Asia Rising Podcast
Tipping Point in the South China Seas

Professor Nick Bisley
Welcome to Asia Rising, a podcast of La Trobe Asia where we discuss the news, events and general happenings of Asian states and societies. I'm your host Nick Bisley, the Executive Director of La Trobe Asia.

The South China Sea is one of the world's most important waterways, it connects the major economies of Northeast Asia with energy from the Persian Gulf, commodities from Australia and Africa and of course links the people of Japan, China and Korea with the societies of Southeast Asia and beyond. The sea is also the subject of significant and long running disputes about just who owns the thousands of islands and features that dot the body of water, and who has the right to exploit this seas rich natural resources, both its fisheries and hydrocarbon reserves.

In recent years this dispute has become especially heated with China's land reclamation program turning a number of recent atolls into a series of artificial islands comprising nearly 3,000 acres, complete with nearly 3 kilometre long runways and deep water ports. In response the United States has sought to publicly shame China and has also deployed the US Navy in an attempt to show Beijing that Washington means business. Most recently this has involved the despatch of an aircraft carrier battle group to the contested areas. Many fear that this dispute could escalate into outright conflict, while others see it as a harbinger of a more unpleasant future in which the peace and prosperity enjoyed by Asia's peoples over the past thirty or so years, is replaced by a risky long term strategic arm wrestle between the region's major powers.

Joining us on today's podcast to discuss the South China Seas disputes is Doctor Euan Graham, the Director of the International Security Program at the Lowy Institute for International Policy in Sydney. Welcome to the podcast Euan.

Doctor Euan Graham
Hello Nick nice to be with you.

Nick Bisley
Thanks. Well let's start with the basics because it's a bit complex and a bit messy. What's the dispute constituted of and what's at stake?

Euan Graham
Well for analysts like us it's the dispute that keeps on giving because the beauty of the South China Sea is it cuts across so many fields. Strategy is obviously there, become more central I think in the last few years, there's a military strategic component to that, it's a large body of deep water within the so-called First Island Chain, so that gives it importance for the Chinese Navy and others who operate in submarines and increasing numbers around that area.

Energy, it often gets compared to the Persian Gulf. Little evidence to actually back that up, but there is obviously a lot of energy that's been brought around the periphery, particularly the Southern periphery of the South China Sea.

Brunei as a state really owes its existence to that South China Sea energy. Malaysia, Indonesia, but China too, has also been taking out energy from that peripheral area. The caveat on that is there's not much evidence yet geologically to back up claims of energy around the actual disputed Spratly Islands or the Paracels themselves. As you mentioned in the intro, it's a major through-

fare for merchant marine trade, manufacturers basically going from North Asia to Europe through the South China Sea and the raw materials and energy from the Middle East passing up to those resource deficient economies. That includes China, the big shift in the last twenty years, China used to export oil, now of course it takes in more than half of it, most through the South China Sea.

So you have that and then if you like at a symbolic level it's taken on an extra meaning I think in recent years, as a sort of totem between the US and China and it's become a kind of symbol of who's up – who's down and as a symbol of where Asia's strategic future lies. It's a disputed frontier between Southeast Asia and China. Most of the land borders to China's credit, have been settled including with Vietnam. But the big ambiguity of the so-called 9-dash or 10-dash line (it does have a 10 added now outside of Taiwan) has been, I think a root of a lot of concerns and trouble in recent years has brought employment to you and I.

Nick Bisley
So you've got an issue that's about a range of things. It's about military influence and strategy, it's about the flow of energy and resources, it's about access to resources, but it's also about maybe the revival of old-fashioned sentiments around geopolitics and spheres of influence and the like.

But it's an old dispute, I mean its origins go back to the murkiness created by Imperialism; Japanese Imperialism, European Imperialism, and just who owned what bits of land prior to the arrival of Europeans and others. And yet it comes and goes and the heat that's in the dispute, so why has it become so hot now?

Euan Graham
You could also say that it's a philosophical dispute about what constitutes the sea. Is it an extension of territory? Is it something that can be divided up and owned exclusively in terms of the oil and gas and fish and food resources that are taken out of it? Maybe that's partly why it's flared up because, the economic drivers are there. It's much more important to the coastal countries than it used to be. Vietnam has become a significant exporter of oil, that was not the case twenty years ago and that owes entirely to the South China Sea. The Philippines of course was late in the game and is now extracting gas, and of course those economies are growing, the population is growing, they all need energy and the South China Sea is one obvious way to fulfil that supply.

But we've also got I think the strategic element, and it's not just exclusively a US – China dimension of course it cuts across the South East Asia – China relationship, and particularly spoiling between the rival territorial claimants. But because the US – China relationship I think has taken on an element of overt strategic competition. That I think is the dominant factor that's put it in the headlines and forced the Southeast Asians into the position that the last thing they want to do is to make a choice between one or the other.

Nick Bisley
A song that we're used to here in Australia hearing, we don't have to choose between the United States and China. But why do you think it is that as a subject of rivalry between China and the United States, this has become the totem or the symbol of this; that a few years ago it hadn't? Is it American weakness, is it Chinese ambition, is it what's going on in China, is it some combination of these things that's driving it?

Euan Graham
Well let's take the trigger point which I would identify as being around 2008 – 2009. Up until that point the South China Sea, as you say, it's always been there in the background, but the tensions

could be handled. As an extension of the Asian China relationship it was optimistically regarded, the declaration on the Code of Conduct and the Code of Conduct, while not producing particularly spectacular confidence building results, were nonetheless on the right track to managing that competition and tension with a rise in power.

What changed? Well, I think Chinas behaviour has changed, it's become more obviously nationalistic. Sovereignty has become much more at the forefront of what China says matters to it most. That's become officially more evident since President Xi became anointed as the leader, but I think even before then we've seen, there is a Nationalist action/reaction that certainly has been observed throughout the region that sovereignty is the big immovable object. It's very difficult for leaders who depend on more populist positions to row back from that and there's a ratcheting effect that makes sovereignty a big obstacle to what otherwise economically a very good news story.

The flip side to that is that that very wealth has allowed countries also to invest increasingly in defence resources, China has led the pack very much, in terms of the scale and direction of it's spending with a particular maritime naval focus. And that's been I think a source of a lot of the concern on the Southeast Asian side that, China's grown so quickly that in its mentality it still sees itself very much as a historically victimised power, but the label is not fully realised in Beijing that whatever you do as a great power, people will always put a strategic reading on that.

Southeast Asians like to say that they want to avoid making an exclusive choice between United States and China, but it's also not a bad place to be as long as you can control that rivalry and make sure that it's benign. It's actually been a rather successful gain that Southeast Asian countries individually, collectively have been able to play.

Nick Bisley
Yeah, I mean it's an old puzzle/opportunity/risk for smaller players, is you can take advantage off major power competition, you can play them off against one another to advantage, but it comes about with very real risk.

The question of sovereignty I think is quite an interesting one, where we saw in late 2012 when China issued that new passport, which included in it the map of China the size of a postage stamp, and included on it is the 9-dash line complete with little dots of the Spratly Islands which frankly you couldn't see even if you were sitting on top of them.

Euan Graham
Indeed, that's something that's also changed. I talked about a kind of ratcheting effect when you attach yourself to a nationalist narrative. For China obviously Shinjang, Tibet, Taiwan, these are core concerns, large populations involved regardless of whatever position you take on the legitimacy of the sovereignty claim. They are inherently very different and operate in a much more emotive level than a dispute over, what are unoccupied scraps of territory, so in that sense, there is I think a real material difference. But now I think it would be much more difficult for China to row back from the description of the South China Sea and the Spratly Islands as a so-called core concern.

And in fact, we talk about the facts on the water or the facts on the ground, the other big striking change of course is the fact that a lot of concrete has been poured in the last two years, and what were scraps no bigger than the table we're around at the moment, now are capable of hosting runways and other military infrastructure. So that's very reminiscent of the way that socialist societies tend to operate, it's an engineering solution to a problem. I think it's no coincidence that the striking solution is rather like going almost back to the great wall, if you have insecurity build a

wall…,

Nick Bisley
Build something big.

Euan Graham
Or else if you don't have any Islands in the First Island Chain, make them – make them.

Nick Bisley
And I think there was that line that Admiral Harry Harris said about this time last year, 'Chinas making a Great Wall of sand in the South China Sea'. Certainly I think from most external observers China seems to be the principal catalyst in the dispute in recent years, and certainly most visibly, as you said with the island building programme that's occurred over the past eighteen months or so.

What does China want in the South China Sea? China famously being kind of officially ambiguous, has never sat down and said clearly and unambiguously, 'this is what we want'. In contrast to, say for example with the Vietnamese and the Philippines who've lodged with UNCLOS what it is that they're claiming. So what's your take on what China wants?

Euan Graham
Well as you say, it's held deliberately ambiguous in a sense, and perhaps that's the way that a polity as large and unruly as China is ruled, through the ambiguity of top-down slogans which are left for sub-ordinates to interpret. It's often been talked about that there's an internal competition between various agencies that's played a role in China, either in terms of loose-canons of ships captains who are free-lancing or, at the higher level, of the military which is trying to get a larger slice of the fiscal pie and using the South China Sea as its main ammunition to do that. There may be an element of that but I think, that's changed in the last two or three years. Even if it's a clear sense of slogans, that there is still a very centralised directive coming right from the top in which sovereignty protection is now a much larger part of what defines China's legitimacy.

I talked earlier about the military strategic element, I think that is also a very real part of how the South China Sea has played an increased role in Chinese thinking because, it is important for the Chinese Navy as an area to operate. There may be a strategically defensive element to that, in that the geography doesn't favour China, it's difficult for Chinas surface fleet, aircraft submarines to breakout beyond that so-called First Islands Chain. If those islands weren't there then it would be rather different dynamic, so geography still plays a role.

Put yourself in Chinese eyes, if you were looking out from that Eastern sea board where all of your wealth and your vulnerabilities and your economic future lie, it does look like a key strategic challenge. One way around that is to keep external navies and air forces at a distance. The permanent statement that those concrete outposts make a thousand miles away from Hainan, is that this is an increasing area in which China sees itself, even if it's not explicit as the primus inter pares and that foreign navies will have to increasingly make their peace with China if they're to be allowed to continue to operate as they believe they have a legal right to.

Nick Bisley
That's probably a useful step to what's been occurring in response to what Chinas been doing particularly the island building. This is the Freedom of Navigation Operation or FONOP's (as they're wonderfully known), as we've seen in America undertake a number of them.

Just briefly for the listeners, what is a Freedom of Navigation Operation and then what is the response? And then how effective they've been in response to what it is that China's been doing.

Euan Graham
Right and this gets to what we haven't covered so far, which is the US motivation of putting more emphasis on the South China Sea. Since 2010, since Hilary Clinton when she was Secretary of State, made a voluble intervention at the ASIAN Summit in Hanoi and identified US national interests being at stake. That itself is not new but a much more emphatic message than previously. The US feels that it has moral high ground here, now I know many will say there's an important caveat there because the US itself has not signed up to the UN Law of the Sea Treaty. But certainly in terms of the way the government behaves and the navy behaves, it scrupulously adheres to its provisions, and it's on that legal basis that the Freedom of Navigation Programme operates, not just in the South China Sea but worldwide since the late 1970's.

In a fairly low key way, many people haven't heard of it until last year because, by design it's concept behind freedom of navigation is that it makes a point that it doesn't militarise or revoke a strategic response from the countries whose excessive claims are being tested and that includes US Allies. The US has done Freedom of Navigation Operations even against Japan, so it's not a question of just singling out China. That's of course the theory, in practice the strategic dynamic and the competition that overlays the US - China relationship means it's very difficult to disentangle that baggage.

That's the dance the US is trying to do, it's a difficult one to find the balance in. US I think did itself few favours in the way the messaging around the first Freedom of Navigation Operation last October was handled. The US had trailed its intention to fly and sail wherever international law permitted but took a very long time to do anything formally about it, so in that sense it made it an issue of US credibility, which is unfortunate because the Freedom of Navigation Programme, really should as far as possible to remain effective, be divorced from that extra motivation. But we live in the world that we do.

US is obviously a complex decision making process in its own right. Sometimes embarrassingly open in terms of its internal differences and leaks and counter-leaks, but I think on balance something is better than nothing. I think the South China Sea, the key question people ask; is it worth the candle? Well it's a very significant body of water in scale terms the comparison is sometimes made to the Mediterranean but to see over flight and military access in such a large area, would I think, would be a significant and retrograde step.

So far the two operations that have been done have been done very cautiously, not to get to into, the details, but they've been so called 'innocent passage', Freedom of Navigation Operations. A lot more circumspect in terms of what the actual ships are doing when they're going within twelve nautical miles, and implicitly recognising the territorial sea around them, which some have said has actually sent a counterproductive message given that China and no other Southeast Asian Country has formally declared a territorial sea around the Spratly Islands.

But nonetheless, we see in that I think, an attempt by the United States to find a balance between doing enough to make the moral high ground point, to demonstrate to China that there is a contestability around the creeping jurisdiction that has now made challenges; at least by radio, commonplace, the shadowing of US vessels that pass through the South China Sea by Chinese civil and military ships a necessity.

But on the other hand, I think the US has also very clearly been trying to managing it's China relationship, not to make it a single issue, not to turn it into that kind of circular self-feeding

action/reaction that many have warned about, in terms of handing China a pre-text to advance it's militarisation or to generally feed its security dilemma.

Nick Bisley
So I guess you've got on the one hand, a China that says, 'it's a core interest akin to Tibet, Taiwan, Shinjang', on the other hand you've got the United States that says, 'it's a vital national interest, the status-quo that used to exist remains'.

How do we reconcile these two things, can sort of modus vivendi be established? Particularly given, I think, both practically and politically, there's no way China can step back from what's done so far?

Euan Graham
Well you make it an assumption there that China won't move back, but I question that. I mean it may be the case that the concrete can't be un-poured, those structures won't be taken down, but let's take China's position on the Philippine legal case which is also a major live development.

The Philippines has launched the case through the International Tribunal of the Law of the Sea, not to contest China's sovereignty per se, but to get a ruling from an International Court, about what the status of those features within the so-called 9-dash line, because that's the one area that is the shakiest in terms of international law. And China's been very clear in saying that it won't participate in the case, but if you talk to Southeast Asian observers, once the ruling is out, whether China will be able to completely ignore it or whether it will inform in time, their negotiating position, there may be some daylight. And I think that's one of the optimistic signs of how the South China Sea is progressing.

It's not all towards a doom laden scenario, but it gets, as with all things I think, ultimately to a judgement about the nature of the Chinese government/state and its strategic intentions. If the intention is to wholly develop a fortress China with a moat around it defined by the China and South China Seas, then there may be no resigning from those positions. But if there is also a learning curve that China is on, not operating just as a regional navy, but as a global navy, in which it will also acquire the similar interests to those of the United States in terms of maintaining its access to the territorial waters of other countries, a compromise, not on the basis of coercion from the outside community, but as a realisation of China's national interests also being at stake.

And if that sounds optimistic, the Soviet Union went through something rather similar and it's a reason why the Soviet Navy and the US Navy in the end, were able to reach agreement on something like the Incidence at Sea Agreement. Ideologically opposed, but nonetheless able to reach that operational modus vivendi.

If I look at China's calculations now it may be that this year is deemed the year in which to press, because next year will have, whoever's in charge in the White House, probably a more assertive US policy. And also that Philippine Case, so there may be a short term impetus now to lock in gains as far as possible and I think that matches a lot of the behaviour that we've seen.

Nick Bisley
It's a live issue and we're very grateful to have Euan's long experience, shedding some light on this most complex and interesting part of Asia. Thanks Euan for being part of the program.

Euan Graham
It's a great pleasure.

Nick Bisley
You can follow Euan Graham on Twitter that's @graham_euan or me @nickbisley.

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