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SPRATLY ISLAND CONFLICT

BY

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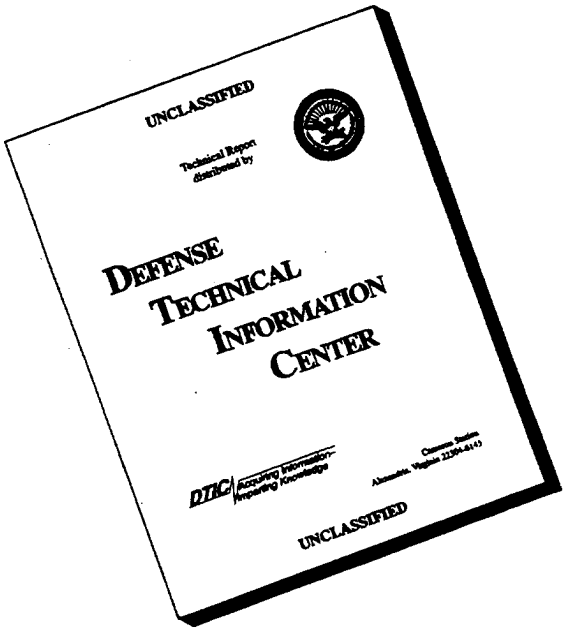

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ABSTRACT

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China is in the process of dynamic economic, social and international change. China's emerging leadership is under pressure to continue economic growth and produce much anticipated prosperity. Much of China's economic success will be stymied if its requirements for oil, gas and national sovereignty over Taiwan are not met. China's Military modernization makes armed conflict the worst case outcome of China's attempts to achieve its requirements. War over suspected oil and gas deposits in the Spratlys and dominance of Taiwan present U.S. policy makers with bad national security options. This paper develops a worst case scenario and provides policy principles to avert war.

INTRODUCTION

The Spratly Islands conflict between China and most countries in the Association of South East Asia Nations (ASEAN)[1] is potentially a crisis for U.S. - China relations. This paper develops the conflict through a "worst case" scenario which adversely impacts U.S. interests. Evaluation of available U.S. options during a military conflict ends with a national strategy recommendation. All conceivable strategies, to include the recommendation, do a poor job of protecting U.S. interests. Our national policy, therefore, must aim to avert war. The paper concludes with a new set of national security policy principles that bring about regional stability and prevent military conflict.

How could the U.S. find itself in a crisis with China over a large, remote, mostly submerged group of Islands in the South China Sea? China, it turns out, occupied and dominated the South China Sea and most of the land masses around it in ancient times.[2] Western powers, during the opium wars (1830's/1840's), and regional powers before and after them carved up China and the expansive Indochina lands previously dominated by the Chinese. China never regained its stronghold over the Indochina land areas or the South China Sea.

A mixture of counties surrounding the South China Sea, including most ASEAN countries, China and Taiwan, now occupy some of the Spratly Islands.[3] Except for Thailand, all ASEAN nations claim some of the Spratly Islands. Taiwan claims sovereignty of

the entire island group using the same historical argument as China. The paper develops how Taiwan adds a very volatile element to the conflict.

MULTIPLE OVERLAPPING CLAIMS TO SOVEREIGNTY

The U.S. government and other interested parties find it difficult to deduce whose claim is most valid. Even a cursory review of the various claims shows the difficulty in solving the problem. All claims are to some degree legitimate. The basis for claims include the U.N. Convention on the Law of the Sea, International Law, or historical perspectives.

China and Taiwan both claim the South China Sea as a result of historical discovery and previous occupation. The first to use the islands in the South China Sea were Chinese fisherman and traders during the Han Dynasty (206 B.C. to 220 A.D) .[4] Again during the Ming Dynasty, emperor Zhu Di and his grandson, Zhu Zhanji, sent seven large fleets, from 1405 to 1433 on voyages to the South China Sea and elsewhere. These voyages of conquest and plunder are not unlike those taken by European nations later in the 1400 - 1500's. The European voyages made territorial claims in the "new world" and pacific. Even today some of these voyages form the basis for their Pacific Ocean, Central and South American territorial possessions.[5]

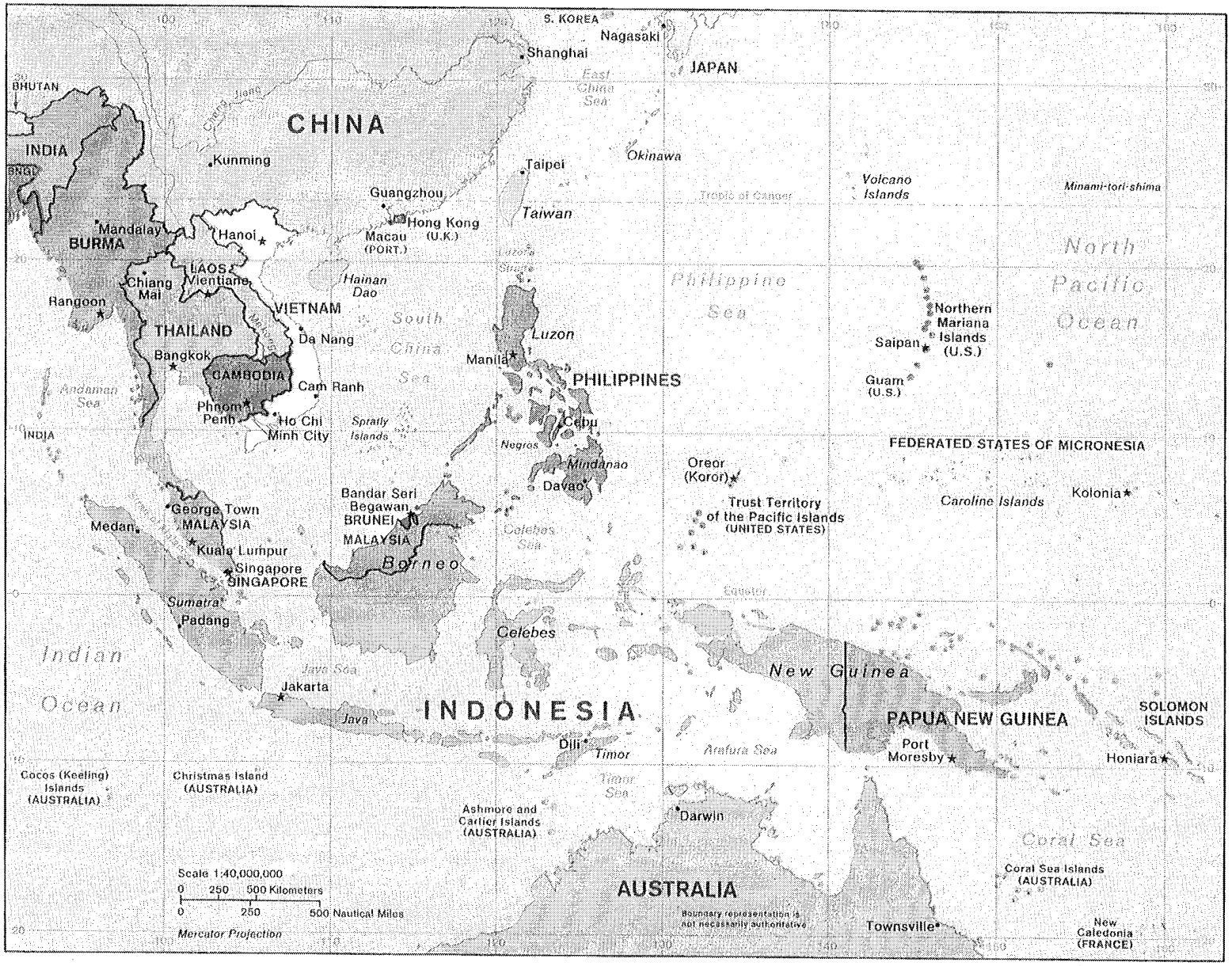
China rejects the notion it gave up sovereignty when it

lost its own sovereignty. The conquest, during and after the Opium Wars, by colonial and regional powers is seen as unjustifiable aggression. China believes it must reclaim its old historically supported territorial borders. The matter is now one of national pride. Taiwan's claim is identical to China's. After ejecting Filipino settlers in 1962 Taiwan occupied Itu Aba Island with military forces. Taiwan also occupies other smaller islands closer to its home island.

Indonesia, Brunei, and Malaysia all base their claims on the internationally accepted interpretation of the UN Convention on the Law of the Sea, Articles 77 and 96. These articles give nations the economic rights to their continental shelf regions. Once you look at the map of the region (Map 1)it is clear that these continental shelfs all merge in the area of the Spratly Islands. The U.N. Convention, therefore, creates confusion and overlapping claims. Indonesia has an airfield on Natuma Island and is developing natural gas fields there. Brunei and Malaysia claims partially overlap Indonesia's, as well as, China's, Taiwan's, Vietnam's, and the Philippine's.[6] Map 2 illustrates the overlapping claims.

Vietnam claims sovereignty of much of the area. Vietnam believes ownership came to them from the French, when, in 1954, Vietnam gained independence from France. France administratively claimed Spratly Island in 1929 and it's Navy took possession in 1930. In 1933 France formally announced occupation and annexation of nine Spratly Islands. France maintains that only

Southeast Asia



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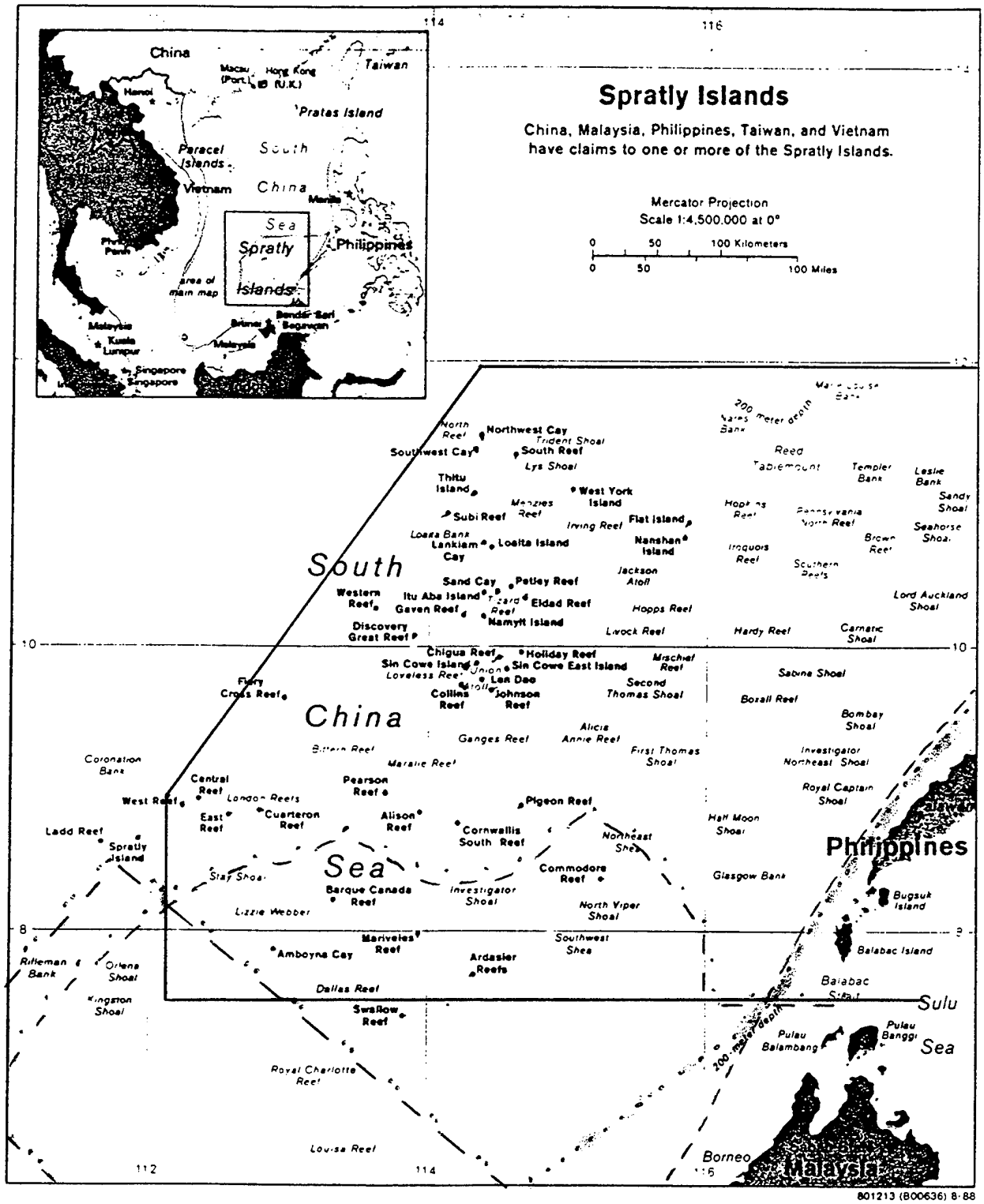
MAP 1



Philippine _____ Vietnam ..... Brunei _..._..._

China _ _ _ _ Malaysia _._._._ Indonesia _..._...

MAP 2

the Parcel Islands were ceded to Vietnam in 1954. China contends North Vietnam, during it's struggle for independence form France (1945-1954)and unification (1956 - 1975), recognized China's claim. Vietnam first issued a claim map in 1988, although, it continually occupied some of the islands from the date of independence.[7]

The Philippines base their claim on the proximity of the islands and the non-military inhabitants of a few of the islands. The Philippines limit their claim to what they call the Kalayaan Islands which includes Thitu, the largest inhabitable island in the Spratlys. Philippine settlers began their occupation in the 1950's and made formal claim to them in 1952. They argue all other claims lapsed when the Islands were abandon. Formal annexation occurred in 1978.[8] The Philippine government believes the islands are important for security and economic survival.[9]

Japan, in addition to all the claimants is another player. Although not laying claim at this time to any of the islands, Japan did occupy and claim them as early as 1918. During World War II Japan established air and naval bases throughout the region. In 1951 Japan relinquished all rights by signing the San Francisco Treaty. No successors were named in the treaty.[10]

Efforts to resolve the competing claims are not meeting with success. China desires to keep the sovereignty discussions on a bilateral regional level, while ASEAN countries desire multilateral discussion between China and the other nations as a group. Additionally, the Philippines would really like to

operate forcefully under the protection of their Mutual Defense Treaty with the U.S. and get the U.S. to be the key mediator of the conflict. China's seemingly extreme stance and uncompromising position is expressed by their 1992 " Law of PRC on Territorial Sea and Contiguous Zone". That law authorizes the Chinese Navy to evict trespassers by force from the Spratly and other disputed territories.[11] To date, no county has tried, by force, to remove any other country from the Islands, however, in recent years several skirmishes have occurred and ownership markers have been destroyed.

Interpretation of the U.N. Convention on the Law of the Sea, International Law, and historical perspectives do not give a clear picture as to the relative legitimacy of any single claim. In fact, the geography and regional history are unique in the world. Current laws, treaties and conventions inadequately account for the situation in the South China Sea. Regardless of the relative merits of each claim the fact remains that all interpretations make some sense and current treaties, conventions, and international law are in themselves in conflict. To pick the claims apart using current understandings is to try to fit a " large round peg into a small square hole". It just doesn't get you anywhere. It is apparent that a solution requires new agreement.

Other regional factors, such as, large oil and gas deposits, expanding / modernizing economies, Chinese communist leadership legitimacy, and military modernization significantly increase the

possibility of military conflict in the South China Sea. The potential for conflict is better understood once we understand more about these factors and how they interact.

LARGE OIL AND GAS DEPOSITS

Extraordinarily large oil and gas deposits are thought to exist under the Spratly Islands. Whether or not they are economically exploitable is largely unknown until exploratory wells are developed.[12] Estimates of 25 billion cubic meters of gas and 10 billion tons of oil, if proven to be extractable, represent a major source of oil and gas in the world. These large potential oil and gas deposits represent an eventual answer to future economic growth in China, the Philippines, and Vietnam.

As of today, no nation is producing oil and gas directly from the Spratly Islands. Large production of gas and oil is, however, taking place on the periphery. Vietnam and China both lease overlapping exploratory fields within the Spratly Islands to two different U.S. oil consortiums: A Crestone block by China and Mobil block by Vietnam. Today both companies are drilling wells.[13] If either or both blocks prove economically exploitable then tensions will increase. If either starts to produce large quantities then conflict will surely start.

EXPANDING AND MODERNIZING ECONOMY

Why is gas and oil such a big deal to China. The answer is simple economic need. China is approximately the geographic size of the U.S. (China is 3.7 million square miles in area compared to the U.S. 3.6 million square miles). China has an estimated 1.1 billion people (compared to an estimated 250 million Americans). Today, China is experiencing an unmatched industrial and manufacturing growth of 9%-10% Gross National Product (GNP) per year. This is a result of significant foreign investment and trade. China is making a significant impact on the world market place by utilizing the cheap, hard working labor force, which for years was kept under heavy restraints by a state run economy. The Asian region, as a whole, has become the largest U.S. trading partner and accounts for over 1/3 of the worlds economic output. China accounts for 1/3 of that output.[14] China's entry into the free market is a key reason for Asian strength. If unrestrained, many believe the growth will continue to the point of making China the biggest economic engine in the world. Expectations have risen in China that this will bring about long awaited prosperity.[15]

China is modernizing its internal infrastructure to help spur and to stay up with the dramatic economic change. Development is rapidly taking place everywhere from communications to transportation, power facilities to urban financial centers. Militarily, modernization of long range

missiles, nuclear weapons, long range ships and aircraft is paralleling economic development. Military modernization is focusing on the capacity to protect the South China Sea region as a whole. A more in depth discussion of this factor comes later in the paper.

Arguably, China's goals are to reestablish of Chinese borders prior to the Opium wars, establish a vibrant, growing economy and become a respected world political leader. The national will to overcome the last 200 years and replace it with something reminiscent of China's previous 4000 can not be overlooked. China's requirement for natural resources, particularly oil and gas, to sustain current economic growth, is a major regional concern for economics and regional stability.

Oil and gas production rates are not keeping up with market expansion and modernization. China's production level was constant over the last ten years. Now China is a net importer.[16] The rush to sign contracts by China's Offshore Oil Corporation partially demonstrates this growing dependence on foreign oil.[17] [18]

Sustaining current economic capacity is to be met by new internal production to replace older depleting sources. The Qaidan and Tarim Basin developments may provide the replacement capacity to run the economy at the current level.[19] [20] China needs more oil and gas to continue to grow and expand its economic output.[21] These facts demonstrate the need for China to quickly resolve the Spratly issue. If they do, then China can

keep its economic growth on track.

COMMUNIST PARTY LEADERSHIP LEGITIMACY

Recent dramatic economic growth is the main contributor to China's ruling Communist Party's internal credibility and legitimacy. China attracted 26 Billion dollars in foreign investment in 1993, second only to the U.S. Investment accounts for much of the economic growth but creates some significant social concerns.

China is experiencing immigration from rural to urban settings that all modernizing nations undergo. China estimates 60 million people have permanently gone to the cities in the last four years. Consensus, within China, is that economic growth bolsters prosperity at home and is the surest way to internal and international respect.[22] Some problems are surfacing. Inflation is beginning to erode some of the increase in prosperity. It may be that the lack of cheap oil and gas accounts for some of the recent jump in consumer prices (38.5% in food prices in 1993 with an overall inflation rate of 27.5%).[23] China's economy now drives Asia-Pacific economic growth. Will it continue to in the future or will it falter? Can the Communist party continue to lead the nations economic growth?

Mr. Deng symbolizes the current aging leadership of the communist party in China. He and other elderly leaders responsible for the economic upturn will soon pass away. Then

the question of continued legitimacy of the communist parties leadership role in China will, no doubt, be on most Chinese minds. The ability to manipulate a market economy in a one party state and deliver prosperity throughout the nation will be a primary test of its leadership. A second test of the new leadership is to bring about respect for China's sovereignty and territorial integrity. The Chinese people expect the last 200 years of relative weakness to end. Any Chinese leadership, communist or otherwise, must deliver these results to the nation. If the Communist Party leadership does not produce results, the internal political turmoil could certainly mount. Other Chinese leaders outside the party will trumpet their solutions to the people and potentially pressure the current leadership into imprudent action.

TAIWAN A SPECIAL CASE

Solving long standing sovereignty issues over Taiwan and other disputed territory like the South China Sea is clearly a priority for the Chinese people. As with the rest of the world, the current trend is to bring together homogeneous ethic clans and exclude outsiders. This trend in China is more phobic as regards Taiwan. Taiwan's separation is seen as a result of the terrible old days of the opium wars. The nationalist Chinese must be reunited with the mainland, if the leadership ever is to claim it has overcome the powers that divided and pillaged China

for over 200 years.

This special, almost visceral issue, with the Chinese moves China's leadership to react in volatile ways. The recent military actions to express the mainland Chinese displeasure over political events in Taiwan is but the latest example. In direct response to parliamentary elections on 2 Dec 1995, where the issue of Taiwan independence verses unification with the mainland was a major campaign issue, the Chinese conducted an amphibious landing exercises of an Army division. This action two weeks prior to the elections, demonstrates the potential of armed conflict if the Taiwanese majority votes for independence. Previously, missile tests and nuclear testing were used to intimidate Taiwan over such things as visits to the U.S. by Taiwan President Lee-Teng Hui.

Some members in the U.S. Congress encourage Taiwan's leaders to resist unification and to claim independence from the mainland. Political and military support for these independent minded Taiwanese are in the recent draft State Department authorization bill. If this encouragement for Taiwan independence leads to overt support by the U.S. then we can expect even more overt attempts at intimidation. If Taiwan moves to make a definitive stand against mainland reconciliation, we can expect conflict. Since China also needs oil and gas resources to feed its expanding economy we might see an all out push to resolve the Spratly and Taiwan issues nearly simultaneously.

If the international economy continues to need China, as it looks will happen, then the mainland Chinese may believe the world will only agree to short term political condemnation in response to such action. Armed conflict may look worth the risk to gain prizes of renewed strength, sovereignty over disputed territory, and an assured place in the global economy.

MILITARY MODERNIZATION

As previously mentioned, China is willing to use military power to meet political goals. Actions to scare and influence the Taiwanese people are increasing. Most recently, a full combat division landed in a mock war against an opposing force defending a South China Sea Island. The force on force scenario, although criticized in the western media as a small deployment against a manufactured opposing force, represents a significant force projection capability.[24] The U.S. might be able to duplicate this scale amphibious operation, but it is doubtful any other nation could. The Chinese deficiencies in sealift, air power, naval air power, naval sea power and long range air power are all undergoing significant modernization.

China says its military budget was 7.5 billion dollars in 1995. There are several factors that distort this budget number. The Chinese figure excludes personnel costs, retirement pensions, research and development programs and procurement costs. In the

U.S. defense budget these costs are some of the largest elements. Some analysts estimate the real budget to be 140 + billion dollars. Add to that the cheap labor rates (per capita GNP $435) and the figure seems to become more significant.[25]

China's precise military modernization measures are a mystery. It is clear, however, that all branches are modernizing with new sophisticated weapon systems. Chinese desires for foreign weapons systems mirror those needed to project power in the South China Sea. China is actively pursuing fighter aircraft, quiet diesel submarines, advanced surface to air missiles, and large deck aircraft carriers. Upgrading their existing sizable Navy is its highest priority.[26] Plans include building 3 large deck aircraft carriers. Chinese military modernization and expansion are responsible for the arms race in South East Asia. Malaysia, Japan, Indonesia, Thailand, and the Philippines all are initiating significant modernization programs. Chinese military ambition is clearly to become one of the world's military superpowers. At a minimum they want to achieve a blue water Navy capable of continued presence as stated in the declaration of the Central Military Commission in 1992. Today the Chinese are able to arrive there fairly cheaply, by purchasing sophisticated technology, aircraft and ships, from the cash strapped Former Soviet Union States.

Examples of this modernization and their potential use are the 24 SU-27 Flankers stationed on Hinan Island 700 KM west of Taiwan. These aircraft are in range of both Taiwan and the

Spratlys. 24 more are awaiting shipment. Add the building of 3 aircraft carriers, the modernization of its 18 destroyers, 33 frigates, and 112 submarines then you have a credible force to deal with the South China Sea nations with whom they have disputes.[27] As a point of comparison, the combined ASEAN assets are only 27 frigate, 14 corvettes, and 2 submarines.[28]

Ultimately China possess the only known capability for weapons of mass destruction in the South China Sea region. The availability of these weapons could lead to serious miscalculations by China. China may believe these weapons deter world reaction to use of force in the Spratlys and Taiwan. The initial use of nuclear weapons to achieve China's ends, in either Taiwan or the Spratlys, is counter intuitive. World public opinion is strongly against use of WMD by anyone. Exploding a nuclear weapon on Taiwan or the Spratlys is like China using them on the mainland. From a resources and sovereignty point of view it makes no sense. The availability of WMD may however be considered the deterrent against third party intervention in any Chinese action on Taiwan or the Spratlys.

WORST CASE SCENARIO

What has been laid out thus far are possible motives, means, and a glance at possible circumstances which could bring about war in the region. The central thesis for war is that China's leaders, under the right circumstances, may feel war is in

China's national interest. China's leadership may feel they must solve their resource and sovereignty problems to retain leadership. If the Taiwanese voted for independence and gained some international recognition then the sovereignty issue alone could start a conflict. Any ASEAN nations unilaterally extracting large quantities of oil and gas from the Spratlys could also cause armed conflict. If both were to happen the Chinese response might be reflexive warfare (not thinking about consequences). World opinion would certainly demand the conflict stop. The U.S. is the only nation with the military might to make much of a difference. American public opinion could draw, or even push, the U.S. into action.

Internal Chinese challenges to the legitimacy of the government could also result from these challenges to Chinese interests. The nationalistic fervor, created by war, could create the enough internal political stability for the current Chinese leadership to stay in power. China's leaders could see war as the only solution. In the event of war, Chinese occupation of any ASEAN territory or Taiwan would bring calls for U.S. help. At a minimum, those nations with Mutual Defense Treaties and those with close military to military relationships with the U.S. would ask for help.

Current forums for discussion of regional security issues are of little assistance averting warfare. The Asia-Pacific Economic Cooperation (APEC) group, which includes all key nations, is a very loose collection of nations. These nations

gather in times of peace and present opinions on post Cold War security challenges. ASEAN Asia Regional Forum (ARF) is another discussion group which hosts security presentations. APEC and ARF have no decision making or substantive issue resolution formats or procedures. Neither, in their current form, can avert the worst case scenario from happening.

U.S. POLICY ALTERNATIVES TO STOP WAR

Current U.S. national security policy insufficiently addresses such a worst case possibility.[29] The U.S. has four political-military end state options to consider.

1) a mainland China with little regional influence
2) regional Chinese hegemony
3) regional balance of power
4) military conflict resolution without U.S. intervention

The following is a discussion of the ways and means available to the U.S. in each option.

Option 1 (a mainland China with little regional influence) requires the use of available U.S. Naval and Air power, economic instruments, and political mandates. Analogous to the old containment theory. Positioned from the Philippines, Japan, South Korea, and/or Vietnam U.S. naval and air force assets would be required in addition to the U.S. nuclear umbrella to end the Chinese military threat. Eliminating China's Most Favored

Nation (MFN) status, freezing Chinese assets in the world's largest trading nations and imposing trade sanctions would also be required. Politically, the United Nations venue would be required to pressure compliance for an end to hostilities. If agreements to end hostilities were not reached , then multinational requests for Chinese censure from U.N. votes would be necessary. Since China is a permanent member of the Security Council, the entire international process would be in turmoil. Executing this option results in a multitude of long term unresolved issues vis-a-vie a strong nuclear China and a period of prolonged hostility, if not open armed conflict.

Option 2 (regional Chinese hegemony) might not require military means since it is evident China possesses enough of its own military might to potentially dominate the region. Economic and political tools would be required to convince the ASEAN nations and Japan that it would be more beneficial to work with China. Supporting China's historical claims of sovereignty assist this end. Pursuit of a quick end to hostilities through political channels requires pressuring ASEAN and Japan acceptance of a dominate China. China might even be approached to assist resolving the Korean problem, if the U.S. helped China resolve the Taiwan and Spratly issues in her favor. Increasing U.S. economic trade would benefit China, as would, reducing U.S. sales of military spare parts and hardware to ASEAN nations. Executing this option creates long term problems with ASEAN nations and creates serious security problems for Japan.

Option 3 (regional balance of power) would require means from all elements of power. The U.S. would posture, along with non-ASEAN allies, to end the conflict. This requires military threats to bring all parties to negotiating table. The threat of neutralizing all Chinese and other warring parties capabilities in the South China Sea must be real. Japan and U.S. possess enough naval and air power to intimidate all other offensive forces in the region. Japan must step up its military posture relative to its important international posture and overcome its constitutional prohibitions. Ultimately, cooperation between all and a return to status quo is the goal of U.S. political and economic arbitration. This does not solve the sovereignty issue but a formula for co-production and sharing the vast wealth of the Spratlys must result. U.S. is the chief arbitrator and negotiator to end the conflict. A major problem of this option is if any nation takes on the big stick. The resulting long term harm to relations between them and the U.S. is hard to justify.

Option 4 (military conflict resolution without U.S. intervention or assistance) does not require any direct ways and means by the U.S. The combatants determine the result. Following the conflict the U.S. arbitrates the peace and applies economic and political pressure on the winner for a fair and equitable peace. The key element of a lasting peace is the return of all pre-conflict <u>undisputed</u> territory to the original owners.

Options 1 and 2 achieve ends that in the long run do not

benefit regional stability and U.S. peaceful engagement. The losing side would hold the U.S. directly responsible for the resulting unfavorable situation. Additionally, if the U.S. supports an enemy of a current ally as in option 2, then allies in other parts of the world might question U.S. trustworthiness. European, American, and Middle Eastern alliances and commitments are no longer credible under this solution. U.S. citizens do not easily support an enemy of an ally or anyone seen as a bully. Options 1 and 2 hold little promise of success.

Option 3, basically fighting all nations, promises to make all sides very unhappy with the U.S. role. The vague military approach could spin the entire affair out of control causing a much wider conflict. The option with the best chance of success is option 4. This is a hard sell to the American people. As long as the conflict met a number of "fair play" criteria though, one might receive the support of the American electorate. Among those criteria are: all warring nations adhering to current accepted conventions of war, no use of weapons of mass destruction and freedom of transit for non-aligned combatants and shipping.

None of the four options are particularly good options. Option 4, however, is the best policy if war were to break out. In such a case the U.S. should state it's neutrality as long as the war's conduct stays within acceptable criteria. This is a tough sell to the U.S. public, however, it is the best for U.S. interest. Significant change must occur from the current Spratly

and Taiwan situation in the Spratlys and Taiwan to make China go to war. Our policy must insure these changes do not occur.

POLICY TO AVERT WAR

Since none of the outcomes of war are any good, it is evident we must work to prevent the worst case scenario. Given the facts of the disputes and U.S. interest in regional stability we can derive a number of principles for U.S. policy to avert war in South East Asia. These principles should form the basis for U.S. interaction in the region until the situation becomes acceptable to all nations in the region.
The principles are:

1.Assist resolution of an equitable division of energy resources. Mediate trilateral, bilateral and multilateral forms of an equitable agreement.

2.Clarify Taiwan policy. Ensure China knows that the only solution for integration acceptable is a peaceful solution. China should understand that the world will not allow it to take Taiwan by force.

3.Stay economically engaged - assist development, particularly of alternate energy sources in China. Use Japan and S. Korea to help China develop their hydroelectric, nuclear and

chemical infrastructure.

4.Assist slow deliberate democratization of the new China. Develop how to do it without losing social concern for the masses.

5.Insist on freedom of the seas navigation for commercial and military vessels.

6.Support ASEAN political, economic and military cooperation.

7.Actively participate in APEC and ARF forums. Engage to address the issues forthrightly.

8.Develop political, military, and economic intelligence indicators to gauge China's predisposition to start war.

9.Assist the development of confidence building measures and visibility of military actions through security discussions in al international and bilateral forums.

10.Maintain a forward military presence.

CONCLUSION

Potential for conflict, although downplayed in the region, is real. Easy answers are not going to solve the hot issues of the Spratlys and Taiwan. Oriental culture, the sense of time bringing things to balance, assists the longer term diplomatic efforts to bring about an equitable solution. The U.S. government must take the threat to peace seriously. U.S. policy makers should apply the principles in all UN, APEC, ASEAN and bilateral meetings. This effort insures China is not put in a situation where war is more acceptable than all other courses of action.

End Notes

1. ASEAN is an economic and political grouping of nations with regional and global interests. Vietnam was admitted in July 1995 to the grouping which includes Malaysia, Indonesia, Thailand, Brunei, and the Philippines.

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