, a "Deng-Jiang-Hu revolution" if you will. This transformation involves the depolitization of the PLA and its components, and the professionalization of the Chinese polity and bureaucracy. The process is by no means complete, but there are undeniable signs of progress towards a modern and "normal" China. However, this does not mean that U.S.-Sino relations will be smooth. China and the United States share a myriad of national interests, including feeding rapidly increasing energy demands in both nations and it is likely that these two nations will pursue competition in some pursuits and cooperation in others. Consequently, it is imperative that the United States continually study what Chinese interests are and what decisions Beijing makes in their pursuit.

One factor, which eases this study, is that China's military, once a dominant actor in Chinese politics, now appears to be approaching a role more in line with the U.S. defense establishment – one of consultation and advice regarding the nation's security and little more. However, the Chinese "fourth generation" leadership is vastly different from previous regimes. No longer can the United States rely on pure ideology to guide its observations of China's polity. While the Hu administration is better educated, widely traveled, and more aware of the international political and economic environment than the Deng and Jiang regimes could ever have hoped to be, it also is harder to predict as it attempts to answer concerns from a growing number and variety of domestic actors. Additionally, China's current leaders are becoming increasingly comfortable and adept at using the tools of international politics, diplomacy, and economics to pursue their nation's interests. However, they have not entirely placed their faith in the international system to pursue and attain these interests; arguably, no nation has. Like its counterparts in Washington, Beijing continues the professionalization and modernization of its military in order to hedge its bets should peaceful mechanisms fail. The result of this is an increasingly shrewd and more engaged China, particularly in the Asia-Pacific, but progressively more so around the globe. The dragon is indeed awakening and finally approaching an ability to use its burgeoning power. However, this does not mean that China's actions are unconstrained.

Until 2002, Beijing refused to participate in multilateral negotiations regarding the South China Sea territories, and a host of other issues. However, despite its looming

size and growing military capacity, the ASEAN nations, along with the rest of the world, hold a powerful tool – trade. Chinese actions in the mid-1990s and 2001 spurred a negative economic response from ASEAN and the United States. While continuing to export their own goods and commodities to China they slowed, and sometimes reversed, the rate of Chinese imports during these periods, potentially endangering the economic growth necessary for continued domestic stability in China. Once Beijing adjusted its behavior to alleviate concerns in ASEAN and the United States, Chinese exports to these countries resumed their rapid growth. The correlation is undeniable and too cyclical to be mere coincidence, thereby demonstrating that economic interdependence theorists are onto something, at least in Asia. Consequently, the guarantee of continued access to the South China Sea's maritime trade routes is of great importance to U.S. national interests. One traditional method of protecting U.S. interests in any region is a myriad of security treaties. However, in the South China Sea region, there is only one such arrangement, the U.S.-Philippines mutual defense treaty.

The U.S.-Philippines treaty must remain unchanged, that is, focused on the metropolitan area and Filipino territorial boundaries as set in 1951. To include Manila's claims in the Spratly Islands risks emboldening the Philippine government to renew its military assertion of these claims before China completes its military modernization. Ironically, the increased Sino-Philippine ties that some in the U.S. fear so greatly also serves to dissuade military adventurism by Manila. Improved ties with China appear to make Manila feel more secure, thereby decreasing calls for an expanded Philippine defense perimeter, calls which often include the assertion and occupation of Spratly Islands. The increased engagement of Southeast Asian nations to support the GWOT should continue, not only to complete that necessary and noble mission, but also to ensure that the United States maintains continued and unfettered access to the region. The focus on anti-terrorism and anti-piracy efforts serves to benefit all parties. The placement of these disputes in a regional body could still maintain the status quo – a peaceful, open waterway conducive to the free flowing maritime trade that benefits all of the claimants and the United States.

The internationalization of the disputes, however, risks a definitive decision on who owns what. The outcome of such a decision, particular in the worst scenario case

that the ICJ ruled in China's favor, could negatively impact U.S. interests in the region. Additionally, the ICJ could repeat the mistake of its 2002 ruling on the Malaysia-Indonesia dispute over Pulau Ligitan and Pulau Sipadan, ignoring the heart of the dispute – natural resources – and consequently prolong, or possibly even intensify, the disputes rather than settle them. To avoid either situation, the United States should continue its engagement of both China and ASEAN.

For the short term, the United States should support adherence to the 2002 “Declaration on the Conduct of Parties in the South China Sea” while increasing its attempts to indirectly influence Sino-ASEAN negotiations. Additionally, the United States should encourage deeper military-to-military ties and regional naval exercises among ARF members. The U.S. government must also seek out opportunities to improve its image in the region and then make use of these improvements to exercise moderate, but persistent pressure on all claimants, including China, to reach a multilateral resolution of the territorial disputes. Most importantly, this resolution must clearly define mechanisms to monitor the region and enforce the resolution, particular regarding the drilling for and extraction of natural resources, but without interrupting freedom of navigation in international waters.

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2. Dudley Knox Library
Naval Postgraduate School
Monterey, California
3. Colonel Ron McNeill
HQ PACAF/XPZ
Hickam AFB, Hawaii
4. Capt Kevin C. Ketchmark
U.S. DAO
American Embassy
Xiu Shui Bei Jie 3
Beijing, China
5. U.S. DAO
American Embassy
376 Jalan Tun Razak
Kuala Lumpur, Malaysia
6. U.S. DAO
American Embassy
1201 Roxas Boulevard
Manila, Philippines
7. U.S. DAO
American Embassy
7 Lang Ha Street
Hanoi, Vietnam
8. U.S. DAO
American Embassy
JL. Merdeka Selatan 4-5
Jakarta, Indonesia
9. U.S. DAO
American Embassy
Jalan Sultan
Bandar Seri Begawan, Brunei Darussalam

10. U.S. DAO
American Embassy
27 Napier Road
Singapore
11. J51 Division Chief
HQ USPACOM
Camp H. M. Smith, Hawaii
12. Bureau of Political-Military Affairs
U.S. Department of State
Washington, District of Columbia
13. JICPAC, PACOM Studies Team
Pearl Harbor, Hawaii
14. Dr. Denny Roy
Asia Pacific Center for Strategic Studies
Honolulu, Hawaii
15. USAF Institute for National Security Studies
HQ USAFA/DFES
USAF Academy, Colorado
16. USAF Air Command and Staff College
Maxwell Air Force Base
Montgomery, Alabama
17. Dr. H. Lyman Miller
Naval Postgraduate School
Monterey, California
18. Dr. Christopher P. Twomey
Naval Postgraduate School
Monterey, California
19. Major John W. Jackson
Monterey, California