

Counteracting Chinese Hegemony in the South China Sea

Matthew Baker

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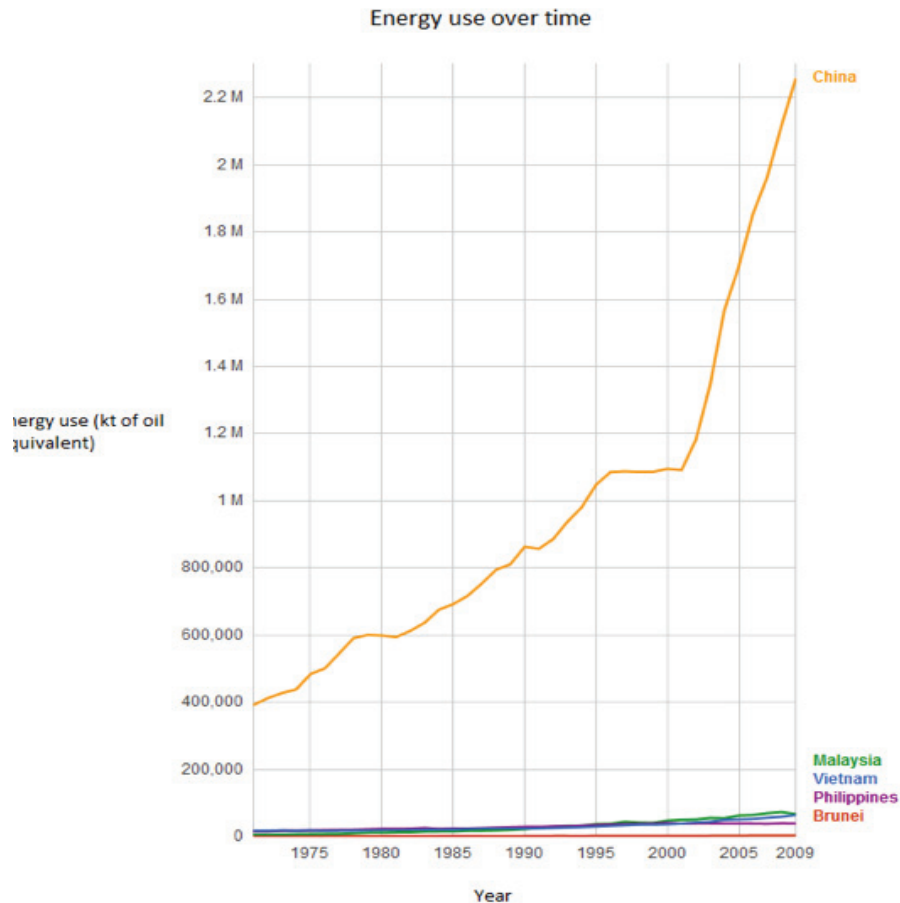
Key Facts

- **The South China Sea potentially holds vast Natural Gas reserves:** The EIA estimates that total gas resources in the South China Sea are almost 900 trillion cubic feet.¹
- **China's demand for Natural Gas is growing rapidly:** China demanded 131.7bcm of natural gas in 2011, up from 24.5bcm in 2000. In 2020 this figure is expected to grow to 375bcm.
- **China cannot produce enough Natural Gas to meet its demand:** In 2011 China consumed 131.7bcm of natural gas, while it only produced 100.9bcm.²
- **China sees untapped reserves in the South China Sea as a way to meet demand and offset increasing imports:** The Chinese Government believes the reserves in the South China Sea hold one-third of China's total oil and gas reserves.³
- **The Chinese Government has asserted rights to vast stretches of the South China Sea that are contested by regional states:** Increased Chinese diplomatic, economic, and military activity in the South China Sea – an area with territorial disputes between more than half a dozen countries – presents a potential threat to the sovereign territory of States in the region, including American allies such as the Philippines and Indonesia.
- **The Chinese Government contests the legal rights of competing states to areas of the South China Sea:** On July 25 Hong Lei, a Chinese Foreign Ministry spokesperson, announced that “the UN Convention on the Law of the Sea (UNCLOS) is not the legal basis to determine the territorial sovereignty of the Huangyan Island” in dispute between China and the Philippines.⁴

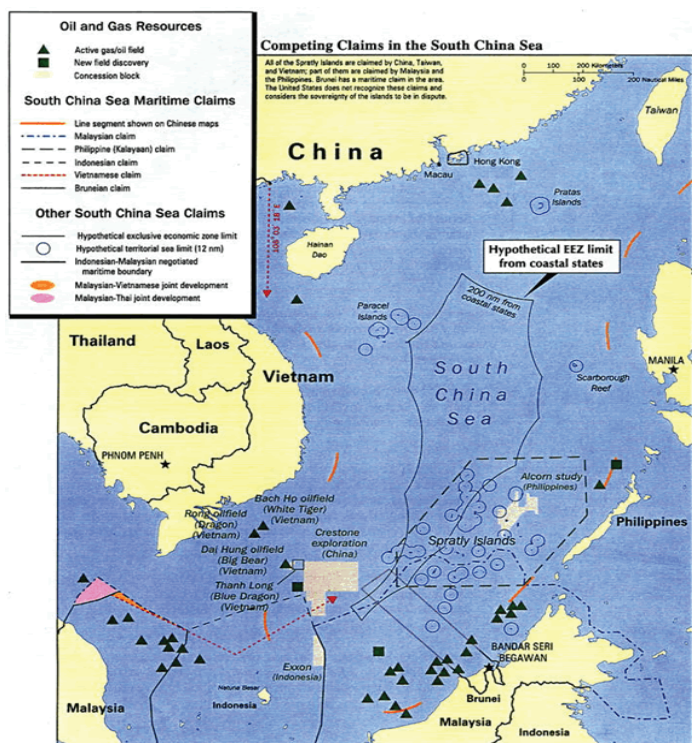
Matthew Baker is a Adjunct Junior Fellow at the American Security Project

Current Territorial Disputes in the South China Sea

- The entire Spratly Islands – an archipelago of more than 100 islets and reefs integral to controlling the South China Sea – which are claimed by China, Taiwan, and Vietnam
- Conflict between Malaysia and China, Brunei and China, and the Philippines and China over territorial waters
- An overlap between China's claims and Indonesia's Natuna Islands (although the Chinese have assured the Indonesian government that China does not claim the islands or its Exclusive Economic Zone)⁵
- Various other conflicting claims from Indonesia, the Philippines, Malaysia, Brunei, and Vietnam⁶



Energy use of states contesting territory in the South China Sea is increasing, particularly China (Source: The World Bank).



Disputed claims in the South China Sea (Source: CIA Maps and Publications for the Public)

The Chinese Government's proposed "nine-dotted line" sketches out Chinese claims to the South China Sea. China asserts sovereignty over this area based upon the EEZ and continental shelf principle. It has also used historic records of the Han and Ming dynasties to bolster its claims.⁷

The Chinese Government is looking to solidify its claims in the South China Sea, most recently evident in the creation of Sansha Municipal People's Congress on Yongxing Island.⁸

America's role in the South China Sea

The U.S. has played a prominent role in the Asia-Pacific region for over a century. America can continue to play a significant part in maintaining regional stability by acting as a counterweight to increased Chinese hegemony in the South China Sea.

The U.S. has significant economic interests in diplomatic solutions to territorial disputes in the South China Sea.

The U.S. currently acts as a strategic guarantor to smaller states in Southeast Asia and a counterweight to Chinese hegemony in the region.

In June, Defense Secretary Leon Panetta's announced a 'pivot' in U.S. Naval policy from a "50/50 split

between the Atlantic and Pacific” oceans, to “a 60/40 split” by 2020. This “reposture” of the U.S. Navy is part of an overall shift in foreign policy toward the Asia-Pacific and South China Sea, and a tangible measurement of the region’s growing importance to U.S. foreign policy.⁹

China is America’s second largest trading partner with over \$206 billion worth of goods being traded between the two countries up until May this year.¹⁰ ASEAN – which incorporates the remaining states with territorial disputes in the South China Sea plus other key trading partners such as Singapore – collectively became America’s fourth largest trading partner in 2010.¹¹

It is in America’s economic security interest to see territorial disputes in the South China Sea resolved diplomatically. Resolutions should respect state sovereignty, internationally-binding treaties such as UNCLOS, and allow energy reserves in the South China Sea to be extracted.

Settling territorial disputes in the South China Sea will give natural gas and oil industries a secure environment in which they can extract the resources of the region. Energy from these resources can then be used to satiate the growing energy demands of the Southeast Asian and Chinese economies.

Limitations to Chinese attempts to gain energy reserves from the South China Sea:

There are three main pillars that impede Chinese dominance in the South China Sea:

- Concerts of states and regional frameworks such as ASEAN which are designed to foster collaboration and compromise
- America and India’s roles as counterweights to Chinese hard and soft power in the South China Sea
- Southeast Asian nationalism that is wary of China’s intentions in the South China Sea

Chinese diplomacy to attain resources in the South China Sea: multilateralism, bilateralism, and unilateralism

Multilateral gridlock:

China realizes concerns against its claims in the South China Sea will be amplified in regional frameworks such as the East Asian and ASEAN summits.

An example of such amplification was seen in the 2012 ASEAN ministerial summit. Cambodia – which currently holds the chairmanship of ASEAN and is closely aligned with China – rejected a compromised communiqué that included reference to the Philippines’ standoff with China over Scarborough Shoal (Huangyan Island).

Gridlock at the ASEAN summit this year – where China is an observing party – demonstrates that China's aims in the South China Sea face bulwarks from multilateral/regional forums.

Effective bilateralism:

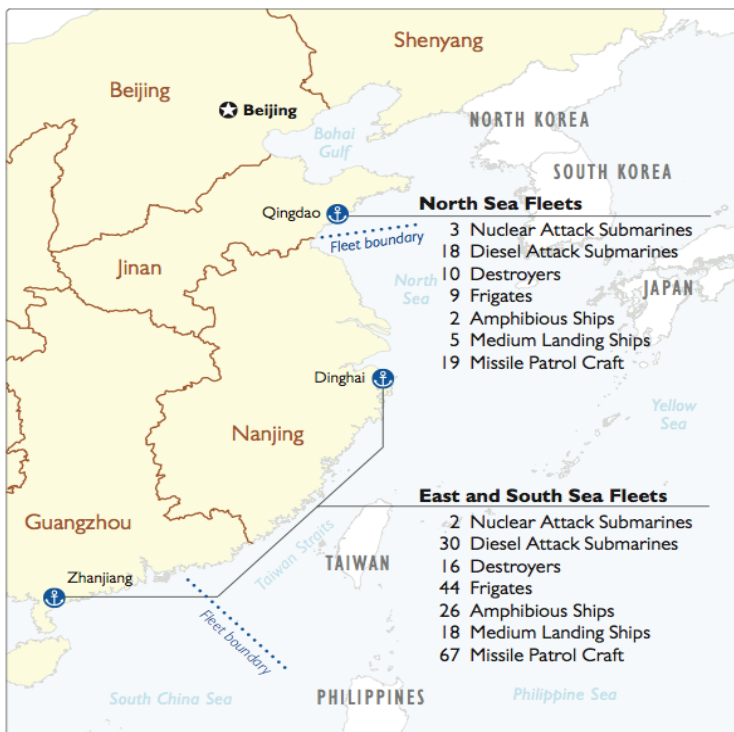
China is increasingly looking toward bilateral negotiations to resolve conflict in the South China Sea.

Chinese bilateral negotiations in the South China Sea have demonstrated a willingness to compromise to prevent third-party states – particularly the U.S. – not getting involved in territorial disputes. Chinese government diplomacy with Indonesia over the Natuna Islands is one example of Chinese concessions in bilateral negotiations.

Unilateral measures:

Despite the emphasis on bilateralism, Chinese foreign policy has shown a tendency to act unilaterally if it feels other forms of diplomacy are futile.

The Chinese Government has been willing to resort to unilateral action if it feels such a move is necessary. Evidence of premeditated Chinese unilateralism can be seen through recent conflict surrounding Scarborough Shoal (Huangyan Island), and the establishment of Sansha province.



*Chinese naval power in the South China Sea is being used to exert influence in the region
(Image courtesy of the University of Texas Libraries, The University of Texas at Austin).*

Steps the U.S. can take to foster solutions in the South China Sea

- Continue to support multilateral partnerships and frameworks with regional forums such as the East Asia Summit
- Create closer bilateral ties with ASEAN states to offset Chinese soft power
- Reduce barriers that impede international trade and commerce

Conclusion

Chinese demand for natural gas is set to increase from 131.7bcm in 2011 to 375bcm in 2020.¹² To satiate a rise in demand, the Chinese Government is looking to consolidate its claims in the South China Sea.

The Chinese Government's "nine-dotted line" proposing sovereignty in the entire South China Sea is unrealistic, as are similar claims made by Vietnam.¹³ States must be willing to compromise in resolving territorial issues, just as China and Indonesia have done so over the Natuna Islands.

As a strategic guarantor to smaller states in Southeast Asian states such as the Philippines, the U.S. is a counterweight to Chinese hegemony in the South China Sea. America can use its diplomatic influence to help states focus on their common interests rather than differences when negotiating territorial disputes.

Diplomatic solutions in the South China Sea are in America's national economic security interests. A secure South China Sea will allow untapped energy reserves to be extracted to fuel the growing economies of China and Southeast Asia.

Matthew Baker is a Adjunct Junior Fellow at the American Security Project

Matthew grew up in Deniliquin, a small town in rural New South Wales, Australia. Matthew has worked extensively with the Victorian Government in Australia. Prior to joining ASP, Matthew held positions as a Parliamentary Assistant with Michael O'Brien, Minister for Energy and Resources in the Victorian Government, and Andrea Coote, current Victorian Parliamentary Secretary for Families and Community Services.

Endnotes

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Building a New American Arsenal

The American Security Project (ASP) is a nonpartisan initiative to educate the American public about the changing nature of national security in the 21st century.

Gone are the days when a nation's strength could be measured by bombers and battleships. Security in this new era requires a New American Arsenal harnessing all of America's strengths: the force of our diplomacy; the might of our military; the vigor of our economy; and the power of our ideals.

We believe that America must lead other nations in the pursuit of our common goals and shared security. We must confront international challenges with all the tools at our disposal. We must address emerging problems before they become security crises. And to do this, we must forge a new bipartisan consensus at home.

ASP brings together prominent American leaders, current and former members of Congress, retired military officers, and former government officials. Staff direct research on a broad range of issues and engages and empowers the American public by taking its findings directly to them.

We live in a time when the threats to our security are as complex and diverse as terrorism, the spread of weapons of mass destruction, climate change, failed and failing states, disease, and pandemics. The same-old solutions and partisan bickering won't do. America needs an honest dialogue about security that is as robust as it is realistic.

ASP exists to promote that dialogue, to forge consensus, and to spur constructive action so that America meets the challenges to its security while seizing the opportunities the new century offers.



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