

South China Sea: From Bad to Worse?

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Tensions in the South China Sea have risen to their highest level in at least two years in the wake of the disastrous breakup of the Association of Southeast Asian Nations (ASEAN) foreign ministers meeting in Phnom Penh. Secretary-General Surin Pitsuwan, an eternal optimist, admitted that the summit was an "unprecedented" failure in ASEAN's history, and Indonesia's foreign minister rushed to mediate tensions between ASEAN members lest they explode again. At nearly the same time, a Chinese naval frigate ran aground in a disputed area of the sea, raising regional suspicions that Beijing was trying to bolster its claim to the entire South China Sea.

As it has over the past three years, the Obama administration has taken a cautious but firm position on South China Sea sovereignty and adjudication of disputes. While noting that the United States does not have any claim on the South China Sea, the Obama administration has more vocally backed the ASEAN claimants' rights on territorial claims, even saying that freedom of navigation and a resolution of claims accepted by all nations was a U.S. "national interest."

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The administration also has upped its assistance to mainland Southeast Asia, such as announcing earlier this month \$50 million in new funding for the Lower Mekong Initiative, a project for Mekong River nations like Laos. Regional partners of the United States like the Philippines are rapidly buying up arms, while at the same time, China and most of the Southeast Asian claimants of portions of the sea (Vietnam, the Philippines, Malaysia, Brunei, and Taiwan) are ramping up rhetoric about their claims and increasingly sending naval and "civilian" fishing boats into the sea to test adversaries' positions.

Yet at the same time, there remains some room for compromise among all sea claimants and the United States. Chinese officials recognize that their increasingly vocal positions on the sea have alienated many Southeast Asian nations and pushed countries like Vietnam and the Philippines closer to the United States. At the same time, though some ASEAN nations like Cambodia are drawing nearer

to China, while others such as the Philippines are moving closer to Washington, all ASEAN nations realize that Southeast Asian states must generally provide a united front on issues if they are to be treated as a major power in East Asia.

Hardening Territorial Claims

Tensions over the South China Sea, which is strategically vital and believed to contain rich deposits of petroleum, go back decades, but over the past two years they have escalated dramatically. China, which in theory claims nearly the entire sea, has in recent years publicly advocated its claims more forcefully. This can be attributed to various causes: Perhaps U.S. economic problems distracted it from Asia in the latter half of the 2000s; China's leadership recognizes Beijing's own rising naval strength; China's government is responding to growing nationalism; China's resources companies want to expedite exploration of the sea; or some combination of these and other factors.

Then last summer, ASEAN appeared willing to simply let China move any resolution down the road by publicly celebrating the drafting of an agreement between Southeast Asian states and China to resolve South China Sea disputes peacefully. But the agreement was not a binding code of conduct, and it skirted any real resolution of key issues like overlapping territorial claims to the sea and exploration of its potential undersea resources. ASEAN's weak stand may have encouraged Beijing to take a harder-line position this year.

This spring and summer, the Southeast Asian claimants (except Malaysia, which has taken a more passive role) and China have hardened their positions by putting into place more physical manifestations of their claims. The sides have turned virtually uninhabited rocks into new provinces and states. Earlier this year, China announced that the disputed Paracel and Spratly Islands, as well as another area of the sea, have become a Chinese administrative area called Sansha City, with its own governing officials.

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They have begun staking out oil and gas claims as another physical manifestation of their power: China National Offshore Oil Company recently invited foreign oil companies to offer it bids to explore potential blocks that are just off of the coast of Vietnam. And they have increasingly used non-military boats to make their points. Last month, for instance, Beijing declared that it would expand the fleets of fishing vessels it will be sending to disputed regions of the sea.

Many Southeast Asian diplomats claim that these boats are essentially paramilitary vessels, yet

Vietnam and the Philippines increasingly use the same types of boats to stake their claims. Meanwhile, Philippine officials are increasingly pressing Washington for higher-quality military equipment. Vietnam and the Philippines also have been inviting foreign petroleum companies to engage in joint exploration projects in contested areas.

Following the ASEAN foreign ministers' meeting, several critical indicators will show whether all sides are willing to step back from the dispute, which now increasingly threatens to turn into a shooting war. (After considerable arm-twisting from Indonesian leaders on July 20, ASEAN eventually reached what it called a consensus on the sea, but this simply papered over divisions and had little new of substance.) Observers are watching to see how publicly China discusses the new "territory" of Sansha. And many Southeast Asian officials are watching to see whether Beijing disburses large new grants or low-interest loans to Cambodia and Malaysia, the two ASEAN nations that have taken a much lower-profile approach to the sea (Cambodia virtually advocated the Chinese position during the summit).

Ultimately, Beijing's signals that it was willing to once again begin negotiating a code of conduct that would govern how ships act in disputed maritime waters would be the sign that China is stepping back from the brink. On the Southeast Asian side, Vietnam and the Philippines' willingness to call back some of their fishing boats, as well as Hanoi's willingness to stop passing resolutions in its legislature claiming portions of the sea, would be important calming signs.

ASEAN's Divisions

More than at any other time, the dispute this year also has done serious damage to ASEAN claims to be able to handle important regional issues and in the future drive regional integration. Even some of the most ardent backers of the organization now wonder whether ASEAN's traditional consensus style is defunct. This is hardly the first time the consensus approach has proven counterproductive: ASEAN failed, in the past, to take strong positions even on conflict within Southeast Asia, as occurred in East Timor in 1999, because of this adherence to consensus and noninterference, a sharp contrast from some other regional organizations like the African Union.

The desire for consensus is further challenged by the new closeness between China and some of the mainland Southeast Asian states, raising fears in the Philippines, Vietnam, and Brunei, among others, that countries like Cambodia, Laos, and even Thailand will be pawns of China.

Phnom Penh, which holds the chair of ASEAN this year, has become increasingly dependent on Chinese aid and investment. Two-way trade between China and Cambodia is estimated to roughly double between now and 2017 to \$5 billion, while China has become by far the largest aid donor in Cambodia.

Laos and Thailand have become increasingly dependent on China as well. Creating a binding code of conduct signed by the Southeast Asian claimants and China seems very unlikely, at least for now.

Preventing a Conflict

The priority on all sides should be to avoid military conflict [editor's note: See [CFR Contingency Planning Memorandum](#) by expert Bonnie Glaser]. ASEAN and China both have good reasons to avoid a shooting war in the South China Sea. Even as China spars with Vietnam, the Philippines, and other countries, it is becoming the largest trading partner and one of the biggest direct investors of most Southeast Asian states since an ASEAN-China free trade area came into effect.

For the United States, avoiding conflict in the sea would help prevent the overstretch of the military, which does not want to take on the role of policing the South China Sea, while also giving Washington time to help upgrade forces and to foster greater unity among ASEAN members on the South China Sea issue. The United States should help the Southeast Asians and the Chinese develop a hotline between political and military leaders to help prevent sea incidents from escalating. In addition, the ASEAN nations could go to the International Tribunal on the Law of the Sea and solicit an opinion on the disputed claims, which might help make its position stronger. ASEAN nations and China also could work to cooperate on resource extraction from the sea.

Finally, as many ASEAN officials already have noted, if the organization is to compete with China and other Asian powers and seriously negotiate a code of conduct for the Sea, it needs to strengthen its Secretariat, giving it more powers, a higher-profile secretary-general, and far greater resources.