

Unwarranted Despair or Unfulfilled Hopes. An examination of the possibility of armed conflict and the prospects of peace over the Spratly Islands.

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Subject Area – Strategic Issues

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EXECUTIVE SUMMARY

Title : Unwarranted Despair or Unfulfilled Hopes. An examination of the possibility of armed conflict and the prospects of peace over the Spratly Islands.

Author : Lieutenant Colonel Soh Guan Huat, Republic of Singapore Navy, Singapore Armed Forces.

Thesis : The possibility of an armed conflict among the six claimants of the Spratly Islands within the next twenty years and the likely development of current peace initiatives.

Discussion : In recent years, the dispute over ownership of the Spratly Islands in the South China Sea by six littoral nations has emerged as the most volatile potential flash point for armed conflict in Southeast Asia. Despite the heightened military situation since the 1980s and dire predictions by many academics and scholars, there are compelling, economic, military and political reasons for the claimants to refrain from resorting to armed conflict to resolve the Spratly Islands sovereignty issue within the next twenty years. On the other hand, China's intransigence over the question of sovereignty of these islands preclude a comprehensive solution within the same time span. While the outlook appears ostensible bleak, the United States can facilitate the chances of peace by maintaining her present policy on this issue, demonstrating an indirect interest and continue to engage rather than confront China.

Conclusion : While armed conflict will not erupt within the next twenty years neither will a comprehensive solution emerge.

Introduction

The South China Sea is a relatively shallow and calm basin of about eight hundred and eighty-eight thousand square miles of sea, surrounded by nine littoral states.¹ Within this expanse of water are scattered numerous reefs, both dry and submerged, atolls, rocks, cays, sandbanks, and some small islands. The actual number is uncertain. Depending on sources and probably the height of tide, the figure varies from one hundred and eighty to four hundred.² What is certain is that the majority of these islands are desolate, windswept, and largely devoid of vegetation, while others are spotted with shrubs, carpeted with the perennial grass, or covered in guano from visits by generations of migratory birds. Altogether, they are mere flyspecks in size and economically useless by themselves.³

Geographically, these islands are classified into four groups with the Spratly Islands being the most southern archipelago, largest in terms of number of islands, and the most scattered. The other three groups are the Pratas, Paracels, and Macclesfield Bank. These reef-ringed islands were the bane of careless seafarers in the past when the waters around them were even less well charted than they are now. Paradoxically, these islands provided shelter for fishermen of the past from tropical revolving storms or typhoons and during the Northeast monsoon season from October to March each year.

Since the early eighties, other forms of storms, man-made political and military ones, threaten to ravage the Spratly Islands. Of the nine littoral states, six, namely, Brunei, Malaysia,

¹ The nine littoral states are from clockwise, Brunei, Indonesia, Malaysia, Thailand, Kampuchea, Vietnam, China, Taiwan, and the Philippines.

² For example, Chung Chien reported the figure at around 180 with a total land area of less than 4.7 square miles at high tide. See Chung Chien, *Economic Development of the Islets in the South China Sea*, Conference Paper presented at South China Sea Conference, 7 to 9 September 1994, American Enterprise Institute for Public Policy Research, Washington D.C., p. 4. Scott Synder, on the other hand reported a figure of 400-plus. See Scott Synder, *The South China Sea Dispute: Prospects for Preventive Diplomacy*, United States Institute of Peace Special Report, Washington DC, August 1996, p. 5.

³ Chung reported that the 104 Spratly Islands have a combined land of only 0.8 square miles! See Chung, p. 8.

Philippines, China, Taiwan, and Vietnam are disputing ownership of these islands. Politicians, strategists, and academicians from both the East and the West have opined that this dispute is a potential flash point in Southeast Asia that may propel the six claimants on an inevitable path towards armed conflict.⁴ Admiral Macke, the former Commander-in-Chief, United States Pacific Command, in his statement before the House International Relations Committee Subcommittee on Asia and the Pacific on 27 June 1995, expressed concern "about the increased pattern of unilateral actions and reactions in the South China Sea" over the Spratly Islands.⁵ Indonesia's Foreign Minister, Ali Alatas, warned in 1992 that "after Cambodia, the next flash point in Southeast Asia might well involve those small islands strewn all over the South China Sea."⁶

The current situation provides reasons for such fears. Except for Brunei, which does not occupy any island, the other five claimants have troops on the islands they claim. Every island in this archipelago is claimed by no less than four countries. The possibility of an armed conflict appears particularly high between China and Vietnam. Recent history provides precedents supporting such a view. On 20 January 1974, China forcefully seized the Paracel Islands from Vietnam.⁷ On 14 March 1988, China fought another naval battle with Vietnam near Johnson Reef in the Spratly Islands, resulting in the loss of two Vietnamese vessels and more than seventy lives.⁸ More dangerous than this, some people have even opined that such a regional

⁴ For example, see Ulysses O. Zalamea, "Eagles and Dragon at Sea. The Inevitable Strategic Collision between the United States and China", *Naval War College Review*, Autumn 1996, Vol. XLIX No. 4, p. 64.

⁵ Statement of Admiral Richard C. Macke, House International Relations Committee Subcommittee on Asia and the Pacific, 27 June 1995, p. 5.

⁶ Allan Shephard, "Oil on Troubled Waters : Indonesian Sponsorship of the South China Sea Workshops", *Studies in Conflicts and Terrorism*, Volume 18, 1995, p. 3.

⁷ The Paracel Islands are located just north of the Spratly archipelago and is disputed by China, Vietnam, and Taiwan.

⁸ Rodney Tasker, "Facing up to security", *Far Eastern Economic Review*, 6 August 1992, p. 8.

spark could be the catalyst to ignite an eventual confrontation between China and the United States.⁹

Political control of these islands offers strategic and potential economic benefits, and is the reason for contesting their ownership. Nevertheless, paralleling the paradox of the islands to seafarers and fishermen of yore, this paper will argue that although a comprehensive solution to this problem is unlikely in the medium term, predictions of inevitable armed conflict in the Spratly Islands within twenty years are overly pessimistic.

This paper will first sketch a short history of the Spratly Islands, outlining the basis of claims by the claimants and painting the current military situation. Second, it will consider the impact of historical, military, political, and economic factors on the possibility of armed conflict by and among the four Association of South East Asian Nations (ASEAN) claimants, China, and Taiwan. The central thesis is that while that political, economic, and military reasons militate against armed conflict from erupting over the Spratly Islands within the next twenty years, current peace initiatives will not bring a comprehensive peace within the same time span unless the claimants are politically motivated and interested non-claimants such as the United States, and to a lesser extent, Singapore, play a positive role in helping to resolve, contain, or diffuse the tension.

The twenty-year period is chosen as the time-span representing one generation rather than a foreseeable chronological landmark as the issue is an evolving one with no clear long-term solution. It would therefore be vain and futile to speculate beyond this time-span. For the purpose of this paper, armed conflict is defined as a deliberate, planned, intensive, and sustained conflict involving military forces rather than unplanned, isolated skirmishes between armed civilians or a military show-of-force. While this definition is not diametric and exhaustive, it is robust enough for the ensuing discussion. As examples, the naval skirmish near Johnson Reef between China and Vietnam on 14 March 1988 was an armed conflict, while arresting

⁹ Zalamea, p. 71.

fishermen, military occupation of unmanned islands, and dispatching of naval forces to blow up markers on unoccupied islands as the Philippines did in the aftermath of Chinese occupation of Mischief Reef in 1995, are not armed conflicts.¹⁰

¹⁰ Rodney Tasker, "A Line in the Sand", *Far Eastern Economic Review*, 6 April 1995, p. 15.

CHAPTER ONE

Background

Historical background

Though uncharted until the fifteenth century, archeological evidence proves that the Chinese knew of the existence of some of the Spratly Islands during the Chou Dynasty (1066-221 B. C).¹¹ Records indicate that Chinese fishermen from Hainan had visited these islands for shells and sea cucumber, a Chinese delicacy. They left Hainan Island in the months of December and January with the winds of the Northeast Monsoon behind them and returned with the counter blowing Southwest Monsoon during the months of April to September.¹²

The first reported charting of this area was made during the Ching Dynasty (1644-1911) by a Chinese scholar, Ch'en Lun-chiung, who named it *Nansha* (Southern Islands).¹³ The name Spratly came from an English Mariner who charted these waters in the Nineteenth Century.¹⁴ Notwithstanding these chartings, the whole Spratly area is still marked as "Dangerous Ground" on navigational charts; a reference to the lack of updated and accurate surveys, though it is an appropriate description of the current political and military situation as well.¹⁵

Despite their isolation, the islands are now the focus of international attention for four reasons. First, the end of the Cold War changed the strategic outlook of the Southeast Asian region, as with the rest of the world, from a bi-polar to a multi-polar one. This new outlook brought to the forefront hitherto unresolved regional issues that were subsumed by the Cold War. With the withdrawal of Vietnamese forces from Kampuchea (or Cambodia) in 1989, the dispute over the Spratly Islands emerged as the primary security issue in an otherwise peaceful and

¹¹ Chung, p. 9.

¹² Pan Shiyong, "The Nansha Islands. A Chinese Point of View", *Window Magazine*, Hong Kong, 3 September 1993, p. 24.

¹³ R. Haller-Trost, *Conflicts of Territorial Sovereignty in the Spratly Islands*, Conference Paper presented at South China Sea Conference, 7 to 9 September 1994, American Enterprise Institute for Public Policy Research, Washington D.C., p. 11.

¹⁴ *ibid.*, p. 4.

¹⁵ See British Admiralty Chart No 2660B, The United Kingdom Hydrographic Office, Taunton, 17 May 1996.

prospering region. Second, unlike a bilateral territorial dispute, the Spratly Islands are subjected to multiple claims making resolution more complex with regional powers uncertain as to who to support. Third, the extent of China's claims, which cover not only the Spratly Islands but the other three island groups in the South China Sea, coupled with her emergence as a potential global economic and perhaps irredentist regional military power, and her manifested willingness to use military force to enforce her claims, give the issue strategic and political implications beyond the region. Finally, these islands have potential value disproportionate to their physical size.

Value of the Spratly Islands

The value of the Spratly Islands can be categorized as strategic and economic. Strategically, the South China Sea ranks as one of the most important sea trading routes in the world. Twenty-five percent of the world's ocean freight and 70% of Japan's oil requirements from the Middle East transit the South China Sea.¹⁶ Whoever controls the Spratly Islands can control and, if so desired, disrupt this flow of trade. The strategic location of these islands has long been recognized. During the Second World War, Japan built a submarine base on Itu Aba, the largest island in this archipelago.¹⁷ Two 3,000-meter deep trenches crisscross the otherwise shallow South China Sea in the North and the East. These are ideal lurking grounds for strategic submarines because detection, and hence countering, is difficult.

Economically, some of the islands are reportedly rich in guano, a phosphate source used for producing fertilizer. For example, a Japanese company had mined phosphate in the Spratlys as early as 1917.¹⁸ The economic value of guano is, however, negligible given the small land area of the whole Spratly archipelago, the cost of extracting minute amount from these far flung desolate islands, and the easy availability of substitutes. The South China Sea is also teeming with fish and fishing provides a source of income for the coastal population of approximately

¹⁶ Macke, p. 5.

¹⁷ Itu Aba is reported to be less than 0.2 square mile. See Chung, Table 1.

¹⁸ Haller-Trost, p, 13.

eighty million people of the six claimants.¹⁹ However, while the fishing industry employs a large number of people, its actual economic contribution is minuscule unless the littoral states have developed distant commercial fleet, as in the case of Taiwan.²⁰ For the other five claimants who employ nearshore fishing, their fishing industries contributed less than 2 % of GNP in 1991.²¹ Finally, potential oil and gas, believed to be lying under the Spratly Islands, underpins the economic motivation for contesting these islands, although the actual quantity available and the technical viability of extracting it are uncertain. China is by far the most optimistic. The Chinese Geology and Mineral Resources Ministry was cited as having found 17.7 billion tons of oil and natural deposits in the Spratly Islands region compared to the 13 billion tons in Kuwait. If proven, this figure ranks the Spratly oil field as the fourth largest oil field in the world.²² Fortunately or unfortunately, this report has not been confirmed by other independent reports and contrary reports exist. For example, from the early to mid eighties, oil companies reportedly spent \$2.65 billion exploring for oil in the South China Sea with little return.²³

Clearly, the strategic location of the Spratly Islands and the promise of resources are the primary motives for claiming these islands. While the resource issue is a question that can and should be resolved by the claimants with or without external mediation, the strategic location of the islands with its potential to control and/or disrupt the sea lines of communications has implications for non-claimants such as Singapore, Japan, and the United States, whose economic and strategic interests are inextricably linked with freedom of navigation through the South China Sea. Therefore, non-claimant nations are concerned about how the sovereignty issue is resolved, even if they are unconcerned about how the economic pie is divided. More than mere

¹⁹ Daniel Dzurek, *Resource Disputes in the South China Sea*, Conference Paper presented at South China Sea Conference, 7 to 9 September 1994, American Enterprise Institute for Public Policy Research, Washington D.C., p. 5.

²⁰ *ibid.*, p. 10.

²¹ *ibid.*, p. 11.

²² Pan, p. 28.

²³ Carl Goldstein, "The Drilling Fields", *Far Eastern Economic Review*, 6 December 1990, p., 47.

concern, non-claimant nations will challenge any solution that impinges their strategic interests.

Lee Kuan Yew, the Senior Minister of Singapore summed up this dichotomy in the following manner :

So, the two issues of ownership and of passage over these waters have to be separated and dealt with separately. Ownership of the oil and gas can be resolved between the claimants but it must not impinge on the freedom of navigation of ships, flights of aircraft. This is a wider issue, an international issue.²⁴

Basis and Extent of Claims

China's and Taiwan's bases of claim over the Spratly Islands are similar. Their differences are political; that is, which government is the real representative of the Chinese people. Both based their claims on first discovery, continuous administration of the islands, and implicit foreign acknowledgment of *defacto* Chinese suzerainty.²⁵ China's claim is the most extensive and covers not only the entire Spratly archipelago but the other three island groups in the South China Sea as well. The extent of China's claim was published in 1948 and is formed by nine ill-defined broken "U"--shaped lines covering almost 80 % of the South China Sea in what skeptics have sardonically referred to as the tongue of the greedy Chinese dragon.²⁶

Vietnam claims the whole Spratly Archipelago as well. Her claim dates back to 1816 when Emperor Gia-Long claimed formal governance over the Spratly Islands. Vietnamese charts in 1838 showed the Spratly Islands and Paracel Islands as Vietnamese territories.²⁷

The Philippines' claim dates back to 1951 when Thomas Cloma, a businessman, claimed part of the Spratly archipelago and declared them "Free Territory of Freedomland" or *Kalayaan*. In 1956, the Philippines Foreign Minister formally claimed the *Kalayaan*. Unlike the previous

²⁴ See "Spratlys Ownership Must Not Impinge On Navigational Freedom", Mr. Lee Kuan Yew's interview with Mr. Urban Lehner of *The Asian Wall Street Journal*, as reproduced in *The Straits Times*, 13 May 1995.

²⁵ Pan, pp. 23-27.

²⁶ Song Yann-huei, *The Issue of Historic Waters in the South China Sea Territorial Sea Dispute*, Conference Paper presented at South China Sea Conference, 7 to 9 September 1994, American Enterprise Institute for Public Policy Research, Washington D.C., pp. 4-13.

²⁷ Haller-Trost, p. 13.

three claimants who claim the whole archipelago, the Philippines claim is limited to about sixty islands off the west coast of Palawan which they named as the *Kalayaan* group.²⁸

Malaysia staked her claims to twelve southern Spratly islands on the basis that they lie within the two hundred nautical miles continental shelf off Sabah and Sarawak. The claim was published in a chart produced by the Hydrographic Department of Malaysia in 1979.²⁹

After gaining independence in 1984, Brunei staked her claims on the same basis as Malaysia. Brunei's claim is the most limited as she claims only one island, namely, Louisa Reef.

While politicians and scholars will continuously debate the legal basis and merits of each country's claim, this is not germane to the question of whether the claimants will resort to armed conflict over the Spratly Islands. The legal strength of an individual claim is only relevant in a negotiated settlement. The decision on whether and when to resort to armed conflict is governed more by opportunity, political considerations, and political will rather than by the legal strength of any claim. History is replete with examples, such as Hitler's concept of *lebensraum* in World War Two and the Argentinean junta's decision to invade the Falkland Islands in 1982 in order to divert public attention away from her domestic, social, and economic woes.

Current Military Situation

Notwithstanding the legal strength of the opposing claims, five of the six claimants seem to be adhering to the principle of occupation being 90 % possession. The scramble to occupy islands in the Spratlys is both to bolster the merits of their claims as well as to pre-empt similar moves by opposing claimants. Occupation started after the end of the Second World War when Japan surrendered all the territories she captured during the war. Prior to this, occupation of these islands had been brief and intermittent.

Taiwan was the first to occupy a Spratly island. In 1946, Kuomintang forces occupied Itu Aba.³⁰ The Kuomintang forces deserted the island temporarily in 1950, probably in response

²⁸ Michael Hindley, and James Bridge, "South China Sea: the Spratly and Paracel Islands dispute", *The World Today*, June 1994, Volume 50 No 6, p. 111.

²⁹ _____, *Territorial Waters and Continental Shelf Boundaries of Malaysia*, Hydrographic Department of Malaysia, 21 December 1979.

to the possibility of an invasion of Taiwan by the mainland Chinese Communists, but re-occupied it in 1956 and had been there ever since. The Philippines was next. In 1968, she occupied three Spratly features followed by another in 1978 and four more in the 1980s. South Vietnamese forces occupied five islands in 1973. Unified Vietnam occupied a massive fifteen islands in 1988, in response to the first Chinese occupation. Malaysia occupied Swallow Reef in 1983 followed by two more islands in 1986. China was the last to occupy islands in the Spratlys. Her first occupation was in 1988 when she took six islands followed by Mischief Reef in 1995.³¹

Currently, five of the six claimants occupy thirty-eight islands in a haphazard mosaic; Malaysia three, Philippines seven, China seven, Taiwan one and Vietnam twenty. Four islands held by four different claimants have anti-aircraft guns and an airstrip or runways for supply aircraft.³² The close proximity of these islands to each other, continuous presence of naval and air patrols, re-supply convoys and research vessels of each of the claimant, create a tense, militarized, potentially volatile milieu, and increases the possibility of skirmishes in this "dangerous ground."³³ The stage appears set for an armed conflict.

To consider whether armed conflict is likely in the next twenty years, it is expedient to discuss the issue from two perspectives; that is, the ASEAN claimants', followed by China and

³⁰ Each claimant has their own name for each island as well as the whole Spratly group though in many instances they are synonymous or phonetically similar. For example, China calls the Spratly Islands *Nansha* (South Islands) while Vietnam refers to them as *Truong Sa* and Philippines *Kelayaan* (Freedomland). Itu Aba is known as Taiping Island (Peace Island) by China, Thai Binh by Vietnam. The use of different names for the same island adds to the complexity of the issue, is confusing, and can be irritating. For simplicity's sake, all names used are of the accepted standard English names used in publications and charts. See Chung, Table 1, for a complete list of the different names used.

³¹ _____, *South China Sea Reference Book*, Research and Analysis Division, Strategic Planning and Policy Directorate, US. Pacific Command, pp. 18-20. Chung (Table 1) reported that Malaysia had occupied 5, Philippines 8, China 7 and Vietnam 24. This was before China occupied Mischief Reef.

³² Chung, Table 6. The Philippines has a 1300-meter airstrip on Thitu Island. Vietnam and Malaysia each has a 600-meter runway on Spratly and Swallow Islands respectively and Taiwan had planned for an airstrip on Itu Aba.

³³ *ibid.*, p. 2.

Taiwan's. The next chapter will discuss the ASEAN claimants' perspectives.

CHAPTER TWO

The ASEAN Claimants

This chapter will show that there is a myriad of factors constraining and restraining the ASEAN claimants from engaging in armed conflict over the Spratly Islands. Historically, the ASEAN claimants resorted to peaceful negotiations to resolve territorial disputes, with the exception of newcomer Vietnam. Militarily, they are either incapable of seizing an occupied island from another claimant or unable to sustain a protracted war. Economically, it is both unnecessary and undesirable for them to resort to armed conflict at a time when their economies are either healthy, as in the case of Malaysia and Brunei, or poised to grow, as in the case of Vietnam; all without the need for the undetermined economic benefits of the Spratly Islands. Finally, it is politically dangerous for any one of the ASEAN claimants to resort to armed conflict.

The Role of ASEAN

The Association of South East Asian Nations (ASEAN) was founded in 1967 as a sub-regional organization "to promote economic and sociocultural co-operation" among its five original member nations, namely, Indonesia, Philippines Malaysia, Singapore, and Thailand.³⁴ It expanded to six members when Brunei was admitted in 1984 and to seven with Vietnam's entry on 28 July 1995.³⁵ In 1976, ASEAN forged a Treaty of Amity and Co-operation among her member nations "to provide a code of conduct for relations among regional states and also an institutional mechanism for the peaceful settlement of disputes."³⁶ As a sub-regional grouping, ASEAN has been successful economically as proven by the economic progress achieved by her members. The level of economic intermeshing, and hence interdependency, is also significant as

³⁴ Lee Lai To, "ASEAN and the South China Sea Conflicts", *The Pacific Review*, Vol. 8 No 3, 1995, p. 531.

³⁵ Brantly Womack, "Vietnam in 1995. Successes in Peace", *Asian Survey*, Vol. XXXVI, No 1, January 1996, p. 81.

³⁶ Tim Huxley, *Insecurity in the ASEAN Region*, Royal United Services Institute for Defence Studies, 1993, p. 11.

evidenced by the level of intra-ASEAN trade.³⁷ The creation of the ASEAN Free Trade Area (AFTA) by the turn of the century and the planned enlargement of ASEAN to ten members will further increase the level of economic intermeshing and interdependency among her members.³⁸ Politically, ASEAN was instrumental in applying unified political pressure on, and simultaneously offering economic enticement to Vietnam in order to convince her to withdraw from Kampuchea in 1989. With the UN-brokered settlement of the Kampuchean problem in the early nineties, ASEAN began addressing other regional security issues through the ASEAN Post Ministerial Conferences (PMCs) and the ASEAN Regional Forum (ARF), with the Spratly Island dispute being one of the security issues.³⁹

At this point, it is worthwhile noting that while ASEAN co-operation is successful politically and economically, it is not a military alliance. Military co-operation among her members remains firmly at the bi-lateral level with member nations eager to dispel any notion of ASEAN evolving into a military alliance, which some see as a logical extension from the economic success of ASEAN. There are four reasons for this reluctance to extend ASEAN into a military alliance. These are, mutual suspicions among the ASEAN members, the presence of existing security alliances such as the Five Power Defense Arrangement (FPDA), fear of provoking the erstwhile belligerent Vietnam, and ostensibly an absence of a mutual external threat.⁴⁰ With mutual suspicions reduced through closer political, economic, and military interactions, the withdrawal of the United States from the Philippines and the likely reduction of British presence after the hand over of Hong Kong to China on 1 July 1997, and Vietnam's

³⁷ For example, Malaysia's ASEAN trade constitute 19.7 % of import and 27.4 % of export in 1993. For the Philippines, it was 10.5 % import and 6.8 % export. Singapore alone accounted for 25 % of Vietnam's export in 1994. All figures are from *The Big Emerging Markets. 1996 Outlook and Sourcebook*, International Trade Administration US. Department of Commerce, 1995.

³⁸ Talks are underway to admit Laos, Kampuchea and Myanmar as members.

³⁹ Lee, p. 532.

⁴⁰ The FPDA was established in 1971 as a security arrangement for the defense of Singapore and Malaysia after the British withdrawal in 1967. The other members are Australia, New Zealand and United Kingdom. Brunei had indicated interest in joining though the idea has not been universally welcomed by the present members.

admission into ASEAN, three of the four reasons against having an ASEAN military alliance have amortized. Therefore, so long as ASEAN does not see a common external threat, her members are likely to be satisfied with the current scale and tempo of bi-lateral military relations and is unlikely to gravitate towards forming an ASEAN military alliance. The relevance of this point will be discussed in the next chapter.

Meanwhile, ASEAN's relevance to the Spratly Islands dispute is in providing a political platform to discuss differences peacefully, creating economic intermeshing to enhance interdependency, and militating against any temptation by one member to militarily coerce another, or by an external country against any member. No ASEAN claimant can resort to armed conflict without considering the economic and political fallout from the rest of the member nations. Even skeptics concede that ASEAN has at least contained intra-ASEAN disputes even if it could not resolve them.⁴¹

⁴¹ Huxley, p.11.

Precedence of Negotiation

It is often bandied that a democratic nation never goes to war against another democratic nation. While the ASEAN countries are not Western models of democracy, the same can be said of them. Before Vietnam's admission, no ASEAN claimant had resorted to military means to resolve territorial disputes nor have they shown any inclination to do so since their respective independence.⁴² Rather, peaceful negotiation and, when that fails, external arbitration were sought. A good example to show this precedence of negotiation is Malaysia who, prior to Vietnam entry's into ASEAN in 1995, shares land or sea borders with all the other five ASEAN countries and have territorial disputes with four of them, including Brunei and the Philippines.

In 1962, the Philippines claimed Sabah and disputed its inclusion as one of the thirteen states to constitute independent Malaysia. The Philippines revived her claim on Sabah again in 1968.⁴³ The issue was so sensitive that diplomatic relationships were severed twice in the sixties and high-level diplomatic contacts did not resume until President Ramos visited Malaysia in 1993.⁴⁴ Sabah, with an area of approximately twenty-eight thousand five hundred square miles and a population of nearly one and half million, offers a larger stake than the Spratly Islands. This dispute, though long-standing, did not result in armed conflict between the two nations. Brunei and Malaysia have a long-standing territorial dispute over Limbang that strained relations between the two countries for many years. Brunei claims the district of Limbang, which is rich in forest wealth and is strategically important for Brunei as it divides the country into two. At the first Malaysia-Brunei Joint Commission held on 24 April 1994, both sides agreed to launch bilateral talks to resolve the issue rather than resorting to arbitration by the International Court of

⁴² The only exception is Indonesia which, *inter alia*, conducted Confrontation with Malaysia from 1962 to 1966 and fought the Dutch over West New Guinea from 1961 to 1962. Indonesia, however, is not a claimant in the Spratly Island dispute.

⁴³ Jeffrey Grey, "Security Issues in Southeast Asia", *Brassey's Mershon American Defense Annual 1996-1997*, " ed. Williamson Murray and Alan R. Millet, Mershon Center, Ohio State University 1996, p. 209.

⁴⁴ Johanna Son, "RP-Malaysia ties have come a long way", *The Manila Chronicle*, 7 December 1994, p. 5..

Justice.⁴⁵ In addition to these disputes with ASEAN Spratly Islands claimants, Malaysia is disputing Singapore's presence on Pedra Branca which lies at the east entrance of the strategically important Singapore Straits and where a maritime landmark, Horsburgh Lighthouse, is located. Malaysia made a claim on Pedra Branca in 1981, although Singapore had administered the island for more than one hundred and fifty years. After a period of tension in the late eighties and early nineties, the Prime Ministers of both countries agreed to let the International Court of Justice arbitrate this dispute after meeting in September 1995.⁴⁶ Similarly, Prime Minister Mahathir of Malaysia and President Suharto of Indonesia agreed on 7 October 1996 to stop development on Ligitan and Sipadan, two disputed islands off their borders in east Kalimantan, and let the International Court of Justice arbitrate the issue.⁴⁷

The manner in which the ASEAN nations handled these territorial disputes sets a precedence and lends confidence that the Spratly Islands dispute will be similarly treated among the ASEAN claimants. Apart from this comforting precedence, there are compelling political, economic, and military factors for each of the ASEAN claimants to refrain from initiating armed conflict over the Spratly Islands.

⁴⁵ _____ "Talks to begin on Brunei's claim to Limbang", *The Straits Times*, 25 April 1994, p. 17.

⁴⁶ Zuraidah Ibrahim, "PM : Langkawi trip a good one - Pedra Branca issue goes to arbitration", *The Straits Times*, 8 September 94, p. 1.

⁴⁷ Brendan Pereira, "Sipadan and Ligitan dispute will go to World Court", *The Straits Times Weekly Edition*, 12 October 1996, p. 10.

Vietnam's Hopes on ASEAN

Unlike the other three ASEAN claimants, Vietnam is the only country that has engaged in armed conflict over territorial and other issues. Since the end of the Vietnam War in 1975, Vietnam fought three wars with her neighbors. Ominously, the most recent war was the 1988 encounter with China over Johnson Reef, one of the Spratly Islands.⁴⁸ Nevertheless, Vietnam's voluntary signing of the ASEAN Treaty of Amity and Cooperation in 1992 and her entry into ASEAN in July 1995, represent a culmination of effort, starting in 1989, towards political and economic rehabilitation, after years of near continuous warfare, political isolation and economic backwardness in a region of growth.⁴⁹

Prior to the withdrawal of her troops from Kampuchea in 1989, Vietnam faced a belligerent China with whom she had fought at sea over Johnson Reef the year before, could not expect economic assistance and political support from the former USSR, and had diplomatic relations with only twenty-three non-communist states excluding the United States. Her transformation since then is remarkable. By 1995, Vietnam has established relations with one hundred and sixty-one states including the United States. Her foreign direct investment (FDI) rose from \$250 million in 1989 to \$18 billion, of which \$1 billion came from ASEAN nations. Annual economic growth since 1986 averaged 8 %.⁵⁰ Her 9.5 % economic growth in 1995 was comparable to the rest of ASEAN and even higher than the Philippines.⁵¹ Projected annual growth till 2000 remains high at between eight to ten percent.⁵²

ASEAN's role in this metamorphosis cannot be understated. In the eighties, while the international community sanctioned Vietnam as a hegemonistic pariah for her invasion of

⁴⁸ The other two are the invasion of Kampuchea from 1979 to 1989 and repelling China's attacks in her northern border in 1979.

⁴⁹ Allan E Goodman, "Vietnam and ASEAN. Who Would Have Thought It Possible?" *Asian Survey*, Vol. XXXVI, No 6, June 1996, p. 593.

⁵⁰ _____, *The Big Emerging Markets. 1996 Outlook and Sourcebook*, International Trade Administration US. Department of Commerce, 1995, p. 192.

⁵¹ See *The Military Balance 1995-1996*, International Institute of Strategic Studies, Oxford University Press, October 1995, pp. 182-200 for comparative GDP and economic growth data.

⁵² _____, *The Big Emerging Markets. 1996 Outlook and Sourcebook*, p. 192.

Kampuchea, ASEAN engaged her with the enticements of economic revival and political acceptability *via* admission to ASEAN on condition that she withdraws from Kampuchea. ASEAN's engagement with and acceptance of Vietnam gave her credibility and paved the road for easier acceptance by the rest of the world, including the United States. Admission into ASEAN and restoring diplomatic relationship with the United States are, in turn, an added insurance for Vietnam from further security threats posed by her traditional nemesis, China. As such, for Vietnam, ASEAN is a "talisman for a policy premised on the need to achieve prosperity as the surest way to provide for national security."⁵³

These premises remain relevant today and in the foreseeable future as Vietnam's economy becomes more and more intermeshed with the other ASEAN member nations. Trade with ASEAN countries currently constitutes 30% of her total trade.⁵⁴ As Vietnam's Foreign Minister Nguyen Manh Cam said in the fall of 1995, "...Vietnam is joining ASEAN in order to increase our regional cooperation, ...to promote peace, stability and cooperation in the region."⁵⁵

Militarily, there is little doubt that Vietnam, with close to one million combat proven troops, is by far superior to any, if not the combined capability, of the other ASEAN claimants in conventional land warfare.⁵⁶ She also occupies the most islands in the Spratlys; a fact that bodes well for the defense of her Spratly real estate in the event of an armed conflict there. However, Vietnam's large armed force is constrained by a lack of power projection capability, obsolescence, "critical shortages of spare parts, and inadequate maintenance cycles."⁵⁷ Her antiquated naval and air assets, though quantitatively superior to the Philippines and Brunei, do not enjoy the same overwhelming numerical advantage that her army has over the rest of the three ASEAN claimants. More importantly, initiating an armed conflict with any of the other three ASEAN claimants will reveal her as a hypocritical opportunist and calls into question her

⁵³ Goodman, *ibid.*, p. 595.

⁵⁴ *ibid.*, pp. 594-595.

⁵⁵ *ibid.*, p. 593.

⁵⁶ _____, *The Military Balance 1995-1996*, p. 200.

⁵⁷ Grey, pp. 213-214.

continuing membership in ASEAN. Without ASEAN's political and economic support, Vietnam risks a return to the pre-1989 political and economic wilderness as it is unlikely she can find willing partners among the larger international community to continue contributing to her economic re-development, which though impressive thus far, still suffers from high inflation, poverty, unequal economic growth, and low state capacity.⁵⁸ Among the ASEAN nations, her GDP of \$19.1 billion is only larger than Brunei's while her per capita income of \$900 is the lowest.⁵⁹ Furthermore, it is clear that Vietnam's admission into ASEAN has forced China to reconsider Vietnam as a whipping boy. Conversely, political isolation from ASEAN, and perhaps the United States, will render Vietnam vulnerable to her traditional enemy once again. These factors will prevent Vietnam from using ASEAN as a Trojan Horse, and returning to her hegemonistic ways after gaining political acceptance and some economic growth.

The Philippines' Military Impotency

Having hibernated under the United State's defense umbrella since 1951 and concentrating on small-scale counter-insurgency warfare, the Philippines military has stagnated to such a point that she is currently the most antiquated armed force among the ASEAN claimants and certainly not configured for a maritime battle. A 1994 comparative study of the ASEAN countries' military capability described the Philippines Armed Forces as "inconsequential", with "obsolete and worn-out equipment," and a navy which "will require more resources and equipment before it can even effectively police the nation's exclusive economic zone; becoming an effective conventional deterrent force will require even more."⁶⁰ As an example of the level of antiquatedness, the Philippines navy does not even have any missile-armed vessel at present. Even tiny Brunei has three missile-armed craft in her navy.

⁵⁸ See Womack, pp. 74-76. For 1995, Vietnam's inflation was estimated at 15.6 % with 51 % of her population below the poverty line. Southern Vietnam is much healthier than the North in terms of growth and poverty rates.

⁵⁹ _____, *The Military Balance 1995-1996*, p. 200.

⁶⁰ Mak JN, "Armed, But Ready? ASEAN Conventional Warfare Capabilities", *Harvard International Review*, Spring 1994, p. 24.

Economically, the Philippines economy grew at a rate of 5.7 % in 1995, an improvement from the 4.5 % in 1994 but short of the 6 % target.⁶¹ More telling, her economic growth rate is the second lowest among the ASEAN countries.⁶² This implies that unless the Philippine economy improves dramatically or there is a drastic change in priorities, there will be no addition to the minuscule \$1.6 billion defense modernization budget, announced in 1993 to last till 2008, and no concomitant improvement in her military capability *vis-a-vis* the other claimants.

Politically, the Philippines cannot find support for any militarism in the Spratly Islands; not even from the United States, her defense guarantor. The 1951 Mutual Defense Treaty with the United States covers only mutual defense in event of an attack against "the metropolitan territory ... or on the island territories under its jurisdiction in the Pacific or on its armed forces, public vessels or aircraft in the Pacific."⁶³ There is even doubt that the United States will defend the Philippines in the event of an armed attack against the islands she occupies in the Spratlys much less lend support to any military initiative by her in the Spratlys.⁶⁴

Malaysia's Benigncy

On the surface, Malaysia appears to be in the best position among the ASEAN claimants to offer armed conflict in the Spratly Islands. Militarily, her maritime capability is modern with ten missile-armed frigates and gunboats, and a litany of patrol craft. Two more British-built missile-armed frigates will be delivered soon. Though there is a temporary decrease in her air capability with the phasing out of her fleet of A-4s, replacements in the form of twenty-seven Hawk FGA, eighteen Mig-29 and eight F-18 Hornets are on the way to full delivery or full

⁶¹ Caroline G. Hernandez, "The Philippines in 1995," *Asian Survey*, Vol. XXXVI, No 2, February 1996, p. 147.

⁶² See *The Military Balance 1995-1996*, pp. 177 - 200 for comparative economic growth data.

⁶³ *Mutual Defense Treat Between The United States of America and the Republic of Philippines*, 30 August 1951. Article V of this Treaty defines the areas which an armed attack against either signatories would be cause to invoke assistance from the other party. While island territories in the Pacific (American) are included, there is no mention of South China Sea.

⁶⁴ Huxley, p. 26.

operational status.⁶⁵ Geography also favors her. The current naval base at Labuan is only one hundred and seventy nautical miles from Shallow Reef, one of the three islands she occupies, and the nearest naval base of all the claimants.

Notwithstanding her military capability, the restraint lies in two questions; against whom and for what purpose? It is inconceivable for her to provoke any of the other claimants.

Malaysia's economic growth is sustained, among the fastest in the world, and appears sustainable in the near term. There is no benefit for her to initiate an armed conflict as she has much to lose and little to gain economically from an outbreak of hostilities in the South China Sea. Finally, as shown earlier, Malaysia, who has territorial disputes with nearly every ASEAN country, favors a negotiated settlement. With a stable government and no social unrest, there is no reason to believe that Malaysia will change this benign policy towards resolving disputes in the Spratly Islands.

Brunei's Insecurity

Of all the claimants, Brunei is least likely to resort to armed conflict. Her claim is the smallest, she is economically very sound, and she has no dire need for the promised economic potential of the Spratly Islands. Her petroleum reserves, the bedrock of her economy can last another thirty years while she diversifies her economy and invests in preparation for the day when she cannot rely solely on her petroleum reserves.⁶⁶ Militarily, she is the weakest with an active armed force of only five thousand professional soldiers and seven hundred reserves from a population base of three hundred thousand. Though her navy and air force are relatively modern, they are extremely small *vis-a-vis* the other claimants, with only three small missile-armed craft, some coastal assets, about twenty helicopters, of which only six are armed, and no combat aircraft.⁶⁷ More important, any attempt by Brunei to occupy Louisa Reef, which is

⁶⁵ Abdul Razak Abdullah Baginda, "Strategic Scenarios in the South China Sea", Conference Paper presented at South China Sea Conference, 7 to 9 September 1994, American Enterprise Institute for Public Policy Research, Washington D.C., p. 6.

⁶⁶ William Case, "Brunei Darussalam in 1995 - New Party Politics and Diplomatic Presence." *Asian Survey*, Vol. XXXVI, No 2, February 1996, p. 133.

⁶⁷ _____ *The Military Balance 1995-1996*, pp. 177-178.

claimed by Malaysia as well, will have severe implications for her in her negotiation with Malaysia over her strategically more important Limbang claim.⁶⁸ Finally, while Brunei is politically relevant as a sovereign state, she does not possess sufficient political leverage to be able to muster military or political support from within ASEAN and other regional powers for a unilateral military move on her part in the Spratly Islands.

The China Factor

The most compelling restraint for the ASEAN claimants is the common fear of China. Any intra-ASEAN military conflict over the Spratly Islands would be an open invitation for China to join the fray; a China that has already shown a willingness to resort to seizing the Spratly Islands by force as demonstrated by her naval skirmish with Vietnam off Johnson Reef in 1988. By initiating armed conflict, ASEAN claimants will lose the moral high ground, and undermining support from regional powers calling for peaceful negotiations to resolve the dispute.

In summary, with the specter of China looming over them and for their own particular economic, military, and political constraints and restraints, it is clear none of the four ASEAN claimants will initiate an armed conflict over the Spratly Islands. This leads us to consider the other two claimants; China and Taiwan.

⁶⁸ Some authors reported that Louisa Reef is already occupied by Malaysia but did specify the source. For examples, see Chung, Table 1 and Nelson N. Allaga, *Is the Spratly Islands Dispute in the South China Sea a Real Threat to Regional Conflict*, unpublished Student Research and Writing paper, United States Marine Corps University, Academic Year 1995/1996, p. 4. The author cannot find evidence to prove this. Since Louisa Reef is the only island claimed by Brunei, it is unlikely that she did not raise any protest at any forum nor is it likely that the occupation will remain unreported. Hence, the author is inclined to believe that Louisa Reef is still unoccupied. Be that as it may, if Malaysia had indeed occupied Louisa Reef without protest from Brunei, then Brunei ceases to be a serious player in this dispute.

CHAPTER THREE

China and Taiwan

China's policy and actions are pivotal in this saga of over-lapping dispute over sovereignty of the Spratly Islands. Clearly, she holds the key to the question of whether there will be an armed conflict in the Spratly Islands for the following reasons.

First, unlike the ASEAN claimants who have thus far limited their activities in the Spratlys to occupying unmanned islands, fortifying their occupations, and conducting naval patrols, China has demonstrated a willingness to resort to arms against other claimants. Second, China claims the whole archipelago. This precludes the possibility of bilateral or intra-ASEAN settlement on a *quid pro quo* basis without China's blessings. Finally, the ASEAN claimants cannot choose to ignore the rising status of China. To quote Henry Kissinger, "China is on the road to superpower status," and her "political and military shadow will fall over Asia and will affect the calculations of the other powers."⁶⁹

China's South China Sea Strategy

An internal document of China "referred to the South China Sea as offering *sheng cun keng jian*,"⁷⁰ literally meaning "survival space" or *lebensraum*. China's South China Sea strategy is characterized by a pattern of southward creeping opportunistic assertiveness followed by apparent conciliation when unfavorable political conditions arise. This is not unlike the Cold War "salami tactics"; that is, absorbing the South China Sea in small bits.⁷¹ In 1974, China seized the Paracel Islands from South Vietnam when international and Vietnamese (both North and South) attentions were focused on the ending of the Vietnam War. In 1988, when Vietnam was politically ostracized for her invasion of Kampuchea, China attacked Vietnamese forces in the Spratly Islands and began occupying islands for the first time. After the closure of American air and naval bases in Philippines in 1991, the Standing Committee of the National People's

⁶⁹ Henry Kissinger, *Diplomacy*, Simon and Schuster New York, 1994, p. 826.

⁷⁰ Huxley, p. 32.

⁷¹ Michael G Gallagher, "China's Illusory Threat to the South China Sea", *International Security*, Vol. 19 No 1 Summer 1994, p. 172.

Congress passed the Law on the Territorial Waters and Contiguous Areas in February 1992, asserting that all four groups of islands in the South China Sea belong to China and reserving the right to use military force to enforce these claims.⁷² Demonstrating her assertiveness, China awarded an oil exploration contract to the American oil company, Crestone Energy Corporation, in a Vietnam-disputed area of the Spratly Islands three months after enacting the new territorial sea law. When an alarmed ASEAN responded by issuing a joint Declaration on the South China Sea at the 25th Manila ASEAN Ministerial Meeting in July 1992 that essentially call on all claimants to resolve the issue without resorting to the use of force,⁷³ China softened her stand and formally suggested shelving the sovereignty issue and proceeding with joint development.⁷⁴ In January 1995, China occupied Mischief Reef. When a unified ASEAN criticized her directly for the first time in April 1995, she conceded at the July 1995 ASEAN Ministerial Conference in Brunei that the Spratly Islands dispute should be resolved in accordance with the 1982 United Nations Law of the Sea Convention.⁷⁵

Such a strategy indicates that China is testing the limits of her political and military space within her present military capability. This portends ill for the Spratly Islands dispute as it presupposes an inevitable military move by China either when conditions are right or when opportunity presents itself. Such conditions and opportunities will be discussed at the end of this chapter.

Current Chinese Military Might

As it stands today, China has the largest armed force among the six claimants. She has "nearly three million troops, equipped with more than nine thousand tanks, four thousand

⁷² Michael Leifer, "Chinese Economic Reform and Security Policy : The South China Sea Connection", *Survival*, Vol. 37, No 2, Summer 1995, p. 45.

⁷³ Abdul Razak Abdullah Baginda, p. 8.

⁷⁴ Chen Jie, "China's Spratly Policy", *Asian Survey*, VOL. XXXIV NO 10, October 1994, p. 902.

⁷⁵ David B. H. Denoon, and Wendy Frieman, "China's Security Strategy. The View from Beijing, ASEAN, and Washington", *Asian Survey*, Vol. XXXVI, No. 4, April 1996, pp. 424-431.

aircraft, fifty submarines, and approximately sixty major surface combatants."⁷⁶ This is overwhelmingly superior in numerical terms as compared to the combined armed forces of all four ASEAN claimants. Moreover, the China seems bent on modernizing her armed forces in tandem with her rising economic status, particularly in power projecting naval and air capabilities. They have imported new weapon systems such as ex-Soviet anti-aircraft missiles, Su-27 jets, and the quiet Kilo Class submarines.⁷⁷ More ominous is the report that China may be finally on her road to becoming a true blue-water navy with the possible acquisition of the French aircraft carrier, *Clemenceau*.⁷⁸ From 1986, China's naval units began conducting regular long-range fleet exercises in the Pacific, the Indian Ocean, and South China Sea.⁷⁹

Despite its size, the Chinese threat to the Spratly Islands is, however, more apparent than real. China's military capability is a paradox; possessing a nuclear capability but limited conventional power projection capability. After victory over the Nationalists in 1949, the Communist government concentrated on developing a nuclear capability while retaining the Maoist "people's war" doctrine of a large peasant-based military and militia. While this defensive strategy served the Communists well in deterring both a nuclear attack and an invasion of mainland China in the fifties till the seventies, it is not configured for power projection to a far-flung area such as the Spratlys. Throughout this period, China's conventional warfare development and equipment acquisition stagnated due to the emphasis on developing a nuclear capability, economic and diplomatic isolation, and the Sino-Soviet split in the late fifties, thus ending transfer of more modern military equipment. The result is that while China has been a credible nuclear power since 1966, her conventional warfare capability in terms of power projection and combat effectiveness, is not commensurate with her status as a nuclear-capable

⁷⁶ Arthur Waldron, "China", *Brassey's Mershon American Defense Annual 1996-1997*, ed. Williamson Murray and Alan R. Millet, Mershon Center, Ohio State University 1996, p. 136. For an assessment of China's current military capabilities see pages 136 to 140.

⁷⁷ *ibid.*, p. 134.

⁷⁸ Chandra Nayan, "No-Cash Carrier", *Far Eastern Economic Review*, October 10 1996, p. 20.

⁷⁹ Chen, p. 893.

military power.⁸⁰ As Paul Kennedy noted, "for all the size of the Chinese Army in *numerical* terms, it remains woefully under-equipped in modern instruments of warfare... Perhaps more worrying to Peking's leaders are the weakness in China's *combat* effectiveness."⁸¹ This weakness in combat effectiveness showed in two wars which China fought with Vietnam. In 1974, Chinese soldiers used rifles and hand grenades in the Paracel Islands to oust South Vietnamese forces. In 1979, they lost twenty-six thousand troops with thirty-seven thousand wounded while trying to "teach Vietnam a lesson."⁸²

On the ASEAN side of the military balance, Malaysia and Brunei have small but modern and modernizing maritime capability, though the Vietnamese and Philippines armed forces are as antiquated as the Chinese. While China is addressing her military inadequacies, so are the ASEAN claimants. Current Chinese military technology is still as much as twenty years behind the West, the principal source of military hardware of the ASEAN claimants.⁸³ While her power projection capability in the South China Sea will improve by 2010,⁸⁴ it will probably not alter the actual naval balance in Asia.⁸⁵

Military geography militates against Chinese military moves in the Spratlys for the time being.⁸⁶ From Woody Island of the Paracel archipelago, which is the nearest Chinese military installation capable of supporting military operations in the Spratly Islands, the nearest Spratly island is more than three hundred nautical miles south.⁸⁷ On the other hand, the proximity of the

⁸⁰ See Waldron, pp. 136-138.

⁸¹ Paul Kennedy, *The Rise and Fall of the Great Powers*", Random House Inc., New York, p. 448.

⁸² *ibid.*

⁸³ Gallagher, p. 180.

⁸⁴See Paul Dibb, "The Future Military Capabilities of Asia's Great Powers", *Jane's International Review*, Volume 7 Number 5, p. 231.

⁸⁵ Waldron, p. 138.

⁸⁶ See Gallagher, pp. 178-179, for discussion on the impact of geography on China's military capability in the South China Sea.

⁸⁷ The Chinese has a 8,500 feet runway on Woody Island capable of supporting their latest Su 27 aircraft. From Woody Island, the nearest Vietnamese-held island, Southwest Cay, is 350 nautical miles south, while the main Philippines-held island, Thitu Island, is 370 nautical miles

Spratly Islands to the ASEAN claimants makes it logistically more supportable and easier for interdiction missions.

Furthermore, China has to factor the possibility of a combined ASEAN military reply to her military aggression in the Spratlys. As it stands, ASEAN nations are already concerned and wary about China's long term intent in the South China Sea since the 1995 Mischief Reef incident, albeit from different strategic perspectives and with different responses which range from accommodation, cautious interchange, to avoidance.⁸⁸ Further aggression by China in the South China Sea may provide the "common external threat" needed to tip the scales in favor of an ASEAN military alliance focused on China. While none of the ASEAN claimant is capable of countering a determined military push by China into the Spratly Islands on her own, a combined ASEAN military reply will present a formidable challenge to China.

China's Internal Problems

Since Deng Xiaoping instituted economic reforms in 1978, China had seen a spectacular economic transformation driven by foreign direct investment (FDI) keen to take advantage of cheap Chinese labor and to penetrate the undeveloped 1.2 billion people market. FDI surged from the minuscule \$1.77 billion for the period 1978 to 1982, to \$83 billion in 1993; a 46-fold increase.⁸⁹ In 1995 alone, \$37.7 billion of new FDI was committed.⁹⁰ Currently, China is the largest recipient of foreign investment in the world, with the bulk coming from Japan, Taiwan and the democratic West.⁹¹ ASEAN's participation, led by Singapore, Thailand, and Malaysia is robust at both the government level as well as from the large and prosperous ethnic Chinese

south. Malaysia's Shallow's Reef is 574 nautical miles south of Woody Island. See British Admiralty Chart No 2261A and No 2261B.

⁸⁸ See Denoon and Frieman, pp. 428-433, for the various ASEAN nations' views on China's long-term intent in South East Asia.

⁸⁹ Gallagher, p. 186.

⁹⁰ Washington Post Foreign Service, "China's Last Emperor", *The Washington Post*, 20 February 1997, p. A26.

⁹¹ D. Ziegler, "China's great challenge", *The Economist. The World in 1997*, London 1996, p. 13.

community in the region. Riding on this wave of FDI, China's average annual economic growth was 10 % for the past eighteen years and her economy is now the third largest in the world.⁹²

The tangible result of this massive FDI is a remarkable improvement in the quality of life of the Chinese population as reflected in her social indicator figures.⁹³ Nevertheless, while economic progress is spectacular thus far, problems exist. These include inflation, uneven economic growth between urban and rural areas, and unproductive state enterprises.⁹⁴ Socially, rampant corruption, large-scale rural to urban migration, and proliferation of social ills such as urban criminal activities, drug addiction, smuggling, and prostitution are increasing. Politically, the centralized power of the Communist Party is quietly being questioned and pressure is mounting for more de-centralization especially from the prospering southern region.⁹⁵

China is keenly aware of the symbiotic relationship between social stability and economic progress. Continued economic progress through foreign investment can only be assured through social stability and having tasted the fruits of capitalism, the Chinese population can only be assuaged through continued economic growth. Managing the transformation from a closed economy to a capitalist economy, retaining the Communist Party's hold of power in the face of a more demanding population, and maintaining social stability at the same time are the primary pre-occupations of Beijing at this moment and in the near term. In many ways, the survival of the Communist government "seems to ride on their ability to keep the economy going."⁹⁶ The assurance to maintain a "one country, two systems" policy for Hong Kong for at least fifty years after the British hand over on 1 July 1997, is both an acknowledgment of the important role economic development will play as well as an indication of China's assessment of

⁹² Johanna McCreary, "The Next China", *Time Magazine*, 3 March 1997, p. 53.

⁹³ For example, the number of washing machines and refrigerators increased from 6 and 0.22 per 100 urban household in 1981 to 87 and 62 respectively in 1994 while the number of telephones per 100 people increased from 0.43 in 1980 to 5.1 in 1996. See Washington Post Foreign Service, "China's Last Emperor", *The Washington Post*, 20 February 1997, p. A26.

⁹⁴ James Miles, "A difficult year for Mr. Jiang, his friends and neighbours", *The Economist. The World in 1997*, London 1996, p. 63.

⁹⁵ McCreary, pp. 50-56.

⁹⁶ *ibid.*, p. 54.

the time frame required to successfully complete this transformation. Given the importance of economic development to China's internal stability, it is not in China's interest to conduct military adventurism in the Spratly Islands and risks dire economic and political consequences without full confidence of victory.

China's Political Constraints

China will suffer considerable political fallout from initiating an armed conflict with any of the militarily weaker ASEAN claimants. To quote Michael Gallagher "... Chinese military action to clear its rivals out of the Spratly Islands is likely to cause a level of international protest second only to that which followed the Iraqi seizure of Kuwait."⁹⁷

Of the potential "international protest," the reactions of Japan and the United States will feature most prominently in China's calculations. The current East Asia security and economic milieu is underpinned by the China-Japan-United States relationship with the United States as the sole superpower, China as the aspiring regional power, and Japan having a disproportionate economic to military power ratio. Although China currently has significant ideological and economic differences of opinion with the United States, the latter still remains willing to engage her constructively. Japan is participating aggressively in the economic development of China, though Japan remains uncertain as to the long-term security implications of her next-door neighbor's economic and military ascension.⁹⁸ This triumvirate of East Asian powers is likely to remain balanced in the next twenty years unless China chooses to upset the *status quo* through unacceptable behavior such as military aggression in the Spratly Islands.⁹⁹ Any change in this power equation is likely to weigh adversely against China. While Japan has the economic and technological capacity and capability to re-emerge as a military power, she is curtailed by her Constitution, domestic repugnance of a military revival, a willingness to rely on the United

⁹⁷ Gallagher, p. 184.

⁹⁸ Lam Peng Er, "Japan And The Spratlys Dispute. Aspirations and Limitations", *Asian Survey*, VOL. XXXVI, NO 10, October 1996, p. 999.

⁹⁹ Joseph S. Nye Jr, "Uncle Sam' Asian worries", *The Economist. The World in 1997*, London 1996, p. 72.

States for her security, and sensitivity towards the uneasiness of Asian countries who suffered from Japan's militaristic past. Any Chinese military aggression in the Spratly Islands will remove these restraints on Japanese reluctance to develop her military status commensurate with her economic might as it foretells a similar Chinese approach towards Daiyu Islands, currently held by Japan but disputed by China and Taiwan.¹⁰⁰ Ominously, the Daiyu Islands were also named as Chinese territories in the 1992 Chinese Law on the Territorial Waters and Contiguous Areas, together with the other four groups of islands in the South China Sea. In addition, Chinese control of the Spratly Islands constitutes a threat to Japan's oil supply route through the South China Sea. The South China Sea lies beyond the self-imposed one thousand nautical miles from Tokyo defense zone limit of the Japan Self Defense Forces.¹⁰¹ In the event of a Chinese military move in the Spratly Islands, domestic repugnance regarding a military revival will be supplanted by a sense of threatened nationalism, especially if the United States does not intervene militarily. Smaller Asian nations too, especially the other claimants, will be more amiable to Japanese re-armament in the event of Chinese aggression in the Spratly Islands. With the bitter taste of Japanese militarism from 1931 to 1945 still lingering on her tongue, China will not relish the prospects of a re-militarized Japan as a next door neighbor during these salad days of China's economic and military revival.¹⁰²

It is inconceivable for the United States to remain uncommitted in the event of Chinese military aggression in the Spratly Islands, even if she does not intervene militarily. The United States has declared that she "strongly opposes the use or threat of force to resolve competing

¹⁰⁰ The Daiyu islands is located in the East China Sea approximately 140 nautical miles northeast of Taiwan and known to the Japanese as Senkaku Islands. Like the Spratly Islands, the Japanese-held Daiyu Islands promises potential for oil. Chinese vessels were reported to be conducting exploratory test in 1996 and a diplomatic row erupted in July 1996 over a small light tower built by Japanese ultranationalist. See Kevin Sullivan, and Mary Jordan, "Asian Nations Squabble Over Small Islands", *The Washington Post*, 31 July 1996, p. A22.

¹⁰¹ Lam, p. 1004.

¹⁰² Kennedy, p. 333.

claims" though she "takes no position on the legal merits of the competing claims."¹⁰³ The United States has diplomatic relations with all the claimants, including Vietnam since 11 July 1995, and 36 % of her trade is in East Asia.¹⁰⁴ American public opinion, already colored against China by the 1989 Tiananmen incident, trade disputes, and human rights issues, will compel Washington to provide at least moral, political, and logistical support to any claimant seen as a victim of Chinese military intimidation. Furthermore, apathy by the United States will result in a strategic re-assessment of the relevance and significance of the United States' role, presence, and status in East Asia *viz-a-viz* China, by both the other Spratly claimants as well as by traditional non-claimant allies such as Japan, South Korea, and other ASEAN countries. This strategic re-assessment by East Asian countries is likely to result in either a policy of appeasement towards China or, more dangerous, unilateral militarization and/or formation of regional defense alliance(s) focused on perceived Chinese hegemonistic tendencies. The by-products of the latter are an arms race and instability in East Asia. Both results of the strategic re-assessment are detrimental to United States' interests in East Asia.

For China, the current abyss between her economic might and military capability with that of the United States is too wide for China to ignore. Therefore, unless the United States withdraws from East Asia, China will not contemplate military aggression in the Spratly Islands without risking unacceptable estrangement from the United States, Japan, ASEAN, and probably the rest of East Asia.

Taiwan's Political Straitjacket

Taiwan's role in the Spratly Islands dispute is subsumed under the larger political question of Chinese re-unification. The only military threat to Taiwan's only island in the Spratlys is from a frustrated China using an attack on Itu Aba as a final warning in the event of Taiwan's independence movement gathering momentum and crossing China's threshold of pain.

¹⁰³ "Spratlys and the South China Sea", Statement by US. Department of State, May 10 1995.

¹⁰⁴ Zalamea, p. 64.

In a strategy of graduated escalation of threats, the act of attacking Itu Aba is a greater symbol of China's resolve to deny independence for Taiwan than test firing of missiles in the Taiwan Straits and just falling short of an invasion of Taiwan Island. It is however a desperate last resort fraught with uncertainties. Taiwanese nationalism will be further embolden in the wake of the expected international condemnation of China. Like the ASEAN claimants, Taiwan will look towards the United States for assistance and China therefore risks a potential direct conventional military confrontation with the United States; a prospect which China is unwilling and unable to confront without a quantum leap in her military prowess. Meanwhile, economics appear to be leading the way towards Chinese re-unification. In the last five years, "more than thirty thousand companies from Taiwan have invested more than twenty billion dollars in mainland China."¹⁰⁵

Taiwan is unlikely to resort to any military actions in the Spratlys on her own for political reasons. Any unilateral military action by Taiwan serves only to alienate her further politically from her ever-receding circle of friends.¹⁰⁶ Worse still, it may erode the current all-important domestic American support for Taiwan as a democratic state struggling for political survival against a Communist ogre. American support is arguably the main restraint on China from contemplating a military option against Taiwan. Finally, if Taiwan resorts to military aggression, she will lose the moral high ground against similar moves by China against the island of Taiwan. Economically, Taiwan is an important and prospering nation and does not have a dire need for the uncertain promise of wealth from the Spratlys. Her economic strength and relevance are important bargaining chips in vying for international support for her independence or in extracting acceptable terms in negotiation with China regarding re-unification. Any armed conflict will affect her economic strength and erode this bargaining

¹⁰⁵ Sandra Sugawara, "Taiwan Opens the Tap On Investments in China", *The Washington Post*, 27 December 1996, p. G1.

¹⁰⁶ Currently, only twenty nine nations have diplomatic relations with Taiwan, the latest deflection being South Africa on 27 November 1996 with two more African nations expected to follow. See Keith B. Richburg, "US-China Talks Kick Off Bad Week for Taiwan", *The Washington Post*, 30 November 1996, p. A16.

power. Although Taiwan was the first to occupy a Spratly Island, she has not shown any inclination to expand her presence from her single island, watching idly as four other claimants enlarged their respective presence. While her military strength is second only to China among the six claimants, there is no reason to believe that she will change this lethargic stand. Finally, apart from having a similar basis of claim, and unlike other bilateral issues, Taiwan and China have displayed solidarity over the Spratly Islands. Responding to the 1988 military clash with Vietnam off Johnson Reef, Taiwan's Defense Minister stated that Taiwan "would help China if asked to do so."¹⁰⁷ In many international conferences since 1991, they have supported each other's arguments against other claimants and even launched a joint scientific expedition to survey the waters around the islands in March 1994.¹⁰⁸

To sum up for Taiwan and China, the Spratly issue is politically and economically insignificant for Taiwan to contemplate a military option before the question of Chinese reunification is resolved while military, political, social, and economic factors conspire to make it untenable for China to venture a military option in the Spratly Islands with impunity now and in the near future.

In keeping with her southward creeping opportunistic assertiveness strategy, China will only contemplate military moves in the Spratlys under the following conditions. First, China has to be certain the United States will not intervene militarily by herself, lend logistical support nor lead an international military reply *ala* Desert Storm. Non-intervention by the United States is highly unlikely so long as the United States remains politically and economically engaged in East Asia and maintains a military presence. Second, even if the United States decides not to intervene beyond providing moral support for the victim, China has to be certain that the rest of the East Asian nations, including Japan and ASEAN, will not align against Chinese hegemony. Third, an opportunity such as the occurrence of significant and lengthy development outside East

¹⁰⁷ Shim Jae Hoon, "Blood thicker than Politics", *Far Eastern Economic Review*, 5 May 1988, p. 26.

¹⁰⁸ Chen, p. 900.

Asia to transfix international attention, including the United States', must present itself. This will allow time and space for her to foray in the Spratlys. An example of such an opportunity is Iraq's invasion of Kuwait and the subsequent international involvement in Desert Shield and Desert Storm. Currently, none can be foreseen.¹⁰⁹ Fourth, armed conflict is initiated by and among the Spratly claimants. As shown in the previous chapter, this is unlikely too. Fifth, China has sufficient military capability and political clout to act with impunity in the South China Sea. Currently, the quantitative and qualitative chasms between the military capabilities of China and the United States are too wide and deep for China to harbor hope of certain military success and so long as the United States remains engaged in East Asia, China is unlikely to dominate the political playing field to the extent of extracting appeasement from all the other claimants.

When will China reach this level of economic, political, and military eminence in East Asia to act with impunity over the Spratlys base on the current rate of development, if ever? According to Lee Kuan Yew, in a speech delivered on 11 November 1996,

It may take China some twenty five years to attain living standards and industrial capacity comparable to present day Taiwan or South Korea. It will take another fifty years for it to approach today's Japan, let alone present United States. But a China with a per capita GDP of a Taiwan or South Korea will already have enormous weight.¹¹⁰

According to Time magazine, the "Pentagon estimates that it will take at least twenty years before China can rival the United States Navy."¹¹¹ Elsewhere, Lee Kuan Yew opined in February 1997 that "China will become a huge heavyweight nation in thirty years"¹¹² Till then, China is unlikely to initiate armed conflict in the Spratly Islands.

¹⁰⁹ A military conflict between North and South Korea is a potential development which may transfix international attention. Such a situation will, however, involve China as well.

¹¹⁰ Lee Kuan Yew, *America and Asia*, Speech delivered at the Architect of the New Century Award Dinner on Monday, 11 November 1996, Embassy of the Republic of Singapore, Washington DC, p. 4.

¹¹¹ McGreary, p. 55.

¹¹² Steven Mufson, "Chinese President Vows to Press On With Late Leader's Reforms", *The Washington Post*, 22 February 1997, p. A16.

If armed conflict over the Spratly Islands is indeed staved off for the next twenty years, how will the issue evolve? Are current peace initiatives sufficient for a peaceful solution in the next twenty years and beyond? What roles can both claimants and interested non-claimants play to prevent armed conflict and facilitate a peaceful solution? The final chapter will discuss these questions.

CHAPTER FOUR

Possible Resolutions

Before 1988, the Spratly Islands dispute was only a side show in a larger theater of unresolved territorial disputes in post colonial Southeast Asia. Islands were quietly occupied and rarely reported in international media. Though claimants exchanged diplomatic protests, there was no serious effort by any party to seek a comprehensive solution. China's well-reported blazing entry into the Spratly Island occupation melee in 1988, accompanied as it was by the sinking of two Vietnamese vessels and the loss of more than seventy Vietnamese soldiers, changed the calculus. The incident indicated China's willingness to back her claim with military might and was another step in her southward creeping imperialism. This encounter sparked wide realization that the Spratly Islands dispute is the potential flash point in the South China Sea if not Southeast Asia, and spawned a belated scramble to seek solutions before the incidental flare becomes a prelude to a general conflagration.

Current Peace Initiatives -- Forums and Formulae

Peace initiative forums since 1988 took two forms; at the official governmental level, and non-governmental forums and seminars, commonly known as Tract Two processes. Both levels have their uses and they have a symbiotic relationship. While announcements from formal governmental forums demonstrate resolve and priorities, they tend to be cautious and guarded. On the other hand, Tract Two processes, being discursive in nature and non-binding by definition, act as an arena for floating trial balloons, a test-bed for new and sensitive ideas, allow for freer, wider, and bolder discussions which may not be feasible nor wise in a more formal setting, and act as a means to gauge possible official views and responses. The proliferation of peace forums since 1988 manifests the urgency, sensitivity, and complexity of the issue, as politicians and academicians explore all avenues to advance peace negotiations.

Apart from bilateral talks, the most influential official governmental level forums to date are the various intra-ASEAN meetings and summits, and the ASEAN Regional Forum (ARF). The successes of these two forums in extracting conciliatory responses from China, even if it

failed to inhibit her actions, have been discussed earlier. Over and above these successes, the forums have two other important functions. First, they act as a barometer for external parties, particularly China, to gauge ASEAN's solidarity on this issue. Second, the ARF is currently the only formal platform focused specifically on security issues in the region, involves almost all claimants and interested parties in this dispute, and has the Spratly Island dispute high on its agenda.¹¹³ This puts the ARF in a better position to tackle this issue as compared to other forums such as the Asia Pacific Economic Cooperation (APEC), whose primary concerns are economics rather than security.

Non-governmental level forums include the Council for Security Cooperation in the Asia Pacific (CSCAP) and the Pacific Economic Cooperation Conference (PECC).¹¹⁴ The most significant non-governmental forum however, is the Canadian-funded, Indonesian-sponsored Workshops on Managing Potential Conflicts in the South China Sea, known colloquially as the Indonesian Workshops.¹¹⁵ Conceived in 1989 soon after the Johnson Reef incident, the Indonesian Workshops were among the first forum set up to address this issue. Indonesia's attempt to play a leading role in the search for a peaceful resolution to the Spratly Island dispute is understandable. The source of her motivation goes beyond the desire to ensure freedom of navigation in the South China Sea and the fear of economic and security instability resulting

¹¹³ Apart from the ASEAN countries, the other seventeen participants include, *inter alia*, the United States and Japan as dialogue partners, and China as one of two consultative partners. Taiwan is not a participant in deference to protest by China.

¹¹⁴ CSCAP is a non-governmental organization (NGO) that provides a structured process for regional confidence building and security cooperation among academicians, security specialists and government officials in the Asia Pacific region. In 1995, there were 10 members; Australia, Canada, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Thailand and the United States. See *South China Sea Reference Book*, Research and Analysis Division, Strategic Planning and Policy Directorate, US. Pacific Command, p. 22. PECC is an NGO organized to promote economic cooperation in the Pacific Basin through discussion on and analysis of key issues on regional economics and make conclusions that serve as a basis for policy recommendations to interested governments. It is represented by 21 countries including all claimants *sans* Vietnam. See *South China Sea Reference Book*, Research and Analysis Division, Strategic Planning and Policy Directorate, US. Pacific Command, p. 22.

¹¹⁵ Shephard, p. 1.

from an armed conflict in the South China Sea. Right or wrong, Indonesia sees herself as the *de facto* benign leader of ASEAN and China's military encroachment into the South China Sea is a challenge to this role.¹¹⁶ More than this, while Indonesia does not claim any Spratly island, China's U--shaped claim of the South China Sea overlaps Indonesia's archipelagic waters off Natuna Island. Therefore, Indonesia cannot help being as concerned about China's aggression in the South China Sea as the other ASEAN claimants.

Currently, it appears that the Indonesian Workshops are the most lasting Tract Two forum. Up till 1994, four Workshops and two Working Group Meetings have been held. The value of the Workshops is in bringing representatives of all claimants together voluntarily, including China and Taiwan, to specifically discuss the issue.¹¹⁷ Though the approach is consultative, issues discussed thus far are peripheral, and conclusions are non-binding, it nevertheless represents a release valve for built-up tension, possibly an early indicator for potential adverse developments and moves by any claimant, and a step forward in the long dark road out of this quagmire. The Workshops also lay the foundation for more concrete discussions when the collective political will of the claimants to negotiate seriously for a long-term solution crystallizes. By focusing on discussions and consultations on an informal basis with all participants in the dispute represented, the forum keeps China engaged in the issue. This low-key approach is correct as it is in keeping with China's preference to conduct negotiations away from the limelight.

While such forums agree that more scientific research is required and that confidence-building measures (CBM) need to be developed to reduce the likelihood of another military confrontation, there is no consensus on how the sovereignty issue can be resolved.¹¹⁸ Foremost

¹¹⁶ *ibid.*, p. 4.

¹¹⁷ *ibid.*, p. 6. Apart from the claimants and the host Indonesia, representatives from Laos, Singapore, Thailand and Canada attended the Workshops.

¹¹⁸ For example, see Hamzah B A, "Conflicting maritime claims in the South China Sea: the scope for resolution", *Maritime Change - Issue for Asia*, ed. Ross Babbage, and Sam Bateman, Royal Australian Navy and Australian Defense Industries Ltd, Allen & Unwin Pte LTD, 1993, pp. 105-106, for suggested CBMs.

among the formulae for resolutions put forth are the 'South Pole Formula' where the territorial issue is frozen in favor of common peaceful exploitation, the 'North Sea Formula' which calls for multi-national administration of the area, 'Final Arbitration Formula' where the issue will be presented to a neutral world body such as the ICJ for arbitration, and 'Formula of Guarantee' by major powers not directly involved in the issue.¹¹⁹ It is not within the scope of this paper to comment on the merits or feasibility of each of these formula, nor the responses of each of the claimant to the various formulae save to say that there has been much smoke but no fire. The lack of progress is generally attributed to China. Her position is the least flexible and arguably the biggest stumbling block to the progress of peace negotiations, both at the official and Tract Two levels.¹²⁰

China's Position

China initially opposed all formulae, insisting on not internationalizing the issue and discussing all sovereignty issues bilaterally. Nevertheless, in response to ASEAN's 1992 Declaration on the South China Sea, she agreed to shelve the sovereignty issue and proceed with joint development, calling it a "temporary and practical arrangement."¹²¹ Implicit in this stand however, is that China retains sovereignty. When the ARF criticized her in 1995, she conceded to resolving the issue in accordance with the 1982 United Nations Law of the Sea Convention. though no time frame was set. This is not surprising as it is in China's interest to stall negotiations. Given her South China Sea strategy of buying time while building up her military capability, her pre-occupation with managing her internal problems and the post-1997 administration of Hong Kong, and her emphasis on economic growth, it is in her interest to assuage the other claimants and interested parties without conceding anything on the sovereignty issue. Adding the ASEAN claimants' reluctance to resort to arms, the most likely scenario is a *status quo*. At worst, claimants will continue to seize more unoccupied islands with each

¹¹⁹ Pan, p. 30.

¹²⁰ Mark J. Valentia, "Spratly Solution Still at Sea", *The Pacific Review*, Vol. 6. No. 2, 1993, p. 155.

¹²¹ Pan, p. 34.

occupation followed by a general diplomatic outcry. Simultaneously, claimants, particularly China, will concentrate on building economic strength and military reach. While this scenario offers the best prospects for peace within the twenty-year time frame of this paper, it is also the most dangerous as it merely postpones the inevitable and China may be in an even stronger bargaining position twenty years down the line. Mark Valentia argues that this scenario actually increases the possibility of armed conflict.¹²²

On the other hand, optimists opine that the preservation of peace for any duration is worthwhile in the hope that every Gordian knot can be dissolved, if not resolved, over time. If it is confirmed that there is little recoverable oil, such hope may come true if one can disregard the strategic value of the Spratly Islands. However, if indeed there is as much oil as expected by China, the prospects for peace are bleak. Once China consolidates her economic and, more importantly, military strength in the future and the rest of the claimants are better-armed as well, any military conflict will be larger in scale with graver results. It is in the ASEAN's claimants' interest to use all means available to advance the issue within this period. Unfortunately, China's present reluctance makes it impossible. As such, while the possibility of armed conflict in the Spratly Islands is low within the next twenty years, no solution is likely unless China changes her stand. The only passage out of this impasse is when China feels confident or comfortable enough to negotiate seriously. Towards this end, the United States can play an important role.

Role of the United States

As the sole superpower of the world and given her level of engagement in East Asia, the United States' relations with China and, specifically, her policy towards the Spratly Islands dispute are crucial factors in the search for a peaceful solution. In accepting the Nixon Center

¹²² Mark J. Valentia, *Resolution of the South China Sea Disputes: Context, Options, and Issues*, Conference Paper presented at South China Sea Conference, 7 to 9 September 1994, American Enterprise Institute for Public Policy Research, Washington D.C., pp. 10-14

for Peace and Freedom's Architect of the New Century Award on 11 November 1996, Lee Kuan Yew said:¹²³

US-China bilateral relations will set the tone, structure, and context for all other relationships in East Asia. A stable US-China relationship will mean stability and growth. An *ad hoc* and spasmodic relationship will cause uncertainty and instability, and inhibit growth throughout East Asia.¹²⁴

Officially, the United States' position on the Spratly island dispute can be summed up as follows; the United States takes no position on the legal merits of competing sovereignty claims, is willing to help in the peaceful resolution of the competing claims if requested by the parties, urges peaceful settlement of the issue by the countries involved in a manner that enhances regional peace, prosperity, and security, strongly opposes the threat or use of military force to assert any nation's claim to the South China Sea territories, and view any such use as a serious matter.¹²⁵ This neutral position has not changed since the dispute surfaced and is predicated on freedom of navigation in the South China Sea being ensured, regardless of how the sovereignty issue is settled. For this and other larger economic and political factors affecting the state of relations between them, the United States' primary concern in this issue is China's claim to the whole South China Sea as an inland lake and hence the potential to restrict freedom of navigation in the South China Sea.

Given China's insistence on no outside interference in the issue, the United States should maintain this neutral approach and support any peace initiatives as an interested non-claimant. China's insistence on no outside interference is an oblique reference to the United States as the latter is currently the only power in Asia who has the ability to, either unilaterally or more likely leading her allies in Asia, immediately thwart China's economic progress and/or politically isolate her. China's insistence on not internationalizing the issue through United Nation

¹²³ Roxanne Roberts, "Singapore Praise - Nixon Center Honors Controversial Leader", *Washington Post*, 12 November 1996, p. D1.

¹²⁴ Lee Kuan Yew, p. 4.

¹²⁵ "Spratlys and the South China Sea", Statement by US. Department of State, 10 May 1995.

mediation is also in fear of the United States' direct influence on the skew which the process may take. By insisting on freedom of navigation and opposing the use of force to settle the issue, the United States demonstrates a positive interest and remains sufficiently engaged in the issue for diplomatic maneuver and/or political or military intervention should events take a turn for the worse. This is reassuring to the smaller ASEAN claimants while keeping a respectable distance from the issue for China's comfort. Undue direct influences by the United States on any claimants' position or taking a position on the merits of any claim is likely to alienate other claimants and complicate the issue. More ominous, it will harden China's resolve to remain intransigent, disengage from any of the negotiating platforms, and leave open the question of using force to settle the issue thereby torpedoing any progress made thus far.

This approach is not kowtowing to China as critics may insinuate. Given the United States' military superpower status, her position in East Asia, and the importance of the United States to the development of China's economy, China is unlikely to ignore the United States' views on this issue totally. This approach therefore manifests the best option for the United States and is in keeping with her national security strategy as it allows her to remain engaged in this issue while being in a position to enlarge her role.¹²⁶

China suffered a "Century of Shame" from 1842 to 1949 and although the Communist government restored a large measure of nationalistic pride by unifying the country, fifty years of political isolation since then resulted in economic backwardness and stagnation.¹²⁷ China's re-emergence in 1978 to engage the world economically after this checkered history is thus laden with an emotional baggage and bears the psyche of an aggrieved *débutante*; awkward but proud. The way to engage and educate this wounded but healing dragon requires sensitivity. While she

¹²⁶ _____, *A National Security Strategy of Engagement and Enlargement* - February 1996, The White House, February 1996, p. 2.

¹²⁷ See William R. Cronin, *The United States and the Middle Kingdom : The Role of Two Great Powers in the Pacific Rim*, unpublished Master of Military Studies thesis, United States Marine Corps University, Academic Year 1995/1996, pp. 5-7.

is willing to learn how to be a responsible citizen and a regional power, she needs ostensible or symbolic respect at the minimum.

While China's initial response to the statement issued by the United States' Department of State on 10 May 1995 after the Chinese occupation of Mischief Reef and the subsequent naval posturing by Philippines was negative, the National People's Congress subsequently ratified the United Nations Convention on the Law of the Sea in the same month and more telling, responded positively during the ARF Meeting in Brunei in August 1995. This episode suggests that despite her apparent intransigence, China will modify her position once the right approach and pressures are applied. The right approach for the United States is to maintain the current policy of insisting on freedom of navigation as an interested non-claimant while offering incentives for China to negotiate. United States' interest in this issue can be demonstrated through supporting all peace initiatives, continuing to maintain her level of presence in the region, and indirectly influencing all claimants to resolve the sovereignty issue peacefully within the bounds of international law. At the same time, the United States can restrain any attempt to militarize the situation in the Spratly Islands by closely policing all development in the islands through satellite reconnaissance and announcing any untoward movements by any claimants either publicly or quietly to all claimants. In engaging China, quiet diplomacy is likely to be more effective. She has demonstrated an aversion for publicity, preferring quiet behind-the-scenes negotiations by a small group of people, as in the pre-Woodrow Wilson era, rather than public debate via the media.¹²⁸ As Kissinger noted, "Wilsonianism has few disciples in Asia."¹²⁹

This policy may be distasteful to those who fear China's economic and concomitant military ascension is a threat to the United States' interests and position in Asia first, and eventually as the world's only superpower. Hence, they urge a policy of confrontation on all fronts, be they economic or political. At worst, such a policy will almost certainly lead to dire

¹²⁸ _____, "US. Foreign policy and the American Political System", *Great Decisions*, Foreign Policy Association, New Hampshire, 1997, p. 5.

¹²⁹ Kissinger, p. 826.

consequences including war with China as predicted by Samuel Huntington.¹³⁰ At best it risks American isolation in Asia as predicted by Henry Kissinger.

A policy of confrontation with China risks American isolation in Asia. No Asian country would want to be -- or could afford to be -- supportive of America in any political conflict with China which it considered to be the result of misguided United States policy.¹³¹

While China seeks to modernize and enter the capitalist system without a fundamental change in ideology, the United States insists on acceptance of a code of conduct before allowing her full and easy access into the world economic system. The overall state of relations between China and United States has fluctuated from ping-pong diplomacy as a counter to the former USSR in 1972 to what the Chinese currently fear is an attempt by the United States to contain her and stymie her growth. Current thorns in bilateral relations, particularly human rights issues and the United States' objection to her entry into the World Trade Organization, are viewed through this prism. One must remember that the China has only emerged recently from four hundred years of autocratic rule followed by forty years of Communistic isolation to re-engage the world in search of economic development and modernization. Wedged between these two periods is the Century of Shame in which foreign, primarily Western, dominance left her a political paraplegic. Given such a background, it is unrealistic to expect China to adapt quickly. A suspicious China will see more evidences of attempts to retard her growth and provide the reasons for her to adopt a hostile response in order to prevent another Century of Shame. China had demonstrated that she has a long memory, both of shame and goodwill. Positive engagement of China while she is in the infancy of her ascension will result in a less suspicious and more cooperative China, willing to find a peaceful and responsible role among the community of nations.

¹³⁰ Latif Asad, "Huntington sees war if US does not accept China's rise", *The Straits Times Weekly Edition*, 7 September 1996, p. 5.

¹³¹ Kissinger, p. 830.

Possible Role For Singapore

Singapore is also in an ideal position to play the role of mediator. In fact, Singapore's unique position as a small country of considerable economic clout among the claimants, her membership in ASEAN, the fact that the Singapore government arguably enjoys a closer relationship with China and Taiwan than all the rest of ASEAN, and the similarity of her stake and stand in this issue with Japan and the United States makes her a suitable candidate should a fresh approach be contemplated.¹³²

Like the United States, Singapore has adopted a neutral stand on this issue and has not offer to play a role beyond calling for a peaceful negotiated solution to the dispute within the ambit of ASEAN. This reticence is understandable because while she enjoys strong economic and close political relations with all claimants and interested extra-regional powers, she is sensitive to possible misinterpretation and/or distortion of motives by any party. For example, Indonesia may feel insulted by the fact that her own initiative is being subverted by a smaller neighbor and, by extension, a challenge to her aspirations of being the regional big brother. Nevertheless, Singapore is likely to be amicable to play the mediator role should a fresh approach be called for and the request comes from ALL parties involved.

¹³² For example, a Singapore delegation signed an agreement in China on a government-to-government level in May 1993 to develop a twenty seven square miles industrial park near Suzhou that may garner up to \$20 billion. To date, \$2 billion have already been committed. Another industrial park is being planned at Qingdao. See Mary Kwang, "Suchou Industrial Park draws 10 new projects worth \$363m", *The Straits Times Weekly Edition*, 19 October 1996, p, 20. and Patrick Tan, "Qingdao mega-projects for Grandlink", *The Straits Times Weekly Edition*, 19 October 1996, p. 20. Singapore accounts for 25 % of Vietnam's exports and 9 % of her FDI in 1994. See *The Big Emerging Markets. 1996 Outlook and Sourcebook*, International Trade Administration US. Department of Commerce, 1995, pp. 192 and 197.

CONCLUSION

To sum up, while armed conflict over the Spratly Islands is unlikely over the next twenty years, prospects of a peaceful comprehensive solution within the same time period are bleak. In short, the *status quo* will continue.

The trend of erecting markers to assert ownership and occupation of deserted islands is likely to continue especially for China, and possibly Vietnam, Malaysia, and Philippines, as each tries to bolster the merits of their claims with physical presence and displays of sovereignty. Militarily weak Brunei is unlikely to join the fray. Taiwan has not shown any inclination to occupy more of islands beyond Itu Aba and risk international criticism at a time when she is seeking to define her existence in the world community, and without a clear resolution to the Chinese re-unification issue in sight. Diplomatic flak in terms of protests, token arrests of fishermen, and even some military muscle flexing are likely to follow each occupation. Nevertheless, demonstrations and show of force by claimants, while highly provocative and dangerous, are unlikely to result in armed conflict as economic and wider political considerations outweigh any possible gains by military actions. Negotiations through present forums are likely to continue, though without much hope for a breakthrough while China remains intransigent on the question of sovereignty.

According to Lee Kuan Yew, "Sovereignty of the Spratly Islands will remain a long standing problem involving many Asian countries."¹³³ Notwithstanding this rather gloomy prediction, the United States can effect a change in the *status quo* of this imbroglio beyond twenty years. On one hand, withdrawal by the United States from East Asia will destabilize the current situation. China may see this as an opportunity for further military adventurism in the Spratly Islands while Japan may re-arm. Either development will compel the ASEAN claimants to close ranks and accelerate their level of economic, political, and even military cooperation in order to present a united front to meet the new power equilibrium and/or embark on unilateral

¹³³ Neil Behrmann, "Japan won't have monopoly of East Asia : SM", *The Straits Times Weekly Overseas Edition*, 12 October 1996, p. 2.

military arming, thus creating an arms race in East Asia. On the other hand, successful engagement of China by both the United States and the ASEAN claimants will lead to a more stable, confident, prosperous, and yet more responsible China; a China who has exorcised the ghosts of past humiliations, is willing to soften her stand and negotiate seriously, and, as predicted by President Clinton, is "more likely to work cooperatively with others and to contribute positively to peace in the region and to respect the rights and interests of its people."¹³⁴ This is perhaps a rather idealistic prognosis. Nevertheless, there is currently no compelling evidence to infer the worst case scenario of inevitable war in the Spratly Islands as well.

The arguments presented in this paper mitigating against the possibility of China resorting to armed conflict in the Spratly Islands within twenty years are predicated on a stable, rational, and logical China, who emphasizes economic development over territorial expansion and nationalism in the medium term. China's internal stability, in the form of a strong central government that remains committed to economic development, is therefore crucial to this issue. The recent death of Deng Xiaoping, chief architect of China's economic reform movement, on 19 February 1997 raises the possibility of internal instability resulting from a power struggle in China over succession.¹³⁵ Heir apparent, President Jiang Zemin, has vowed to continue with Deng Xiaoping's "economic reform and open-door policy."¹³⁶ While no challenge to Jiang Zemin has emerged thus far, the litmus test for him and his successors is how successful they juggle the throes of China's economic reforms, the attendant social upheavals, and control of the People's Liberation Army (PLA) against rising external political, economic, and social influences now and in the future. If economic reforms result in social chaos and their control over the PLA is tenuous, there is a remote possibility that contending fractions may induce the

¹³⁴ _____, *A National Security Strategy of Engagement and Enlargement - February 1996*, The White House, February 1996, p. 40.

¹³⁵ Steven Mufson, "China's Deng Xiaoping Is Dead at 92 - Respiratory Failure Cited; Rites to Exclude Foreigners", *The Washington Post*, 20 February 1997, p. A1.

¹³⁶ Steven Mufson, "Chinese President Vows to Press On With Late Leader's Reforms", *The Washington Post*, 22 February 1997, p. A16.

nationalistic PLA to stir territorial issues in order to subvert and discredit Jiang's leadership. Similarly, in the event of economic and social chaos, Jiang may be tempted to divert domestic attention by reviving territorial disputes such as the military junta of Argentina did in the Falkland Islands in 1982. Nevertheless, even if such scenarios develop, the Spratly Islands is only one of the many territorial disputes that China has and hence the chances of it being thus honored remains slim. Time will tell.

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