COUNCIL on FOREIGN RELATIONS

Backgrounders

South China Sea Tensions

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Introduction

Territorial spats over the waters and islands of the South China Sea have roiled relations between China and countries like Philippines, Vietnam, Taiwan, Malaysia, and Brunei in recent years, and tensions continue to escalate in the wake of U.S. President Barack Obama's announced **"pivot" of focus to the region**. A handful of islands comprise the epicenter of the territorial dispute, making up an area known as the "cow's tongue" that spans roughly the entire South China Sea. The region is home to a wealth of natural resources, fisheries, trade routes, and military bases, all of which are at stake in the increasingly frequent diplomatic standoffs. China's blanket claims to sovereignty across the region and its strong resistance to handling disputes in an international arena have mired attempts at resolving the crises and intensified nationalist postures in all countries involved, particularly Vietnam and the Philippines. Experts say the potential for an escalated conflict in the South China Sea—while seemingly distant for now—presents an ongoing crisis for the region, as well as for U.S. interests in the area.

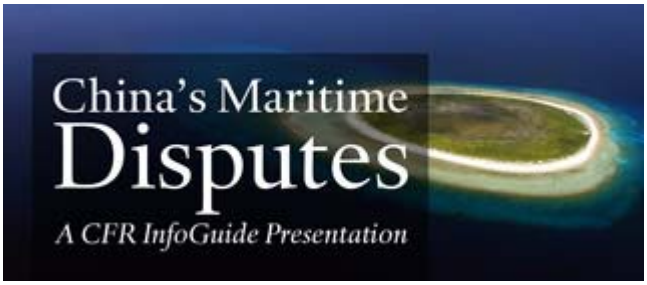
What territories are involved and disputed?

The South China Sea comprises a stretch of roughly 1.4 million square miles in the Pacific Ocean that encompasses an area from the Singapore and Malacca Straits to the Strait of Taiwan, spanning west of the Philippines, north of Indonesia, and east of Vietnam. The South China Sea islands number in the hundreds, although the largest and most contentious territories include the Spratly Islands, Paracel Islands, Pratas Islands, Macclesfield Bank, and Scarborough Shoal, to which all of the six major Southeast Asian nations lay various claims. The islands are mostly uninhabited and have never had an indigenous population, making the issue of historical sovereignty a thorny one to resolve.

The disputes aren't limited to land, however; each country has an **Exclusive Economic Zone** (EEZ), prescribed by the 1982 United Nations Convention on the Law of the Sea (UNCLOS), over which it has special rights to marine resources and energy exploration and production. An EEZ spans outward 200 nautical miles from the coast of the each state's territorial sea, and may include the continental shelf beyond the 200-mile limit. These zones come into play during disputes over sea territory, as displayed in China's December 2012 **spat with Vietnam** over oil and fishing activity in the waters near the Paracel Islands.

What is the 9-Dash Line?

The 9-Dash line is a controversial demarcation line



used by China for its **claim to territories** and waters in the South China Sea, most notably over the Scarborough Shoal and the Paracel and Spratly Islands—the two most important disputed island groups. The line, which is contested by the Philippines, Brunei, Malaysia, Taiwan, and Vietnam, encompasses virtually the entire South China Sea region and caused immediate controversy when China submitted a map to the **UN in 2009** that included the demarcation. Beijing's **issuance of a new passport** in late 2012 containing a map of the disputed region based on the line drew fresh international criticism and backlash.

ASEAN countries have **contested this boundary**, but China has insisted on the historical legitimacy of the line based on survey expeditions, fishing activities, and naval patrols dating as far back as the fifteenth century, putting it at odds with the boundaries UNCLOS has enforced for the region since 1994.

What resources are at play in the region?

The immediate source of conflict in the region is competition over resources, said **David Rosenberg**, professor of political science at Middlebury College. There are roughly half a billion people who live within 100 miles of the South China Sea coastline, and the volume of shipping through its waters has skyrocketed as China and ASEAN nations increase international trade and oil imports. The **need for resources**, especially hydrocarbons and fisheries, also has intensified economic competition in the region, particularly given the rapid coastal urbanization of China. "Behind it all, it's essentially the industrial revolution of Asia," Rosenberg said. "And the South China Sea has become the hub of that."

According to the World Bank, the South China Sea holds **proven oil reserves** of at least seven billion barrels and an estimated 900 trillion cubic feet of natural gas, which offer tremendous economic opportunity for smaller nations like Malaysia, the Philippines, and Vietnam, and energy security for China's large, growing economy. In December 2012, China's National Energy Administration named the disputed waters as the **main offshore site** for natural gas production, and a major Chinese energy company has already begun drilling in deep water off the southern coast. Competitive tensions escalated when India's state-run Oil and Natural Gas Corp announced it had **partnered with PetroVietnam** for developing oil in the disputed waters. In June 2011, Vietnam accused a Chinese fishing boat of **cutting cables** from an oil exploration vessel inside its EEZ. Hostilities resurfaced in May 2014, when Chinese vessels fired water cannons at a Vietnamese flotilla that allegedly approached a large Chinese drilling rig near the Paracel Islands. The row affected Vietnam's **stock markets**, which plunged after the incident.

Smaller-scale fishing incidents have instead become the hub of maritime confrontation as declining fish stocks have driven fishermen farther into disputed areas to search for supply, as well as highly profitable illegal species. In the most recent clash, the Philippines' **naval forces intercepted** eight Chinese fishing vessels in the Scarborough Shoal in April 2012, finding what they viewed as illegally fished marine life on board. The attempted arrest of the poachers led to a two-month standoff between the two countries.

Annual fishing bans and arrests of fishermen are a convenient proxy for sovereignty claims since they can be presented as legitimate attempts to enforce marine resources protection, according to **a report** by the International Crisis Group. "This is an issue that doesn't make big headlines, but 1.5 billion people live there and rely heavily on fisheries for food and jobs," Rosenberg said. "That's where most of

the conflict goes on, and most of these have been dealt with on a routine conflict management basis."

How does the dispute affect trade routes in the sea?

As much as 50 percent of **global oil tanker shipments** pass through the South China Sea, which sees three times more tanker traffic than the Suez Canal and more than five times that of the Panama Canal, making the waters one of the world's busiest international sea lanes. More than half of the world's top ten shipping ports are also located in and around the South China Sea, according to the International Association of Ports and Harbors. As intra-ASEAN trade has markedly increased—from 29 percent of total ASEAN trade in 1980 to 41 percent in 2009—maintaining freedom of navigation has become of paramount importance for the region.

"This is a very important issue, and has become the main concern of Japan, the United States and even right now the European Union," said Dr. Yann-Huei Song, a fellow at Academia Sinica in Taiwan. However, Yann-Huei says China is unlikely to instigate an interruption in traffic because its business, exploration, and importation rely entirely on freedom of navigation as well. Experts argue that the **mutual benefits** [PDF] from regional economic integration provide an extremely compelling incentive for cooperation on resources, conservation, and security movements, according to a *Harvard Quarterly* paper.

What are the military stakes?

The region has also seen increased militarization in response to China's burgeoning power, raising the stakes of a potential armed conflict and making disputes more difficult to resolve. Vietnam and Malaysia have led regional military buildups and increased arms trade with countries like Russia and India, while the Philippines doubled its defense budget in 2011 and pledged five-year **joint military exercises** with the United States. The Philippines also embarked on a modernization program costing roughly $1 billion that will rely heavily on U.S. sales of cutters and potentially fighter jets.

> *"Behind it all, it's essentially the industrial revolution of Asia. And the South China Sea has become the hub of that."*
> *—David Rosenberg, Middlebury College*

Ships are commonly involved in naval disputes, as exhibited in the Scarborough Shoal incident in April when the Philippines said its largest warship—acquired from the United States—had **a standoff** with Chinese surveillance vessels after the ship attempted to arrest Chinese fishermen but was blocked by the surveillance craft. The involvement of the navy made political compromise more difficult, says the ICG.

"There's nothing like NATO in Asia, and that's what's worrisome," Rosenberg said. "Unlike the United States and EU, which are engaged in other regions of the world, the Southeast Asian countries are compelled to spend more protecting their most immediate interests. It's not the Cold War by any means, but they're still not very open with each other about military modernization."

What is being done to resolve the disputes?

One of the largest impasses to a resolution is China's insistence on conducting most of its **diplomacy on a bilateral basis**, wrote CFR's Stewart Patrick. Nationalism has also fueled many of these stalemates. International tribunals, like the International Tribunal for the Law of the Sea, are available, but nations use it selectively in light of the potential domestic political ramifications of appearing conciliatory. China also has repeatedly **rejected the mechanisms** for arbitration provided by the UN.

A July 2012 ASEAN summit attempted to address ways to mitigate the conflict but ended without producing **a communiqué**, which some experts say highlights the difficulties of multilateral approaches in the region. ASEAN's **six-point statement** in July made no reference to specific incidents, and only outlined **an agreement** to draft and implement a regional code of conduct, respect international law, and exercise self-restraint. CFR's Joshua Kurlantzick said **in August 2012** that while ASEAN was an appropriate venue to mediate this dispute, the organization still has not yet found its footing in transitioning to a "more forceful, integrated organization that can provide leadership." In a November 2012 IIGG working paper, Kurlantzick looked at how ASEAN could **strengthen its role in the region** to meet challenges such as the South China Sea.

Consequently, joint management of resources has been **widely proposed by experts** as the best way to ease current tensions, according to the ICG. China and Vietnam have managed to cooperate on a **common fishery zone** in the Tonkin Gulf, where the two countries have delineated claims and regulated fishing. However, oil development has remained a highly contentious issue, as both Vietnam and the Philippines have gone ahead with **gas exploration projects** [PDF] with foreign companies in disputed areas.

What does this mean for the United States' pivot to Asia?

The U.S. pivot to the area, coupled with the region's myriad conflicts, raises concerns about the future of U.S. interests in Southeast Asia. The Obama administration has not only worked to strengthen ties with ASEAN, but has also forged tighter relations with individual countries like Myanmar, where it has developed a new focus and strategy of engagement. The United States has also ramped up security cooperation with Vietnam, while Malaysia and Singapore have also signaled desire for increased security cooperation.

A 2012 **Johns Hopkins paper** notes that Southeast Asia has transformed in the last two decades to an area where Chinese power and strategic ambition confront an established U.S. military presence, and where a Chinese perception of the status of the South China Sea is **fundamentally at odds** with a long-settled consensus among major maritime states.

Experts say that the United States faces a dilemma and tough balancing act in the region, as some countries in ASEAN would like it to play a **more forceful role** to counter what they see as a greater Chinese assertiveness, while others want to see less U.S. involvement. The priority on all sides should be to avoid military conflict, according to Bonnie Glaser of the Center for Strategic and International Studies in this **Contingency Planning Memorandum**; even as China spars with its Southeast Asian neighbors, 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.

Additional Resources

In this **International Institutions and Global Governance program Working Paper**, Joshua Kurlantzick analyzes the major obstacles facing ASEAN today and prescribes recommendations for the both the United States and ASEAN that will enable ASEAN to firmly establish itself as the essential regional organization in Asia.

David Rosenberg's **article** [PDF] for the *Harvard Asia Quarterly* delves into what's at risk in the South China Sea, including the region's resources profiles, shipping lanes and fisheries.

The *Economist* discusses **ASEAN in crisis** and wonders if Indonesia is capable of healing the deepening rifts in Southeast Asia in this article.

The International Crisis Group provides an in-depth **report** on the South China Sea and its regional responses, examining what the conflicts mean for each country involved, and what risks and factors are at play for all.

In this **Contingency Planning Memorandum**, Bonnie S. Glaser says the priority on all sides should be to avoid military conflict, even as China spars with its Southeast Asian neighbors.

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