STRATEGY RESEARCH PROJECT

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SLOW SIEGE OF THE SPRATLY ISLANDS: CHINA'S SOUTH CHINA SEA STRATEGY

BY

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ABSTRACT

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The Spratly Islands cover an area of the South China Sea of both strategic and economic importance. Six nations claim all or portions of the islands and have individually pursued economic development of the rich resources in the territory. These competing claims have also been the source of conflict. The most successful aggressors have been the Chinese, who claim all of the islands as sovereign territory and back their claims with their ever-modernizing People's Liberation Army-Navy (PLA-N). In an effort to avoid further military clashes and peacefully resolve the conflicting claims, the Association of Southeast Asian Nations (ASEAN) drafted a South China Sea Code of Conduct. Chinese representatives participated in the October 2000 Working Group that drafted the code, but China has not agreed to the code's current content. China's long-term intentions in the Spratlys and the South China Sea involves deep historical, cultural, political, economic and security issues. Because of these influences, China is unlikely to ever agree to a long-term resolution that cedes control of any Spratly Islands territory to another claimant state. While the Chinese may accept the security benefits of the current status quo, the United States cannot afford to neglect this issue.

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The South China Sea Code of Conduct Working Group, comprised of China and the members of the Association of Southeast Asian Nations (ASEAN), met in Hanoi on October 20, 2000. This meeting was acknowledged as an historic step towards settling territorial claims over the Spratly Islands and other islands in the region.[1] For the first time, China showed willingness to unilaterally discuss the issues in the South China Sea with members of ASEAN, including those members without territorial claims. But the working group failed to draft a proposal that gained China's agreement. Nor did the working group set a deadline for completing draft proposal. Instead, real progress towards settling the issues of the region was postponed while ASEAN members attempt to find the diplomatic consensus for a wording of the Code of Conduct that meets China's approval.[2] While the Code of Conduct could serve to reduce tensions, build trust and cooperation in the Spratlys/South China Sea area, it is naïve to expect that the Code's adoption will prevent the claimant nations, particularly China, from continuing activities to further secure territory. Nor is the Code likely to speed the process of eventual resolution.[3] At stake is the legal claim to the Spratly Islands, an area of great economic and strategic importance. While the less powerful ASEAN claimants cautiously attempt to negotiate a resolution, China continues a patient siege of the islands and territories, slowly carving out economic zones and manning island stations. China's intentions and growing sense of the South China Sea's value is best captured in a 1988 Chinese article:

" In order to make sure that the descendants of the Chinese nation can survive, develop and flourish in the world of the future, we should vigorously develop and use the oceans. To protect and defend the rights and interests of the reefs and islands within Chinese waters is a sacred mission... The [Spratly] Islands not only occupy an important strategic position, but every reef and island is connected to a large area of territorial water and an exclusive economic zone that is priceless."[4]

The purpose of this paper is to consider the history, issues, conflicts and claims surrounding the Spratly Islands, particularly current diplomatic attempts for resolution. At the center are two questions: will China ever accept a long term Spratlys diplomatic solution or co-development agreement that falls short of returning all its "lost territories," and how do China's intentions affect the United States' policies in the region?

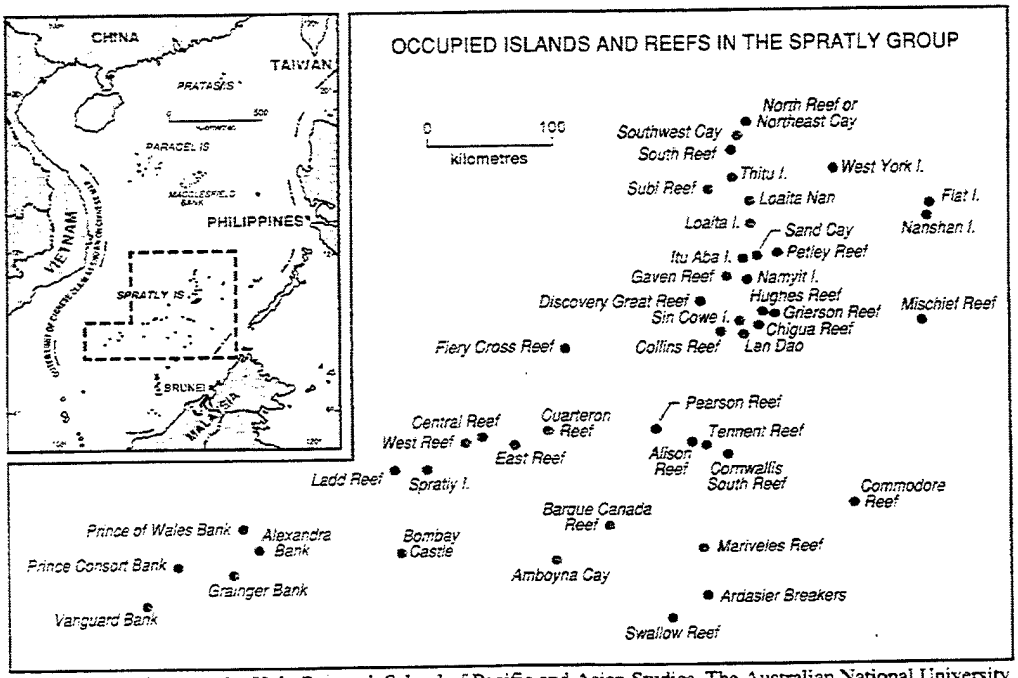
THE SPRATLYS

The South China Sea is roughly that portion of the Pacific Ocean stretching between Singapore and the Strait of Malacca in the southwest, to the Strait of Taiwan in the northeast (FIGURE 1). The area includes over 200 small islands, many partially submerged and unsuitable for habitation.[5] The Spratly Islands contain more than 190 of these islands, rocks, reefs and submerged features covering approximately 150,000 square miles, 300 miles from the Vietnam coast and 600 miles southeast of the Chinese island of Hainan. The total land area of the Spratlys is less than 3 square miles. Important to the sources of different territorial claims, the Spratlys are geologically separated from the continental shelves of China and Taiwan by a 3,000-meter trench to the north, and from the Philippines, Brunei and Malaysia by the East Palawan Trough.[6]

Cartographers consider the Spratlys the most contested territory in the world. Six nations: China, Taiwan, the Philippines, Malaysia, Vietnam and Brunei, claim sovereignty over part or all of the more than 100 islets, shoals, reefs and sandbanks of the Spratlys. Five nations (all but Brunei) maintain a military presence on the few islands that are capable of supporting such occupation; all but China and Taiwan are members of ASEAN.[7] Control of the area gives the owners rights to an area rich in natural resources, oil and gas among them, which have been the focus of attention throughout the growing Asia-Pacific region. Daniel J. Dzurek, a Spratlys researcher for the London-based International Boundaries Research Unit (IBRU), predicts territorial claims will continue for decades because none of the claimants enjoys a clear title to the islands, based on international law or historic precedent.[8]

The significance and importance of the Spratlys and the South China Sea must be understood when considering territorial claim issues and potential for conflict. In terms of a prosperous security for China and Southeast Asian nations, the area is more than a maritime territory to be diplomatically divided or a venue for threats, incursions and invasions of the claimants' sovereignty. The region represents a long-term source of sustenance and energy, a regional maritime bridge between the littoral boundary nations and an international thoroughfare. In this perspective, the waters of the Spratlys region and the South China Sea are a major resource, shared by both Chinese and ASEAN, and with an important role as a transport route for the world's merchant fleets and navies.[9] The Spratlys South China Sea location along the principal sea route from the Middle East gives the region particular strategic importance to the U.S., because over 25 percent of the world's oil and 67 percent of the oil supplies to Japan and China

pass through these waters.[10] But the additional value and importance of the area, to the longevity and security of the countries in the region, must be recognized by all players when attempting to resolve the conflict.



Prepared in the Cartography Unit, Research School of Pacific and Asian Studies, The Australian National University, in accordance with the list of occupations compiled by Dr. Sheng Lijun.

FIGURE 1[11]

THE CLAIMS

An examination of the historical and modern claims offers both insights into the disputes over territory and the evolving efforts for resolution. China, Taiwan and Vietnam each claim all of the Spratlys; Malaysia and the Philippines claim several but not all of the islands, and Brunei claims one submerged reef. The considerable volume of literature regarding the South China Sea dispute struggles to unravel the roots of the complex and competing claims. Some theories blame the problem on the historical legacy left behind by former Western Colonial powers, that the territorial boundaries were poorly drawn and not universally accepted. The newly independent former colonies then inherited and perpetuated the colonial disagreements. From this perspective, the Chinese have periodically taken the view that treaties and boundaries imposed during the colonial era on a weakened China are not binding today.[12]

Extensive study of the dispute has placed greater significance on legal resolution through the aspects of territorial jurisdiction. The 1982 international UN Convention on

the Law of the Sea (UNCLOS) was aimed at peacefully solving boundary disputes, but instead gave rise to additional geopolitical claims in the South China Sea. This is largely due to the UNCLOS recognition of the 200-mile Exclusive Economic Zone (EEZ) that has re-ignited previous conflicts over maritime claims by clearly stating a nation's right to claim an EEZ without setting out how disputed or overlapping EEZ claims should be resolved. In the case of the Spratlys, territories already under dispute are being used as the basis of establishing a further contested EEZ.[13]

Additional analyses emphasize political and geopolitical considerations; others focus on the discovery of major oil and gas fields as major sources of the dispute. Each competing nation negotiates from a unique perspective of history, allies, politics, needs and interests.

COMPETING CLAIMS

Malaysia's claim is based its continental shelf that projects out from the Malaysian coast and overlaps islands claimed by China, Taiwan and Vietnam plus reefs and cays in the Philippines claim. Brunei's claim of a 200 nautical mile (NM) EEZ that covers the Louisa Reef is based legally on an interpretation of the UNCLOS concerning the continental shelf. The UNCLOS was agreed upon in 1982, came into effect in 1996 and has been ratified by Indonesia, the Philippines, Vietnam and Singapore.[14]

In 1929 the French claimed Spratly Island, which the Vietnamese call "Truong Sa" and the French Navy took possession of in 1930. Formal annexation and occupation of nine other islands followed in 1933. Vietnamese claims center on the formally French controlled territories gained with independence from France. China references 1956 – 1975 official North Vietnamese maps and textbooks that include China's claims. Vietnam issued a modern claim map in 1988 that included both the Paracel and Spratly Islands, and has also issued maps based on oil claims.[15] The Vietnamese currently claim a 200 NM continental shelf and EEZ that overlaps the claim lines of all South China Sea states except Singapore and Thailand and covers the Spratlys.[16]

The claims of the Philippines are based on the proximity of certain South China Sea islands to Filipino territory and on Filipino non-military occupation and economic development. The Philippines occupy the largest Spratly island, Thitu, and claim islands of the Spratlys they call the Kalayaan Islands, a chain that the Philippines claims is separate from Spratly Island. Filipino settlers began occupation of Thitu in the 1950's,

were partially ejected by Taiwanese forces in 1962. The Philippines began a military occupation of some of the same islands after 1968. In 1971 the Philippines officially claimed the Kalayaan Islands and formally annexed the islands in 1978 stating that the islands were important for the nation's security and economic survival. The Philippines counter the Chinese' ancient claims to these waters by pointing out that many historical Chinese claims for parts of what are today the Philippines, Malaysia and Indonesia have been long superseded by the events of history.[17] The Philippines claims a 200 NM EEZ on its continental shelf that includes "Mischief Reef", the site of a 1995 dispute with China.

CHINA'S CLAIM

China and Taiwan both assert historical claims that the South China Sea islands have been Chinese territory since ancient times originating with the Han Dynasty (206 B.C. to 220 A.D.), backed by archeological findings that Chinese fisherman used the islands dating back to those times. China made official, territorial claims in 1958 and 1992, and the PLA backed those claims through occupation of specific reefs since 1988. The 1958 PRC "Declaration of Territorial Sea" extended claims to cover the Spratlys. In 1992 China's "Law on Territorial Waters and Their Contiguous Area" added 24 NM contiguous zones and reiterated the 1958 claim.[18] The law claimed exclusive rights over the Spratlys (and Paracel Islands, a territory also claimed by and taken from Vietnam in 1974), asserted a right to evict other nations' vessels from China's territorial waters, and authorized the People's Liberation Army Navy (PLA-N) to pursue foreign ships and enforce its regulations. Additionally, the law required all foreign warships to give China notification of intentions to pass through these disputed waters and receive permission before passing through China's "territorial seas". The law both revived antagonisms among the ASEAN members over maritime sovereignty and threatened freedom of navigation through the South China Sea.[19]

THE RESOURCES

An economic analysis of the Spratlys dispute requires an examination of how China and the other claimants perceive the resources of oil, gas and fisheries and the way in which those potential resources influence their positions. Since beginning their modernization program in 1978, China has created one of the world's fastest growing economies with increases in output of 8 percent and 10 percent in the 1980's and 90's,

respectively.[20] China is the largest oil and gas producer and consumer among the claimants of the Spratlys, demonstrating both the technology to harvest and refine and the greatest demand to support their growing population of over 1.2 billion.

OIL

Early seismic studies of the South China Sea were performed under UN auspices in 1968, and in the following decade most Southeast Asian nations established joint oil exploration ventures. In 1976 oil was discovered at Reed Band, midway between Palawan and the Spratlys, and the Philippines began production in 1979.[21] The South China Sea region has proven oil reserves that are estimated at 7.7 billion barrels and daily oil production in the region is currently over 1.8 million barrels per day.

The proximity of the Spratly islands to these surrounding areas rich in oil deposits led to speculation that the Spratlys could be an untapped oil bearing province, equal to Middle East oil reserves. Little documented evidence, outside of Chinese claims, exists to support this view, because only limited exploratory drilling to determine the oil reserves of the Spratlys has been completed. Chinese estimates have encouraged interest in the area, with more than one report suggesting that the Spratlys will be the next Persian Gulf. Most non-Chinese experts do not share China's optimistic view of the South China Sea's potential. A 1993/1994 estimate by the U.S. Geological Survey forecast total resources at 28 billion barrels; the most optimistic estimates place total oil reserves in the Spratlys at 10 billion barrels.[22] Therefore Western estimates for daily production rates available in the Spratlys are in the range of 137,000 – 183,000 barrels a day, roughly only 10 percent of the same Chinese estimate and the same order of magnitude as current production levels in Brunei and Vietnam.

China's rocketing economy and appetite for refined petroleum products threatened to outpace Chinese onshore domestic production the late 1980's. The discrepancy between China's supply and demand has grown since 1984 and was exacerbated by a decline in foreign investment in 1986. Economists predicted the need for China to begin importing oil by the late 1990's. This shortage became the most important factor retarding China's potential economic growth. China became eager to further develop additional sources of petroleum to reduce its heavy dependence on its inefficient coal-burning industries. The Chinese government moved that effort offshore, to the rich reserves of the South China Sea and the Spratlys.[23]

The relationship of Chinese interests and the optimistic estimate in the potential of the Spratlys oil goes beyond China's national consumption requirements. A key component of China's oil production policy is to continue to attract foreign capital and technology in order to accelerate exploration and development of China's offshore oil and natural gas efforts. The strategy has propelled China into being the world's fifth largest oil producer.[24] Without the promise of huge reserves, and the means to control access, foreign oil investors may find other potential areas, and nations, to invest in. China has also recognized the potential for oil as a regional tool of national economic power. China first began exporting oil to Japan in 1974. When offered access to Chinese oil, Japan suspended their negotiations with the Soviet Union for a project linking Siberian oil to Japanese industry. China views control of South China Sea oil not only as a necessity to fueling its continued industrial growth, modernization and prosperity, but also as a critical political and economic tool of regional power.

NATURAL GAS

Natural Gas may be the most abundant hydrocarbon resource in the South China Sea. Most of the fields explored in the South China Sea regions of Brunei, Indonesia, Malaysia, Thailand, Vietnam and the Philippines contain natural gas, not oil, and the U.S. Geological Survey estimates 60 – 70% of the region's hydrocarbons are gas.[25] Similar to the need for oil to support rapid East Asian development, natural gas usage is expected to rise 7% annually, faster than any other fuel. Chinese consumption accounts for almost half of the annual increase.

Chinese estimates for natural gas reserves in the Spratlys are, as with oil estimates, considerably optimistic compared to the U.S. Geologic Survey and other non-Chinese estimates. This suggests that China may be attempting to attract foreign investors. China's interests are further affected by two additional factors. The first is that Malaysia is the dominant natural gas producer, and until recently has been the primary source of growth in natural gas production. But Malaysia has been hampered by the lack infrastructure. This fact may prove to be a catalyst for a Spratlys cooperative development opportunity between China and Malaysia.

The second potential for China's cooperation with the other Spratlys claimants is the proposal of a natural gas pipeline linking the gas producing South China Sea with the gas consuming regions of the Asian Pacific Rim.[26] Such a venture would undoubtedly benefit China's need to reduce its dependence on coal (China still relies on

coal for nearly 80% of its energy.[27]) by gaining easier access to the region's natural gas reserves. Further, the joint project would undoubtedly require a marked increase in diplomatic efforts to peaceably resolve the territorial disputes in a way that mutually benefits all Spratlys claimants. Negotiating the co-development of the region's gas reserves may be an economic solution to a stalled political process.

FISHING

In the early 1980's it was predicted that China's population would grow by over 250 million before 2020; at that same time China recorded the lowest consumption of fish per capita among the littoral states of the South China Sea region. While China's developing energy crisis led to a focus on offshore oil and gas development, China's national health issues pushed the nation to consider offshore alternatives to a declining agricultural output.[28] The shortfall pushed China to accelerate and expand its existing plans for developing marine resources.

Building a modern fleet of fishing vessels has been a Chinese goal since 1978. In 1979, China entered a cooperative protocol with the U.S. to develop scientific and technological techniques of oceanography and fisheries. China entered into similar joint ventures with many countries, including Japan and New Zealand. The Chinese fleet of fishing vessels grew from 61,000 in 1980 to over 336,000 in 1989.[29] The same period saw a significant agricultural loss of Chinese arable land as farmland was converted through industrialization and urbanization. Failures in agriculture and growing farm mechanization also created a growing body of displaced rural laborers. A strong fishing industry was needed to meet the demands for a high-protein food source met China's need for low technology, human-intensive occupations.

The Spratlys waters are not considered the richest for fishing when compared to the coastal areas of the South China Sea, but territorial claims to the islands allow the exploitation of vast areas of ocean for fishing and other maritime harvesting. To accompany the growing fishing fleet and ever expanding area of interest, China also developed the means to enforce and protect its claims in the Spratlys. In 1987 the People's Liberation Army Navy began an active role in China's colonization of the Spratly Islands.

THE CONFLICTS

South China Sea claims and conflicts are closely woven together into the fabric of the modern Spratlys situation. At the close of the Second World War, General MacArthur required all Japanese forces north of the 16-degree North latitude line to surrender to the Republic of China (ROC, now Taiwan). This meant that all Japanese territories north of Da Nang, Vietnam and in the Paracel Islands came under ROC jurisdiction. Although MacArthur's directive specifically did not include the Spratlys, the ROC ordered that all Spratlys area Japanese troops report with the Paracels troops, indirectly asserting authority over the Spratlys.[30] The islands, and the claim of their ownership, have been regional flashpoints for conflict since that time.

WORLD WAR II to 1973

From the late 1940's until the Vietnam War, several nations deployed military forces into the Spratlys territory. Early conflict between France and ROC over the Paracels and Spratlys resulted in a division of the islands from 1947 until 1974, each maintaining a naval force and island-based military outposts. France ceded its controlled territories to Vietnam in 1950. At the same time ROC forces in the South China Sea withdrew to Taiwan, and units from the PLA immediately assumed their positions in the Paracels. The ROC positions of the Spratlys remained abandoned from 1950 until 1956; this proved to be both a source of confusion for the on-going diplomatic attempts to resolve sovereignty claims and the cause of the first international incident in the territory.

In 1956 a group of the Spratly islands were "discovered" and claimed by Filipino businessman Tomas Cloma, who declared them the sovereign nation of "Kalayaan" and entered into diplomatic and economic negotiations with the Philippine government. Cloma's claim erupted into multiple international claims of Spratlys ownership from France, who insisted the Spratlys were never ceded to Vietnam. The Republic of Vietnam objected to the French claims. Great Britain and the Netherlands both entered historical claims of discovery through their Manila embassies. Taiwan immediately sent a Naval Task Force to the islands and reestablished a military outpost that was maintained into the 1980's. On one occasion, the ROC task force intercepted and released a Cloma-group resupply vessel. Aside from finding signs left by Cloma, fishermen and other short-term visitors, the ROC task force reported no established community on the area islands. They did, however, discover signs, posted in Chinese

and uniformly pro-PRC, which led them to suspect that Cloma's group had acted in collusion with China.[31] A single Vietnamese Navy destroyer also patrolled the area in response to the Cloma incident, dating that nation's active presence. The Cloma incident was not marked by a dramatic armed showdown but the event illustrated to the affected nations that the issue of Spratlys sovereignty remained unresolved. The incident drew the interests of Taiwan and Vietnam back to the issue, sparked the beginnings of the Philippines' claims, and allowed China to estimate the strength and resolve of Spratlys competitors. The incident also marked the last Spratlys claims made by Western nations.

Following China's possession of the Paracels and subsequent PLA build-up, Taiwan moved to strengthen its Spratlys garrison. In the 1960's the garrison was inspected, resupplied and reinforced, and a routine Navy patrol was established along with mail service to the islands. This renewed activity strained relations with the Philippines who eventually, in 1971, officially claimed its portion of the Spratlys archipelago. After claims that a Taiwanese navy patrol had fired on an unarmed Philippine vessel, the Philippines President Marcos officially recognized the Cloma claim and supported that claim by deploying Philippine navy and marine units to the islands. Marcos requested that Taiwan withdraw forces from the islands. Taiwan, China and Vietnam all filed formal diplomatic protests, but Manila maintained its position The Philippines officially made the 53 Spratly Islands of Kalayaan a part of Palawan Province and established a larger military presence on the islands. China learned to use similar methods in the following decades. The 1971 crisis also marked the entry of additional Vietnamese forces, sent to occupy Spratly Island.

The early claims and conflicts over the Spratlys demonstrated the weakness of China's international position during the post-WWII era. Despite their vociferous protests over competing claims, China lacked the diplomatic and military means to implement its claims. These weaknesses provided the context for the complete restructuring of Chinese foreign policy during the early 1970's. By late 1973, China was finally in a position to begin implementing its claims, beginning with a movement against Vietnamese positions in the Paracel Islands.

1974 TO PRESENT

During the spring of 1973, while the world focused on the Watergate investigation and the U.S. troop withdrawal from the Vietnam War, South Vietnam met with the

world's major oil companies and awarded several oil exploration concessions in the vicinity of the Spratly Islands. Saigon moved to consolidate its authority by incorporating the Spratlys into the Republic of Vietnam (RVN) and deployed hundreds of troops to several islands. The Philippines and Taiwan were quick to protest, making their own claims. North Vietnam also protested, but no one made an intervention with force. In January 1974, China issued its own condemnation of the RVN actions in the Spratlys and issued its own claims, as well as claims to the Paracels. Maintaining that RVN forces had attacked innocent Chinese fisherman, the PLA used naval and marine forces to attack RVN garrisons in the Paracels. By the end of the month, China was in complete control of the Paracel Archipelago. The Chinese attack was ominous. China had not used such large military actions to settle a territorial dispute since waging battle against India in 1962. The message to the other Spratlys claimants was clear, China now possessed the will and the means to project power into the South China Sea.

In April 1987 Vietnam deployed troops to occupy one of the Spratlys' largest reefs, Barque Canada, and nine other Spratlys islands. China demanded Vietnam's immediate withdrawal, asserting that Vietnam was preparing for future oil explorations in the area. The Chinese government had conducted their own surveys in the region and concluded that the continental shelf contained substantial oil and natural gas deposits. In November, the PLA-N began to survey outposts for construction in the Spratlys and decided to establish a Chinese "sea-level weather research station" on Fiery Cross Reef.[32] China disguised its naval missions in the Spratlys as scientific expeditions largely to avoid political reaction and wary of its weakness in projecting naval power so far from the mainland. The expeditions included oceanographic research vessels with warship escorts. Vietnam sent aircraft and warships to monitor the Chinese activity. The inevitable clash between forces occurred in March of 1988 when PLA-N and Vietnamese exchanged fire. Few details are known about the exchange, but it is believed that two Vietnamese vessels were sunk or damaged. China consolidated its position in the area by occupying six previously uninhabited reefs, planting flags and claiming islands near those held by other claimants. In doing so, China challenged the legal rights of other nations to the surrounding seabed. Though lacking the technology to exploit the petroleum reserves in 1988, China moved to deter foreign encroachment and reserve its right for future oil and gas operations.

In 1992 China acted on its newly adopted Chinese National People's Congress of the Law of the Territorial Sea and Contiguous Zone claims by landing forces on, Da

Ba Dau reef, the easternmost PLA advance at that time and near the Vietnamese-held island of Sin Crowe East.[33] A confrontation of the two forces occurred in March, and four months later Chinese marines landed on Da Lac reef. China gained no apparent economic advantages from these newly occupied features. However, this did establish Chinese challenges to the Vietnamese territorial claims in this area. The Chinese declaration and naval skirmishes that supported the eastern PLA-N push was in reaction to the recent expansion of resource developments in the South China Sea by Vietnam, Malaysia and the Philippines. It was also a clear warning not to exclude China from these development efforts again. China concluded this most recent maneuvering by entering into a petroleum exploration cooperative agreement with Crestone Energy, an American company. The contract covered an area of the Spratlys located only 200 nautical miles from the Vietnamese coast. China further pledged the protection of the PLA Navy to this operation.

The last clash involving military in the Spratlys was on the appropriately named "Mischief Reef". Chinese activities at Mischief were related to the failure of 1994 discussions for a joint Chinese-Philippine natural gas exploration. The Philippines decided to act alone and granted an exploration permit to Alcorn Petroleum, hoping to keep the grant a secret. China discovered the Philippines' actions and decided to again advance further eastward for better coverage of the Philippine-sponsored oil exploration. China quietly established a post on Mischief Reef, located in the section of the Spratlys territory granted to the Alcorn exploration. The Chinese activity was discovered, and the Philippine government made a formal protest. Support for the Philippines' protests was stronger internationally and from ASEAN members than China had anticipated, China backed-off, for the first time agreeing to resolve its South China Sea disputes according to UNCLOS. But in October of 1998 the Philippines discovered that China was building fort-like structures on the Mischief Reef. The Philippines countered by detaining Chinese fishermen, impounding their boats and charging them with illegally fishing in Philippine waters.[34] China refused to remove the building project. The two countries met in Manila in March 1999 but accomplished little. They agreed to seek resolution through a future ASEAN summit. The Philippines promptly signed a Visiting Forces Agreement with the United States in May of 1999.

CHINA'S ROLE

How a nation gains material resources and the international power derived from territorial control of strategic landmasses and lines of communication undoubtedly provide insight into a state's behavior. However, these visible indicators offer an incomplete picture; as Peter Katzenstein stated, cultural and institutional norms shape state identity, which affects a country's, in this case China's, foreign policy and state identity.[35] To explain China's approach to settling territorial disputes, including claims for the Spratlys, the significance of Chinese definitions for national security that go beyond military concerns cannot be overlooked. This study has previously outlined China's historical claims and economic motivation to control the Spratlys resources and strategic position along major shipping routes. Understanding China's current actions and forecasting future Chinese goals requires an examination of the legacy of the Sino-centric system for the national security policies of the PRC, and its Asian neighbors, in the 21st Century.[36] Beyond strategic or economic considerations, Chinese concept of what is right in diplomatic and political spheres must be considered as a basis for understanding PRC political disputes and holds the key to future resolution.

CHINESE DOMESTIC AND WORLD VIEW

For the Chinese there is no higher moral goal than for China's leadership to create and maintain a unified, wealthy and powerful China. A unified country provides a central government, large tax base derived from the many incomes, allowing for the upkeep of a large military to defend China and awe surrounding countries back into a tributary relationship with China. China's state strength could then translate into national prestige and international recognition. Therefore, the Chinese believe that their leadership has both the right and obligation to return "lost territories" back to the fold in order to restore China's glory. These actions thus unite China's principal political morality with China's realist interests, forming the basis on which the legitimacy of Chinese regimes has always rested.[37]

Modern Chinese nationalism has grown from the humiliation the nation suffered at the hands of foreigners during the 19th and 20th Centuries. China was divided, occupied and exploited by Russia, Japan and Western powers for economic and political profit. Although some territories were recovered and united after WW II, and by 1949, the former empire had been divided into five entities: the PRC, the ROC or Taiwan, The Mongolian People's Republic, Macau and Hong Kong.[38] From this division, Chinese

nationalism repeatedly uses the common theme of reunification; the Chinese press considers "inseparable" or "inalienable sovereignty" among the strongest ideological phrases it can use. Return of the Spratly Islands is consistently referred to in these terms.[39] Since the late 1970's, Chinese nationalism has been used to replace communism's revolutionary fervor as a source of social cohesion. Thus committed to protecting and defending Chinese sovereignty, Party leaders have committed themselves to holding firm on issues of autonomy for Taiwan, Tibet, and other territories, including the Spratlys. Having based the regime's legitimacy on this ideal, Chinese leadership will find it very difficult to support compromise on issues of Chinese territorial integrity, even when compromise offers a short-term national interest. The current South China Sea Code of Conduct negotiations reflects this reluctance on the part of Chinese participants.

The recovery of Chinese lands, from Taiwan to an obscure South China Sea coral reef, may presently be considered one of the only collectively shared Chinese expectations. China's leaders have promoted the sentiment, heightened by an internalized sense of historical resentment, and expect outsiders to recognize and sympathize with China's unfortunate past encounter with imperialist aggression. This resentment makes the Chinese expect others to treat China fairly, affirming the self-image of a "gentle giant" that conducts foreign policy based on "moral" virtues of justice and reciprocity, and not on realist concepts of expediency and self-interest.[40] Perceived slights, such as ignoring China's beliefs on territorial integrity or criticisms of internal Chinese affairs, are considered by the Chinese as equivalents to trade disputes or military threats.

PLA-NAVY

While Chinese nationalism has fanned the fire of China's South China Sea policies, the growing Navy of the People's Liberation Army has been the vehicle that turned ideology into action. While China's systematic campaign to assert its claim over the Spratlys and other South China Sea islands is unmistakably an outgrowth of those policies in action, there exist divergent Chinese views over how and when foreign policy is executed. John Garver highlighted the divergent political views over the Spratlys dispute, particularly between the Ministry of Foreign Affairs (MFA) and the PLA-N. [41] While the MFA proposed a moderate approach, using diplomacy to gain international support for Chinese claims, the PLA-N pushed for the more assertive policy of presence

and occupation. The assertive policy is supported by nationalist sentiment and provides justification for an aggressive expansion and modernization program of the Navy. Garver contends that the slowness of early Chinese advances into the Spratlys was probably due less to cautious policy and more to a budgetary constraint and the slow pace of PLA-N modernization.[42]

The PLA-N had been weak since its founding in 1949, and the weaknesses were further highlighted with the 1974 battle with Vietnam over the Paracels. In its aggressive effort to modernize, the PLA-N capitalized on the emerging interest in threats in the South China Sea and other coastal waters. The PLA-N drew support at the highest level of China's leadership. In 1974 Mao instructed that future development of the Navy be a priority. That same year Premier Zhou Enlai instructed the Central Military Commission to pay particular attention to aircraft carriers: "Our situation [in the South China Sea] is so serious. You should pay more attention to the navy. Otherwise our next generations will curse us [for losing the territories of the motherland]."[43] In the mid to late 1970's the PLA-N developed and gained support for an offshore defense policy that linked naval expansion with the maritime threat posed by the U.S. Navy and Soviet Fleet. As those foreign threats lessened from the successful Sino-American and Sino-Soviet diplomatic efforts, the PLA-N budget drive centered on the recovery of "lost-territories" mission.[44]

Other primary missions of the PLA-N, including submarine-based missile deterrence and the liberation of Taiwan, did not warrant the wide modernization and expansion goals that sea control projection into the South China Sea required. Defending these offshore territorial claims became the driving justification for the PLA-N's expanding blue-water and amphibious operations. By the 1990's, China's national and the PLA-N's maritime goals had become the same: defend the capability to defend China's claim to sovereignty over the South China Sea's rich resources.

The idea that China's future depends on its ability to exploit marine resources and that the PLA-N must be equipped to secure these zones, is a fundamental belief in the most powerful factions of the Party and central government. The PLA-N's influence over China's budgetary and strategic policy can be attributed to its ability to link navy interests with China's national objectives, and PLA-N influences cannot be ignored when considering Spratlys issues and efforts to understand and influence China's South China Sea policies. And conversely, the increasingly active role played by the more powerful, sophisticated PLA-N in deciding and executing Chinese foreign policy, combined with

China's search for greater maritime military influence, makes it difficult for 21st Century Chinese leaders to ignore or deprioritize potentially explosive territorial issues.[45]

CHINA'S STRATEGY

Modern Chinese strategy for dealing with outstanding territorial disputes is to keep all options open while emphasizing a stable international environment conductive to China's economic growth policy. It is certainly not a policy of backing away from Chinese-occupied territories or nationalist ideology.

With the fall of the Soviet Union, China lost its ideological sparring partner and northern territories competitor. The end of the Cold War helped settle boundary disputes with Russia and turned Beijing's attention to territory issues with Japan and South China Sea claimants. China is reclaiming its role as an East Asian power and has denounced the strengthening of the U.S.-Japan co-security framework. In this respect, China grows more sensitive to perceived slights to national dignity and threats to interests and sovereignty issues. China still respects Russia's size and military might and may concede some measure of equality to Japan's economic strength. But Chinese nationalism largely overlooks the concerns and aspirations of China's Southeast Asian neighbors and South China Sea claimants. According to Suisheng Zhao, China still refers to Asian neighbors as "periphery countries", and since the 1980's has pursued a regional policy, known as a "periphery policy".[46] The policy has two principle goals. One is to settle land and territorial disputes. The other is to prevent alliances between its neighbors and outside "hostile" powers.[47]

Economy emerges as a heavy influence on China's strategic policies in the South China Sea. China's interest in any unilateral cooperation appears to be confined to maintaining a peaceful world environment favorable promoting China's strength and economic growth. China's future moves in the Spratlys will likely be linked to the point when economic threats break the Chinese threshold of tolerance. The offshore joint development schemes sponsored by competing nations are the most likely triggers to future PLA-N activity. These events, more than any other influence, heighten China's sense of territorial and economic vulnerability.[48] China's current strategy allows continued Chinese interaction with members of ASEAN and ASEAN Regional Forum (ARF) participants. China closely monitors the other claimant activities and accepts the "free-ride" allowed by the U.S. provision of security in guaranteeing the uninterrupted

flow of world trade, capital and technology while tolerating a "hegemonic" U.S. presence in Asian waters.[49]

UNITED STATES POLICY AND ROLE

American presence and force predominates in East Asia, drawing upon an active diplomatic visibility, military units forward deployed in the region and its alliances with and support from regional states, most notably Japan. In 1995 Joseph Nye, Assistant Secretary of Defense for International Security Affairs, made the following points about U.S. policy and strategic affairs in the Asia-Pacific region: "Partnership with Japan is the foundation of U.S. strategy in East Asia. The only U.S. interest is in the peaceful resolution of territorial and other regional disputes. U.S. ability to protect vital sea lines enhances regional prosperity. The goal of the U.S. is to integrate, not isolate, the region's powers and to find solutions, short of conflict, to the area's continuing security challenges." Mr. Nye outlined that as a strategy, "By maintaining our strong alliances and friendships and forward military presence, the United States will remain a Pacific power in the 21st Century and will continue to contribute the oxygen of security that allows East Asia to flourish."[50] The past administration had several opportunities to apply this strategy to the territorial disputes in the Spratlys.

CLINTON ADMINISTRATION

United States policy in the region appears to have evolved with each Spratlys incident. The U.S. supports the peaceful resolution attempts of ASEAN members, maintains "healthy relations" and supports "regional dialogue - such as in ARF - on the full range of common security challenges."[51] The U.S. also maintains security alliances with specific nations involved in the dispute, notably the Philippines, and maintains a visible military and diplomatic presence in the region through humanitarian operations, confidence building measures, military-to-military contact and nation assistance. It is a policy that carefully moved away from visible containment of Chinese expansion but keeps the U.S. cautiously, yet unmistakably, engaged in the area at the side of our allies in the region. The overarching U.S. engagement program with China is to "develop areas where it can play a constructive, responsible role in promoting security and peaceful development in the region, rather than approaching the region through zero-sum, balance of power policies."[52]

1999 INCIDENT

The absence of a clear U.S. engagement policy in the region was highlighted in January of 1999 after Chinese "forward-deployed tank-carrying" warships were photographed in the vicinity of the Spratlys, near the Chinese occupied island facilities, 130 miles from the Philippines and over 800 miles from China.[53] The January 1999 U.S. intentions, as stated by Assistant Secretary of Defense for Public Affairs, Bacon, were to avoid taking a position on Spratly sovereignty, instead allowing the dispute to be peacefully settled by the nations making claims for Spratly ownership, in a way not to hinder free navigation.[54] In May of 1999, the Philippines reestablished the Visiting Forces Agreement allowing future U.S. military exercises in the country. In July a Filipino naval vessel collided with and sank a Chinese fishing boat in the Spratlys. U.S. reaction to the incident served to further shape U.S. policy in the region with a July 28th pledge from Secretary Albright that the U.S. could not "sit on the sidelines and watch."[55]

Yet U.S. policy in the South China Sea region remained consistently cautious and unspecific through the negotiations between China and the Philippines. The December 1999 National Security Strategy dictated a policy in the East Asia and Pacific region that combines two approaches: an increasingly productive relationship with ASEAN/ARF and the pursuit of bilateral initiatives with Southeast Asian nations to promote democracy. [56] The document pledges to further enhance a regional security role through reinforced bilateral treaty alliances with several nations, including the Philippines. It further outlines a policy to maintain 100,000 military personnel in the region to secure U.S. interests and "deter aggression."[57]

The Clinton administration's strategy for involvement in the diplomatic settlement of the 1999 incident appears to follow these U.S. Spratly Islands policy objectives: a) the peaceful resolution of the sovereignty dispute by ASEAN and other means of diplomatic and international legal settlement, b) the maintenance of a strong and clear security alliance with the Philippines throughout the conflict resolution, and c) the continuing presence of visible and active U.S. military forces in the region.

TREATIES, ALLIANCES AND MILITARY PRESENCE

The U.S.- Japan security alliance is the keystone to U.S. presence and influence in the East Asia and Pacific Region. Our bilateral treaty alliance with the Philippines is the strongest link the U.S. maintains to any of the six nations making a claim on the Spratlys. In the absence of further policy clarification, this treaty places the United

States on the Filipino side of the dispute, but not necessarily to the point of military support or intervention. The two countries have maintained a mutual defense treaty since 1951 that obliges the U.S. to protect the Philippines if attacked, but that does not include the disputed territories of the Spratlys. Further clouding the issue of U.S. military involvement in conflict is the fact that China's planned response to any military activity in the Spratlys falls within the PLA-N's responsibility to defend extensive Chinese maritime claims.[58] Historically, border disputes typically arise when one government grows strong enough to revive a claim or, more often, when a weak government succumbs to domestic pressures to assert a claim in an effort to unite a country.[59] A strong ally may also embolden a weak government into such a dispute. This logic firmly places U.S. forces in the middle of future China – Philippines military conflict over the Spratlys, in a position that U.S. policy in the region does not support.

Inseparable, at this time, from an objective involving U.S. security alliances is the policy of maintaining U.S. military presence in the area. The means to support military courses of action in the region are considerable, ranging from Seventh Fleet assets based in Japan and the Marine Expeditionary Force headquartered in Okinawa to the extensive U.S. Army and Air Force units split between South Korea, Guam and Japan. Military-to-military liaison, confidence building measures, joint and international exercises and humanitarian operations keep U.S. military continually active in the South China Sea region. Following renewed conflict with China in the Spratlys in 1998 and 1999, the Philippine Senate approved the Visiting Forces Agreement that reopened the door to U.S. military exercises for the first time since 1996. These activities provide an effective balance to the security alliance policies but also locate U.S. military forces in the region of conflict without a clear U.S. position in regard to the sovereignty of the Spratlys or the Chinese–Filipino dispute.

On the horizon looms the question of future U.S. military presence in the region. A Korean reunification and a China-Taiwan settlement may initiate a Chinese-led, international call for a considerable reduction of U.S. forces deployed to the area. Conflict over mainland Japanese airspace and training areas and the Okinawa Prefecture's protest over the number of U.S. personnel garrisoned there may lead to a relocation of forces to bases in Guam or CONUS. Without a military commitment to other regional issues, U.S. forces could be withdrawn from the region well before 2010. This time frame coincides with the anticipated progress of China's ability to sufficiently sustain a projected military presence in the disputed area. China plans to be an

economic leader by 2010 and a major military power by 2018.[60] Chinese capability to project into its "sovereign" South China Sea territory will likely occur much earlier. Therefore, the U.S. is faced with considering a future policy committed to a regional security alliance with the Philippines that may not include a substantial military means deployed in the region, during a time when China is strongest.

The Bush administration is likely to follow the same cautious approach to the Spratlys dispute. Least desirable, is an unplanned military showdown between claimants that requires military involvement of U.S. forces in the region. U.S. goals for the region will continue to center on uninterrupted sea routes, U.S. military forward presence in the area, the maintenance of U.S. security alliances, neutrality over territorial disputes and economic stability. The U.S. Spratlys policy will continue to endorse support an ASEAN-China diplomatic resolution.

RESOLUTION

Solutions to the Spratlys territorial dispute, ranging from multilateral resource development pacts to a division of the territory similar to the Antarctica model of international zones, have been offered. In 1995, Mark J. Valencia published a remarkable study that offered multiple possibilities to end the dispute, although he predicted the most likely future scenario was "status quo."[61] Efforts to resolve the dispute through the United Nations, UNCLOS and ARF have failed to produce any binding legal precedent and settlement or substantially halt China's slow siege of the South China Sea islands. Until recently, China refused unilateral efforts for resolving the dispute, preferring to deal with other claimant nations individually. China's recent participation in the South China Sea Code of Conduct working group reflects a policy apparently growing towards concession, though the intentions behind this move are a subject of debate. China remains moderately cautious in avoiding an overtly aggressive Spratlys policy that could drive ASEAN members closer to the side of the United States and Japan on regional issues.

EARLY ASEAN ATTEMPTS

Secretary Cohen, during an October 1999 interview, supported diplomatic effort as the course of action preferred in resolving the Spratly Islands territorial dispute. He promoted ASEAN efforts and supported a course that all diplomatic avenues be exhausted.[62] It may be difficult to determine when this course has been exhausted,

without the outbreak of armed conflict or irreversible actions having taken place. The diplomatic organizations favored by the U.S. to complete a peaceful resolution, ASEAN and ARF, optimistically continue negotiations with China.

In 1999 the Filipino-led efforts by ASEAN to resolve the dispute failed. In November of 1999, ASEAN officials met and drafted a code of conduct that required rival Spratlys claimants to refrain from "taking action that would establish presence" in the contested South China Sea region.[63] The code was presented to the Chinese. Chinese officials "noted" the idea, but did not concur, saying that while they would not drop claims of Chinese sovereignty over the Spratlys, they might consider a joint development of the islands.[64]

CHINA–ASEAN CODE OF CONDUCT WORKING GROUP

In October of 2000 a working group with representatives from China and members of ASEAN met in Hanoi to draft a South China Sea Code of Conduct. The draft South China Sea Code of Conduct includes guidelines for economic development and territorial claim of the region's islands, including the Paracels and Spratlys. The working group represented China's growing willingness over the past 18 months to meet unilaterally to discuss South China Sea territory disputes and development issues. All ASEAN members participated in the working group with China; claimants Vietnam, Brunei, Malaysia, and the Philippines along with members Thailand, Indonesia, Laos, Cambodia, Singapore and Myanmar. Notably uninvited and absent was the sixth Spratlys claimant, Taiwan.

The working group's first point of agreement was that the document would be "political" rather than "legal".[65] All parties agreed to support the principle of "non-use of force" in dispute settlement, that peaceful means and negotiation should settle future disputes. All parties agreed to support freedom of navigation and overflight in the area. Though all parties agreed to the political nature of the document, State Department observers report that the Philippines favored a legal approach to the Code of Conduct.[66] The working group concluded their activity with two major points of disagreement remaining. Both major points of disagreement were between China and ASEAN, not among ASEAN members, and centered on the draft's description of "geographic scope" and the elements of the principle of "no-new occupation".[67]

The issue of "geographic scope" specifically deals with the Code's relevance to Vietnam–China claims and disputes over the Paracel Islands. A State Department

observer reported that other ASEAN members likely feel uncomfortable including the Paracels, but have agreed to support the scope favored by Vietnam despite the belief that China is unlikely to ever agree to a scope encompassing the Paracels. On 17 October 2000, the *Xinhua News Service* quoted a PRC ministry spokesman to say that the "biggest barrier" to finalization of the Code is "relevant scope".[68] Vietnam agreed to use the term "South China Sea" vice their historical reference of "East Sea" in an attempt to construe the code to include the Paracels. China has agreed to the term because, to the Chinese, it excludes the Paracels. Hanoi & Singapore embassy observers note that this obscure attempt to gain diplomatic advantage may derail the code's ratification.[69]

The "No New Occupation of Islands" issue reflects the current draft reference to "self-restraint of activity which would affect peace and security in the area including refraining from inhabiting or erecting structures in uninhabited islands, reefs, coves, and other (geographical) features."[70] This wording directly prohibits China's current policy and practice of expanding presence into the uninhabited South China Sea islands. Chinese news releases made no mention of "no-new occupation," instead underlying China's "overall sincerity and flexibility and its desire for conclusion at an early date". This is a firm public indication that China refuses to acknowledge or support this point of the draft code.[71] Chinese officials continue to reject ASEAN-proposed substitute phrases and instead call for more flexible wording.

The working group held reasonable promise for another step towards peacefully resolving the dispute, but significant barriers remain. While all participants pledge the desire to quickly resolve the contested points, no schedule has been agreed to. These delays in the process continue to allow China and the other claimants more time to occupy new territory or engage in commercial agreements for resource exploitation, thereby increasing the risk of further armed conflict over disputed territory. Another shortfall is the working group's consensus to treat the code of conduct as a political rather than a legal document. Ambiguities over the protested points are likely to be included in the final draft, giving the code little impact in settling future disputes. Finally, Taiwan's exclusion from the working group may represent a further acceptance by ASEAN of China's policies towards Taiwan sovereignty.

UNCLOS

In hope of finding a legal precedence for resolution, all six claimants previously invoked the United Nations Conventions on the Law of the Sea (UNCLOS) to justify their actions and claims. UNCLOS was signed and ratified by all six nations; it represents the only framework commonly agreed upon and offers a framework to begin real negotiations. However, UNCLOS does not seek to resolve territorial disputes. Instead it is meant to provide a standard to measure any cooperative arrangement.[72]

Other diplomatic conventions supported by the world's more liberal order, such as UNCLOS and possibly the 1989 Australian-led Asia Pacific Economic Cooperation (APEC) ministerial meeting, have faith that the Spratlys dispute will be eventually solved by the evolution of the region's democratic regimes. But without the direct involvement from a major regional influence, perhaps Japan or the U.S., it is doubtful that China will accept the idea of long-term joint exploitation or cooperate diplomatically with the ASEAN nations to completely resolve the Spratlys dispute. Japan may not be considered a suitably neutral party because of its own dispute with China and Taiwan over the Senkaku Islands in the East China Sea. The International Boundaries Research Unit reports that 62% of the world's maritime boundaries have not been officially sanctioned[73], with the associated claims to resources and strategic shipping lines still unresolved (diplomatically). These disputes are commonly resolved "with reference to power", but may be settled by diplomacy, particularly when skilled practitioners of statecraft are involved.[74] No such negotiator is working towards a Spratlys resolution, and the current U.S. policy does not visibly promote that level of U.S. intervention or involvement.

CONCLUSION

It is difficult to predict China's willingness to accept any resolution short of total Chinese territorial dominance of the Spratly Islands, because its claim involves deep historical, cultural, political, economic and security issues. The sustaining growth of nationalism in China indicates that there will exist a drive for regional dominance and self-sufficiency for years to come. The resources available through control of the Spratlys could sustain that drive. China can also be expected to pay close attention to the actions of its neighbors in the region, and has demonstrated the willingness to act offensively in defense of Chinese interests. As this paper has illustrated, despite the recent participation in the diplomatic process, China is unlikely to agree to a long-term

resolution that cedes control of any Spratly Island territory to another claimant state. This observation is not to suggest a near-term escalation in Chinese military activity in the Spratlys is imminent. To the contrary, China has accepted the security and economic benefits of the resolution *process*, and will likely continue to support the effort while Chinese interests are sufficiently addressed.

Players external to the Spratlys dispute, such as the United States, Japan and Australia will always seek to preserve the freedom of navigation through a strategic waterway. Should territorial disputes over the Spratly Islands threaten to disrupt this freedom, the world will expect and support diplomatic and military intervention. This scenario offers the most feasible possibility for U.S. military involvement in the Spratlys. Short of that threat, the United States is unlikely to be drawn into a war solely over the this territorial dispute, even in support of an ally. Given the proximity and historical volatility of the region, this does not rule out the potential for inadvertent contact between U.S. and Chinese forces in the waters of the Spratlys territory. To minimize the risk of such a clash, the U.S. and China should continue to take full advantage of military-to-military confidence-building measures and other planned engagement opportunities.

During the current lull in hostilities no apparent immediate threat of major conflict between the six Spratlys claimants exists. But neither does there exist an apparent diplomatic or economic resolution. The renewed security alliances and considerable U.S. military presence in the region creates the potential, however remote, for a rapid escalation into armed conflict over the next territorial dispute. Admiral Blair's March 2000 Senate testimony best summarizes the risks: "We neglect developments in the region at our peril, but with sustained attention we can help build a region which will support American interests over the long term."[75] The first requirement is a U.S. strategy that clearly frames the issues in the South China Sea disputes and outlines our diplomatic and military commitment to the resolution of those conflicts and claims. That policy will guide the course of future plans and recommendations in the region. U.S military presence is still required in the region to provide stability and support of the U.S. security alliances. Those forces should retain an operational naval and amphibious capability and be backed by a strong U.S. policy that clearly articulates any required military operation.

WORD COUNT = 9331

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