

Security Implications of Conflict in the South China Sea: Exploring Potential Triggers of Conflict

A Pacific Forum CSIS
Special Report

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Pacific Forum CSIS

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Security Implications of Conflict in the South China Sea: Exploring Potential Triggers of Conflict

Executive Summary

INTRODUCTION

When one is asked to identify Southeast Asia's potential hot spots, the South China Sea invariably ranks at or near the top of the list. The lingering territorial dispute among Brunei, China, Malaysia, the Philippines, Taiwan, and Vietnam over parts or all of the Spratly Islands in the South China Sea does not appear ripe for any near-term solution. And, while all claimants have expressed a desire to settle the dispute peacefully, military force has been used before both to enforce and expand national claims and could be employed again, possibly with far-reaching disastrous consequences.

While the core problem is a regional one, global issues and concerns are raised that could have far-reaching consequences. Today, all parties have a vested interest in a peaceful resolution of the dispute. As a result, the *prospects* for conflict seem low in the near term. However, the *potential* for conflict remains and could grow, especially if potential triggers of conflict are not clearly understood and avoided.

This report attempts to more adequately understand the potential triggers of conflict in order to further reduce the prospects of hostility. It also briefly reviews several potential conflict scenarios in order to better understand the consequences of conflict in this politically-sensitive area. Finally, it identifies potential regional confidence building measures and makes other recommendations aimed at building trust and confidence while further reducing the prospects for conflict.

IMPLICATIONS OF CONFLICT

A failure to peacefully resolve the dispute, especially if it leads to renewed military actions by any one or more of the claimants, would have much broader

regional, if not global economic as well as political/security consequences.

Regardless of how conflict starts or who the combatants are, the consequences could be far-reaching. The region's economy, already hard-hit by the on-going Asian financial crisis, would be sure to suffer another, perhaps fatal, blow. Should the sea lanes be threatened, the conflict would rapidly become internationalized.

The use of force by the PRC in the contested territories would have a particularly far-reaching destabilizing affect. The impact would be greatest on the prospects for cordial relations between China and its Southeast Asian neighbors. The steadily-improving relationship between the PRC and both the United States and Japan would also be severely disrupted.

Economic Consequences. Given the integrated nature of the world's economy, and the increasingly important position the economies of Asia play in the overall global picture, a disruption of the currently stable Asian security environment could have serious impact on the economic interests of nations far removed from the actual scene of conflict. Countries like Japan, which rely heavily on seaborne trade and the import of natural resources--and which have significant direct financial investment in China and in Southeast Asian economies --would be most severely affected.

China would suffer most if it initiated hostilities, especially if one assumes that an aggressive PRC military action would, at a minimum, result in punitive economic sanctions. China's economic development would be set back and the credibility of its leadership would likely suffer as a consequence.

Freedom of Navigation. The proximity of the Spratlys to South China Sea shipping lanes adds an important strategic element to the dispute. A threat to freedom of passage through the South China Seas would severely disrupt regional economies. If, during any military action in the Spratlys--or, for that matter, in the course of defining its claim over the currently occupied or coveted territory--any nation threatened to inhibit the free flow of maritime traffic along these critical SLOCs, the U.S. would almost certainly become involved since America's economic growth and security depend upon continued freedom of navigation for both merchant and military shipping. Other nations heavily dependent on maritime commerce could be expected to at least endorse, if not actively participate in, any U.S.-led enforcement of freedom of navigation along the South China Sea's heavily-traveled sea lanes.

POTENTIAL TRIGGERS OF CONFLICT

While the prospects of military confrontation over the Spratlys remains low, it would be naive to completely rule out the possibility of the use of force. This is especially so if major oil discoveries are made or if energy shortages add to the perceived (even if unproven) importance of the Spratlys.

A broad range of potential triggers of conflict can be identified. For the sake of discussion, they are divided here into several broad categories. These categories include exploration or exploitation activity in disputed areas, creeping occupation, armed displacement, armed enforcement, accidents or miscalculations, and other acts of provocation (real or imagined) by any of the claimants.

It is also possible that external factors such as broader regional conflicts or escalating tensions could spill over into the South China Sea and also trigger conflict, as would threats by any of the claimants to freedom of navigation. The impact of the current Asian financial crisis on the prospects for conflict in the South China Sea is also examined.

Exploration or Exploitation Activity

Oil exploration, especially if it results in major finds or progresses to active exploitation, is the most likely catalyst for conflict today. It is important to note, however, that even if no major oil deposits are confirmed, the mere act of exploration could trigger conflict, since

such activity could be seen as a direct challenge to another claimant's sovereignty.

While not demeaning the importance of potential oil deposits as both incentive and catalyst, it is important to note that exploration for buried treasure or exploitation of other seabed resources would likely have much the same consequences since the core issue is sovereignty, not oil. If it were positively determined tomorrow that there was no exploitable oil in the Spratlys, the dispute would not go away; no claimant would, as a result of such news, abandon its claim--the bottom line issue is still sovereignty.

On the other hand, discovery of major oil deposits would increase the incentive for claimants to more zealously guard and enforce their respective claims. More dangerously, it might increase the willingness of some parties to risk triggering conflict by attempting unilaterally to drill for or extract oil in disputed territories.

Creeping Occupation

The PRC expansion into Mischief Reef in early 1995 is the most egregious example of creeping occupation. Beijing's unilateral action, accomplished and enforced by PLA naval forces, stands in sharp contrast to decisions by the ASEAN states and Taiwan to avoid unilateral provocative actions that affect the status quo.

Not surprisingly, concerns about creeping occupation remains high on most ASEAN states' lists of potential triggers. Refraining from further attempts to alter the status quo is a minimum position among the ASEAN claimants. It is also a position that Beijing now claims to respect. What is really desired by ASEAN however, and especially by Manila, is a return to the *status quo ante* Mischief Reef; i.e., a removal of the PRC "fishermen's structures" and markers.

Armed Displacement

The use of force in settling disputed claims is not unprecedented, witness Taiwan's removal of Philippine settlers from Itu Aba in the late 1950's and the violent clashes between the PRC and Vietnam over both the Spratlys and Paracel Islands since then. The use of PLA naval forces to protect its markers and structures at Mischief Reef borders on armed displacement, depending on how strictly one defines the term. The fact that some spokesmen have implied that the Mischief Reef action

may have been a unilateral action on the part of the PLA Navy also raises the specter of additional, perhaps more aggressive actions to further assert claims and test the limits of ASEAN's (and America's) tolerance.

Armed Enforcement

Other actions that could trigger broader conflict include the seizure of fishing boats or other commercial vessels within claimed boundaries. Showdowns between military ships patrolling in disputed areas or accompanying commercial ships could easily evolve into gunfire exchanges, which could further escalate into naval engagements. Some nations may find it difficult to back down gracefully from such standoffs in claimed sovereign territory. The lack of dispute settlement mechanisms and the absence of high-level communications add to the problem and also increase the prospects of accidents or miscalculation.

Accidents or Miscalculations

Growing out of the above trigger is the ever-present possibility of accidents or miscalculations on the part of any of the parties, especially when military forces come in close contact with one another in disputed territory. Active patrolling by naval gunboats of several claimants adds to the prospects of inadvertent (as well as deliberate) naval confrontations.

Other Acts of Provocation

There are many other real or perceived acts of provocation that could very easily draw a military response including:

- attempts by claimants to extend jurisdiction under the pretext of taking action to ensure safety at sea, anti-piracy and anti-pollution measures, SLOC access, or conducting marine scientific research;
- the use of official vessels and personnel in piracy operations;
- independent actions by "nationalist forces" to include visits by politicians and media to disputed territories;
- building new military facilities or increasing force levels/capabilities on already-held territory;

- establishment of new exclusion zones or attempts to interfere with innocent passage which would challenge freedom of navigation.

Ironically, even acts that on the surface appear to be confidence building measures on the part of one set of claimants can be interpreted as provocative by others.

For example, the PRC has protested peaceful bilateral discussions between the Philippines and Vietnam over their contested claims, arguing that each should be talking to Beijing--which they are--but not to one another.

External/Broader Regional Tensions

External events such as broader regional conflicts or escalating tensions could also spill over into the South China Sea and thus trigger conflict in this region. This could include the spill-over of a conflict between mainland China and Taiwan or renewed border tensions between Vietnam and the PRC. The Spratlys could also become the venue of choice should China desire to send a strong signal or otherwise "teach a lesson" to states that appear to be persecuting their ethnic Chinese communities.

Threats to the SLOCs

As noted earlier, the proximity of the Spratlys to South China Sea shipping lanes adds an important strategic element to the dispute. If any Spratly claimant threatens to inhibit freedom of navigation along adjacent international sea lines of communications (SLOCs), the U.S. would almost certainly become involved, as might other nations in or near the region.

Asian Financial Crisis

The effect of the current Asian financial crisis on the quest for energy resources in the South China Sea is not yet clear. The rapid cooling off of Asian economies will no doubt force a reassessment of regional energy requirements. Projected consumption rates based on anticipated rapid growth in the respective Asian economies must now be adjusted downward as growth rates plunge for the 6-9% range to the 0-3% (or less) range.

On the other hand, for many countries in the region, the price of oil has more than doubled, since oil is bartered in dollars and local currencies have depreciated

considerably--in some cases by more than half--in recent months. Even with cuts in consumption, overall energy costs are rising. So too is the value of a barrel of oil in local currency to both consumer and potential producer. However, the cost of searching for and extracting oil has also risen for many Southeast Asian claimants.

The Asian financial crisis has also seen popular frustrations being vented against indigenous Chinese populations which make up a significant portion of the merchant class in many Southeast Asian countries. Were China to believe that governments were sponsoring or turning a blind eye toward these attacks, it may see the need to send a signal of its displeasure. This could take the form of increased sabre-rattling (or worse) in the South China Sea.

The biggest impact of the financial crisis is likely to be on the defense modernization plans of the various claimants. It appears likely that all but China will be scaling back their modernization efforts significantly. China may yet be compelled to slow its military spending as well. With this comes a reduced capability to patrol, detect violations of, and enforce national claims in the disputed territories.

CONFIDENCE BUILDING MEASURES

Preventing conflict in the region is the responsibility, first and foremost, of the claimants themselves. In addition to avoiding possible triggering actions, claimants should take maximum advantage of existing mechanisms and should seek additional opportunities to resolve their differences through governmental and non-governmental means. Timely communication is a must and this requires active, open channels of communication among the claimants that currently do not exist.

Enhanced Openness and Transparency

The need for enhanced confidence building measures aimed at clarifying intentions, reducing miscalculations, and increasing military transparency is broadly acknowledged. Such measures might include banning military buildups, reducing the number of troops stationed on the islands, and agreeing not to deploy long-range weapons. An agreement to forego any further expansion of the existing military

presence in the Spratlys also seems fundamental to the peaceful settlement of the dispute.

Other possible measures would include the establishment of maritime information data bases, cooperative approaches to sea lane security, mechanisms to mobilize disaster relief, and the establishment of zones of cooperation. Measures tried elsewhere that could also apply in the South China Sea include prior notification of military exercises and movements, exchanges of personnel for training, cross-visits to naval bases, joint exercises, and the sharing of non-sensitive information on programs and force structure.

Joint Development

Joint development has been offered as a way to develop confidence among the claimants and even as an interim solution to the Spratly dispute. But as one senior ASEAN official has noted, "everyone supports joint development in principle, but not in practice." The prevailing mood seems to be "what's mine is mine and what's yours we can jointly develop."

Other Initiatives

Other recommendations include demilitarization of the Spratlys; or the placement of each of the disputed islands under the stewardship of the claimant closest to it geographically. Other suggestions include a South China Sea "code of conduct" or some type of generally recognized rules of engagement or common behavior norms; the establishment of an "eminent persons group," possibly comprised of representatives from non-claimant ASEAN states, to provide fresh ideas; Additional third party negotiations; and joint or third party exploration to determine how much, if any, oil actually lies beneath the Spratlys.

A willingness of all parties to submit their respective claims to the International Court of Justice (and then abide by the results) could also defuse tensions. So too would a willingness to place the disputed territories under United Nations trusteeship, which would then allow joint development under UN auspices. These and other well-intentioned suggestions merit serious consideration by the claimants.

Identifying Respective "Lines in the Sand"

Despite the above efforts to better define the potential triggers, many remain ambiguous. While all parties no doubt have in mind certain "lines in the sand" which should not be crossed, most lines are not clearly defined. While some strategic ambiguity as to possible responses to hostile acts may be useful, tactical ambiguity regarding what constitutes sufficient provocation could prove fatal. More candid dialogue is required in order to achieve a better understanding of what actions would be seen as clear violations of other claimants' sovereignty or vital interests. The mere willingness to sit and discuss this issue in more specific terms would be a major confidence building step.

Support Indonesia-hosted Workshops

All claimants should continue to participate in a constructive manner in the Indonesian-hosted "Workshops on Managing Potential Conflict in the South China Sea." The Workshop series holds particular promise as the only forum in which all six claimants regularly participate. In support of the Workshop effort, all claimants should more clearly define the extent and basis of their respective claims. If such clarifications could be made, then the process of building greater confidence in settling the disputes would be greatly improved.

Demonstrated U.S. Commitment

Washington must unambiguously declare and demonstrate its commitment to a peaceful resolution of all South China Sea and East Asia territorial disputes. While U.S. neutrality over competing claims remains appropriate, a more "active neutrality" is required; one which underscores the U.S. strategic interest in Southeast Asia in general and in assuring a peaceful settlement of any South China Sea dispute in particular. The U.S. should also be more proactive in promoting direct dialogue among the claimants. A continued U.S. military presence puts the "active" in any policy of active neutrality in the South China Sea.

CONCLUSION

An equitable solution to the dispute over South China Sea territorial claims can only come from the claimants themselves, acting in good faith, in a spirit of cooperation and compromise. All claimants must recognize that military conflict, while perhaps unlikely, is

neither impossible nor unprecedented and would have far-reaching international consequences.

Armed conflict over the Spratlys serves no nation's long-term security interests. All nations would suffer from an outbreak of hostilities in the South China Sea and China would suffer most of all were the conflict to be PRC-initiated. Hopefully, a greater understanding of the economic, political, and overall security implications of conflict in the South China Sea will increase the resolve of claimants and non-claimants alike to seek a peaceful resolution of this lingering territorial dispute.

More dialogue is needed among the claimants in order to better understand, and develop the means of avoiding or defusing, a potential conflict. Merely desiring a peaceful outcome is not enough. More proactive confidence building measures are needed, along with support for on-going initiatives aimed at reducing the prospects for conflict in this potentially volatile region through a greater understanding of the potential triggers of conflict in the South China Sea.

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INTRODUCTION

When one is asked to identify Southeast Asia's potential hot spots, the South China Sea invariably ranks at or near the top of the list. The lingering territorial dispute among Brunei, China, Malaysia, the Philippines, Taiwan, and Vietnam over parts or all of the Spratly Islands in the South China Sea does not appear ripe for any near-term solution. And, while all claimants have expressed a desire to settle the dispute peacefully, military force has been used before both to enforce and expand national claims and could be employed again, possibly with far-reaching disastrous consequences.

Claimant concerns center around issues of sovereignty and economic benefits to be derived from the exploitation of the disputed region's real and potential natural resources. Non-claimants most immediate concerns evolve around freedom of navigation through this important sea lane linking Middle East, South Pacific, Southeast and Northeast Asian, and North American markets and resources. There is also a general concern for the process of asserting and resolving maritime claims and the international precedents that could be set.

While the core problem is a regional one, global issues and concerns are raised that could have far-reaching consequences. Today, all parties have a vested interest in a peaceful resolution of the dispute. As a result, the *prospects* for conflict seem low in the near term. However, the *potential* for conflict remains and could grow, especially if potential triggers of conflict are not clearly understood and avoided.

This report attempts to more adequately understand the potential triggers of conflict in order to further reduce the prospects of hostility. It also briefly reviews several potential conflict scenarios in order to better understand the consequences of conflict in this politically-sensitive area. Finally, it identifies potential regional confidence building measures and makes other recommendations aimed at building trust and confidence while further reducing the prospects for conflict.

Conflicting claims and motivations are also briefly reviewed to put the subsequent discussions in their proper context. However, we leave to others the task of attempting to resolve the conflicting claims. Our intention is to help ensure that conflict does not occur prior to such resolution.

This report draws heavily upon conversations and papers presented at two conferences on "Security Implications of Conflict in the South China Sea" held in Manila under the sponsorship of the Philippine Institute for Strategic and Development Studies (ISDS) and the Pacific Forum CSIS.¹ This report updates and supersedes the Pacific Forum's June 1996 Special Report on this subject.²

Supplementing the conference data are conversations with leading regional academicians, security specialists, and government officials from all claimants and other affected parties.³ These discussions have been supplemented, as necessary and appropriate,

¹"Security Implications of Conflict in the South China Sea" (Nov, 1995) and "Promoting Trust and Confidence in Southeast Asia: Cooperation and Conflict Avoidance" (Oct, 1997). A third meeting has been proposed to focus more specifically on developing confidence building measures to defuse potential triggers of conflict.

²See Ralph A. Cossa, *Security Implications of Conflict in the South China Sea*, a June 1996 Pacific Forum CSIS Special Report. Also see Carolina G. Hernandez and Ralph Cossa (ed), *Security Implications of Conflict in the South China Sea: Perspectives from Asia-Pacific* (Quezon City, Philippines: Institute for Strategic and Development Studies, 1997).

³A list of key contributors can be found in Appendix A. The author acknowledges their significant contribution but takes sole responsibility for any errors or omissions and notes that this is not a consensus document.

by official government statements and by cited research efforts by South China Sea scholars.

Most security specialists (as well as concerned governments) agree that the peaceful settlement of territorial disputes in the South China Sea remains the responsibility, first and foremost, of the involved claimants. Outside actors can help stimulate discussions or provide venues for discussion or negotiation and can offer legal or technical assistance or serve as honest brokers when warranted and desired. But, in the final analysis, the various claimants must resolve the problem among themselves.

This in no way implies, however, that a continuing failure to solve the problem does not have international implications. Clearly, a failure to peacefully resolve the dispute, especially if it leads to renewed military actions by any one or more of the claimants, would have much broader regional, if not global economic as well as political/security consequences.

One way of avoiding such conflict is to achieve a better understanding of the type actions that could potentially trigger conflict. Identifying these triggers and the ways to avoid them was a primary focus of the second Security Implications conference and is a central theme in this report.

BACKGROUND

The Spratlys constitute at least 190 barren islets and partially submerged reefs and rocks covering an approximately 150,000 square mile area. They 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. The area is poorly surveyed and marked as "Dangerous Ground" on navigation charts.

Overlapping Claims

The PRC, Taiwan, and Vietnam claim the entire area; the Philippines, Malaysia, and Brunei claim some parts. All except Brunei occupy islets to support their sovereignty claims.

A brief review of the respective claims follows, with a more detailed accounting contained in appendix B. **Brunei.** Brunei's claim is based upon an extension of its coastline along its continental shelf. It also overlaps those of China, Malaysia, Taiwan and Vietnam.

People's Republic of China. Beijing asserts that China's claim originates with the Han Dynasty (206 B.C. to 220 A.D.) and the use of the South China Sea by Chinese fishermen since then. The first official claim by China dates from an 1887 treaty with France dividing the Gulf of Tonkin, which Beijing interprets as extending to include all the islands of the South China Sea, although China has yet to clearly delineate its claim.

Malaysia. Malaysia's claim is based on a continental shelf that projects out from its coast and includes islands and atolls south and east of Spratly Island. This claim overlaps claims by China, Taiwan, and Vietnam, and overlaps reefs and cays in the Philippine's claim.

Philippines. Manila bases its claims to what it calls the Kalayaan Islands on their proximity to Philippine territory and on the occupation and economic development of these previously "unattached and unused" islands by Filipino civilian settlers. The Philippines' claim overlaps those of China, Malaysia, Taiwan, and Vietnam.

Taiwan. Taipei's claims in the South China Sea mirror those of mainland China's. As a result, Taiwan claims sovereignty over all the Spratly Islands.

Vietnam. Vietnam also claims all the Spratlys, asserting that it gained sovereignty over the Spratlys and Paracels when it gained independence from France.

Claimant Motivations and Concerns

The basic issue is sovereignty. As a general rule, states traditionally are hesitant to yield on issues of sovereignty. Sovereignty is a politically sensitive, emotion-laden issue driven largely but not exclusively by domestic political reasons. In addition, some claimants (the PRC in particular) express concern that yielding on the issue of sovereignty in the South China Sea could set a dangerous precedent or unleash forces or movements in other areas.

Other underlying claimant motivations vary but economics is clearly another common driving factor. The potential for profit in the form of oil, gas, fish, and mineral resources seems to be behind many claims, although (especially in the case of oil) this is based more on expectations of future discoveries than on proof of existing reserves. The desire to use claimed territories to extend one's exclusive economic zones (EEZs) and continental shelf zones--within which a country may control exploration, exploitation, and preservation of natural resources--provides additional motivation.

National pride and other manifestations of nationalism remain a key driving factor, particularly (but not only) in democracies. National security is another. For example, the Philippines has asserted that the islands are necessary for strategic defense and to help protect the borders of their Philippine archipelago.

More importantly, the proximity of the Spratlys to South China Sea shipping lanes adds an important strategic element to the dispute. Simply put, the region's economic growth and security depend upon continued freedom of navigation for both merchant and military traffic.

A desire to obtain a foothold along this strategic waterway--or the perceived need to prevent others from doing so--provides additional incentive to stake or reinforce claims in this area. Concerns about freedom of navigation provide all nations, the U.S. very specifically included, who rely on free passage through the sea lanes of the South China Sea with a vested interest in how the dispute plays itself out.

IMPLICATIONS OF CONFLICT

A failure to peacefully resolve the dispute, especially if it leads to renewed military actions by any one or more of the claimants, would have much broader regional, if not global economic as well as political/security consequences. As Philippine President Fidel Ramos noted in his keynote address to the first Security Implications conference:

In East Asia, security matters have become connected inextricably with economic issues--because, in this era of economic interdependence, any political instability

anywhere in the region will affect every single country's growth rate.⁴

In order to better understand and illustrate the political, economic, and security implications of conflict in the South China Sea, this section briefly reviews several potential conflict scenarios and discusses the possible consequences. This analysis looks both at a possible PRC-ASEAN conflict as well as a conflict involving other different combinations of claimants. For a more detailed look, also see appendix C (PRC-ASEAN) and D (Other Scenarios), which are drawn from the Pacific Forum's Special Report on the first Security Implications conference.

A PRC-ASEAN Confrontation

Particular attention is paid to a PRC-initiated conflict, given China's military capabilities and past history and the demonstrated ability of the ASEAN claimants to handle territorial and other disputes peacefully. This does not imply that China is any less desirous of a peaceful solution than its neighbors. It merely recognizes that China is the most capable of using force and, unlike the other claimants, has not foresworn its use in settling territorial disputes with its neighbors.

In fact, in 1992, the Chinese legislature enacted a "Law on the Territorial Waters and their Contiguous Areas" which specifically authorized the use of force in defending and enforcing China's broad sweeping claim over all the island territories in the South China Sea.⁵

Implications for China. The use of force by the PRC in the contested territories would have a far-reaching destabilizing affect. The impact would be greatest on the prospects for cordial relations between China and its Southeast Asian neighbors. The steadily-improving relationship between the PRC and both the United States and Japan would also be severely disrupted.

⁴Fidel Ramos, "Common Security in the Asia-Pacific," keynote address at the first Security Implications conference, Manila, Philippines, Nov 12, 1996. For the complete text, see Fidel V. Ramos, "Keynote Address," Hernandez and Cossa, *Security Implications of Conflict*, pp. 8-12.

⁵Even before this legislation was passed, the Chinese used military force in taking possession of several Vietnamese-held Spratly reefs in 1988.

During the first Security Implications conference, New Zealand Professor You Ji identified a number of negative outcomes that could result from PRC-initiated hostilities in the Spratlys, including: ASEAN terminating its "constructive engagement" policy toward China; a move, inside ASEAN and beyond, to institute a China containment policy; and the internationalization of the Spratly dispute--all outcomes Beijing wants to avoid.⁶ Most importantly, according to You Ji, "a major Spratlys conflict will adversely affect China's economic development which is increasingly dependent on global trade and which lends a degree of legitimacy to the Chinese ruling party."⁷

The extent to which a Spratly conflict would affect the growing trading ties between China and ASEAN countries likely depends on the nature of the conflict. In a fairly minor dispute, such as the Mischief Reef incident, history indicates that both sides may still be able to separate territorial squabbles from normal economic exchanges. In the event of a major military confrontation, however, bilateral trade seems sure to suffer.

In addition, it should be noted that Chinese seizure of additional islands today most likely would seriously overtax People's Liberation Army (PLA) power projection and logistical capabilities. The PLA's ability to effectively defend newly-captured territory far removed from its mainland bases is also suspect. As a result, Beijing should prefer to avoid any situation that could lead to military embarrassment. Obviously, as Chinese force capabilities improve, such concerns may recede, especially given the priority China seems to have attached to the development of a "blue water" navy and other power projection forces.

For these and other reasons, most security analysts agree that China's self-interest argues against aggressive or overt PRC military action to resolve conflicting claims. This is especially true since China's neighbors continue to view PRC actions in the South China Sea as a "litmus test" for determining China's true long-term intentions.

⁶You Ji, "Security Implications of Conflict in the South China Sea: A Chinese Perspective," in Hernandez and Cossa, *Security Implications of Conflict*, pp. 135-167.

⁷*Ibid.*, p. 140.

Implications for ASEAN. There was some speculation at the "Security Implications" conferences that cracks might occur in the ranks of the ASEAN states in the event of a major Spratly conflict between China and ASEAN, since different ASEAN members have different stakes in a Spratly conflict. However, ASEAN members strongly dispute this, pointing to the overwhelming sense of unity demonstrated by ASEAN members in response to the 1995 Mischief Reef incident. Some ASEAN security specialists even talk openly about taking a hard line approach toward Beijing, to include being prepared to meet force with force.

It has been further speculated that the ASEAN state most likely to come to blows with China--Vietnam--is also the one least likely to have the other ASEAN states coming to its support (giving Hanoi's political orientation and its newcomer status, having only joined ASEAN in 1995). While others may debate this point, ASEAN specialists reject this proposition in the name of ASEAN unity. In my own view, a threatening action from an outside source, on balance, would most likely further consolidate and strengthen the resolve of all ASEAN members to deal collectively with the problem.

Implications for Sino-U.S. Relations. A use of force by the PRC in the South China Sea would have a particularly devastating affect on U.S.-PRC relations. Despite recent improvements brought about by Chinese President Jiang Zemin's successful visit to the U.S. last fall, these relations remain fragile, with debates continuing in both capitals as to how much one side can or should trust and cooperate with the other. A Chinese act of aggression in the Spratlys would likely tilt the debate in the U.S., perhaps irreparably. Were a major showdown to occur between the U.S. and China in the South China Sea, it would be difficult for Japan and for many of China's other neighbors (and primary investors) to remain neutral. Open conflict between the U.S. and PRC would also likely signal an end to U.S. adherence to a "one China" policy.

Implications for U.S. Credibility. The U.S. has generally maintained a policy of neutrality when it comes to conflicting territorial claims, be they in the Spratlys or elsewhere. Washington has also pointed out that the U.S.-Philippine Mutual Defense Treaty does not automatically cover the Spratlys since they are disputed territory which were not even claimed by Manila until after the Treaty was signed. For this reason, the PRC's encroachment into uninhabited Mischief Reef in 1995 did not automatically invoke the Treaty--although it did launch endless speculation and complaints from the Manila press that the U.S. was a "faithless" ally.

A PRC military action against a Philippine-occupied reef or islet is a different matter, however, as would be a PRC hostile act against Philippine naval vessels within recognized territorial waters or the high seas--perhaps even within contested waters in close proximity to the Philippines as well. In all probability, either the Treaty would be invoked under such circumstances or some other means would be found to provide U.S. support to its Philippine ally.

Treaty considerations aside, in my view--and in the opinion of several senior U.S. diplomats and military officers interviewed on a not-for-attribution basis--a serious military action by the PRC in the Spratlys, particularly (although not necessarily only) if it were against Philippine-occupied territory, would most likely necessitate a strong U.S. response.

If the U.S. is serious about continuing its leadership role in Asia, it could not ignore a blatant PRC act of provocation any more than it could have ignored the threatening PRC missile tests and military exercises opposite Taiwan in March 1996. A failure to respond would undermine U.S. credibility and call into question the value of America's bilateral alliances in Asia.

Implications for U.S.-ASEAN Relations. There is one very important caveat for the ASEAN states to ponder as regards U.S. military involvement: Were the U.S. to use counterforce to return the situation to the status quo in the wake of a PRC military action against one of the ASEAN claimants, it would likely expect at least token operational and logistical military support from the other ASEAN members (whether or not their specific claims were involved). Those equally affected should not expect a free ride.

Even if the U.S. did not react militarily, at a minimum we should expect to see stiff U.S. economic

sanctions. Washington would also pressure its regional friends and allies to endorse and imitate these punitive measures. A failure of the ASEAN states to enthusiastically support U.S. sanctions--or, preferably, to lead the charge themselves--would call ASEAN's credibility into doubt. A less than unified response could mark the beginning of the end for ASEAN solidarity. Of note, at least one ASEAN leader, Singapore Senior Minister Lee Kuan Yew has said that the U.S. would be fully supported by ASEAN should the PRC initiate hostilities against one of its neighbors.

Other Scenarios

For the sake of argument and analysis (and fairness), several other potential conflict scenarios are reviewed below, again with the recognition that the probability of military action of any sort remains low, and is even lower if the scenario involves fellow ASEAN members pitted against one another.

ASEAN versus ASEAN. A conflict between two or more ASEAN claimants could tear at the fabric of this important sub-regional grouping of nations and undermine the positive economic and political leadership role it plays both sub-regionally and, through the ASEAN Regional Forum (ARF) and Post-Ministerial Conferences (PMC), region-wide. Armed conflict over the Spratlys by two members of ASEAN would be a clear violation of the 1992 ASEAN Declaration on the South China Sea which emphasizes "the necessity to resolve all sovereignty and jurisdictional issues pertaining to the South China Sea by peaceful means, without resort to force."⁸

The Declaration further urges all parties to "exercise restraint" and otherwise to avoid provocative actions. ASEAN has placed a great deal of emphasis on (and faith in) this Declaration and would find it difficult not to take strong measures if it were to be violated by one of its signatories. For this and other reasons, a military confrontation between two ASEAN members would put serious strains on ASEAN. The aggressor--if clearly determined--runs the risk of being expelled from the organization.

⁸The complete text of the 1992 ASEAN Declaration on the South China Sea is contained in Appendix E.

Taiwan versus ASEAN. Taiwan was the first to use force in exerting its claims in the Spratlys, using its military to expel Philippine settlers from Itu Aba in the 1950s. Today, however, Taipei's policy is to seek the peaceful resolution of territorial disputes in the South China Sea, particularly in the Spratly Islands. To this end, Taiwan has endorsed the principles contained in the 1992 ASEAN Declaration on the South China Sea.

One could argue that Taiwan has the least to lose in using force in the Spratlys since it is already treated in many respects as an international outcast, including being excluded from most political and security-oriented forums in Asia and globally.⁹ However, Taiwan would still lose considerably more than it could hope to gain. Taipei's attempts at gaining diplomatic respectability would surely suffer and its "informal diplomacy" efforts would also be set back. Taiwan would also likely lose its place at the table at the Indonesia-hosted "Workshop on Managing Potential Conflicts in the South China Sea" series of meetings. It might even jeopardize its membership in regional economic organizations such as the Asia Pacific Economic Cooperation (APEC) forum.

There are those in ASEAN and Taiwan who have suggested that Taipei more closely align itself with the other claimants to counterbalance the PRC. However, any collaboration between Taiwan and the Southeast Asian countries would be regarded by Beijing at a minimum as a betrayal of Chinese national interests and perhaps as the final article of proof that Taiwan is irretrievably independence-bound. This would create more problems than it solves.

In addition, the lack of diplomatic ties would make it impossible for Taiwan to establish a military alliance with other claimants to counter the PRC's military presence. Nonetheless, as Lin Cheng-yi pointed out at the first Security Implications conference, "if the PRC continues to isolate Taiwan in the international arena and Taiwan continues to improve its relations with Southeast Asia, one can be sure that Taiwan will adopt a

less ambiguous and more neutral stance between the PRC and the ASEAN claimants."

Taiwan versus PRC. The prospects of a Taiwanese-initiated attack against PRC-occupied islets in the Spratlys appear remote. The last thing that Taipei wants is to provide Beijing with an excuse to conduct military operations or otherwise engage in acts of intimidation against Taiwan. It is doubtful that anyone would come to Taiwan's aid if it initiated the hostilities.

Likewise, Beijing has little to gain and much to lose by attacking territory already in Chinese hands, absent a serious deterioration in cross-Straits relations or a formal declaration of independence and the institution of a "one China, one Taiwan" policy by Taipei. In the latter case, defending Itu Aba will be the least of Taiwan's concerns.

Broader Consequences of Conflict

Regardless of how conflict starts or who the combatants are, the consequences could be far-reaching. The region's economy, already hard-hit by the on-going Asian financial crisis, would be sure to suffer another, perhaps fatal, blow. Should the sea lanes be threatened, the conflict would rapidly become internationalized.

Economic Consequences. Given the integrated nature of the world's economy, and the increasingly important position the economies of Asia play in the overall global picture, a disruption of the currently stable Asian security environment could have serious impact on the economic interests of nations far removed from the actual scene of conflict. Countries like Japan, which rely heavily on seaborne trade and the import of natural resources--and which have significant direct financial investment in China and in Southeast Asian economies --would be most severely affected.

As noted earlier, China would suffer most, especially if one assumes that an aggressive PRC military action would, at a minimum, result in punitive economic sanctions. China's economic development would be set back and the credibility of its leadership would likely suffer as a consequence. Of course, those with significant investments in China would also see these investments placed at potential risk. Many nations would face difficult "lose-lose" political decisions under such circumstances.

⁹China has effectively barred Taiwanese participation in official organizations such as the ARE. As a general rule, Beijing normally refuses to participate in security-oriented discussions, even in non-governmental forums, if Taiwanese security specialists are present, citing "sovereignty concerns."

Freedom of Navigation. As stressed earlier, the proximity of the Spratlys to South China Sea shipping lanes adds an important strategic element to the dispute.

A threat to freedom of passage through the South China Seas would severely disrupt regional economies. If, during any military action in the Spratlys--or, for that matter, in the course of defining its claim over the currently occupied or coveted territory--any nation threatened to inhibit the free flow of maritime traffic along these critical SLOCs, the U.S. would almost certainly become involved since America's economic growth and security depend upon continued freedom of navigation for both merchant and military shipping. Other nations heavily dependent on maritime commerce could be expected to at least endorse, if not actively participate in, any U.S.-led enforcement of freedom of navigation along the South China Sea's heavily-travelled sea lanes.

POTENTIAL TRIGGERS OF CONFLICT

Despite the high stakes involved, the prospects of military confrontation over the Spratlys today appear low, especially among the various ASEAN claimants, who have a proven history of resolving disputes peacefully. However, it would be naive to completely rule out the possibility of the use of force in the South China Sea. This is especially so if major oil discoveries are made or if energy shortages add to the perceived (even if unproven) importance of the Spratlys.

During the course of the second "Security Implications" conference, participants identified a broad range of potential triggers of conflict, along with potential confidence building measures aimed at dealing with or defusing these triggers. Individual lists are contained in appendix F. For the sake of discussion, they will be divided here into several broad categories, although many of the specific potential triggering actions can arguably be placed in more than one category. These categories include exploration or exploitation activity in disputed areas, creeping occupation, armed displacement, armed enforcement, accidents or miscalculations, and other acts of provocation (real or imagined) by any of the claimants.

It is also possible that external factors such as broader regional conflicts or escalating tensions could spill over into the South China Sea and also trigger conflict. In addition, threats by any of the claimants to freedom of navigation could not only cause other claimants to react but would also immediately draw other major powers--most assuredly including the United

States--into the conflict. The review of potential triggers will end with some speculation on the impact of the current Asian financial crisis on the prospects for conflict in the South China Sea.

Exploration or Exploitation Activity

Oil exploration, especially if it results in major finds or progresses to active exploitation, is the most likely catalyst for conflict today. It is important to note, however, that even if no major oil deposits are confirmed, the mere act of exploration could trigger conflict, since such activity could be seen as a direct challenge to another claimant's sovereignty. The PRC in particular would likely see unilateral drilling operations as a direct challenge and as a rejection of Beijing's offer to jointly exploit South China Sea resources.

While not demeaning the importance of potential oil deposits as both incentive and catalyst, it is important to note that exploration for buried treasure or exploitation of other seabed resources would likely have much the same consequences since the core issue is sovereignty, not oil. If it were positively determined tomorrow that there was no exploitable oil in the Spratlys, the dispute would not go away; no claimant would, as a result of such news, abandon its claim--the bottom line issue is still sovereignty.

On the other hand, discovery of major oil deposits would increase the incentive for claimants to more zealously guard and enforce their respective claims. More dangerously, it might increase the willingness of some parties to risk triggering conflict by attempting unilaterally to drill for or extract oil in disputed territories. Nonetheless, even if there was a major oil find, the costs of extraction and the risks associated with extraction in disputed territory would make oil recovery operations less likely here than elsewhere.

The controversial granting of oil and natural gas concessions in disputed ocean areas represents a potential near-term trigger. In addition to being an attempt to find exploitable resources, granting concessions also represents a common means for claimants to exercise their jurisdiction. Concessions have already been let in several areas in and adjacent to the Spratlys, although the potential for conflict is sometimes diffused by contractual requirements that concessionaires suspend active work pending resolution of conflicting claims.

The Vietnamese are particularly sensitive to oil exploration and exploitation activities serving as a trigger to conflict, having received numerous warnings from Beijing in this regard. As summarized in Appendix F, one Vietnamese participant at the second Security Implications conference specifically identified "competition of resources, especially oil and gas" as one potential trigger and "unilateral actions by a claimant" in this regard as another. Nonetheless, Vietnam has been among the most active of the Spratly claimants in granting concessions and exploring for oil in this area.

Instructively, the Vietnamese paper also identified "domestic needs for energy that may lead to unilateral off-shore exploration" as another potential trigger. This underscores how the domestic need for energy resources can serve as a motivating factor. As the need increases, so too could the willingness to take risks. As will be discussed in more detail later, even if domestic need holds constant or drops as a result of the current Asian financial crisis, the value of the potential oil deposits could increase--especially as depreciating currencies make a dollar's worth of oil significantly more expensive. This is part of the mixed blessing (or curse) of the current Asian financial crisis.

Creeping Occupation

The PRC expansion into Mischief Reef in early 1995 is the most egregious example of creeping occupation. Beijing's unilateral action, accomplished and enforced by PLA naval forces, stands in sharp contrast to decisions by the ASEAN states and Taiwan to avoid unilateral provocative actions that affect the status quo. Instead, it appears that changing the status quo may have actually been a Chinese motive in this instance. As Professor You Ji notes:

The most urgent need for China to have a foothold [in the southeastern Spratlys] stemmed from its concern that, without a presence, it would be either excluded from, or marginalized among the resolution parties. Thus, China calculated that it had to obtain a presence in some "no men's reefs" at whatever price. In a sense the Mischief Reef move was similar to tactics in the chess game Play Go: laying a piece in the area to be contested later. The Mischief structure serves as a symbol in the southeastern Spratlys where there had not been a Chinese presence before. This presence may or may not be removed in the future

depending on China's perception of its usefulness, but it has also given China a bargaining position in the negotiations, although at a high cost.¹⁰

Again, the underlying motivation here is a sovereignty one. The old adage that "possession is 9/10th's of the law" seems to be very much in play.

Not surprisingly, concerns about creeping occupation were high on most ASEAN states' lists of potential triggers and were featured prominently in discussions at both Security Implications conferences and virtually all interviews and discussions with ASEAN officials. The Philippines in particular, having felt the brunt of Mischief Reef, placed as number one on its list of triggers "the occupation and setting up of structures on previously unoccupied features in disputed areas."¹¹ Many others, including non-claimants such as Thailand, also echoed concern about any "unilateral move to gain more control in the disputed area."

Refraining from further attempts to alter the status quo is a minimum position among the ASEAN claimants. It is also a position that Beijing now claims to respect. What is really desired by ASEAN however, and especially by Manila, is a return to the *status quo ante* Mischief Reef; i.e., a removal of the PRC "fishermen's structures" and markers. As Philippine National Security Advisor Jose Almonte has noted:

We cannot reconcile Beijing's avowals of neighborliness and friendship with its presence on Panganiban [Mischief] Reef because, as people in our Ilocos region say, wisely: *Dagiti balikas ti anninawan ti gapuanan*--Words are only the shadow of deeds.¹²

¹⁰You Ji, p. 151.

¹¹The Philippine list, as summarized in Appendix F, draws from prepared remarks on "Perspective from ASEAN: Philippines" by Aileen Baviera, at the second Security Implications conference.

¹²Jose Almonte, "Toward Regional Security," Appendix A in Hernandez and Cossa, *Security Implications of Conflict*, p. 248.

The shadow cast by the PRC structures on Mischief Reef stands in sharp contrast to the words expressed by China's leaders about avoiding provocative actions and honoring the 1992 ASEAN Declaration on the South China Sea. As Almonte and other Filipinos frequently stress, removing these structures would speak loudly about future PRC intentions while helping to defuse this potential trigger. As it stands now, China's unilateral action in Mischief Reef remains a potentially dangerous precedent which others, and perhaps Beijing again, might emulate.

Armed Displacement

The use of force in settling disputed claims is not unprecedented, witness Taiwan's removal of Philippine settlers from Itu Aba in the late 1950's and the violent clashes between the PRC and Vietnam over both the Spratlys and Paracel Islands since then. The use of PLA naval forces to protect its markers and structures at Mischief Reef borders on armed displacement, depending on how strictly one defines the term. The fact that some spokesmen have implied that the Mischief Reef action may have been a unilateral action on the part of the PLA Navy also raises the specter of additional, perhaps more aggressive actions to further assert claims and test the limits of ASEAN's (and America's) tolerance.

Nonetheless, a blatant, unprovoked use of military force seems the most unlikely potential trigger due to the broad recognition of the various security implications and political and economic consequences outlined in the previous section of this report. It still remains a concern that appears on various lists of potential triggers in a variety of forms, however. It is perhaps best summed up in the Singaporean description about concern over "the decision of Chinese with a total claim and capability to undertake a course of action that can destabilize the region." China's perceived overwhelming military advantage vis-a-vis all the other claimants keeps concern about this trigger alive despite its low probability. It also highlights the need for Chinese confidence building efforts aimed at further alleviating these largely unfounded concerns.

Armed Enforcement

Other actions that could trigger broader conflict include the seizure of fishing boats or other commercial vessels within claimed boundaries. Showdowns between military ships patrolling in disputed areas or accompanying commercial ships could easily evolve into

gunfire exchanges, which could further escalate into naval engagements. Some nations may find it difficult to back down gracefully from such standoffs in claimed sovereign territory.

What concerns Taiwan most is the PRC navy or public security police boarding of Taiwanese fishing boats or merchant vessels in the South China Sea. Between 1990-1995 alone, there were over 120 incidents of Taiwanese fishing boats being robbed or subjected to inspection by China's public security police or Chinese "pirates" in the South China Sea.¹³ According to Taiwan security analyst Lin Cheng-yi of Academia Sinica, such action may be regarded either as PRC infringement of freedom of navigation or as a demonstration by Beijing of its "jurisdiction" over Taiwan vessels.¹⁴ Lin believes that Beijing is also demonstrating that it can harass Taiwan's merchant fleet if it so desires. But in doing so, it may also trigger a conflict that neither side wants.

Concerns about aggressive patrolling or enforcement operations were also highlighted by many ASEAN security specialists. In her most comprehensive list of triggers, Ms. Aileen Baviera of the Philippine Foreign Service Institute highlights "stop, boarding, and search operations undertaken without clear parameters" and "the arbitrary harassment or detention of fisherman" as major concerns.¹⁵ The implication here is that some widely accepted rules of engagement or standardized operating procedures could reduce the prospects of hostility evolving from armed enforcement activities. Absent such protocols, the lack of dispute settlement mechanisms and the absence of high-level communications add to the problem and also increase the prospects of accidents or miscalculation.

¹³For background data, see "Stop Forced Inspections," *China News*, July 19, 1995, p. 1, and "Mainland Police Board Two More Taiwan Boats," *China Post*, July 18, 1995, p. 1.

¹⁴Lin Cheng-yi, "The South China Sea: A Taiwanese Perspective" in Hernandez and Cossa, *Security Implications of Conflict*, p. 120.

¹⁵Baviera, p. 5.

Accidents or Miscalculations

Growing out of the above trigger is the ever-present possibility of accidents or miscalculations on the part of any of the parties, especially when military forces come in close contact with one another in disputed territory. The 1996 unexplained clash between the Philippine navy and suspected PRC gun boats 120 kilometers northwest of Manila is just one case in point. Active patrolling by naval gunboats of several claimants adds to the prospects of inadvertent (as well as deliberate) naval confrontations.

For example, Baviera highlights "use of naval assets to protect *illegal* fishing in EEZs of other countries"[emphasis added] as a potential trigger. Differing views on which parties' actions are "illegal" provide an all too fertile breeding ground for accidents and miscalculation.

The Philippine list also highlights such actions as "miscommunication that arises from 'gunboat diplomacy'" and "accidents during military exercises" as potential triggers while the Singaporean assessment cautions that accidents which involve a loss of life will be particularly hard for states to back away from. Misinterpretation of rights and responsibilities under international agreements such as the UN Convention on the Law of the Seas (UNCLOS) could also fall into the miscalculation category.

An example of all the above was the visit of a Chinese "non-governmental" ship to Scarborough Shoals last April and the Philippine response to this "incursion."

In addition to debates over whose territory the Chinese ship was operating in, there was also confusion as to whether the ship in question was a scientific research ship and, if so, what type.

Even aside from this incident there has been an ongoing debate among freedom of navigation specialists as to whether oceanographic or hydrographic ship operations constitute innocent passage or exploration activity. If the latter, then prior approval is required before operation in other state's territory or EEZ. Efforts by one state to enforce "rights" which others (rightly or

wrongly) may not recognize can also result in rival navies stumbling into conflict.

Other Acts of Provocation

There are many other real or perceived acts of provocation that could very easily draw a military response. Some of the most prominent chronicled at the second Security Implications conference are listed here:

- attempts by claimants/littoral states to extend jurisdiction under the pretext of taking action to ensure safety at sea, anti-piracy and anti-pollution measures, SLOC access, or conducting marine scientific research (*a la* Scarborough Shoal);

- the use of official vessels and personnel in piracy operations--an action that many accuse the PLA Navy of conducting or sanctioning (or at least turning a blind eye toward);

- independent actions by "nationalist forces" to include visits by politicians and media to disputed territories, which has already proven to be a problem in the Japan-PRC dispute over the Senkaku/Diaoyu Islands as well as in Scarborough Shoal;

- building new military facilities or increasing force levels/capabilities on already-held territory--the introduction of surface-to-surface missiles would be particularly destabilizing;

- establishment of new exclusion zones or attempts to interfere with innocent passage which would challenge freedom of navigation.

Ironically, even acts that on the surface appear to be confidence building measures on the part of one set of claimants can be interpreted as provocative by others. For example, the PRC has protested peaceful bilateral discussions between the Philippines and Vietnam over their contested claims, arguing that each should be talking to Beijing--which they are--but not to one another.

External/Broader Regional Tensions

External events such as broader regional conflicts or escalating tensions could also spill over into the South China Sea and thus trigger conflict in this region. The spill-over of a conflict between mainland China and Taiwan has already been mentioned in the scenario discussions. Renewed border tensions between Vietnam and the PRC could also easily spill over or even be used by Beijing as a pretext for seizing additional Vietnamese territory. The Spratlys could also become the venue of choice should China desire to send a strong signal or otherwise "teach a lesson" to states that appear to be persecuting their ethnic Chinese communities.

Concerns were also expressed that deteriorating relations between the PRC and the U.S. and/or Japan could somehow be played out in the South China Sea or that transnational crime activities (such as piracy, smuggling, drug trafficking, etc.), might also lead to hostilities, especially if certain governments were seen as giving active or tacit support to these actions. Other undefined "actions by third parties or external powers to fuel disagreements among littoral states" were also identified as external factors that could trigger conflict.

Threats to the SLOCs

As stressed repeatedly throughout this report, the proximity of the Spratlys to South China Sea shipping lanes adds an important strategic element to the dispute.

If any Spratly claimant threatens to inhibit freedom of navigation along adjacent international sea lines of communications (SLOCs), the U.S. would almost certainly become involved, as might other nations in or near the region.

Simply put, the region's economic growth and security depend upon continued freedom of navigation for both merchant and military traffic. All claimants, including China, have taken great pains in assuring others that their claims and actions in the Spratlys will remain consistent with international freedom of navigation protocols such as the Law of the Seas Convention.

Asian Financial Crisis

The effect of the current Asian financial crisis on the quest for energy resources in the South China Sea is not yet clear. The rapid cooling off of Asian economies will no doubt force a reassessment of regional energy requirements. Projected consumption rates based on anticipated rapid growth in the respective Asian economies must now be adjusted downward as growth rates plunge for the 6-9% range to the 0-3% (or less) range.

On the other hand, for many countries in the region, the price of oil has more than doubled, since oil is bartered in dollars and local currencies have depreciated considerably--in some cases by more than half--in recent months. Even with cuts in consumption, overall energy costs are rising. So too is the value of a barrel of oil in local currency to both consumer and potential producer. However, the cost of searching for and extracting oil has also risen for many Southeast Asian claimants.

The Asian financial crisis has also seen popular frustrations being vented against indigenous Chinese populations which make up a significant portion of the merchant class in many Southeast Asian countries. Were China to believe that governments were sponsoring or turning a blind eye toward these attacks, it may see the need to send a signal of its displeasure. This could take the form of increased sabre-rattling (or worse) in the South China Sea.

The biggest impact of the financial crisis is likely to be on the defense modernization plans of the various claimants. It appears likely that all but China will be scaling back their modernization efforts significantly. China may yet be compelled to slow its military spending as well. With this comes a reduced capability to patrol, detect violations of, and enforce national claims in the disputed territories.

A year ago, many security analysts were speculating about a possible "arms race" in Southeast Asia or, more realistically, about the implications of increased military capabilities on the part of the various claimants. Now, more are worried about the continued inability of many claimants to even monitor activity in disputed areas, which also brings with it fears that those states more capable may take advantage of any potential widening gap in defense capabilities.

CONFIDENCE BUILDING MEASURES

Preventing conflict in the region is the responsibility, first and foremost, of the claimants themselves. In addition to avoiding the possible triggering actions outlined earlier, claimants should take maximum advantage of existing mechanisms and should seek additional opportunities, both bilaterally and multilaterally, to resolve their differences through governmental and non-governmental means. They should demonstrate, by words and deeds, their commitment to a peaceful resolution of outstanding disputes. Timely communication is a must and this requires active, open channels of communication among the claimants that currently do not exist.

Enhanced Openness and Transparency

Virtually everyone involved with the Security Implications project has cited the need for enhanced confidence building measures aimed at clarifying intentions, reducing miscalculations, and increasing military transparency. Such measures might include banning military buildups, reducing the number of troops stationed on the islands in question, and agreeing not to deploy long-range weapons. An agreement to forego any further expansion of the existing military presence in the Spratlys also seems fundamental to the peaceful settlement of the dispute.

Other possible measures would include the establishment of maritime information data bases, cooperative approaches to sea lane security, mechanisms to mobilize disaster relief, and the establishment of zones of cooperation. Measures tried elsewhere that could also apply in the South China Sea include prior notification of military exercises and movements, exchanges of personnel for training, cross-visits to naval bases, joint exercises, and the sharing of non-sensitive information on programs and force structure. B.M. Hamzah of the Maritime Institute of Malaysia has also called for a more formalized approach, arguing that claimants should:

Promote transparency through a systematic monitoring and verification mechanism. There should be neutral and independent mechanisms to verify security related activities in the South China Sea, e.g., track down the introduction of offensive weapon systems on a periodical basis to avoid surprises and insinuations. Countries can make use of satellite pictures of the area from time to

time to monitor major developments. These satellite pictures should be verified and evaluated from time to time by an independent organization.¹⁶

Multilateral Efforts

Both the ASEAN Regional Forum (ARF) at the governmental level and the Council for Security Cooperation in the Asia Pacific (CSCAP) at the non-governmental or track two level are pursuing the general topic of confidence building measures. Unfortunately, Beijing has protested the inclusion on their respective agendas of detailed discussions on the Spratlys. Greater willingness by the PRC to engage in meaningful multilateral dialogue on South China Sea issues would be a major confidence building measure in its own right.

Bilateral initiatives, such as the governmental talks between the PRC and the Philippines and between the Philippines and Vietnam, are useful first steps in laying the groundwork for broader confidence and cooperation. Such negotiations should be supported and encouraged. However, China must come to understand what the other claimants already recognize; namely, that the ultimate eventual solution must be a multilateral one, given the overlapping nature of competing territorial claims.

Joint Development

Joint development has been offered as a way to develop confidence among the claimants and even as an interim solution to the Spratly dispute. China, for example, has suggested that all parties "set aside the issue of sovereignty" and explore joint development. But as one senior ASEAN official has noted, "everyone supports joint development in principle, but not in practice." The act of "setting sovereignty aside" has yet to be operationalized, in part over disagreements over the possible areas to be jointly exploited. The prevailing mood seems to be "what's mine is mine and what's yours we can jointly develop." The ASEAN states in particular have been frustrated by Beijing's unwillingness to further define what it means by joint development.

¹⁶B.A. Hamzah, "Perspective from ASEAN: Malaysia" at the second Security Implications conference, p. 14.

Other Initiatives

Philippine President Ramos has also recommended several specific confidence building measures to reduce the probability of conflict, to include demilitarization of the Spratlys. Ramos has also suggested that each of the disputed islands be placed under the stewardship of the claimant-country closest to it geographically, on the understanding that the steward-country accommodates the other claimants' needs for shelter, anchorage, and other peaceful pursuits.¹⁷

Several conference participants put forth various proposals calling for a South China Sea "code of conduct" or some type of generally recognized rules of engagement or common behavior norms. The establishment of bilateral rules of engagement is also encouraged both to help reduce the prospects of conflict between individual claimants and as a potential model upon which to build broader multilateral regional agreements. The "Guidelines for Regional Maritime Cooperation" recently produced by CSCAP also provides a useful model for cooperation.¹⁸

Other suggestions include the establishment of an "eminent persons group," possibly comprised of representatives from non-claimant ASEAN states, to provide fresh ideas. Additional third party negotiation has also been suggested, as has joint or third party exploration to determine how much, if any, oil actually lies beneath the Spratlys.

A willingness of all parties to submit their respective claims to the International Court of Justice (and then abide by the results) could also defuse tensions in the region. So too would a willingness to place the disputed territories under United Nations trusteeship, which would then allow joint development under UN auspices. These and other well-intentioned suggestions merit serious consideration by the claimants.

Identifying Respective "Lines in the Sand"

Despite the above efforts to better define the potential triggers of conflict, many remain ambiguous.

¹⁷Ramos, p. 12.

¹⁸See "CSCAP Memorandum No. 4, Guidelines for Regional Maritime Cooperation" published by the CSCAP Secretariat (ISIS-Malaysia, Kuala Lumpur), December 1997.

While all parties, including the U.S., no doubt have in mind certain "lines in the sand" which should not be crossed, most lines are not clearly defined. While some strategic ambiguity as to possible responses to hostile acts may be useful, tactical ambiguity regarding what constitutes sufficient provocation could prove fatal. More candid dialogue is required in order to achieve a better understanding of what actions would be seen as clear violations of other claimants' sovereignty or vital interests. The mere willingness to sit and discuss this issue in more specific terms would be a major confidence building step.

ADDITIONAL RECOMMENDATIONS AND CONCLUSIONS

Two other recommendations emerging from the first Security Implications conference report are worth reinforcing here since they remained a constant theme during the second conference and during subsequent discussions as well. One is the need for broad-based support for the Indonesia Workshop process.¹⁹ The other is the need for continued U.S. engagement and commitment to regional peace and stability.

Support Indonesia-hosted Workshops

All claimants should continue to participate in a constructive manner in the Indonesian-hosted Workshops. The Workshop series holds particular promise as the only forum in which all six claimants regularly participate. In support of the Workshop effort, all claimants should more clearly define the extent and basis of their respective claims. China, in particular, could take a more positive approach by clarifying the following basic points laid out by the Workshop chairman, Indonesian Ambassador Hasjim Djalal:

- That what China is claiming is limited to the islands and the rocks within its nine dotted undefined lines of 1947 and that it does not claim the sea itself within those lines.

¹⁹A total of eight Workshops have been held in Bali (January 1990), Bandung (July 1991), Yogyakarta (June-July 1992), Surabaya (August 1993), Bukittinggi (October 1994), Balikpapan (October 1995), Batam (December 1996), and Lombok (December 1997). Vietnam, China, and Taiwan first participated in 1991. The Workshop also supports five Technical Working Groups and "Group of Experts" meetings.

- That whatever maritime zone is generated by those scattered tiny islands and rocks would be determined by the provision of UNCLOS 1982.

- That China's territorial claim over the islands and rocks in the South China Sea is not the same or similar to the Chinese claim over Taiwan, and therefore a commitment by China not to use force in settling its South China Sea claim is possible.

- That pending solution to the territorial claims among the claimants, China and other claimants will not occupy new rocks or reefs in disputed areas.²⁰

Djalal notes that it would also be helpful if other claimants make similar clarifications, individually or collectively. If such clarifications could be made, then the process of building greater confidence in settling the disputes would be greatly improved.

Demonstrated U.S. Commitment

Washington must unambiguously declare and demonstrate its commitment to a peaceful resolution of all South China Sea and East Asia territorial disputes. While U.S. neutrality over competing claims remains appropriate, a more "active neutrality" is required; one which underscores the U.S. strategic interest in Southeast Asia in general and in assuring a peaceful settlement of any South China Sea dispute in particular. The U.S. should also be more proactive in promoting direct dialogue among the claimants.

South China Sea Declaration. The May 10, 1995 United States Declaration on the Spratlys and South China Sea, asserting Washington's commitment both to freedom of navigation and to the peaceful resolution of territorial disputes, helped to clarify the U.S. commitment to protecting its own, as well as broader regional security interests.²¹ While remaining neutral regarding the

validity of individual claims, the resolution condemned "any unilateral action that could increase tensions or trigger conflict."

Unfortunately, this U.S. statement was issued several months after the Mischief Reef situation began heating up, and in a low-key manner by a State Department "acting spokesman." In the future, at the first sign of tension or instability the U.S. should issue a strong, well-publicized, renewed endorsement of the 1992 Manila Declaration calling for the peaceful settlement of disputes over the Spratly Islands, the exercise of restraint in the area, and cooperation among claimants in the South China Sea.

Continued U.S. Forward Military Presence. The clearest and most effective symbol of America's commitment to regional stability and the peaceful settlement of disputes in the South China Sea is the continued forward presence of U.S. military forces in Asia. The U.S. protective umbrella over Asia not only protects the security interests of regional friends and allies, it also protects and promotes America's political, economic, and security interests as well.

U.S. forward-deployed forces help promote regional stability while guarding against unilateral acts of aggression, they increase the U.S. ability to respond to crises throughout the region, they demonstrate a U.S. commitment to friends and allies, they serve as a hedge against uncertainty, and they avoid a "power vacuum" that others who do not necessarily share our interests might be tempted to fill.

In short, a continued U.S. military presence puts the "active" in any policy of active neutrality in the South China Sea. Region-wide, U.S. forward deployed forces provide a low cost insurance policy that helps guard against future regional instability while protecting and promoting American and broader regional security interests . . . and, they are seen as such by most, if not all nations in the region, perhaps including (begrudgingly) the PRC.

U.S. Mediation Role?: Some have suggested that the U.S. try to play the role of mediator in the Spratlys. This appears unwise. Not only would this be resisted by China, but it would also receive little or no support among the ASEAN claimants. It would likely be viewed by some as a U.S. attempt to preempt the Indonesia Workshop effort.

²⁰Hasjim Djalal, "Territorial Disputes at Sea: Situation, Possibilities, Prognosis," presented at the 10th Asia-Pacific Roundtable, Kuala Lumpur, Malaysia, June 5-8, 1996.

²¹The U.S. State Department statement, with Pacific Forum commentary added, can be found at Appendix G.

Instead the U.S. should continue to endorse and otherwise support the Indonesian effort while at the same time supporting and encouraging ASEAN efforts to put the Spratly issue more squarely on the ARF and CSCAP agendas. The U.S., along with other outside actors, can also offer technical assistance when warranted and desired, in support of ongoing bilateral and multilateral discussions among the various claimants.

CONCLUSION

An equitable solution to the dispute over South China Sea territorial claims can only come from the claimants themselves, acting in good faith, in a spirit of cooperation and compromise. All claimants must recognize that military conflict, while perhaps unlikely, is neither impossible nor unprecedented and would have far-reaching international consequences.

All the nations of the Asia-Pacific have a vested interest in promoting and supporting a peaceful resolution of the conflict, consistent with the Law of the Sea Convention. Given the impact of hostilities on its own as well as broader regional security interests, the U.S. should unambiguously declare and demonstrate its commitment to a peaceful resolution, even while remaining neutral regarding specific claims.

The interrelated nature of regional economies increases the stakes of all Asia-Pacific nations, claimants and non-claimants alike, in the event of hostilities. It also provides the nations of the region with considerable leverage in responding to actual or threatened unilateral acts of provocation, should they choose to do so. Again, the U.S. should encourage and support any ASEAN response to conflict in the South China Sea.

Armed conflict over the Spratlys serves no nation's long-term security interests. All nations would suffer from an outbreak of hostilities in the South China Sea and China would suffer most of all were the conflict to be PRC-initiated.

Hopefully, a greater understanding of the economic, political, and overall security implications of conflict in the South China Sea will increase the resolve of claimants and non-claimants alike to seek a peaceful resolution of this lingering territorial dispute.

More dialogue is needed among the claimants in order to better understand, and develop the means of avoiding or defusing, a potential conflict. Merely desiring a peaceful outcome is not enough. More proactive confidence building measures are needed, along with support for on-going initiatives aimed at reducing the prospects for conflict in this potentially volatile region.

Appendix A

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Appendix B

History of Overlapping Claims

The Spratlys constitute at least 190 barren islets and partially submerged reefs and rocks covering an approximately 150,000 square mile area. Exact counts vary widely, in part because many are often or almost always under water. The Spratlys are located about 300 miles off the Vietnamese coast and 600 miles southeast of the Chinese island of Hainan. The Philippine island of Palawan is 50-90 miles to the east and the Malaysian state of Sabah and country of Brunei are 160 miles to the south. 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. The area is poorly surveyed and marked as "Dangerous Ground" on navigation charts.

Claims: The PRC, Taiwan, and Vietnam claim the entire area; the Philippines, Malaysia, and Brunei claim some parts. All except Brunei occupy islets to support their claims.¹ Map 1 outlines the various claims (along with oil fields and concessions) while Map 2 identifies those islets occupied by the various claimants.² The largest island, Thitu (occupied by the Philippines), is only 0.5 square miles. The next largest, Itu Aba (occupied by Taiwan), is 0.15 square miles. The remainder are 0.1 square miles or less and either partially or most frequently totally submerged. A brief review of the respective claims follows:

Brunei: Brunei's claim is based upon an extension of its coastline along its continental shelf. It also overlaps those of China, Malaysia, Taiwan and Vietnam. The extent of Brunei's claim has varied from one established by the British in 1954 (that terminated at the 100-fathom line) to a more recent claim issued in a map showing a longer extension that goes beyond Rifleman Bank. Brunei's claim is based on an interpretation of the UN Convention on the Law of the Sea (UNCLOS) concerning the continental shelf (UNCLOS Articles 76 and 77).

People's Republic of China: China's claim is, in part, historical and originates with the Han Dynasty (206 B.C. to 220 A.D.) and the use of the South China Sea by Chinese fishermen since then. The first official claim by China dates from an 1887 treaty with France dividing the Gulf of Tonkin at 108°3'E. China interprets this treaty as extending south beyond the Tonkin Gulf to include all the islands of the South China Sea.³

In 1948, Nationalist China's Ministry of Interior issued a Map of Locations of South China Sea Islands which depicted China's historical claim as a broken, U-shaped line that intersects waters off Vietnam, Malaysia, Brunei, and the Philippines. Both the PRC and Taiwan still cite this U-shaped claim, although no official declarations defining the nature or extent of the claim have been made. Official Chinese maps include the U-shaped line, but without elaborations.

In 1958, the PRC issued a "Declaration of Territorial Sea" that extended China's territorial sea to 12 nautical miles (NM) and claimed the territory (and corresponding 12 NM territorial seas) of the Spratly (Nansha) Islands, Taiwan, the Paracels, Macclesfield Bank, and the Pescadores. In 1992, the PRC's "Law on the Territorial Waters and their Contiguous Areas" added 24 NM Contiguous Zones, and reiterated the claims of the 1958 Declaration, and additionally claimed the Senkaku islands east of Taiwan. It also authorized the use of military force in defending these claims.

The first PRC occupation of the Spratlys occurred in 1988 when, after a naval engagement with the Vietnamese, the PRC took possession of several reefs in the Spratlys and established a base at Fiery Cross Reef. Since then, other reefs have also been occupied. Of most recent and greatest immediate contention was the emplacement of markers and the construction of "fisherman's structures" on the Philippine-claimed Mischief Reef in early 1995.

Malaysia: Malaysia's claim is based on a continental shelf that projects out from its coast and includes islands and atolls south and east of Spratly Island. This claim overlaps claims by China, Taiwan, and Vietnam, and overlaps reefs and cays in the Philippine's claim. Malaysia's claim was announced in 1979 in an official map publication. Malaysia established a small military garrison together with a fisheries patrol base on Swallow Reef in 1983. An airstrip was added in 1991 and a small tourist center and bird sanctuary have also been established on the island. Mariveles and Ardasier Reefs were garrisoned in 1986.

Philippines: The Philippines bases its claims to what it calls the Kalayaan Islands on their proximity to Philippine territory and on the occupation and economic development of these previously "unattached and unused" islands by Filipino civilian settlers. Manila claims that the Kalayaans are a separate island chain from the Spratlys. The Philippines' claim overlaps those of China, Malaysia, Taiwan, and Vietnam.

Philippine forces began to occupy some of the islands in 1968. In 1971 the Philippines officially claimed the Kalayaan Islands, stating that any other claims to the area had lapsed by being abandoned. In 1978, the Kalayaans were formally annexed by Presidential decree. The Philippine government has stated that the islands are important for national security and economic survival due to their proximity to the main Philippine islands. The Philippines government alleges that ancient Chinese claims are invalid since these claims also included parts of what today are the Philippines, Malaysia, and Indonesia. Further, Chinese fishermen in ancient times only used the islands as a temporary base of operations.

Taiwan: Taipei claims sovereignty over all the islands within the U-shaped line in the South China Sea, including all the Spratly Islands, and exercises effective control over Itu Aba (Taiping) Island in the Spratly archipelago. Itu Aba has a garrison of marines (approximately 100 troops, down from 500 in the late 1980s), a radar station, a meteorological center, and a power plant. Taiwan is also completing construction on communications facilities on the island and an airstrip is under consideration.⁴

Vietnam: Vietnam claims that it gained sovereignty over the Spratlys and Paracels when it gained independence from France. The French had administratively claimed Spratly Island in 1929, and the French Navy took possession in 1930. In 1933, the French announced the formal occupation and annexation of nine Spratly islands.

In 1951, Vietnam asserted its claim to all the Spratly Islands, and South Vietnam reasserted this claim in 1956. From 1961, South Vietnam issued decrees covering the administration of the islands as part of Vietnamese territory. China contends that the North Vietnamese government recognized Chinese claims during 1956 - 1975, when official North Vietnamese maps and textbooks included Chinese claims.

Table 1: Countries which Occupy the Spratly Islands⁵

<u>Country</u>	<u>Islands Occupied</u>	<u>Troops</u>
PRC	7; several helicopter pads	260
Philippines	9; 1300-m runway	480
Vietnam	24; 600-m runway	600
Malaysia	3; 600-m runway	70
Taiwan	1; 1 helicopter pad	100

Table 2: Major Garrisoned Islands in the Spratlys

	<u>Year Occupied</u>
PRC: Fiery Cross (Yongshu Jiao)	1988
Philippines: Thitu (Pagasa)	1971
Vietnam: Spratly Island (Truong Sa Dong; Nanwei Dao)	1974
Malaysia: Swallow Reef (Terumbu Layang Layang)	1983
Taiwan: Itu Aba (Taiping)	1956

Endnotes:

1. In addition to the papers presented at the "Security Implications" conferences, this appendix also draws heavily on Robert G. Sutter, *East Asia: Disputed Islands and Offshore Claims*, Congressional Research Service, July 28, 1992 and the March 1995 *South China Sea Reference Book* prepared by the U.S. Pacific Command for background data on the claims. Another invaluable reference source is Mark Valencia, "China and the South China Sea Disputes," *Adelphi Paper 298*, published by the International Institute for Strategic Studies, October 1995.

2. Valencia, pp. 4-5.

3. In addition to previously-referenced sources, also see Bradford L. Thomas, "The Spratly Islands Imbroglio: A Tangled Web of Conflict," *International Boundaries Research Unit Conference Proceedings 1989* and "The Spratly Island Dispute," *Island and Maritime Disputes of South East Asia Seminar*, May 1993.

4. Lin Cheng-yi, "Taiwan's South China Sea Policy," paper presented at the Manila "Security Implications" conference, p. 2, citing Allan Shephard, "Maritime Tensions in the South China Sea and the Neighborhood: Some Solutions" *Studies in Conflict and Terrorism*, Vol 17, No. 2 (April-June 1994), p. 209; Construction Continues on Taiping," *China News* (Taipei), March 22, 1994, p. 1; *Zhongguo Shibao* (China Times), February 4, 1994, p. 4.

5. Charts 1 and 2 are taken from Lin Cheng-yi's "Security Implications" conference paper. He cites the following as his sources: *1993-1994 National Defense Report, Republic of China* (Taipei: Li Ming Cultural Enterprise Company, 1994), p. 43; and Allan Shephard, "Maritime Tensions in the South China Sea and the Neighborhood: Some Solutions," *Studies in Conflict and Terrorism*, Vol. 17, No. 2 (April-June 1994), pp. 209-211.

Appendix C

Implications of Conflict: PRC Versus ASEAN Case Study

For the sake of analysis, a PRC-initiated military confrontation against Philippine claimed and occupied territory is postulated to facilitate discussion of a broader PRC-ASEAN confrontation. A conflict of this nature remains foremost in most people's minds, given the Mischief Reef and Scarborough Shoal incidents and periodic reports of naval gunfire exchanges. A PRC-Philippines scenario also raises the most questions for the U.S., given the Mutual Defense Treaty between Manila and Washington. From an ASEAN perspective, however, there should be little difference between a PRC attack on a Philippine-held island and one occupied by Brunei, Malaysia, or, at least theoretically, even Vietnam.

Implications for China

The use of force by the PRC in the contested territories would have a far-reaching destabilizing affect. The impact would be greatest on the prospects for "constructive engagement" between China and its Southeast Asian neighbors. PRC relations with the United States and Japan (among others) would also be severely disrupted and the steadily-improving relationship between the PRC and ROK would likely become derailed.

For these and other reasons, most security analysts agree that China's self-interest argues against PRC military action to resolve conflicting claims. This is especially true since China's neighbors continue to view PRC actions in the South China Sea as a "litmus test" for determining China's true long-term intentions.

At least some Chinese analysts understand the stakes involved. For example, at the first Security Implications conference New Zealand Professor You Ji identified a number of negative outcomes that could result from PRC-initiated hostilities in the Spratlys. These include: ASEAN terminating its "constructive engagement" policy toward China; a move, inside ASEAN and beyond, to institute a China containment policy; and the internationalization of the Spratly dispute--all outcomes Beijing wants to avoid. Most importantly, according to You Ji, "a major Spratly conflict will adversely affect China's economic development which is increasingly dependent on global trade and which lends a degree of legitimacy to the Chinese ruling party."

In addition, it should be noted that Chinese seizure of additional islands today would overtax PLA logistics capabilities. The PLA's ability to effectively defend newly-captured territory far removed from its mainland bases is also suspect. As a result, Beijing should be highly motivated to avoid any situation that could lead to military embarrassment. Obviously, as Chinese forces improve, such concerns may recede; but, they are very real today.

Terminating Constructive Engagement. Beijing is pursuing a "good neighborly foreign policy" *vis-a-vis* ASEAN. This policy, according to You Ji, is part of China's "periphery strategy" which is aimed at developing good relations along China's periphery "to help offset U.S. pressure on China over a number of issues." ASEAN is the top priority of China's periphery strategy and, as You Ji notes, "the only possible event that can frustrate China's efforts to maintain generally good ties with its neighbors is territorial dispute, especially that in the Spratlys."

The ASEAN counterpart to Beijing's good neighborly foreign policy is its "constructive engagement" policy towards China; a policy that You Ji claims "serves China's interests well." Under this principle China has been invited to participate in the PMC as an ASEAN dialogue partner and became a charter member of the ARE, which "provides China with a good venue to voice its policy positions." A PRC-initiated major conflict in the Spratlys would likely destroy the base for constructive engagement and destroy China's periphery strategy as well.

Containment. A China/ASEAN confrontation in the South China Sea will provide additional ammunition for those in the U.S. already so inclined to argue more convincingly for a U.S. containment strategy against China. You Ji notes that it would also make it easy for a "'China threat' mentality to permeate into the minds of ASEAN leaders." The ASEAN states could feel compelled to institute a China "containment policy" or sign up to one being instituted by the U.S. and others in the wake of PRC aggression.

Chinese military action could also encourage ASEAN members to better coordinate their respective positions toward China and (as a side benefit within ASEAN) could serve to help ameliorate disputes among themselves over the Spratlys. Ms. Aileen Baviera, in her paper at the first Security Implications conference, supports this view. She notes that a PRC-initiated conflict in the Spratlys "may force ASEAN members to take a common position which will serve their common strategic interests and provide a basis for immediate security cooperation."

Internationalization. China insists that negotiated settlement of the Spratly dispute should proceed on a bilateral basis or, if multilaterally, then among claimants only. While Beijing has generally acknowledged the useful role of one ASEAN non-claimant, Indonesia, in chairing the non-governmental Workshop series, as a general rule it believes that "outside forces" (read the U.S. in particular) should not be involved in this "internal dispute." Since the Spratly dispute involves the issue of Chinese sovereignty, Beijing claims it is of a domestic nature and should not be internationalized. Armed conflict, especially against a U.S. ally, is almost sure to internationalize the conflict.

You Ji underscores China's dislike for broader multinational dialogue over the Spratly dispute and candidly points out some other PRC concerns about internationalizing the dispute:

A multinational forum may have merit in soliciting views for deliberation, but it will be definitely unhelpful if it is allowed to become a setting of rivalry between different political forces. There are people who prefer to make the forum serve

purposes larger than the South China Sea conflict. For instance, the Spratly flashpoint has galvanized the Philippines to promote a bigger security role for ASEAN in regional international relations and to seek United Nations involvement in the South China Sea.

The protracted dispute may provide more opportunities for the U.S. to consolidate its preeminent presence in the post-Cold War Asia-Pacific region. A Spratly confrontation will also offer Japan a role to play as a political power. And this certainly contradicts China's interests in the region, as it would have to face an enlarged alliance rather than the coordinated stance of just those Spratly claimants of the ASEAN members.

Economic Consequences. Most important among the negative outcomes is the impact PRC-initiated hostilities would have on China's economy and economic relations with ASEAN and beyond. You Ji argues that the extent to which a Spratly conflict will affect the growing trading ties between China and ASEAN countries depends on the nature of the conflict. In a fairly minor dispute, such as the Mischief Reef incident, history indicates that both sides may still be able to separate the territorial claims and normal economic exchanges. In the event of a major military confrontation, however, bilateral trade will definitely suffer.

You Ji speculates that ASEAN members may "mobilize support from their association allies to oppose [China]" observing that "economic relations can be used here as an effective weapon." For China, this would not only be detrimental to foreign trade but to the regime's legitimacy, since the latter is based in large and growing part on the current regime's ability to improve the people's standards of living. As You Ji explains:

A major Spratly conflict will adversely affect China's economic development which is increasingly dependent on global trade and which lends a degree of legitimacy to the Chinese ruling party. Although China's external commerce is smaller than the ASEAN countries and Japan, it is growing rapidly and will play a more important role in the country's future development.

The same can be said of other Spratly disputants whose trade between them and with the region is expanding at a fast rate. This growing importance of economic relative to military sources of power indicates deepening interdependence in East Asia and makes a major conflict in the South China Sea very expensive. Indeed, the diminished benefits coming from territorial acquisitions make the use of force less attractive a proposition in East Asia than in any other place in the world.

PRC versus Vietnam

A few additional words about a possible PRC-Vietnam confrontation appear appropriate, given the history of conflict between the two over disputed South China Sea claims. There is evidence, including the 1996 visits to Hanoi of PRC President Jiang Zemin and Premier Li Peng, that

both sides are trying to put their territorial disputes aside. However, in most analysts' eyes (and among Chinese security specialists in particular), a Sino-Vietnamese clash remains the most probable of the various Spratly conflict scenarios.

One of China's leading South China Sea specialists, Ji Guoxing, acknowledged in an article prepared for the Pacific Forum's *PacNet Newsletter* ("Security in the South China Sea: A Chinese Perspective," *PacNet*, No. 1-95, Jan 12, 1995) that "the possibility of an outbreak of localized armed clashes cannot be excluded" in the Spratlys. Ji points to Hanoi as the most likely protagonist:

Some countries, though orally talking about negotiations for settlements, are actually trying to make their occupation of islands in the Spratlys a fait accompli. This is especially true of Vietnam. Vietnam is intent on occupying more islands and reefs and on consolidating its military and economic presence in these islands already in its hands. . . . Besides, Vietnam has stepped up its oil explorations in the disputed areas in spite of China's repeated warnings . . . and has interfered in normal activities of Chinese vessels in the area, creating several signs of dangerous incidents.

Writing just before Hanoi's official entry into ASEAN, Ji warns against Vietnam trying to play an ASEAN card. Citing a L'Agence Francais Presse report that "Hanoi hopes ASEAN countries could listen to its territorial claims with supportive attitude and protect its interests," Ji Guoxing issues the following caution to Hanoi and ASEAN:

China does not want to see the occurrence of such a situation where Vietnam unites with ASEAN countries to deal with China in common. It's better for ASEAN to be cautious in satisfying Vietnam's demands in this regard.

Clearly Beijing sees Vietnam as its greatest potential challenger in the Spratlys and remains displeased about its entry into ASEAN. Some have even speculated that the Chinese action on Mischief Reef was, at least in part, Beijing's way of sending a message to Hanoi that even ASEAN membership does not automatically shield a claimant from PRC actions.

ASEAN Solidarity

Comments like Ji Guoxing's can be read as PRC attempts to intimidate ASEAN or weaken its solidarity. There was some speculation at the "Security Implications" conference that a conflict between an ASEAN and a non-ASEAN member (i.e., China or Taiwan) would serve to divide the membership. You Ji, for one, wrote that there was some likelihood that cracks might occur in the ranks of the ASEAN states in the event of a major Spratly conflict between China and ASEAN, since "different ASEAN members have different stakes in a Spratly conflict."

You Ji claims that this is "probably the root-cause for a degree of ambiguity in the ASEAN Declaration on the South China Sea." (It's not clear what You Ji means by ambiguity since the

Declaration is very clear in stating the need for restraint and non-use of force. It does not, however, describe the consequences or actions to be taken in the event of a violation.) You Ji further states that "an uncertain outcome of a major Spratly conflict may rekindle the traditional mainland maritime divide among ASEAN states."

However, ASEAN members strongly dispute this, pointing to the overwhelming sense of unity demonstrated by ASEAN members in response to Mischief Reef. This sense of "all for one, one for all" was still very much in evidence at the "Security Implications" conference and the Asia-Pacific Roundtable. As a result, it appears considerably more likely that a threatening action from an outside source would further consolidate and strengthen the resolve of all ASEAN members to deal collectively with the problem.

ASEAN officials also strongly assert in private conversations that an attack against Vietnam would be treated no differently than one against any of the original members. In fact, Vietnam's joining appears to have emboldened ASEAN in its dealings with Beijing. The size of Vietnam's military force also raises the possibility of an ASEAN military response to PRC aggression.

ASEAN Military Response?. While ASEAN is a political, not military, alliance, even You Ji speculates that "the ASEAN disputants may think of forming closer military ties as a counter measure" in the event of PRC military action in the Spratlys. ASEAN security specialists are also openly speculating about taking a hard line approach toward Beijing, to include being prepared to meet force with force.

One Malaysian security analyst has suggested a "hard-soft" approach toward dealing with Beijing over the South China Sea disputes in order "to persuade China to get involved in the process of common and cooperative security." The goal, according to J.N. Mak, Director of Research at the Malaysian Institute of Maritime Affairs, is to make Beijing "a more responsible international actor."

At the first Security Implications conference, Dr. Mak explained that this approach must include an ASEAN willingness to fight back if the PRC uses military force:

The South China Sea can become a focal point for engaging China in multilateral security. The other claimant states must therefore endeavour to get China to resolve the issue according to international law in as many types of fora as possible. Indeed, compromise could well be the order of the day. In short, claimant states must adopt a soft approach toward China. However, China is known to be extremely opportunistic politically. It will seize on any signs of weakness.

At the same time therefore, the other claimants must make it very clear to China that everything must be done according to accepted international practices and law. The signal must be given that force will be met with force, although the ASEAN claimants will only retaliate in self-defense. The message must be brought across that the ASEAN claimants will be prepared to fight back if China embarks on any military

venture in the South China Sea. A line must be drawn in the sand, so to speak, against any possible Chinese military adventurism.

The aim of course is not to defeat the Chinese comprehensively, but to use limited force to deter the Chinese from any South China Sea adventurism. This approach in effect adopts China's own "hard-soft" approach. It is something that Beijing would understand perfectly well.

Mak acknowledges that this approach contains within it a "conceptual dilemma" which needs to be resolved; namely, "the ASEAN claimants must be certain that they have the military capability to deal with possible Chinese military transgressions." If the ASEAN states are to improve their respective military capabilities in order to more credibly defend themselves--and Mak believes they should--they must at the same time, according to Mak, "institute transparency and confidence-building measures to reassure ASEAN members that any build-up is not designed against each other."

It is probably unrealistic to see ASEAN by itself as an effective military counterbalance to a revitalized, modernized PRC military force, even with Vietnam's added punch. Nonetheless, Mak's comments--which were favorably received at the "Security Implications" conference and echoed on more than one occasion at the Asia-Pacific Roundtable and during private discussions as well--reflect an increased willingness among the ASEAN states to stand up to Beijing.

This "hard-soft" attitude was also evident in the presentation of Ambassador Hasjim Djalal, Indonesian Ambassador at Large for Law of the Sea and Maritime Affairs, at the June 1966 Asia-Pacific Roundtable in Kuala Lumpur. Ambassador Djalal chairs the Workshop on Managing Potential Conflicts in the South China Sea hosted by Indonesia.

At the November 1995 "Security Implications" meeting in Manila, Djalal and several of his Indonesian and other ASEAN colleagues were generally positive in their description of Chinese attitudes and actions since the 1995 Brunei ARE meeting. Some appeared willing to overlook Mischief Reef as an aberration, urging participants to focus instead on future cooperation centered around the Indonesian-hosted Workshop series.

By the time of the June 1996 Asia-Pacific Roundtable in Kuala Lumpur, Djalal's attitude seemed to have toughened. His formal remarks ("Territorial Disputes at Sea: Situation, Possibilities, Prognosis"), while still reaching out to Beijing, contained pointed criticism of China's past performance and current stonewalling. Djalal cited five specific complaints regarding Chinese South China Sea-related attitudes and actions:

- While China professes support for the Indonesia workshop process, China has indicated on a number of occasions that the process has gone too far, too fast. China would like it to slow down and reduce its meetings and activities.
- While professing its willingness to promote cooperation on concrete technical issues, China has not yet decided whether to participate or not in the realization of the projects.

- While China acknowledges the need to develop confidence building measures (CBM), China seems to take the position that the workshop process itself is already a CBM, and that the workshop should not discuss other CBMs which are beyond its competence.

- While China professed willingness to shelve territorial claims in favor of joint development, China was not willing to look for an area that could be jointly developed among all the claimants, but insists only on bilateral joint development in zones "claimed" by China and each Southeast Asian country.

- While China professes a policy to develop cooperation with Southeast Asian countries, China seems to be developing a habit that before a dialogue with ASEAN, China will take a unilateral decision that could upset ASEAN countries.

In short, when it comes to dealing with Beijing, ASEAN is clearly hedging its bets, even as it tries to constructively engage China. ASEAN members all agree that a stable, secure, constructively engaged China is in the region's, as well as Beijing's best interest. They have applauded China's stated willingness to peacefully resolve lingering disputes through multilateral dialogue in accordance with international principles such as the U.N. Law of the Seas Convention.

But, as Philippine National Security Advisor Jose Almonte observed during his address at the first "Security Implications" conference, "words are only the shadow of deeds." The shadow cast by the PRC structures on Mischief Reef stands in sharp contrast to the words expressed by China's leaders about avoiding provocative actions and honoring the 1992 ASEAN Declaration on the South China Sea. As Almonte and other Filipinos frequently stress, removing these structures would speak loudly about future PRC intentions.

Sino-U.S. Relations

A use of force by the PRC in the South China Sea would have a particularly devastating affect on U.S.-PRC relations. Despite recent improvement caused by the successful visit of President Jiang to Washington last fall, these relations remain fragile, with debates continuing in both capitals as to how much one side can or should trust and cooperate with the other. Should either side decide the other is its next enemy, this forecast could easily become a self-fulfilling prophesy.

A Chinese act of aggression in the Spratlys would likely tilt the debate in the U.S., perhaps irreparably. Were a new bi-polar Cold War to evolve between the U.S. and China, it would be difficult for Japan and for many of China's other neighbors (and primary investors) to remain neutral. It would also likely signal an end to U.S. adherence to a "one China" policy. Recognition of these likely outcomes should serve as powerful deterrents to hostile Chinese actions.

It should also be noted at this point that there appears to be a growing (mis)perception by some in Beijing that the U.S. has already embarked on a containment policy *vis-a-vis* China. If this view prevails, and especially if the Chinese see what appears to them to be unambiguous signals that

the U.S. has abandoned its "one China" policy, one major incentive toward PRC moderation in the South China Sea will have been removed.

U.S. Credibility

The U.S. has generally maintained a policy of neutrality when it comes to conflicting territorial claims, be they in the Spratlys or elsewhere. Washington has also pointed out that the U.S.-Philippine Mutual Defense Treaty does not automatically cover the Spratlys since they are disputed territory which were not even claimed by Manila until after the Treaty was signed. For this reason, the PRC's encroachment into uninhabited Mischief Reef last year did not automatically invoke the Treaty--although it did launch endless speculation and complaints from the Manila press that the U.S. was a "faithless" ally.

A PRC military action against a Philippine-occupied reef or islet is a different matter, however, as would be a PRC hostile act against Philippine naval vessels within recognized territorial waters or the high seas--perhaps even within contested waters in close proximity to the Philippines as well. In all probability, either the Treaty would be invoked under such circumstances or some other means would be found to provide U.S. support to its Philippine ally.

Treaty considerations aside, in my view--and in the opinion of several senior U.S. diplomats and military officers interviewed on a not-for-attribution basis--a serious military action by the PRC in the Spratlys, particularly (although not necessarily only) if it were against Philippine-occupied territory, would most likely necessitate a strong U.S. response.

If the U.S. is serious about continuing its leadership role in Asia, it could not ignore a blatant PRC act of provocation any more than it could have ignored the threatening PRC missile tests and military exercises opposite Taiwan in March of 1996. A failure to respond would undermine U.S. credibility and call into question the value of America's bilateral alliances in Asia.

The only possible exception to the above assessment would be a PRC versus Vietnam conflagration, which would likely not draw a U.S. military response unless freedom of navigation was also threatened. Even in this case, however, if the PRC was clearly the aggressor, the U.S. could be expected to push for strong economic sanctions. Washington would certainly fully support any effort to impose sanctions proposed by ASEAN as well.

U.S.-ASEAN Relations

There is one very important caveat for the ASEAN states to ponder as regards U.S. military involvement: Were the U.S. to use counterforce to return the situation to the status quo in the wake of a PRC military action, it would likely expect at least token operational and logistical military support from the Philippines and other ASEAN members (whether or not their specific claims were involved). Those equally affected should not expect a free ride.

Even if the U.S. did not react militarily, at a minimum we should expect to see stiff U.S. economic sanctions. Washington would also pressure its regional friends and allies to endorse and imitate these punitive measures. A failure of the ASEAN states to enthusiastically support U.S. sanctions--or, preferably, to lead the charge themselves--would call ASEAN's credibility into doubt. A less than unified response could mark the beginning of the end for ASEAN solidarity.

U.S.-Japan Relations

The U.S.-Japan alliance would be severely tested by a PRC act of aggression in the Spratlys, especially if Japan failed to provide appropriate support to any U.S. political, economic, or military retaliatory measures. Other potential sources of strain could be disagreements over how best to respond or over whether the 1997 revised "Guidelines for U.S.-Japan Defense Cooperation" would apply. (The Guidelines call for "cooperation in situations in areas surrounding Japan that will have an important influence on Japan's peace and security" but purposely left the specific area vague.)

In keeping with the spirit and intent of the new Guidelines, it is doubtful the U.S. would ever seek direct Japanese military participation in any U.S. combat action in the Spratlys, especially given Japan's constitutional limitations and regional attitudes regarding Japanese military involvement in regional security affairs. But the U.S. should expect, at a minimum, some Japanese non-combat logistical military assistance, along with political and financial support. Failure by Japan to stand by the U.S. in any showdown with Beijing, to include support for U.S. economic sanctions, could rupture or break the alliance, with far-reaching negative consequences.

Let me insert at this point that I am convinced that, given the high priority that the Japanese attach to maintaining the U.S.-Japan alliance, Tokyo would have no real alternative other than to stand with the U.S. under such circumstances. As Professor Yoshihide Soeya noted at the first "Security Implications" conference, "Japan cannot afford to remain a bystander if indeed the South China Sea conflict develops into a source of major regional instability affecting Japan's security interests."

The difficulty for Japan (politically and psychologically) is in playing through such scenarios in peacetime lest they force constitutional debates they are not prepared to face. Discussing various anti-PRC contingencies in advance of actual Chinese provocations also runs the risk of undermining Japan's ongoing efforts to develop more harmonious relations with the PRC.

Japan-PRC Relations

As the above implies, Sino-Japanese relations would be severely disrupted should the PRC initiate hostilities in the Spratlys. In many respects, future stability in the Asia-Pacific region, if not globally, rests on maintaining generally cordial and peaceful three-way relations among the U.S., Japan, and China. This, in turn, requires each of the three sets of bilateral relations to be, if not harmonious, at least not acrimonious. Creating a situation which forces the U.S.-Japan bilateral alliance to shift from its current objectives--defending Japan and promoting regional stability--to the

containment of China would help usher in a Cold War that serve no one's (and least of all China's) best interests.

The cost to China of a rupture in Sino-Japanese relations could be severe, since Japan is China's biggest source of official loans and foreign investment. Japanese investments also encourage or stimulate additional foreign investment and, as such, are seen by other investors as an insurance policy because they suggest stability. Were Japan withdrew its foreign assistance to China, both foreign and Japanese private investment would likely follow suit.

Impact on the ROK

Disagreements between the United States and the Republic of Korea over how best to respond to any Chinese provocation could also strain ROK-U.S. relations. Being overly sympathetic toward China could also severely damage Seoul's political (and perhaps economic) ties with the Japan and ASEAN as well. On the other hand, joining a U.S. or ASEAN-led "hard line chorus" would jeopardize Sino-ROK relations and potentially work to North Korea's advantage in its contest with the South over Beijing's favor.

In short, any conflict in the South China Sea involving China places the ROK in a lose-lose situation, giving Seoul a vested interest in a peaceful solution to this dispute. At the first Security Implications conference, Dr. Lee Jung-Hoon described Seoul's dilemma as follows, when discussing the ROK response to the Mischief Reef incident:

When the Spratly dispute erupted in the early part of this year, South Korea's official position was to call for a peaceful resolution of the problem through dialogue by the concerned parties. It was a gentle caution against the use of force in settling the conflict. This somewhat detached and neutral response from Seoul, especially in not criticizing Beijing for what many consider blatant Chinese aggression, reflects the increasing weight South Korea place on its relationship with China in both political and economic spheres.

Politically, what amplifies the importance of Chinese role is Korea's divided status. Cognizant of the constant threat from North Korea, China serves as an important check as well as a diplomatic channel in dealing with Pyongyang. . . In the economic sphere, too, China has become an indispensable partner very quickly.

Against this background, it may be quite understandable why Seoul has been passive in responding to China's assertive Spratly policy. South Korea, like others in the region, is uneasy about the resurgence of Chinese nationalism, but apparently not enough to provoke Beijing at this juncture when the bilateral relationship is only just beginning to swing into full gear.

Appendix D

Implications of Conflict: Other Scenarios

This appendix briefly reviews other potential conflict scenarios. As in the PRC versus Philippines or ASEAN case, this is done for the sake of argument and analysis, with the recognition that the probability of military action of any sort remains low, and is even lower if the scenario involves fellow ASEAN members pitted against one another.

I. ASEAN versus ASEAN

A conflict between ASEAN claimants could tear at the fabric of this important sub-regional grouping of nations and undermine the positive economic and political leadership role it plays both sub-regionally and, through the ASEAN Regional Forum (ARE) and Post-Ministerial Conferences (PMC), region-wide.

Armed conflict over the Spratlys by two members of ASEAN would be a clear violation of the 1992 ASEAN Declaration on the South China Sea which emphasizes "the necessity to resolve all sovereignty and jurisdictional issues pertaining to the South China Sea by peaceful means, without resort to force," and urges all parties to "exercise restraint" and otherwise to avoid provocative actions. A military confrontation between two ASEAN members would put serious strains on ASEAN. The aggressor--if clearly determined--runs the risk of being expelled from the organization.

This is especially true if the aggressor is ASEAN's newest member. Vietnam joined in 1995, well after the 1992 ASEAN Declaration was promulgated, but has fully endorsed the pact. The Vietnamese leadership understands that an act of aggression by its military forces would represent a major setback in Hanoi's drive for economic recovery and political acceptability. In his remarks at the first Security Implications conference, Vietnamese Deputy Foreign Minister Nguyen Dinh Bin, in discussing acts of violence in the disputed territories in general, noted that "the worst thing is that the peace, cooperation, and mutual trust among countries in the region which have been achieved through tremendous efforts will be threatened and destroyed."

II. Taiwan versus ASEAN

Taiwan was the first to use force in exerting its claims in the Spratlys, using its military to expel Philippine settlers from Itu Aba in the 1950s. Today, however, Taipei's policy is to seek the peaceful resolution of territorial disputes in the South China Sea, particularly in the Spratly Islands. To this end, Taiwan has endorsed the principles contained in the 1992 ASEAN Declaration on the South China Sea.

In addition, as Lin Cheng-yi's research paper at the first Security Implications conference documents, Taiwan is the only claimant not seeking agreements with foreign firms for oil exploration in the South China Sea. And, while many claimants have fortified their positions since the Mischief

Reef incident, Taiwan's defense minister, Chiang Chung-ling, has stated that Taiwan has no plans to send more troops to the Spratly region.

According to Lin Cheng-yi, Taiwan's strategy is driven by pragmatic considerations:

It is clear that Taipei has adopted a policy of self-restraint with regard to the South China Sea, and it has done this simply because it does not have the military capability to back up its historical claim.

There is a very pragmatic reason that Taiwan likewise does not fear a military move by any of the ASEAN claimants, despite Taiwan's lack of military capability. Simply put by Lin, the other claimants remain wary of challenging Taiwan's garrison on Itu Aba out of fear that they would invite a military reaction from Beijing.

Taiwan Policy Considerations. Lin notes that after the Mischief Reef incident, Taipei echoed ASEAN's and the United States' call to refrain from taking action that might destabilize the South China Sea and endanger the peaceful settlement of the Spratly Islands dispute. Taipei also reiterated its own five principles regarding the South China Sea:

- To insist on its sovereignty claim over the Spratlys
- To support any actions to settle the dispute by peaceful means
- To oppose any provocative move in the region that would trigger new conflict;
- To support the idea of temporarily shelving the sovereignty dispute in order to jointly exploit resources
- To continue to take an active part in the Workshop on Managing Potential Conflicts in the South China Sea and other related international conferences, and fully cooperate with the claimants to avoid triggering conflict.

One could argue that Taiwan has the least to lose in using force in the Spratlys since it is already treated in many respects as an international outcast, including being excluded from most political and security-oriented forums in Asia and globally. (China has effectively barred Taiwanese participation in official organizations such as the ASEAN Regional Forum or ARE and stands in the way of Taiwan's aspirations for some type of affiliation with the United Nations. As a general rule, Beijing normally also refuses to participate in security-oriented discussions, even in non-governmental forums, if Taiwanese scholars or security specialists are present, citing "sovereignty concerns.") However, Taiwan would still lose considerably more than it could hope to gain.

Taipei's attempts at gaining diplomatic respectability would surely suffer and its "informal diplomacy" efforts would also be set back. Taipei might also jeopardize its membership in regional economic organizations such as the Asia Pacific Economic Cooperation (APEC) and Pacific

Economic Cooperation Council (PECC) forums and could lose its place at the table in the only security-oriented multilateral forum in which it currently participates fully; namely, the Indonesia-hosted Workshop on Managing Potential Conflicts in the South China Sea series of meetings.

As a result, Taiwan will likely be satisfied to continue maintaining its solitary foothold on Itu Aba while publicly declaring its claim to all the Spratlys in hopes that this will help preclude Taipei's further exclusion from South China Sea security discussions. Meanwhile, Taiwan's leaders continue to be frustrated by their lack of access to many governmental and non-governmental multi-lateral forums in which to discuss their claim or demonstrate their willingness to cooperate in developing solutions. Even direct, high-level bilateral discussions are difficult given Taipei's lack of diplomatic relations with the other claimants.

Since membership in official governmental forums like the ARE appear out of question and the PRC and almost all other members (except the U.S.) strongly resist discussion of security issues at APEC meetings, Taiwan participation in non-governmental forums like the Indonesia Workshops, the Asia-Pacific Roundtable, and the multilateral Council for Security Cooperation in the Asia Pacific or CSCAP (where Taiwan security specialists participate in their "private capacities") become essential vehicles for prompting dialogue and increased understanding. Were Taipei to be completely shut out of even non-governmental forums, it might be tempted to steal a page from North Korea's playbook and generate a crisis just to gain or maintain a seat at the table.

III. Taiwan versus PRC

The prospects of a Taiwanese-initiated attack against PRC-occupied islets in the Spratlys appear remote. If Taiwan feels incapable, militarily, of conducting military operations against ASEAN claimants, the same must surely hold true regarding the PRC. The last thing that Taipei wants is to provide Beijing with an excuse to conduct military operations or otherwise engage in acts of intimidation against Taiwan. It is doubtful that anyone would come to Taiwan's aid if it initiated the hostilities.

Taiwan is apparently not very concerned about an invasion of Itu Aba Island by the PRC either. According to Lin Cheng-yi, "unless there is a serious deterioration in cross-Straits relations, Beijing could hardly justify taking military action against Taiping [Itu Aba] Island." In fact, Beijing has reportedly called upon Taipei to undertake joint defense and survey activities in the Spratly islands and has even offered to provide the Itu Aba garrison with supplies of desalinated water. This raises the possibility of PRC-Taiwan collusion to enforce their common claim.

What concerns Taiwan most is the PRC navy or public security police boarding of Taiwanese fishing boats or merchant vessels in the South China Sea. Between 1990-1995 there were over 120 incidents of Taiwanese fishing boats being robbed or subjected to inspection by China's public security police or Chinese pirates in the South China Sea. According to Lin, such action may be regarded either as PRC infringement of freedom of navigation or as a demonstration by Beijing of its "jurisdiction" over Taiwan vessels. Beijing is also demonstrating that it can harass Taiwan's merchant fleet if it so desires. But in doing so, it may also trigger a conflict that neither side wants.

The regional response would be highly situation-dependent. ASEAN states would quickly proclaim this to be an internal Chinese matter. They would nonetheless decry the use of force in settling claims. If Beijing was shown to be the initiator, ASEAN members, either individually or collectively, would probably be drawn closer to the U.S. for their own protection, even while hoping not to be drawn into any planned U.S. retaliation on Taiwan's behalf.

Finally, Lin asserts that, even if Taiwan were not directly involved, a conflict in the South China Sea "would put Taipei in a dilemma because its territorial claims would become unsustainable and it would not know how to react." Since Taiwan already faces this dilemma to a considerable degree, Taipei is careful not to get involved in any conflict between China and ASEAN. This explains why Taipei kept silent over the Mischief Reef incident.

IV. PRC-Taiwan Collusion?

Even though Taipei has adopted a policy of self-restraint, other claimants to the Spratly Islands are suspicious of a tacit understanding, and even military cooperation, between Taiwan and China. Lin Cheng-yi admits that such suspicion is not totally groundless. He acknowledges that Taipei is sometimes ambivalent in its attitude toward the settlement of territorial disputes in the area:

For nationalistic reasons, some people in Taiwan would rather see the Spratlys occupied by the PRC than by members of ASEAN. Some Taiwan scholars and political figures have even urged the government to form an alliance with the PRC to counterbalance other claimants. During the [Indonesian-hosted] workshop series, the representatives of both Taiwan and the PRC have put forward identical claims to most of the South China Sea on historical grounds.

It is obvious that Taiwan itself is divided as to the strategy it should adopt regarding the South China Sea. Generally speaking, those sections of opinion in Taiwan which heartily endorse China's reunification believe that Taiwan should stand side-by-side with the PRC in refuting other claimants.

On the other hand, Lin notes that the Democratic Progressive Party, Taiwan's main opposition party, rejects the idea of cooperation with Beijing in the South China Sea and would prefer Taiwan have "room to maneuver" between the PRC and the other claimants. Meanwhile, President Lee Teng-hui's ruling party seems to prefer maintenance of the status quo over a strong tilt either away from or closer to Beijing. Any intensification of its claim or, alternatively, suggestion of change, can bring new tensions from China or the ASEAN claimants. As a result, in the final analysis, Lin discounts the prospects of collusion:

Taipei would invite a backlash from several quarters if it chose to collaborate with Beijing in the South China Sea. First, such a move might damage Taiwan's policy of encouraging stronger economic ties with Southeast Asia. Furthermore, Taiwan's status as an independent political entity could also be jeopardized by such

action, as "big brother" China would always have the final say in the solution of the Spratly Islands dispute. Anyway, collaboration of this kind could hardly materialize without a dramatic improvement in overall cross-Strait relations.

Taiwan Flexibility. There are those in ASEAN and Taiwan who have suggested that Taipei more closely align itself with the other claimants to counterbalance the PRC. However, any collaboration between Taiwan and the Southeast Asian countries would be regarded by Beijing at a minimum as a betrayal of Chinese national interests and perhaps as the final article of proof that Taiwan is irretrievably independence-bound. This would create more problems than it solves.

In addition, Huang Kun-huei, Taiwan's minister of the interior, has pointed out ("ROC Marine Police to Stay out of Spratlys," China News, May 18, 1995, p. 1.) that the lack of diplomatic ties would make it impossible for Taiwan to establish a military alliance with other claimants to counter the PRC's military presence. Nonetheless, as Lin Cheng-yi points out:

If the PRC continues to isolate Taiwan in the international arena and Taiwan continues to improve its relations with Southeast Asia, one can be sure that Taiwan will adopt a less ambiguous and more neutral stance between the PRC and the ASEAN claimants.

Appendix E

ASEAN DECLARATION ON THE SOUTH CHINA SEA

We, the Foreign Ministers of the member countries of the Association of Southeast Asian Nations-

Recalling the historic, cultural, and social ties that bind our peoples as states adjacent to the South China Sea;

Wishing to promote the spirit of kinship, friendship and harmony among our peoples who share similar Asian traditions and heritage;

Desirous of further promoting conditions essential to greater economic cooperation and growth;

Recognizing that we are bound by similar ideals of mutual respect, freedom, sovereignty and mutuality of interests;

Recognizing that the South China Sea issues involve sensitive questions of sovereignty and jurisdiction of the parties directly concerned;

Conscious that any adverse developments in the South China Sea directly affect peace and stability in the region;

Hereby -

1. Emphasize the necessity to resolve all sovereignty and jurisdictional issues pertaining to the South China Sea by peaceful means, without resort to force;
2. Urge all parties concerned to exercise restraint with the view to creating a positive climate for the eventual resolution of all disputes.
3. Resolve, without prejudicing the sovereignty and jurisdiction of countries having direct interests in the area, to explore the possibility of cooperation in the South China Sea relating to the safety of maritime navigation and communication, coordination of search and rescue operations, efforts towards combating piracy and arm robbery as well as collaboration in the campaign against illicit trafficking in drug;
4. Command all parties concerned to apply the principles contained in a Treaty of Amity and Cooperation in Southeast Asia as the basis for establishing core of international conduct over the South China Sea;
5. Invite all parties concerned to subscribe to this declaration of principles.

Signed in Manila, Philippines, this 22nd day of July, 1992.

Appendix F

Potential Triggers and Confidence Building Measures

A PHILIPPINE PERSPECTIVE

TRIGGERS OF CONFLICT	RECOMMENDATIONS
- the occupation and setting up of structures on pre-occupied features in disputed areas; - the arbitrary harassment or detention of fishermen; - stop, boarding, and search actions undertaken without parameters; - the use of official vessels and personnel in operations; - miscommunication that arise from “gunboat diplomacy”; - accidents during military exercises; - independent actions by “nationalist forces” which provoke action from other claimants; - establishment of exclusion zones; - unauthorized passage through territorial waters; - attempts by littoral states/claimants to extend jurisdiction under pretext of functional cooperation; - preemptive actions by claimants; - lack of transparency in negotiations; - external factors: e.g. developments in regional configurations (e.g., U.S. -Japan-China trilateral relations), developments in other flashpoints (e.g., independence moves), and actions by third party external powers that fuel disagreements among states.	- promotion of confidence-building measures (CDBMs) including: (a) notification of military exercises or movements; (b) exchanges of personnel for training, sharing sensitive information on programs and force structure; (c) cross-visits to naval bases, and joint exercises; - regime-building or establishment of common norms; - regional code of conduct which take into account provisions of UNCLOS unilateral self-restraint; - direct conflict-resolution where feasible; - forging cooperation in non-sensitive areas of concern (e.g., maritime environment protection, scientific research); - a multilateral convention banning the use of environmentally harmful fishing methods and regulating the access of vessels through EEZs possible under the auspices; - ASEAN to apply an active role in at different levels: (1) claimants, (2) ASEAN members, (3) littoral states, littoral and non-littoral states.

A VIETNAMESE PERSPECTIVE

TRIGGERS OF CONFLICTS	RECOMMENDATIONS
● competition for resources, especially oil and gas; ● domestic needs for energy that may lead unilateral off-shore exploration; ● domination of a power in the region due SCS strategic importance; ● unilateral actions by a claimant; ● disruption of navigation safety that may involve external powers.	● self-restraint in terms of the use of force, expansion, maintaining the status quo and taking any form of unilateral actions ● promotion of multilateral dialogue through: (a) a more official and formal level (b) more track two dialogue via the CSCAP, (c) dialogue between ASEAN-ISIS and China, (d) ARF to prioritize the SCS problem; ● joint development based on agreement by claimants, mutual benefits and respect for claimants' legitimate interests and claims; ● key areas of cooperation include marine scientific research, information exchange, maritime navigation, environmental protection, institutional mechanism and military transparency; ● agreement on the code of conduct (such as the UNCLOS, and the 1992 & 1995 ASEAN Declarations on SCS.

A MALAYSIAN PERSPECTIVE

TRIGGERS OF CONFLICTS	RECOMMENDATIONS
● the breakdown in communication that may create greater distance which in turn may be responsible in intensifying or prolonging the conflict; ● the use of force to settle scores (e.g., invasion against occupied islet or base) which will invite a serious shutdown of military might; ● any activity in SCS viewed as interfering with international rights that will lead to military response; ● military domination of the South China Sea by one power that will send fears to parties concerned; ● illegal activities (pouching, dumping of waste, piracy, drug trafficking, etc.) in the disputed area.	● open communication channels at all times especially between local commanders in the disputes areas; ● promotion of transparency through systematic monitoring and verification mechanism for security-related activities in SCS; ● establishment specialized regional satellite network which could provide information on maritime-related hazards among claimants; ● limitation in the introduction of offensive weapon system/platforms by constructing an arms control/monitoring regime and accidents-at-sea prevention mechanisms in the SCS; ● divine intervention for a rise in sea level which would submerge many islands and atolls without which the basis for territorial claims in the SCS may be weakened; ● removal of the veil of secrecy by enhancing non-military activities in the area (e.g., conversion of Malaysia's Palau Layang-Layang island into an international resort and a zone of economic cooperation); ● maximization of the potential for joint development (although China has been quite vague on the forms of joint development that it wants to pursue).

AN INDONESIAN PERSPECTIVE

RECOMMENDATIONS

Promote Trust and Confidence

- attempt to broaden the cooperation of participants and deepen areas for cooperation;
- emphasis on regional and common interests;
- promotion of regional resilience and regional cohesion;
- increasing cohesiveness by being less sensitive to the concept of national sovereignty;
- avoidance of arms race among regional states;
- coordination of defense needs;
- support development of constructive atmosphere in the region.

Avoid Conflict

- use of preventive diplomacy;
- development of cooperative efforts;
- development of various dialogue for a either at the multilateral and bilateral levels;
- pursuit of avenues for peaceful settlement of disputes, e.g. negotiations;
- exploration and utilization of third party intervention for dispute settlement;
- settlement of territorial and maritime boundaries as soon as possible;
- respect of territorial integrity;
- application of joint development concepts;
- more discussions on track-two activities;
- consideration of the role of non-regional actors.

Workshop Process

- continue the workshop even if discussion of territorial issue has been stalled;
- CBMs and technical cooperation have possibilities of moving forward.

Others

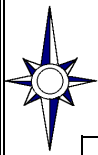
- China must pursue multilateral approach since the SCS issue is a multilateral problem;
- Adherence to the principles of international law, particularly UNCLOS;
- Willingness to be adjudicated by the International Court of Justice or any third party mechanisms.

A THAI PERSPECTIVE

TRIGGERS OF CONFLICTS	RECOMMENDATIONS
Environment of the SCS conflict - territorial and non-conventional issues (e.g. refugee and environmental problems); - obstacles to the promotion of mutual trust and CB in the region: (1) conflict between regionalism and nationalism; (2) conflict between comprehensive security and balance of power approach to conflict resolution. Triggers of Conflict - escalation of military presence on the disputed areas; - unilateral move to gain more control in the disputed area.	- adoption of a regional and comprehensive approach to conflict from which national policies should also be based, and of which all conflicting parties are involved in resolving disputes in a non-confrontational manner; - constructive engagement of ASEAN with China; - demilitarization of the South China Sea; - joint development of the area by claimant states that could start with joint surveillance; - more meaningful and concrete role of the U.S.; - Chinese role in the promotion of regional interest; - strengthening of the ARF as a forum for discussion and complementing this with people-to-people dialogues; - re-engagement of great powers in the promotion of trust and confidence and balancing their influence in the region; - enhancement of ASEAN solidarity to strengthen its role in conflict resolution.

A SINGAPOREAN PERSPECTIVE

TRIGGERS OF CONFLICTS	RECOMMENDATIONS
- the failure of negotiation and diplomacy among disputants to settle their differences; - the extent to which a disputant is prepared to escalate conflict believing that it can get away with it at little or no cost; - the manner in which the UNCLOS provisions are interpreted and enforced; - the positive attitudes of claimant states towards the discovery of large quantities of oil and gas in disputed regions; - accidents, loss of lives, and or damage to property perceived as provocations; - the decision of Chinese with a total claim and capability to undertake a course of action that can destabilize the region.	General - improved relations among all countries bordering the SCS region; - low probability of rich resource discovery; - desire for peaceful discourse towards cooperation, trust building and interdependence; - growing commitment by all countries in the region towards various frameworks such as the ARF, APEC, ZOPFAN, and SEANFWZ. Specific Pro-active Measures - continued negotiations despite that China never backed out from any of its claim in the entire history; - consideration of the costs of military conflict in the region; - promotion of joint development and joint ownership; - institutionalization of the balance of power in the region. Role of Major Powers: - The Role of the US as a balancer and deterrent to possible sources of conflicts.



TRIGGERS OF CONFLICTS	RECOMMENDATIONS
• hampered navigational freedom; • violation of peaceful resolution of conflicts.	• the new Guidelines Defense Cooperation for US-Japan Relations serving as deterrence in the region • Japanese role should be within the context of the new Guidelines. • other measures; (a) open dialogue with China; (b) maritime confidence building measures, (c) adoption of a principle of peaceful resolution of conflict based on what is right and wrong.

A NORTH AMERICAN PERSPECTIVE

RECOMMENDATIONS
• creating a regional consensus of possible flash points that would be useful in the establishment of a crisis management center in a preventive diplomacy regime; • accommodation, cooperative management processes and other creative solutions need to be explored; • there are some claims that can be dealt with bilaterally while others require "custodian parties" preferably a coalition of legitimate participants from outside the region.s • interim solutions may not necessarily be bad because seeking for final solutions may be provocative.

Appendix G

SPRATLYS AND THE SOUTH CHINA SEA

Statement by the Acting Spokesman U.S. Department of State May 10, 1995

The United States is concerned that a pattern of unilateral actions and reactions in the South China Sea has increased tensions in that region. The United States strongly opposes the use or threat of force to resolve competing claims and urges all claimants to exercise restraint and to avoid destabilizing actions.

The United States has an abiding interest in the maintenance of peace and stability in the South China Sea. The United States calls upon claimants to intensify diplomatic efforts which address issues related to competing claims, taking into account the interests of all parties, and which contribute to peace and prosperity in the region. The United States is willing to assist in any way that claimants deem helpful. The United States reaffirms its welcome of the 1992 ASEAN Declaration on the South China Sea.

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.

Comment: The Pacific Forum is pleased to publish the above official statement of the U.S. State Department. This statement is most welcome in that recent events in the South China Sea had prompted some in the region to suggest a diminished American interest, or an American interest that was somehow limited to freedom of the seas. In this statement, Washington does not break new ground, but provides emphasis to a continued commitment not only to unhindered navigation but, with equal force, to peaceful resolution of disputes in the region. Its endorsement of the 1992 Manila Declaration of ASEAN is also important.

With the above as well as the recent publication "United States Security Strategy for the East Asia Pacific Region," popularly known as the East Asia Strategy Report (EASR), the Clinton Administration has provided the specific articulation of its policy that many had requested.

The Pacific Forum welcomes additional comments on the South China Sea situation. Further PacNets on this subject will be published in the weeks to come.