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**THE SPRATLY ISLANDS DISPUTE AND IMPLICATIONS  
FOR U.S. NATIONAL SECURITY**

**BY**

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United States Navy**

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## ABSTRACT

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The Spratly Island archipelago has become a focus for potential conflict in the South China Sea. Six nations claim all or portions of the islands. Despite recent diplomatic initiatives sponsored by Indonesia, as well as efforts in the ASEAN Regional Forum (ARF), little progress has been made towards a negotiated diplomatic solution. A principal stumbling block has been China. China's steadfast refusal to conduct substantive negotiation on anything but a bilateral basis only serves to drag out the diplomatic process. China's continuing naval expansion program is a major destabilizing action, causing other claimants to question China's commitment towards a peaceful negotiated settlement at all. While the potential exists for either a diplomatic solution or eruption of large scale military action, the most likely course of action is maintenance of the status quo. Confirmation of postulated large scale petroleum reserves in the area would, however, increase the likelihood of near term armed conflict. Continued involvement by the United States, both on the diplomatic front and through forward military presence, is crucial to stability in the area of the Spratly Islands.

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## **Introduction**

Ownership of the Spratly Islands has been hotly contested by six nations in the years since World War II. Many of the disputes are over small portions of the more than 400 separate features which form this archipelago in the South China Sea. The islands themselves have little strategic value, but outright ownership of the islands would entitle that nation to unrestricted recovery of vast petroleum reserves which are postulated to lie in the ocean floor and continental shelf of the region. Despite significant multi-national diplomatic efforts to peacefully resolve the issues, recent military action and diplomatic posturing indicate that the dispute is far from over. The region surrounding the islands is important, not only for its natural resources, but because it is the principal sea route between the Indian and Pacific Oceans. The security interests of the United States require a stable and peaceful environment throughout Southeast Asia in general and in the South China Sea, where the Spratlys are located, in particular.

The history of claims and counter-claims, as well as military action, has been extensively analyzed. The purpose of this paper is not to review this available information, except where necessary to provide sufficient background, but rather to look at recent trends and progress towards resolving the dispute. While there are three fundamental directions the dispute can take from this point, maintenance of the *status quo* appears most likely. The continued involvement of the United States is necessary, however, to provide a balance to China which continues to expand both its economy and military forces.

## **The Spratlys**

Situated 1500 kilometers (km) south of the People's Republic of China (PRC) and 320 km southwest of Vietnam, the Spratly island chain comprises 22 major islands and 400

islets and atolls. (See figure 1.)<sup>1</sup> The largest island is less than half of one square kilometer in area. The northernmost feature is over 500 nautical miles from James Shoal at the southern end. As a direct result of the vast expanse of the chain and the inability of any of the islands to independently support life, no nation has been able to develop or control more than a few of the features in the chain. The lack of a full time presence by any nation throughout the chain has resulted in the varied claims and counter-claims made throughout the archipelago."<sup>2</sup>

The area is rich in natural resources, although they are generally located in the sea areas or continental shelf as opposed to on the islands themselves. Oceanographic surveys undertaken by China have revealed the existence of gas and oil deposits. "The surveys also show a large hydrocarbon deposit, with estimated oil reserves of 91 billion barrels in the vicinity of James Shoal, just off the coast of Malaysia."<sup>3</sup> The shallow waters in the vicinity of the islands also support large-scale commercial fishing operations. The islands themselves serve as fishing bases and support limited guano phosphate mining.<sup>4</sup>

The United Nations Convention on the Law of the Sea (UNCLOS) has brought the fishing grounds of the South China Sea into dispute with the concept of Exclusive Economic Zones (EEZ) and continental shelf regimes. It is ironic that the UNCLOS, which was supposed to minimize conflict, has in fact exacerbated it. UNCLOS established new rights for coastal states, while failing to provide a framework for resolving disputes when these new rights conflict with one another. The trend in which individual states unilaterally enforce selected rights delineated in UNCLOS, such as by the establishment of 200 nautical mile (nm) EEZs<sup>5</sup>, has inevitably resulted in overlapping jurisdictional claims.<sup>6</sup>

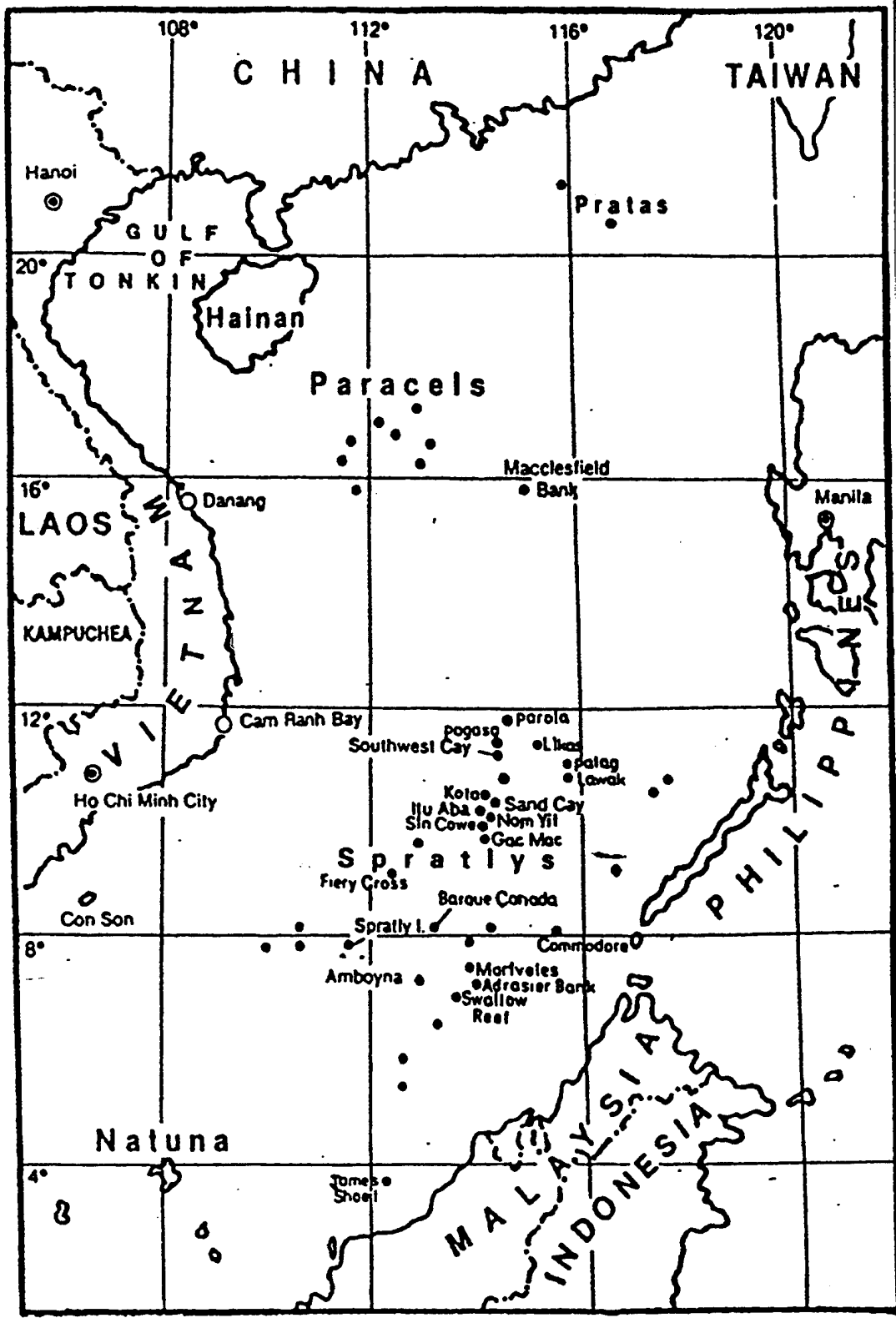


Figure 1. The Spratly Islands

The Spratly chain lies entirely within the South China Sea (see figure 2), "a major waterway for ships working the world's most economically dynamic region."<sup>7</sup> The United States has come to rely more and more on trading partners in East Asia, "...the destination of nearly a third of total U.S. exports [accounting] for over two and a half million American jobs."<sup>8</sup> The Spratlys are situated along the principal trade route between the Pacific and Indian Oceans. Rerouting ocean borne commerce, or military traffic, around the South China Sea would add 5800 nm and 15 days (at a speed of 15 knots) to the journey.

The islands themselves have little intrinsic strategic value other than as a means of establishing ownership of the surrounding seas and continental shelf areas. Expansion of a nation's boundaries to include all, or part, of the Spratly chain would allow that nation to lay claim to the diverse natural resources of the region. Armed conflict to resolve the conflicting claims has the potential to disrupt seaborne commerce through this vital region.

### **The Historical Dispute**

Six nations lay claim to various parts of the Spratly Islands -- the People's Republic of China, Taiwan, Vietnam, the Philippines, Malaysia and Brunei. All but Brunei maintain a continuous military presence, either naval forces afloat or land garrisons, in the area.<sup>9</sup> All the claimants with the exception of China are members of the Association of South East Asian Nations (ASEAN), a regional cooperative security organization. Vietnam was only recently admitted as a member in the summer of 1995. China, like the United States and Japan, is a negotiating partner in the ASEAN-PMC (Post Ministerial Conference). Each individual nation's claim is based on either historical ownership, right of discovery, inclusion in that nation's continental shelf, or as lying within the nation's Exclusive Economic Zone.





Figure 2: The South China Sea

Of all the nations claiming portions of the Spratlys, China has by far the largest claim. The claim encompasses not only the entire Spratly chain, but virtually the entire South China Sea as well. China claims to have "historical evidence" to back up its claims to the South China Sea. Yet, the Spratly Islands are not mentioned in the surviving records of the Chinese seaborne expeditions of the 15th century. This is especially remarkable since Chinese names were given to places much farther from China, such as the Red Sea.<sup>10</sup> China occupied its first island, Fiery Cross, in March 1987.

China's public position on sovereignty over the Spratlys began to change significantly in 1987.<sup>11</sup> In March of that year an oceanic committee under UNESCO entrusted China with the establishment of two permanent observation posts in the Spratlys.<sup>12</sup> Shortly after, in April, China declared that it "reserv[ed] the right to recover" the Spratlys at an appropriate time.<sup>13</sup> "It is embedded in the Chinese national psyche that the Spratly archipelago has been part of [China's] territory since ancient times, and the Chinese do not see themselves as 'joining' the claim to the Spratlys."<sup>14</sup>

Using historical ownership of the chain as its claim to sovereignty, China is being driven to reassert its claim for three reasons: the need for the natural resources, the desire to exert a leadership role in Southeast Asia and establishment of an external focus with which to rally domestic opinion. Rapid economic growth in China, especially in the southern and coastal provinces, and urbanization across the country have caused China's oil demand to shoot up by 8.5% in 1991 and 9% in 1992.<sup>15</sup> State control has left the Chinese oil industry in a terrible mess, with extremely poor domestic refining and distribution capability. The ability to extract oil from the South China Sea and sell it abroad without being forced to expend significant resources to develop the requisite mainland infrastructure makes the South China Sea reserves particularly lucrative.

Following the U.S. withdrawal from the Philippines and the Soviet withdrawal from Cam Ranh Bay in Vietnam, China sees an opportunity to become the major military power in the South China Sea. The shift in the balance of power has created an opportunity for China to play a much larger role in the international scene throughout Southeast Asia. Nevertheless, ASEAN remains the pre-eminent political force in the region and, concerned with what it views as collusion among the remaining five parties to the dispute, China would prefer to deal with each of the claimants bilaterally. China is particularly concerned that ASEAN might press China to accept an agreement reached without China's participation. That ASEAN could invite participation by the

United States and/or Japan to play a role in implementing the agreement only serves to exacerbate this concern.<sup>16</sup>

While building a more modern and capable Navy in the region, in 1992 the Chinese National People's Congress (NPC) adopted a "Law of the People's Republic of China on the Territorial Sea and the Contiguous Zone," laying down China's exclusive claim over the entire Spratly archipelago and authorizing the Chinese navy to evict "trespassers" by force.<sup>17</sup> Article 6 of the 1992 Law states that "foreign ships for military purpose shall be subject to approval by the Government of the PRC for entering the territorial sea of the PRC." The law also states that all regulations are to be implemented through the use of military force, especially in cases of hot pursuit.<sup>18</sup> To date, it is not obvious that this provision of the law is being enforced within the greater South China Sea.

The two major military actions over disputed claims in the South China Sea in the last 20 years have involved China and Vietnam. In 1976 China forcibly evicted South Vietnamese personnel and seized the Paracel Islands near the northern edge of the South China Sea. In 1988, following a short sea battle, China seized a collection of reefs and islands in the Spratlys held by Vietnam.

While other countries perceive China in recent years as aggressive and provocative in the South China Sea, Beijing intrinsically sees its assertive policy as a long-overdue and legitimate action to protect its territorial integrity.<sup>19</sup>

Taiwan, seeing itself as the legitimate government of China, has essentially the same expansive claims as China, using the same historical ownership argument. Taiwan's presence in the chain has been for a much longer duration, occupying Itu Aba ever since the Japanese departure after World War II.<sup>20</sup> The Taiwan government, while acting more "docile" than China, has been no less vehement in stating its claim.

The Vietnamese claim to the Spratlys is based, like China's, on historical sovereignty, tracing its claim as far back as 1650-53.<sup>21</sup> After the loss of the western Paracels to China in 1974, Vietnam occupied six islands in the Spratly archipelago, triggering the

tension in relation to the islands. "To Vietnam Beijing's plan is obvious: step-by-step control of the South China Sea."<sup>22</sup>

During the 1980's Vietnam occupied significant portions of Cambodia. This resulted in a quasi-alliance between China and the ASEAN nations to diplomatically isolate Vietnam. With the ending of the Cambodian occupation and entry of Vietnam into ASEAN, the original ASEAN countries expect a *quid pro quo*, a recognition that they too have rights in the South China Sea.<sup>23</sup>

The fourth claimant to the Spratlys is the Philippines. The Philippines base their nation's claim on discovery of the chain in 1956 by Thomas Cloma, a Filipino. The claim was formalized in 1971. The Philippine position is that the islands they lay claim to are not part of the Spratly archipelago and were unknown prior to Cloma's discovery. Troops were garrisoned on the islands beginning in 1975.<sup>24</sup>

The fifth entry into the Spratly dispute was Malaysia. In 1979 Malaysia published a new map of the country which included several atolls as part of its EEZ. The basis of including these atolls was that they lie on part of the continental shelf which UNCLOS implied were available for exploitation by the nation which borders the shelf. Malaysia, like the other claimants, desires control over the natural resources of the area. All the atolls are located in the extreme southern portion of the chain, but were already claimed by China, Vietnam and the Philippines. Malaysia occupied its first island, Swallow Reef, in 1983.<sup>25</sup>

Brunei was the last to enter into the dispute. In the mid 1960s offshore oil fields were developed which would become Brunei's chief source of petroleum production and national wealth. Establishment of a 200nm EEZ created boundary disputes with Malaysia, both close to the coast and in the vicinity of the Spratlys. Being a small nation with essentially no naval or offshore surveillance capabilities, Brunei more than any of the other claimants needs a diplomatic solution to the problems.<sup>26</sup>

## **Regional Diplomatic Efforts**

While not a direct party to the dispute, Indonesia has taken the diplomatic lead in reducing tension throughout the area. Since independence in 1945 Indonesia has espoused a "free and active" foreign policy, seeking to play a role in regional affairs commensurate with its size and location but avoiding involvement in conflicts among the major powers.<sup>27</sup> With the end of the Cambodian conflict, which served as a unifying force within ASEAN, Indonesia is promoting peaceful dialogue on the South China Sea as an issue to unite the ASEAN states.<sup>28</sup> While claiming to be essentially uninvolved in the Spratly dispute, Indonesia's Natuna gas field lies within claimed Chinese waters.<sup>29</sup>

Since 1990 Indonesia has hosted a series of annual workshops whose goal was to prevent conflict throughout the South China Sea. Participants include private experts, government and non-government officials from the claimants, and observers from non-claimants.<sup>30</sup> The first workshop met in Bali in July 1990. While providing a useful forum for dialogue among most of the parties to the dispute, no firm agreements were reached. The second workshop met in Bandung, Indonesia in July 1991. This meeting was much more fruitful and "... an unofficial understanding by all parties concerned to renounce force as an instrument to resolve their differences was secured."<sup>31</sup> While the governments concerned agreed to examine areas in which they could all work together to resolve the issues, they did so "...without prejudice to territorial and jurisdictional claims."<sup>32</sup> In fact, during the conference the attendees did not restrain themselves from asserting their respective claims and China, upon announcing its decision to send a delegation to the workshop, announced that their attendance "does not mean any change in position on that issue."<sup>33</sup>

The third, fourth and fifth workshops (Jogjakarta, July 1992; Surabaya, September 1993; and Balikpapan, October 1995) achieved no significant progress other than to endorse the Bandung conference agreement to renounce force as an instrument to

resolve differences. <sup>34</sup> China remained reluctant to fully participate, continuing to express "...disapproval of multilateral discussions of the Spratlys in general" <sup>35</sup>

The United States has been generally supportive of the efforts of Indonesia to peacefully resolve the Spratlys conflict. Assistant Secretary of State for East Asia-Pacific Affairs Winston Lord stated: "The United States has welcomed Indonesia's contributions to regional security, especially its leading role ... in mediating among the many territorial claimants in the South China Sea." <sup>36</sup>

A second multilateral venue for discussions has been the ASEAN Regional Forum (ARF). The ARF, which includes China, first met in 1994, and

... produced a series of measures aimed at reducing the likelihood of politico-military inspired conflict in the region. [During this meeting] the Spratlys was identified as one of the key areas where agreements on cooperation and joint development have been concluded without the use of military intervention. <sup>37</sup>

The ASEAN countries, following Indonesia's lead, are attempting to internationalize the dispute, strengthening the positions of the smaller regional claimants relative to China. <sup>38</sup> In the eyes of Indonesia, diplomatic intervention by the United States, Japan and other international powers may be the only way to check China's growing influence. <sup>39</sup>

In addition to the multilateral talks hosted by Indonesia and in the ARF, there has been some bilateral success in resolving the competing claims. Vietnam and China, who have been historical enemies, fought a border war in 1979. Prior to 1987 China went out of its way to publicly protest every Vietnamese initiative in the Spratlys. This was particularly harsh treatment, especially relative to the Philippines. The Philippines were significantly more active than Vietnam in asserting their claims and establishing military garrisons in the Spratlys, yet their actions were seldom attacked publicly by China. <sup>40</sup>

In November 1991 China and Vietnam normalized their relations. In August 1993 the two countries held the first round of talks at the deputy foreign minister level ,

establishing a foundation for settling territorial disputes. China made a major concession to Vietnam by agreeing to discuss the Spratly Islands dispute in addition to disagreements over the Vietnam/China border delineation and boundaries within the Tonkin Gulf.<sup>41</sup> In October 1993 both countries confirmed the Bandung agreement not to use force to settle their disputes, "actually sign[ing] an accord to that effect on October 19."<sup>42</sup>

There are hints of growing cooperation between China and Taiwan as well. "A Taiwanese military station in the Spratlys supplied fresh water to Chinese Marines before and after their attack on Vietnamese forces in 1988."<sup>43</sup> The two countries have also tended to support one another on the Spratlys at international forums. "In March 1994 both nations organized a joint scientific expedition to survey waters around the islands. China's media reported Taiwan's police patrols of the islands in the following month in a positive light."<sup>44</sup> And on "April 24th [1995], the Taiwanese National Sun Yat-sen University let slip that chinese [sic] officials were coming to Taipei to plan joint oil explorations in the ... South China Sea."<sup>45</sup>

Prior to 1987 "China saw the Philippines and Malaysia as countries to be won over, and it took a conciliatory attitude toward their activities regarding the Spratlys by keeping silent about them or by expressing its concerns in private."<sup>46</sup> "China has become more active in suggesting to Malaysia and the Philippines that they could conduct co-exploration of the resources, temporarily setting aside the question of sovereignty. In August 1992 [China] formally suggested a joint agreement to Malaysia on the development of oil and gas resources in the disputed area."<sup>47</sup>

Finally, in April 1993, "Philippines President Ramos and China's President Jian Zemin agreed in principle to explore and develop the disputed territory jointly and shelve the issue of sovereignty."<sup>48</sup> In a letter to President Ramos two years later, President Zemin again proposed "that their countries jointly develop portions of the

Spratly Islands. ... Ramos responded with the insistence that all claimants in the matter ... be privy to the deal."<sup>49</sup>

## **The Future**

Despite all the diplomatic progress there continue to be signs of unrest over the Spratlys. The activity and rhetoric are particularly acute between China and the Philippines which, through 1994, had kept most of the details of their dispute private. Then, in February 1995, the Philippines released a picture showing Chinese naval ships off Mischief Reef, a contested island, and another of an unauthorized structure being built there. China responded that the structure was merely a shelter for Chinese fisherman operating near Mischief Reef.<sup>50</sup> In response, the Philippine government deployed additional troops to Philippine occupied sections of the Spratly Islands, reinforcing its claim. China warned that the deployment had the potential to disrupt the countries' relations.<sup>51</sup> The confrontation continued into May when two Chinese fishing boats prevented the landing of reporters on Mischief Reef from a Philippine Navy landing ship. In response to this further escalation, both Beijing and Manilla sent warplanes to the area. Fortunately, both sides withdrew their forces before open hostilities began.<sup>52</sup>

Economic issues continue to be the primary driver of the dispute. Despite surveys which indicate the presence of large petroleum reserves, there has been no actual oil discovery to date. The potential for outright aggression to enforce claims appears to be minimal as long as this remains the case. But, should there be a major oil discovery, there could be trouble.<sup>53</sup> Neither China nor Vietnam possess the technology necessary to exploit the undersea petroleum fields. Both countries have initiated joint ventures with foreign (U.S.) companies to explore for oil.

In May 1992 China granted a license to Crestone Energy Corporation of the United States for a joint venture to explore for oil and gas on the Vietnamese continental shelf.



Many saw the presence of the U.S. Commercial Counselor in Beijing at the signing ceremony as indicating official U.S. involvement in and approval of the deal. However, the Counselor stated after the meeting that he had discouraged all U.S. firms, including Crestone, from participating in this type of venture.<sup>54</sup> In a warning primarily directed at Vietnam, China agreed to provide naval protection to Crestone to uphold the agreement.<sup>55</sup>

Meanwhile, in April 1994, Vietnam entered into a venture with another U.S. firm, Ocean Development, to explore for oil in an area of overlapping claim to where Crestone is operating.<sup>56</sup> According to China's Foreign Minister, Chinese warships will blockade the Vietnamese rig, since the area is claimed by China.<sup>57</sup> It is likely that Vietnam is using a foreign owned oil exploration company to reduce the chance of a Chinese military response.

Relative military power will also serve to influence the issue. All of the claimants have made recent efforts to improve their maritime surveillance and naval warfare capabilities. Even so, "there is a mismatch of military forces in the region. Chinese forces overshadowing those of the other claimants. Only Thailand stands as the great exception."<sup>58</sup> Yet Thailand is not a party to the Spratly disputes. Furthermore, the reduction of superpower presence throughout the region has shifted the basis of military balance.

## **United States Policy**

The United States intends to maintain a global role for itself, involved throughout the world to identify, address and, where possible, minimize threats to the nation's interests. The national security strategy is one based on engagement and enlargement.

Enlarging the community of market democracies while deterring and containing a range of threats to the nation. There are three central components to the nation's strategy: efforts to enhance security by maintaining a strong defense capability and promoting cooperative security measures; work to open foreign markets and spur global economic growth; and promotion of democracy abroad.<sup>59</sup>

The United States has pursued a more or less consistent policy in Southeast Asia over the last two centuries, in its focus on: "...peace and security; commercial access to the region; freedom of navigation; and the prevention of the rise of any hegemonic power or coalition."<sup>60</sup> As America conducts more and more trade with the countries of Southeast Asia, it is in the nation's interest to foster the continued high rates of economic growth in Southeast Asia which are ever more vital to America's own economic health.

Southeast Asia's continued economic growth is directly related to its security environment. Reliance on sources outside the area to meet the necessary energy needs is but one example. The Asian-Pacific area's total demand for oil is second only to North America's; 70% of the region's total consumption comes from the Persian Gulf. U.S. and Asian interests are obviously dependent on maintenance of free navigation through the South China Sea to support worldwide trade in oil and other goods.<sup>61</sup>

Southeast Asia is becoming more important with each passing day. Economically, the Asia-Pacific region (less the United States) it is the world's most dynamic, expected to account for almost 30% of the world's total economic activity at the end of this century.<sup>62</sup> The United States "regards the high seas [in Southeast Asia] as an international commons"<sup>63</sup> and has a strategic interest in ensuring that the sea lines of communication in the South China Sea are maintained free. It is essential that the nation resist any maritime claims beyond those permitted by the Law of the Sea Convention.<sup>64</sup>

[The nation's] military forward presence in the Asia-Pacific region [which includes ships at sea] is an essential element of regional security and America's global military posture. Only the United States has the capability, credibility, and even-handedness to play the "honest broker" among various nervous neighbor, historical enemies, and potential antagonists.<sup>65</sup>

Recognizing that conflict in the South China Sea over the Spratlys could have a profound impact on the interests of the United States, government leadership, both

diplomatic and military, has been actively involved in seeking a peaceful resolution to competing claims. At a speech in October 1994 to the National Defense University in Beijing, Secretary of Defense William Perry told the group that,

The challenge facing us today is to ensure that [East Asia's] stability and prosperity are strengthened for future generations. If disputed territorial claims to the Spratly Islands erupt into conflict, it could be a devastating blow to regional security and could threaten sea lines of communication vital to the United States and other countries of the world. Inflammatory statements and military deployments help keep tensions high. What is needed are permanent and peaceful solutions to these problems.<sup>66</sup>

Likewise Assistant Secretary of State for East Asia and the Pacific Winston Lord made clear our intent to "maintain [the United States'] forward presence in the Western Pacific."<sup>67</sup> Following a trip to the region in May 1995 Secretary Lord told reporters:

[Southeast Asia remains] our strong interest: [the Spratly dispute] should be solved peacefully, don't use force, exercise restraint, clear interest in freedom of navigation and security in the area, and no position on sovereignty claims. We'll continue to play a significant, diplomatic role. But, obviously, it's up to the claimants themselves primarily to solve this.<sup>68</sup>

While remaining active and "engaged" in the region, the U.S. Department of State refuses to take a position on the merits of competing claims by individual nations, except to say they should be resolved peacefully. The United States takes this position because, practically speaking, with the various claims based on so many different legal principles it may prove impossible to adjudicate the issue to the satisfaction of all parties. Certainly the United States is not interested in enforcing a solution.

Firm visible action by the United States could also have a less than optimum impact in the internal Chinese political arena. With Deng Xiaoping's influence in Chinese politics coming to a close, the Chinese People's Liberation Army (PLA) is positioning to have greater political control. According to Mark Valencia of the East-West Center in Honolulu:

...the United States seems reluctant to challenge China's assertive behavior and its expansive claims to most of the South China Sea because it could strengthen the hand of the [Chinese] military in the run-up to the Chinese [political] succession.<sup>69</sup>

Short of imposing a solution to the conflict, the United States will continue to encourage and support ongoing diplomatic efforts. In a somewhat new approach, the nation will no longer emphasize bilateral agreements with ASEAN nations as the focus for regional stability, but will rely more and more upon multilateral solutions.<sup>70</sup> A key feature in this new emphasis will be the ARF. According to Assistant Secretary Lord:

Our [existing] alliance relationships and forward military presence form the foundations of our Asian security policy. To supplement, but not supplant these foundations, the Administration has also explored new multilateral security dialogues. Working with ASEAN, and other friends, the U.S. has supported the establishment of the ASEAN Regional Forum (ARF), the Pacific's first broadly based consultative body concerned with security issues. We believe the ARF can play an important role in ... easing tensions.<sup>71</sup>

The Philippine government would like the United States to come to its defense in a military dispute over the Spratlys. The State Department has already reviewed the issue and has ruled that the Philippine Mutual Defense Treaty would not be applicable for defense of the Spratlys. The treaty only applies to the metropolitan territory of the Philippines as defined in 1951. Collective self-defense beyond the defined territory is limited to territory and armed forces in the Pacific, effectively excluding the Spratlys.<sup>72</sup>

Even while the United States emphasizes diplomatic efforts, it must be prepared to deter regional aggression through a strong military presence. The national military objectives are to promote stability and thwart aggression. With the downsizing of the military, increased emphasis on CONUS basing, and commitments throughout the world, the country needs to ensure that its military forces remain capable of responding to crisis in Southeast Asia. <sup>73</sup>

### **Possible Courses of Action**

It is impossible to know for sure where the conflict will proceed from here, but it is clear that the issue is anything but resolved. The United States has an important interest in seeing that the Spratly dispute does not result in armed conflict in the South China Sea and needs to be prepared to act to keep the resolution of competing claims a

peaceful process. There are essentially three courses of action which the claimants can take:

- Resolution of the disputes through peaceful negotiation.
- Maintain *status quo* of diplomatic dialogue without a negotiated solution.
- Resolve the dispute through armed conflict.

### **Peaceful Negotiation**

Even though all of the claimants have pledged not to use military force to solve the disputes, the prospects for a peaceful negotiated solution are slight. The reliance of the smaller claimants on sea based natural resources to support their economies make it extremely unlikely they would abrogate their respective claims. China is also unlikely to modify or reduce its claims. With all other claimants now members of ASEAN, China may very well view continuing negotiations as an "us against them" contest. China's large area claim also serves to confuse and complicate the issue; what could in some cases be a bilateral problem must now include China in any resolution. Unless China changes its policy of refusing to deal in anything but a bilateral mode on the issue of sovereignty, the negotiation process will be hard pressed to develop a complete and final solution. Also, as China continues to develop its economy and expand its military it may very well ignore the sovereignty issue until it is in a position to impose its desires on the other claimants through economic, diplomatic or military pressure.

### **Status Quo**

Minor military skirmishes aside, the South China Sea has remained relatively peaceful and stable. Short of a negotiated diplomatic solution, however, one can expect minor armed actions and diplomatic posturing to continue. Yet, as long as the petroleum reserves remain unproven, there is no pressing economic need to force an early outcome between the competing claims. This is particularly true in the case of China, which will only become more and more powerful relative to the other claimants with the passage of time.

None of the nations involved in the dispute possess the necessary technical capabilities to recover the projected Spratly petroleum reserves by themselves. As long as the issue of ownership remains unclear, foreign companies will require significant inducement to make the required capital investment for resource exploration and recovery. Absent a diplomatic solution, no nation will be forced to cede territory currently in its possession and can continue current levels of resource exploitation unimpeded.

Formation of a regional multinational organization to coordinate, even conduct, petroleum resource exploitation would also obviate the need for final resolution of the sovereignty issue. Establishment of this organization would be greatly hampered by China's refusal to deal on anything but a multilateral basis.

#### **Armed Conflict**

Most of the posturing over the Spratlys, and the rest of the South China Sea, is for control the natural resources of the region. At present, despite surveys indicating large scale petroleum reserves, there has been no significant resource find in the Spratlys. None of the claimants currently possess a blue water naval force of sufficient capability to seize, hold and control the entire area. China is building the People's Liberation Army (Navy) (PLA(N)) towards this goal, but likely will not achieve it before the middle of the next decade, if ever. Even so, the reduced presence of superpower naval forces throughout the region, coupled with the Chinese naval building program are only going to increase Chinese naval supremacy in the region. If a negotiated peaceful settlement is not reached, and significant petroleum reserves are confirmed, unilateral Chinese military action becomes more likely.

#### **Likely Outcome**

Until there is a significant oil discovery in the Spratly area, maintenance of the *status quo* appears the most likely course of action. The differences among the individual parties are so complex and vast that a negotiated solution will be extremely difficult.

There does not seem to be any near term problem to provide the impetus to reach the required consensus. As a result of China's inability to explore the area without foreign assistance, coupled with the long distance of the Spratly archipelago from the Chinese mainland, China has not yet been required to bring the issue to a head. Also, "the Spratly Islands issue is only one of 26 extant territorial conflicts in East Asia."<sup>74</sup> A unilateral military response by any claimant over the Spratlys may result in a military action elsewhere in the region that the aggressor may be ill prepared to contend with. However, with the need for increased domestic energy resources to fuel and maintain the expanding Chinese economic expansion, the necessity to fully investigate the South China Sea reserves is fast approaching.

### **Conclusion -- What is the United States to Do?**

The United States has a clear interest in seeing that all of Southeast Asia, including the South China Sea and Spratly Island region, remains stable and free of military aggression. For the foreseeable future, the competing claims over the Spratly Islands are unlikely to degenerate into large scale armed conflict. During this time the United States must be a leader in Southeast Asia, encouraging long term peaceful resolution of the competing claims. Failing that, the United States must be positioned to influence the players to handle their disputes peacefully.

Key to this strategy will be to remain engaged in the area. Active participation in the diplomatic process will signal the country's continuing interest. Continued forward deployment of robust military forces will send the same signal, while also indicating more specifically the depth of our interest. Continued naval expansion by China will eventually force other nations of the area to improve or enlarge their navies, provoking even further expansion by China. U.S. military presence can reassure the smaller claimants and help circumvent a Southeast Asian naval arms race.

Through participation in ongoing regional diplomatic forums, the United States must continue to emphasize the benefits of regional cooperation and multilateral solutions to the competing claims. The single most important goal of this effort must be to convince China that an early, far reaching, peaceful diplomatic solution is in China's best interest. The U.S. should emphasize the value of reallocating Chinese financial resources towards economic expansion and away from a military buildup, and how a Spratly solution can help make this possible. As long as China maintains her position to deal only bilaterally, there can be little hope for a peaceful diplomatic solution.

Improvement of relations with China in general is also important. With the admission of Vietnam to ASEAN, China is clearly an outsider in the political arena of Southeast Asia. The U.S. must lead the way with confidence building measures which will eventually allow China to become a full fledged member of the community of nations in the area. Only by allowing active Chinese involvement in all the affairs of the region can China be made to see the benefits of cooperation.

The U.S. must work to dissuade U.S. companies from active participation in economic development in disputed areas of the South China Sea. The presence of these companies in the region could destabilize the diplomatic process by implying U.S. recognition of a single nation's claim. While other claimants would likely not act directly against a U.S. company, they might feel compelled make a countermove elsewhere. The chain of events which these actions start could result in unnecessary and unintended military action. On the other hand, U.S. involvement in supporting regional economic organizations can be used to reward successful multi-lateral efforts and influence other nations to cooperate in the same way.

Now is the time to act. Despite stalemate in the political arena, the South China Sea remains peaceful. As long as peace remains, all the claimants to the Spratly Islands have significant freedom to pursue a negotiated solution to the problem. Complete or partial withdrawal of U.S. participation and military presence in the area can only be



destabilizing. The United States must remain fully committed to a peaceful resolution of the Spratly Island disputes.



## **Endnotes**

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