



Fishing, Shipping Lanes, Oil & Gas: Is Peaceful Resolution of the South China Sea Dispute Possible?

Krista E. Wiegand, Ph.D.*

Faculty Fellow, Howard H. Baker Jr. Center for Public Policy
Associate Professor, Department of Political Science
The University of Tennessee
Knoxville, Tennessee

August 2015

There are numerous territorial and maritime disputes ongoing worldwide, but not one of these disputes has greater significance for the US and her East Asian allies than the Spratly Islands and the maritime dispute over control of the South China Sea. The ability of the US to effectively respond and proactively plan to deal with territorial and maritime disputes of its allies, particularly those in East and South Asia, is of critical importance. Not only is China involved in three major territorial and maritime disputes with US allies (Taiwan, Japan, Philippines), but the Chinese navy and coast guard have been increasingly utilizing escalatory moves in these disputes in recent years, much to the dismay of the disputants and the US. More importantly, China's military buildup and expansion of power projection in the East and South China Seas respectively are concerning for the US, indicating a direct competition for influence in the region.

In terms of additional motivation for competition in the region, the South China Sea possesses a number of significant economic resources. The first, and most consistently undervalued, are the fisheries in the area, a multi-billion dollar industry that amounts to roughly 10 percent of global catch by fisheries, making the area one of the richest fishing sites in the world. With fish composing roughly 22 percent of the average Asian diet, it can be expected that demand on these limited resources will only rise in the years ahead. Legally controlling the South China Sea would give the controlling state the capacity to feed its economic growth.

Additionally, about half of the world's merchant fleet tonnage passes through the South China Sea on the way to destinations beyond each year, which represents \$5.3 trillion of trade. Of this amount, \$1.2 trillion of it heads to US ports. Controlling the shipping lanes in the South China Sea would therefore mean significantly greater economic resources for the state that succeeds in doing so. Yet, perhaps of greatest importance to the disputing states' economies is the supposed presence of large oil and natural gas deposits. China estimates that there are approximately 125 billion barrels in the South China Sea worth over \$7 *trillion* dollars in current prices. Even assuming that other estimates are right in that this number professed by China is inflated, as long as China stands by this number it will serve as a poignant influence on its actions in the South China Sea. To have majority control of these resources would provide China with tremendous economic and strategic concessions. Further, beyond the deposits themselves, nearly a third of the world's crude oil passes through this area every year.

Of all the states struggling over ownership of the islands and waters of the South China Sea, the most worrying interactions have been between China and the Philippines. Following China's declaration of the "nine-dash line" in 2009, China has aggressively taken control over a number of these disputed islands, shoals, and reefs, as well as interfered with Philippine ships, armed forces, and citizens, including a month long standoff between the two countries over Scarborough Shoal and Chinese blockage of a Philippine military resupply vessel in the contested waters. Chinese navy and coast guard vessels have clashed with Vietnamese and Philippine navies in waters near the disputed islands, interrupted fishing access, and halted exploration of natural gas resources. More broadly, the Chinese maritime disputes have been linked to the tremendous increase in military spending by China over the past decade, and the outreach to the disputes is directly linked to China actively signaling its "Near Sea Doctrine" of dominating the Pacific Rim. The snowball effect is remarkable with many disputed issues directly or indirectly linked to territorial and maritime disputes, particularly in Asia, a region that many government sources expect to experience armed clashes or conflict in the near future. Peaceful resolution of this dispute is critical, since escalatory military action would likely drag the US, as an ally of the Philippines, into a military confrontation with China.

Military action is not out of the question. In April 2012, China and the Philippines engaged in a month long standoff over Scarborough Shoal, which only ended due to an agreement brokered by the US, with both states agreeing to withdraw militarily. However, Chinese vessels soon returned to seize control of the Shoal and China Maritime Surveillance ships increased the frequency and proximity of presence near the Philippine controlled Second Thomas Shoal outpost where the Chinese prevented a resupply and replacement of personnel by the Philippines. In response to the increasingly aggressive actions taken by China, the Philippine government initiated in January 2013 an arbitration case against China with the claim that China's "nine-dash line" far exceeds what is agreed upon by the international community under the United Nations Convention of the Sea (UNCLOS), and thus the line should be declared invalid. China has denounced any interest or involvement in a legally binding case involving international law. The Chinese government has made it clear that China will not participate in the arbitration case. Rather, China's strategy in the dispute has been to pursue an aggressive

occupation and military presence in and around the islands, and to use domestic legislation to justify its claim of ownership. Despite these actions the Philippines government continues to hope that the arbitration panel will rule that the panel has jurisdiction over the dispute and they will provide a ruling in the next couple years. Oral proceedings took place at the Peace Palace in The Hague in the first two weeks of July 2015, but only the Philippine government was represented. The question is whether the arbitration case will have any influence over the resolution of the dispute given that China refuses to participate. Without China's participation in the resolution process, can the dispute actually be resolved?

The US position is that international law should be respected and therefore, the Philippine strategy of resolution through arbitration using UNCLOS is appropriate and commended. Yet despite clear US signaling to China that the US prefers a resolution of the dispute through peaceful means using international law, China continues to aggravate the dispute and its relationship with the Philippines, Vietnam, other disputants, and the US by building up shoals and rocky islets to become actual islands. China claims it respects international law, but there is no indication this is necessarily the case due to China's unwillingness to pursue resolution through third party involvement. The Obama administration must balance its support of legal dispute resolution and its relationship with China, which leaves very few options for US policy. Continuing to support the peaceful resolution of the dispute through international law, while at the same time not taking a position on actual ownership of the islands and shoals and control of the South China Sea, is really the only feasible option right now.

* With the assistance of Erik Beuck.